

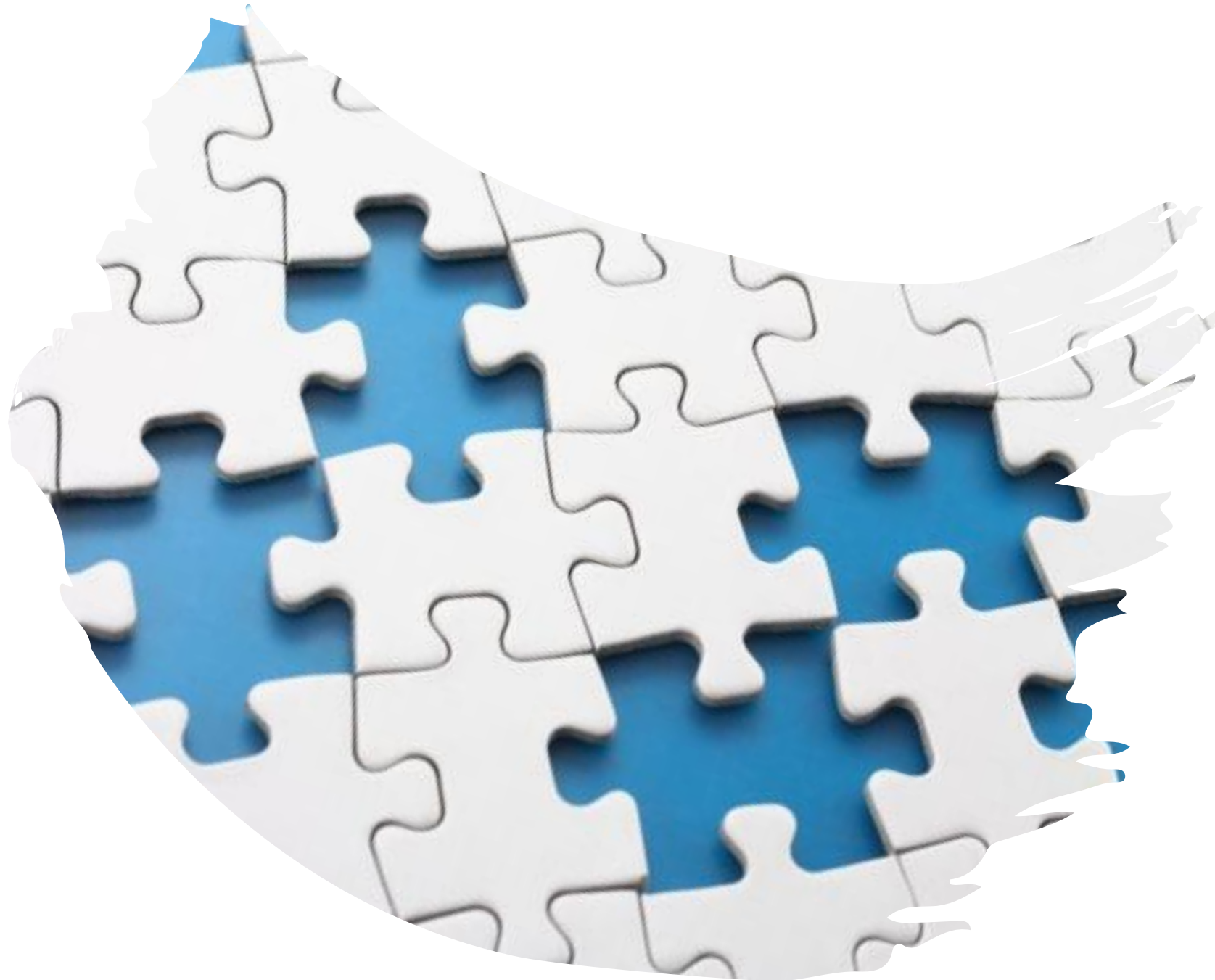
# REAM

Audit, Tax & Financial Advisors

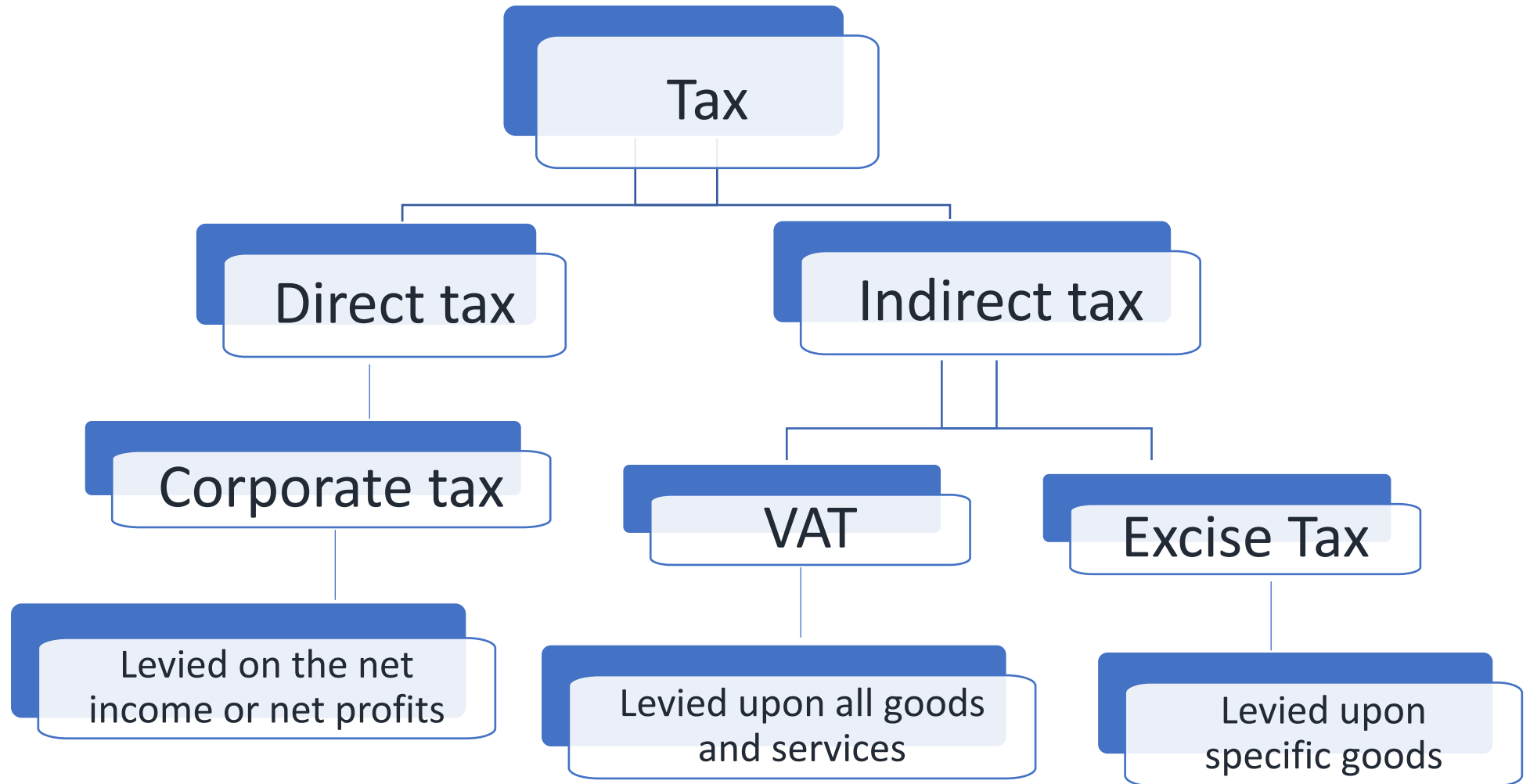
*Building paths for better business process*

---

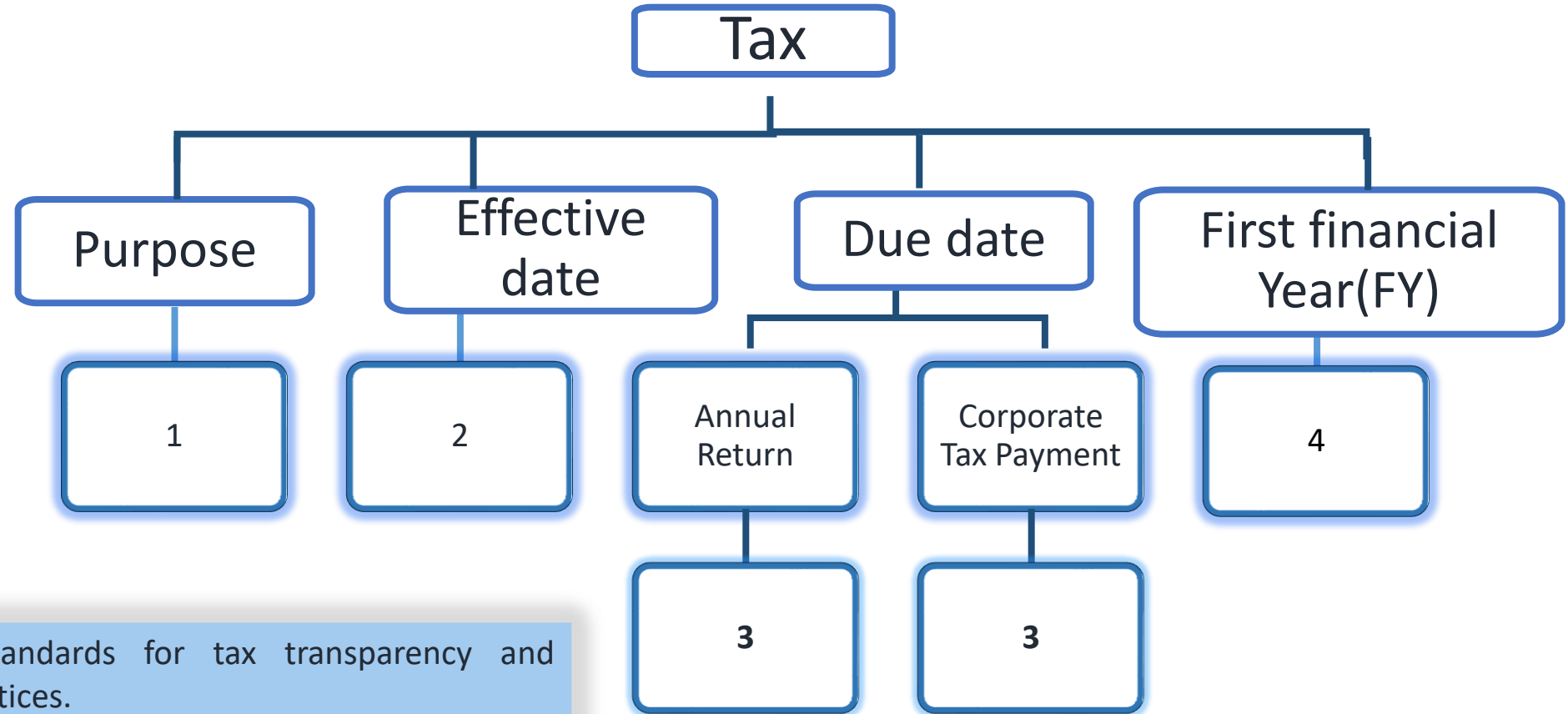
## UAE Corporate Tax:



# 1. Overview

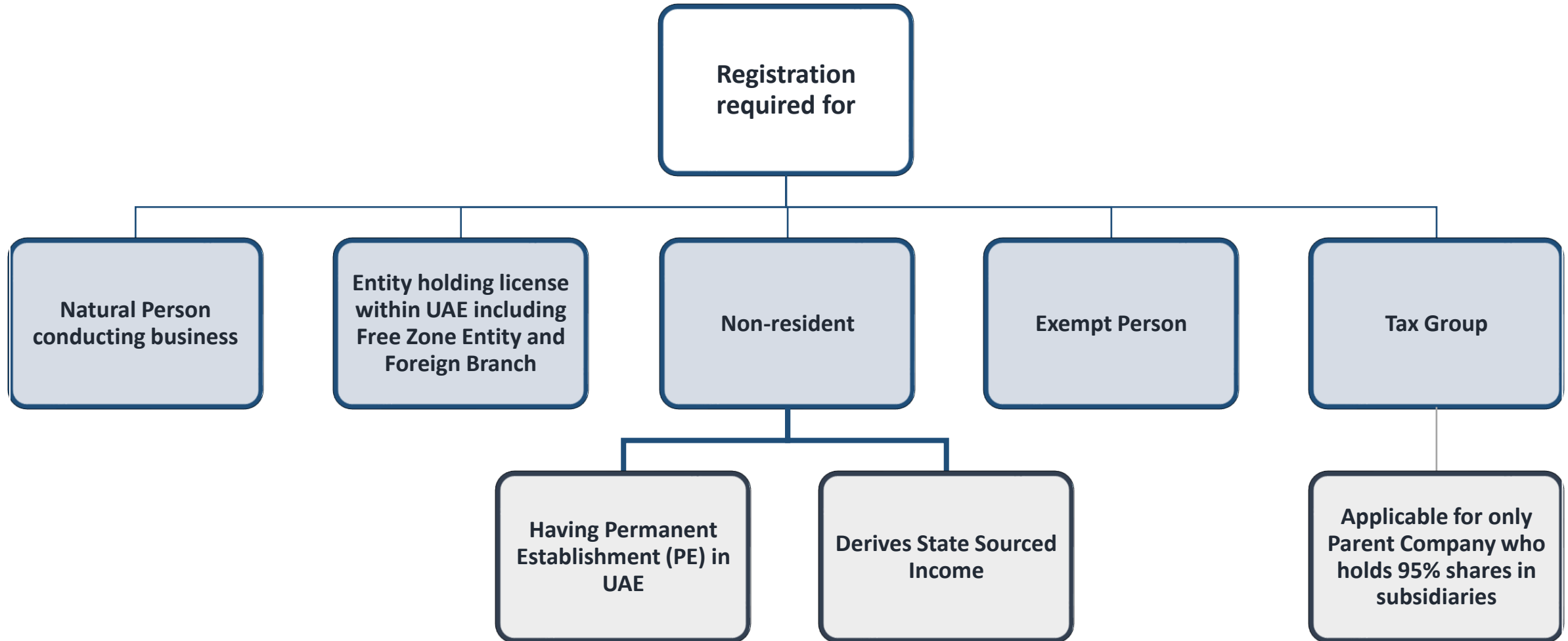


## 1. Overview (continued)

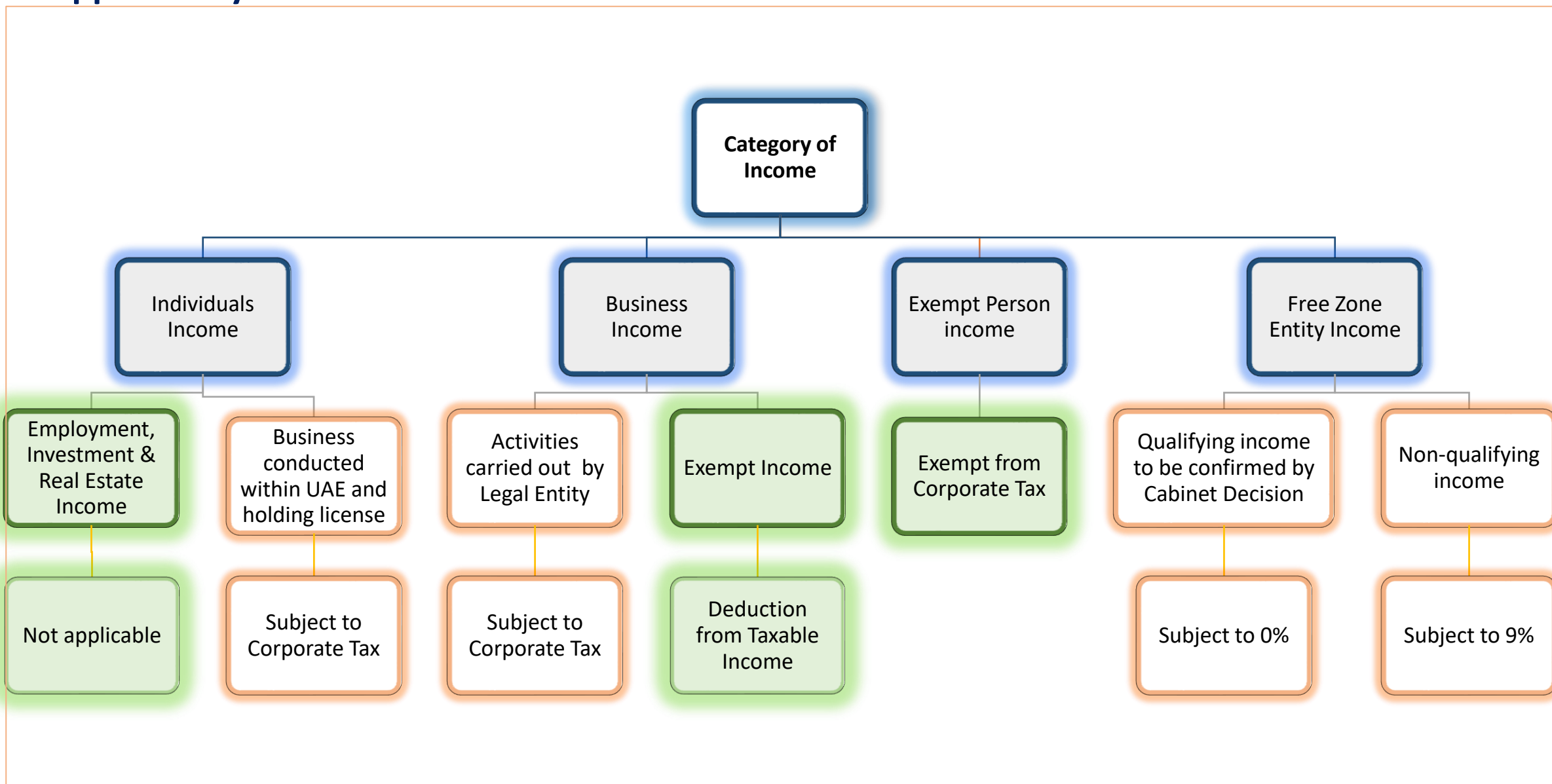


1. To meet international standards for tax transparency and preventing harmful tax practices.
2. Applicable for tax periods commencing on or after June 1, 2023
3. Corporate Tax Returns and payments to be made within 9 months from the end of the financial year
4. If your FY starts on January, First CT FY will be from January 1, 2024 to December 31, 2024 and if your FY starts on July, First CT FY will be from July 1, 2023 to June 30, 2024.

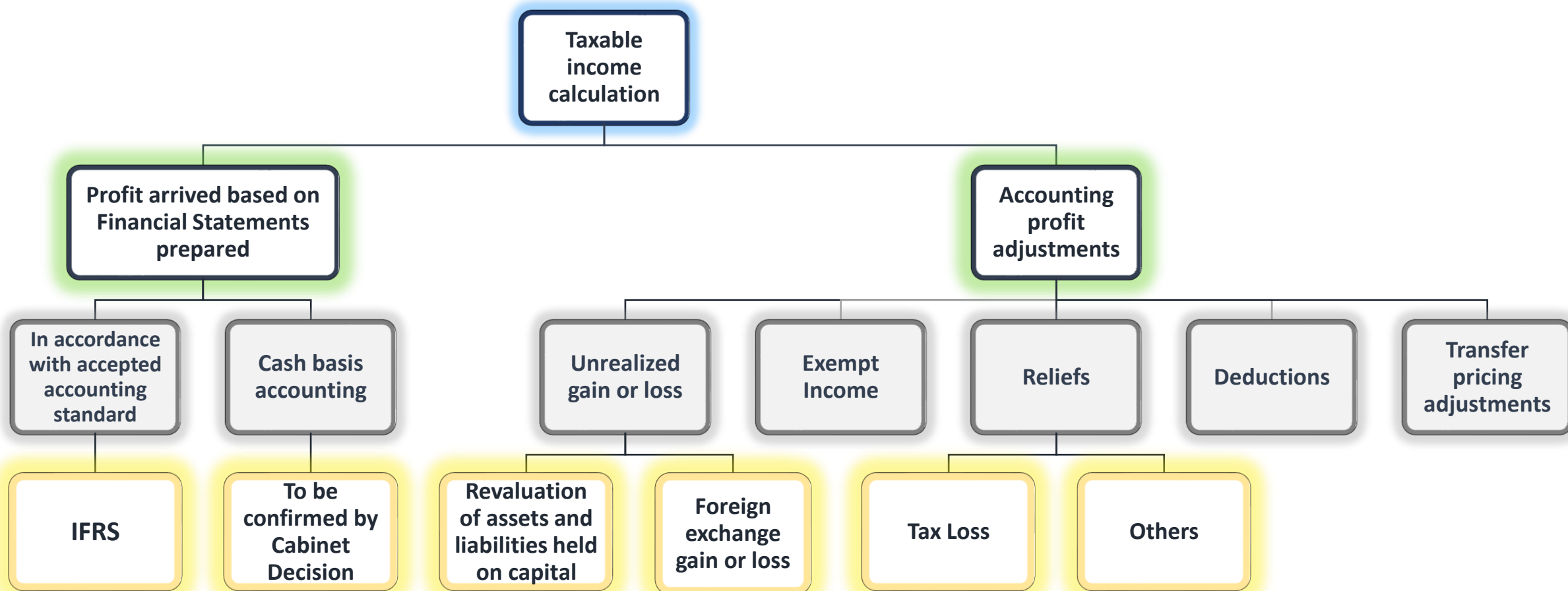
## 2. Registration (Article 51 of Corporate tax law)



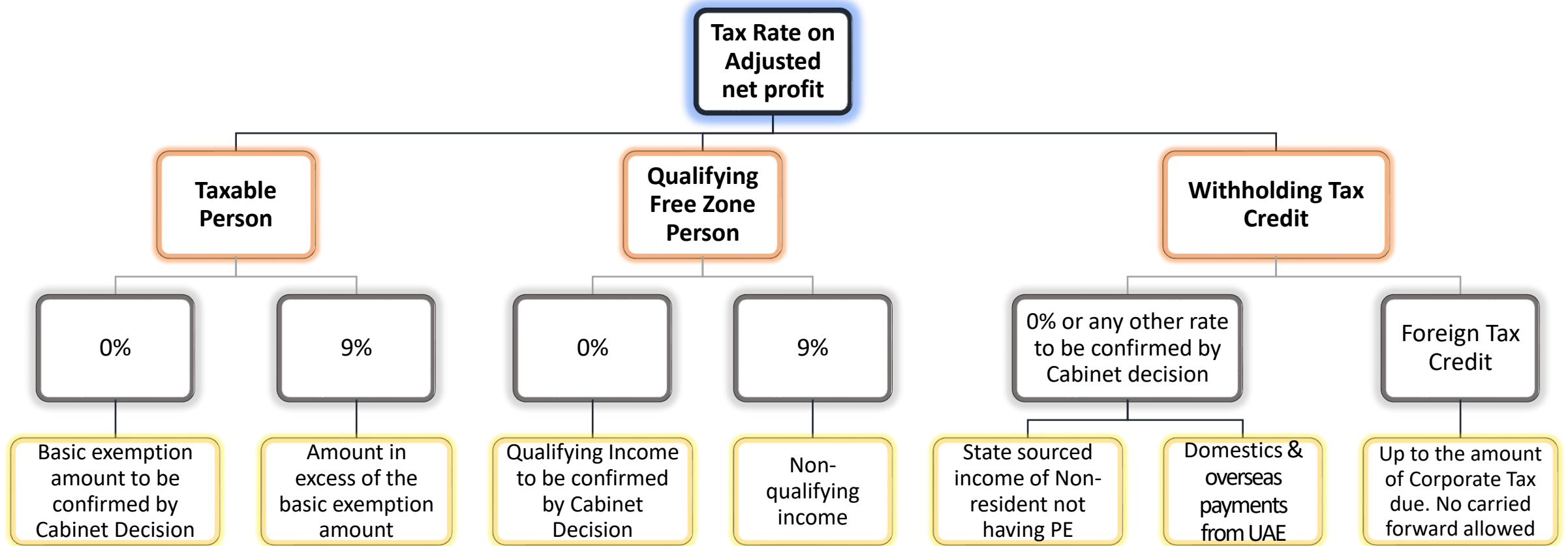
### 3. Applicability check



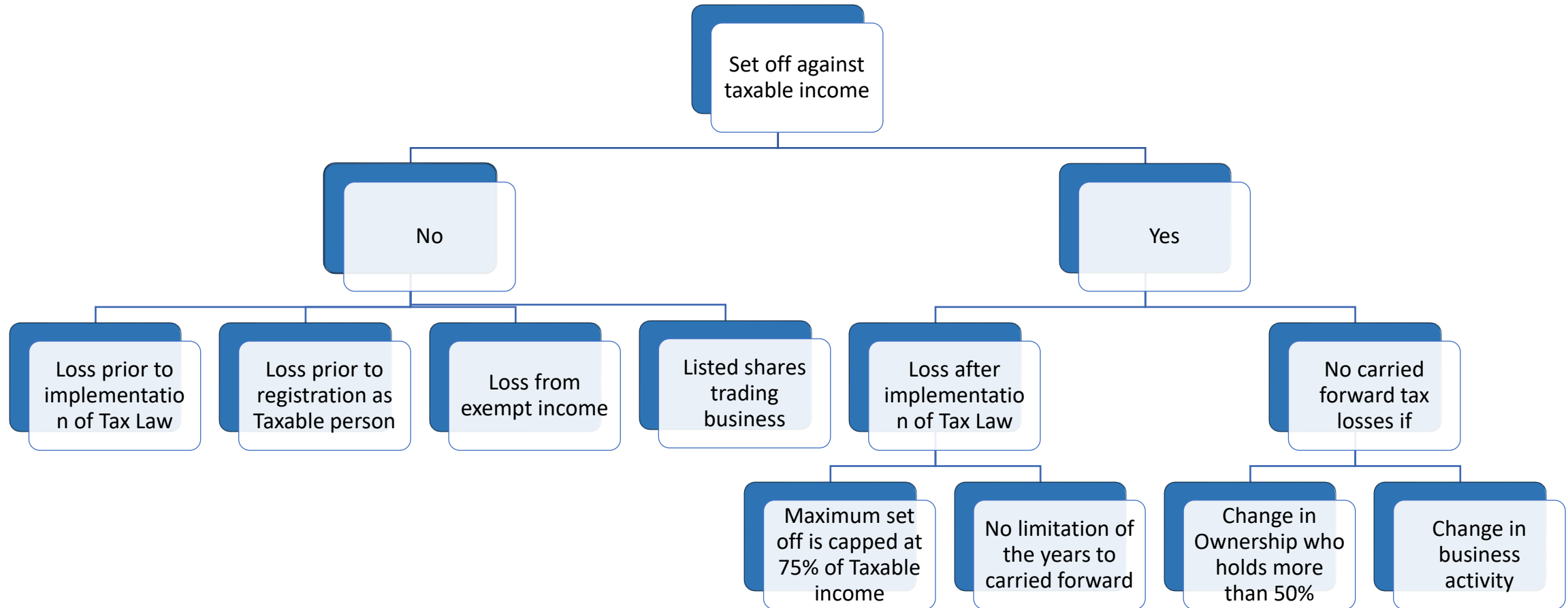
## 4. Taxable income calculation (Article 20 of Corporate tax law)



## 5. Tax rate and credit



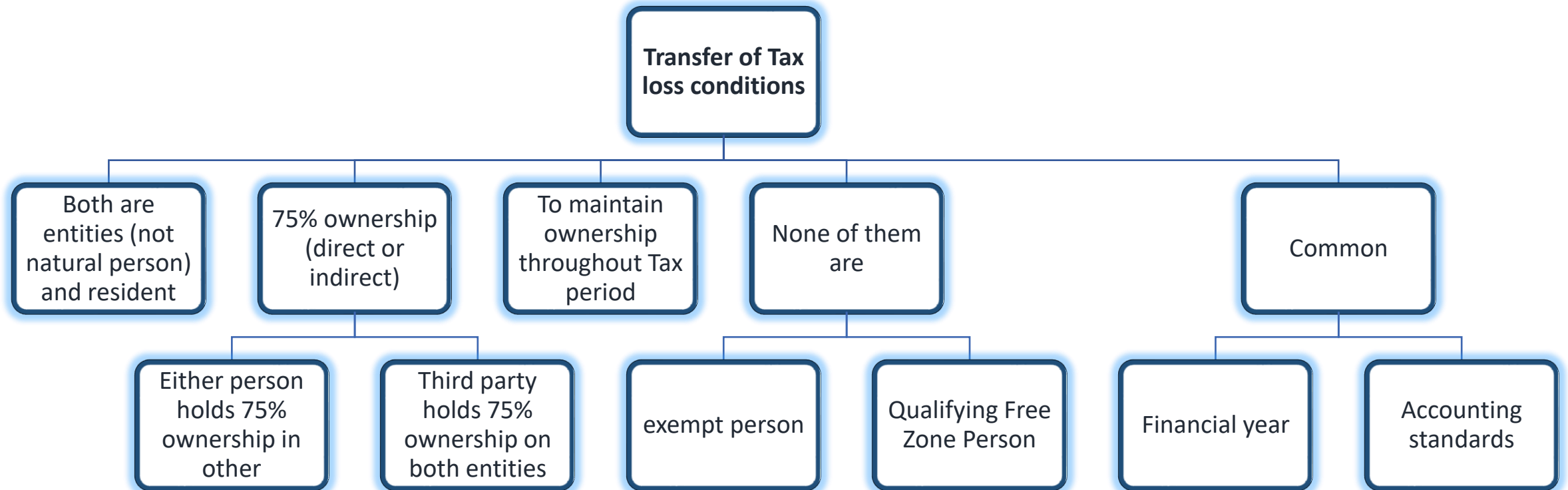
## 6. Tax loss relief (Article 37 of Corporate tax law)



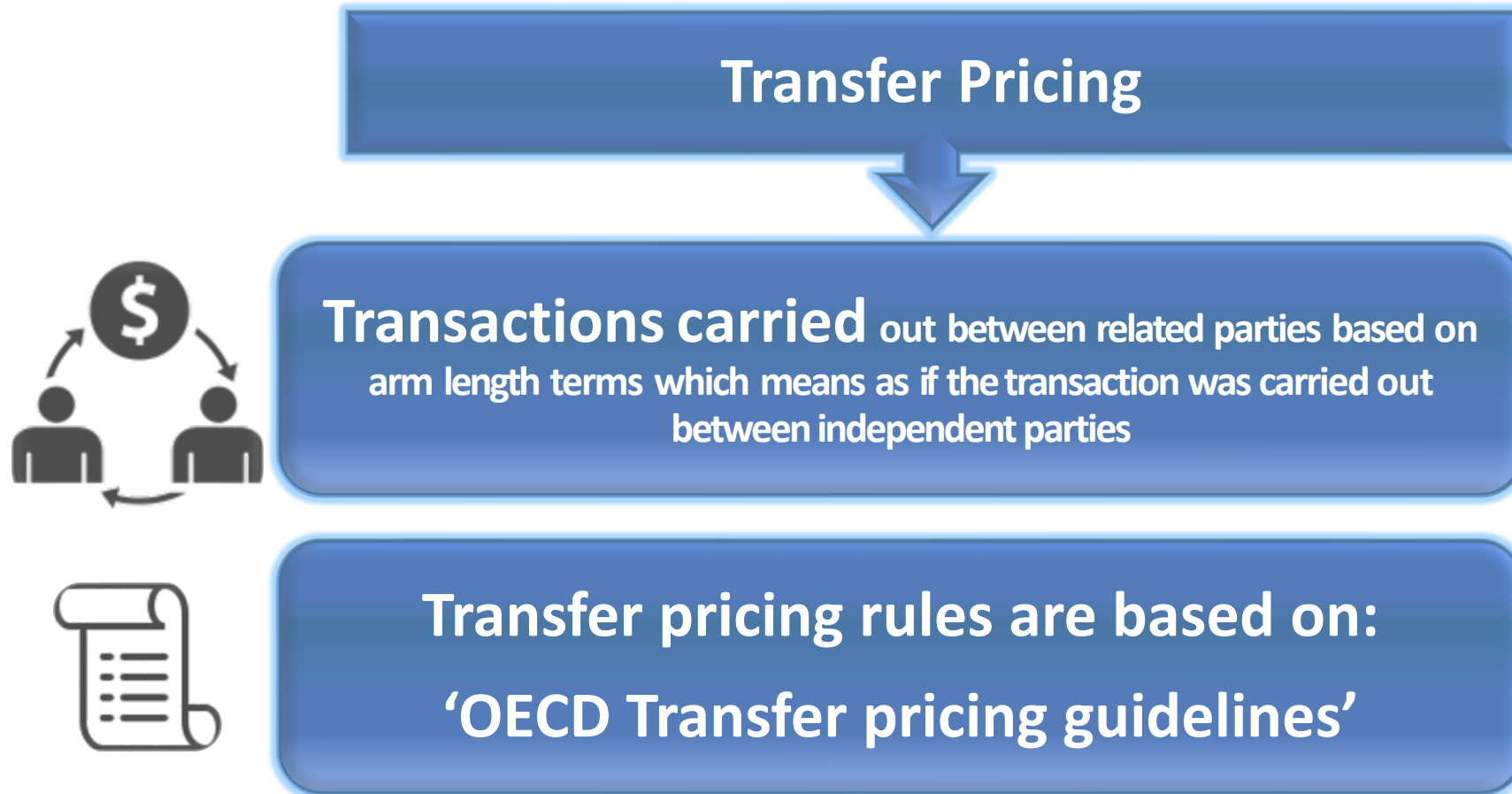


## 6. Tax loss relief (continued)

### (Article 37 of Corporate tax law)



## 7. Transfer pricing & Arm's Length Principle (Article 34 of Corporate tax law)



## 7. Transfer pricing & Arm's Length Principle (continued)

### (Article 34 of Corporate tax law)

#### Methods to arrive at Arm's length price

Comparable Uncontrolled Price method

Comparison of price of goods or services transferred in a controlled transaction with price of goods or services transferred in a comparable uncontrolled transaction

Cost Plus method

Cost incurred for goods or services in controlled transaction and added with appropriate mark-up.

Transactional net margin method

Comparison of net profit arrived from controlled transaction with comparable uncontrolled transactions.

Resale Price Method

Resale price is the price at which the product purchased from a related parties sold to an independent parties which is reduced by reseller's selling and other operating expenses and resale price margin to arrive at arm's length price.

Transactional Profit Method

Comparison of the profit arise from controlled transactions of one or more associated enterprises participating in those controlled transaction.

## 8. Exempt person and income (Article 4 & 22 of Corporate tax law)

### Exempt Person

- Government Entity
- Government controlled entity
- Extraction of natural resources business entity
- Non-extraction of natural resources business entity
- Qualifying public benefit entity
- Qualifying Investment fund
- Pension or security fund entity
- Company wholly owned and controlled by
  - Qualifying investment fund entity
  - Pension or security fund entity

### Exempt Income

- Dividend or profit distribution received from entity (not natural person) within UAE
- Dividend or profit distribution received from participating interest in a foreign entity
  - Hold more than 5% interest
  - Income of foreign entity is taxable in their country
- Income of non-resident from operating aircrafts or ships
- Foreign PE of UAE resident entity
  - Provided income of foreign PE is subject to Tax in the country of incorporation

## 9. Deductible Expenditure (Article 28 of Corporate tax law)

### 100% Deductible

- All expenditure incurred wholly and exclusively for business
- Not in capital nature

### Partly Deductible

- If expenditure incurred for business and personal
  - Business related portion can be allowed
- **Interest expenditure**
  - Up to 30% of Earnings before interest, tax and depreciation is allowed as deductible
  - Balance can be carried forward to next 10 years
- **Entertainment expenditure**
  - Up to 50% of the expenditure is allowed as deductible
  - Includes meals, accommodation, transportation provided to
    - Customers & Suppliers
    - Shareholders & Business partners

### Completely disallowed

- All expenditure not incurred for business
- Expenditure incurred for generating exempt income
- Interest expenses on loan used for
  - Dividend or profit distribution to related party
  - Share or capital transfer payment to related party
- Non-deductible expenditure
  - Donations or gifts to an entity which is not a qualifying public benefit entity
  - Fines and penalties other than breach of contract
  - Bribes or other illicit payments
  - Dividends or other distribution to Owners
  - Corporate Tax and irrecoverable VAT
  - Outside UAE Tax paid

## 10. Corporate Tax Calculation

Nature of income/expenses	Scenario 1 AED	Scenario 2 AED
A. Income from the business (Sales) including exempt income as per book	1,000,000	2,000,000
B. Less: Deductible expenditure before interest, depreciation & tax as per book	(550,000)	(775,000)
C. Less: Entertainment expenditure as per book	(100,000)	(100,000)
D. Less: Non-deductible expenditure as per book	(50,000)	(50,000)
E. Earnings before interest, tax, depreciation and amortization as per book (A – B – C - D) (EBITDA)	300,000	1,075,000
F. Less: Interest on loan as per book	(120,000)	(120,000)
G. Less: Depreciation and amortization as per book	(100,000)	(100,000)
<b>H: Net profit before tax as per book (E – F – G)</b>	<b>80,000</b>	<b>855,000</b>
I. Add: Partly deductible - Interest on loan maximum at 30% of E	30,000	0
J. Add: Partly deductible - Entertainment expenditure maximum 50% of C	50,000	50,000
K. Add: Completely disallowed non-deductible expenditure includes bribes and illicit payments (100% of D)	50,000	50,000
<b>L. Taxable income before adjustments mentioned on next slide (H + I + J + K)</b>	<b>210,000</b>	<b>955,000</b>

*All figures are for illustrative purpose only*

## 10. Corporate Tax Calculation (continued)

Nature of income/expenses	Scenario 1 AED	Scenario 2 AED
L. Taxable income before adjustments below	210,000	955,000
M. Less: Exempt income net of related expenses included in Calculation of L	(50,000)	(50,000)
N. Add/(Less): Unrealized gain or loss from revaluation of assets and liabilities held for capital & foreign exchange, included in calculation of L	20,000	20,000
O. Arms length price adjustments	50,000	50,000
P. Tax losses prior to implementation of Corporate Tax (Not Allowed to set off)	NA	NA
Q. Tax losses after implementation of Corporate Tax capped at 75% of the taxable income	0	0
R. Taxable income subject to Corporate Tax (L – M + N + O - Q)	230,000	975,000
S. Taxable income less basic exemption amount to be confirmed by Cabinet Decision – Expected basic exemption amount to be AED 375,000	0	600,000
T. Corporate Tax @ 9%	0	54,000
U. Withholding tax paid outside UAE	10,000	10,000
<b>V. Net Corporate Tax to pay or to refund</b>	<b>0</b>	<b>44,000</b>

*All figures are for illustrative purpose only*

# REAM

Audit, Tax & Financial Advisors

*Building paths for better business process*

# THANK YOU

The information contained herein is of a general nature. The content provided here treats the subjects covered here in condensed form. It is intended to provide a general guide to the subject matter. No one should act on such information without appropriate professional advice and a thorough examination of the situation. A detailed analysis of the tax and regulatory implications should be done prior to implementation in order to determine the feasibility of the transaction at the time of implementation.

Although we endeavor to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received by the receiver or that it will continue to be accurate in the future.. Specialist advice should be sought with respect to any individual circumstances.

Contact us:

Rathish Rajan ACA  
Chief Executive Officer

Level 3, 303 Icon Tower  
P.O. Box 42077, Dubai Silicon Oasis  
Dubai, U.A.E.

M: +971 56 8884756

T: +971 4 2366243

[www.reamacs.com](http://www.reamacs.com)

U.A.E. | India | K.S.A. | Qatar

Follow #REAM Associates on   