

UAE Domestic Minimum Top-up Tax (DMTT)

Webinar | 10 February 2025 | 2:00pm GST



With you today



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Agenda



01

Setting the scene: the UAE implementation of Pillar Two

02

Scope and application of the DMTT

03

Key features of the UAE DMTT

04

Interaction with UAE corporate tax

05

Practical considerations and immediate next steps

06

Q&A session





The UAE implementation of Pillar Two

- DMTT only
- Similar to Bahrain and Kuwait
- Currently no indication that UAE will implement IIR or UTPR
- Global status: Around 40 countries have now implemented the Pillar Two rules





Overview of the UAE DMTT



What?

DMTT introduces a jurisdictional-level Top-up Tax ensuring that the minimum effective tax rate (“ETR”) of 15% is met by Multinational Enterprise Groups (“MNE Groups”) with a global consolidated revenue of EUR 750 million or more (in at least two of the preceding four fiscal years)

Who?

DMTT applies to **Constituent Entities**, **Joint Ventures** and **Joint Venture Subsidiaries** located in the UAE, and Stateless Constituent Entities created under the relevant UAE law that are **Reverse Hybrid Entities**

How?

DMTT imposes tax on taxable income of in scope entities and applies on 100% of taxable income

When?

The DMTT law is effective for financial years starting on or after 1 January 2025



How does this interact with other aspects of the Pillar Two rules i.e. IIR and UTPR?





Overview of the key aspects of the UAE DMTT rules

Follows and refers to the GloBE Model Rules and Commentary

Covers Excluded Entities and separately includes SWF exemption

Investment Entities are not subject to Top-up Tax

Requires IFRS but allows other acceptable or authorised standards

Covers adjustments to determine the CE income or loss

Considers safe harbours and exclusions, including SBIE

Covers treatment of tax credits

Requires certain translation between UAE Constituent Entities to be arm's length

Covers certain elections

Allows filing by a designated group entity on the group's behalf

Prescribes joint and several liability for DMTT

Comments on allocation of Top-up Tax between Constituent Entities

Defines compliance requirements and deadlines

Refers to the UAE CT law for GAAR provisions and penalties

Allows clarifications, but these are not binding



Safe harbours and exclusions

- ● Transitional CbCR safe harbour
- Simplified computation safe harbour
- Initial phase of international activity exclusion
- Substance Base Income Exclusion
- De minimis exclusion





Compliance requirements

Registration

Constituent Entities and Joint Ventures required to register with the FTA. Updates on the timeline and details to be monitored

Tax returns

DMTT return - 15 month (18 months for first year). **Pillar Two information return** (i.e. GIR) - 15 months. Details on format and payment mechanism to follow

Filing entities

DMTT return - in scope entities or a Domestic Designated Filing Entity. Details on filing entities for GIR to be released separately.

Payment deadline

Any taxes due should be paid by the return submission deadline

Record keeping

Documents and financial information used in determining DMTT liability to be retained for 7 years from the end of the relevant tax period

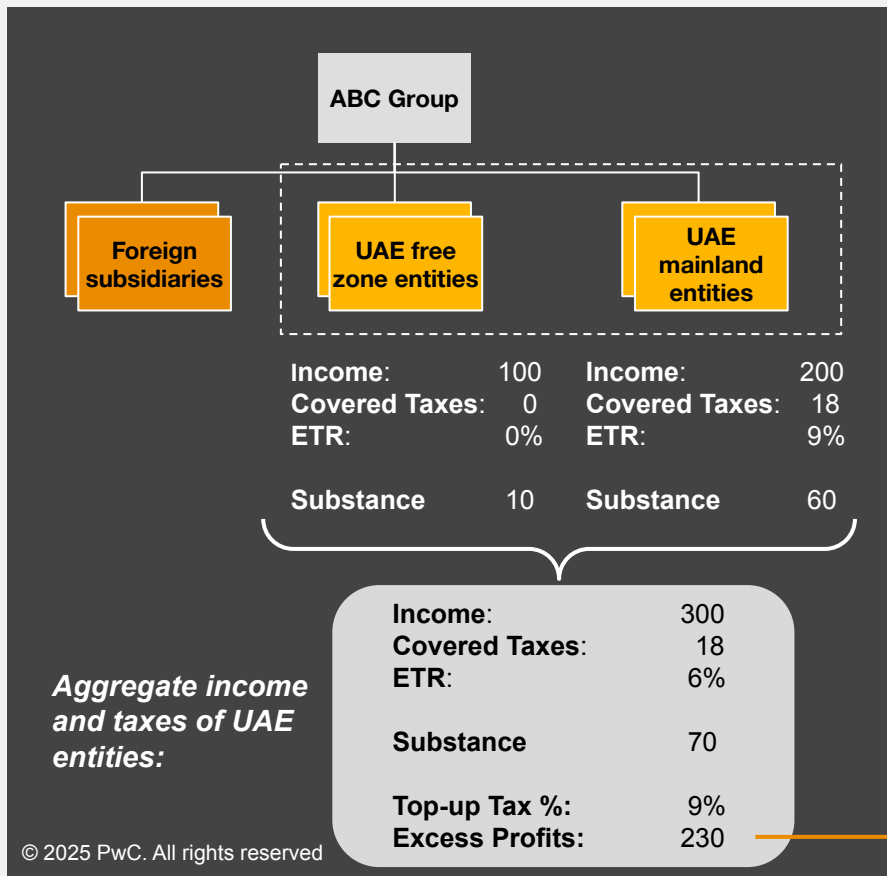
Penalties

Penalties regime is in line with the UAE CT Law





Interaction with the UAE CT Law



Top-up Tax applies to excess profits:

$$9\% \times 230 = 20.7$$

- If UAE entities were not QFZPs, underlying UAE CT would increase by 9 (100 x 9%)
- The UAE Top-up Tax percentage would decrease to 6%
- Excess profits would remain the same
- Top-up Tax applied to excess profits would be:

$$6\% \times 230 = 13.8$$

Total tax under Scenario 1
(UAE free zone entities eligible for 0% CT)

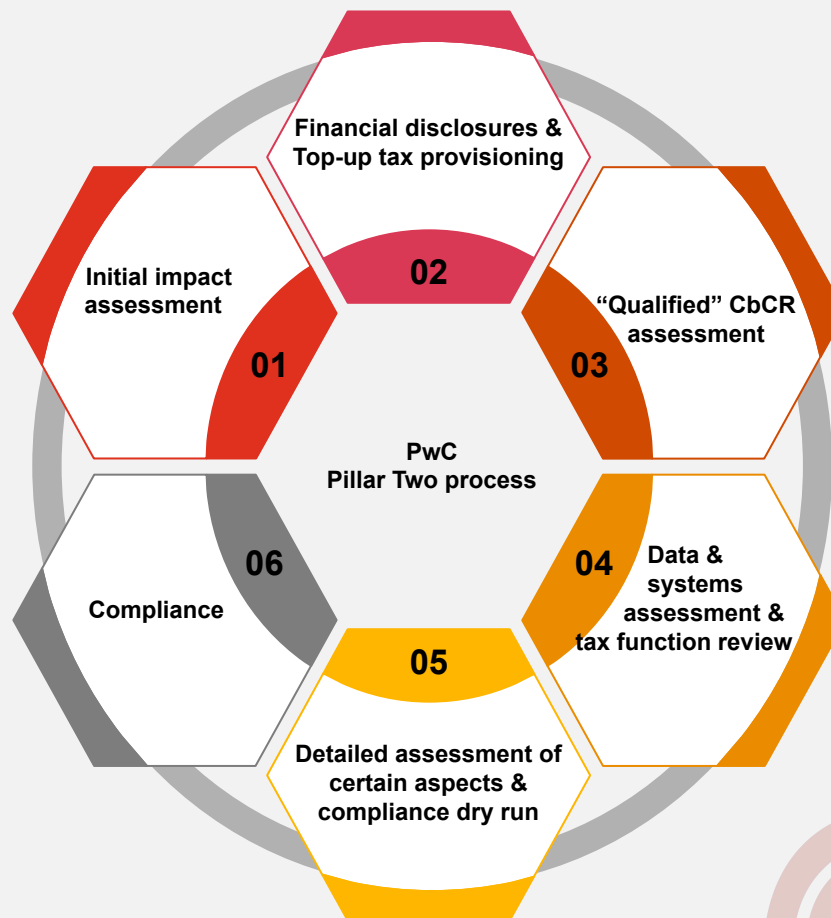
UAE CT:	18
Top-up Tax:	20.7
Total:	38.7
Group ETR:	12.9%

Total tax under Scenario 2
(UAE free zone entities subject to 9% CT)

UAE CT:	27
Top-up Tax:	13.8
Total:	40.8
Group ETR:	13.6%



Pillar Two readiness journey





Q&A





Thank you

