UAE Federal Corporate Tax

Facts
- It was announced on the 31st of January 2022 that the UAE will introduce a federal corporate tax (CT).
- CT will be effective for financial years starting on or after 1 June 2023.
- UAE CT will be applicable across all Emirates and will apply to all business and commercial activities alike, except for the extraction of natural resources, which will continue to be subject to Emirate level taxation.
- UAE CT will not apply on employment income or other non-business income earned by individuals in their personal capacity.
- The UAE CT regime will have transfer pricing (TP) rules and documentation requirements in line with the OECD principles.
- More details are expected to be published mid 2022.

Rates
- For businesses operating in mainland UAE a 9% CT rate will be applicable on income exceeding AED 375,000.
- Free zone businesses will be within the scope of UAE CT and required to register and file a CT return, but will continue to benefit from CT holidays / 0% taxation if they comply with all regulatory requirements and do not conduct business with mainland UAE.
- A different tax rate will apply to large multinationals that meet the criteria under ‘Pillar Two’ of the OECD Base Erosion and Profit Shifting project (i.e. that have consolidated global revenues above EUR 750m). We expect this rate to be 15%.

Key timings
- High level impact assessment (including quantification)
- Internal team / taskforce
- Systems review
- Implementation plan

- Detailed impact assessment
- Identify potential restructuring opportunities
- Identify required systems changes
- Identify possible uncertain CT positions
- Perform TP risk and opportunity analysis

- Contract review
- Review and implement necessary TP policies
- Implement changes to legal / operational structure
- Implement systems changes
- Obtain clarifications / tax rulings from tax authorities
- Review tax function and tax governance framework
- Assess tax accounting considerations

Compliance
- Submit elections, applications for tax groups and exemptions
- CT registrations

How PwC can support
- Initial assessment of the anticipated impact of the introduction of CT and TP based on the group structure.
- Detailed analysis on the impact of UAE CT and TP on the business, identify restructuring and optimisation opportunities, required system changes, etc.
- Implement necessary changes to legal documents, TP policies, legal structure, operating model, capital structure, tax function, etc.
- Assist with CT registrations and application for tax groups. Preparation and submission of CT returns, TP documents.

Contact details
For more information please visit our website (Link: https://www.pwc.com/m1/en/services/tax/corporate-income-tax.html) or email us (MER_tax_legal@pwc.com).

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