



**AKM GLOBAL**

TAX | CONSULTING | OUTSOURCING

# UAE **Corporate Tax** - Challenges and **SOLUTIONS**



# About Us



Headquartered in **Gurgaon** with branches in **New Delhi, Mumbai, Pune, Bangalore, Hyderabad, Singapore** and **UAE**

~ **650 Employees** with accounting, audit, tax, secretarial, legal & and management background

**Over 44 years of** industry experience

**Clients** include **Fortune 500** companies, **expats**, Listed companies, startups, **MNCs, small and large domestic corporate houses**

**Strong Media Presence** including views shared on several international and domestic tax and regulatory matters

Ranked Consistently in **International Tax Review's World Tax and World Transfer Pricing Guides (2017-2025)**

# Ranked firm for the last 8 years

## Transfer Pricing

Tier 1
Deloitte
Dhruva Advisors
EY
KPMG
PwC
Tier 2
<b>AKM Global</b> ←
BDO India
Gaiea Consulting
Grant Thornton India



## General Corporate Tax

Tier 1
Deloitte
Dhruva Advisors
EY
KPMG
PwC
Tier 2
BDO India
Economic Laws Practice
Grant Thornton India
Khaitan & Co
Lakshmikumaran & Sridharan
Nexdigm
Shardul Amarchand Mangaldas & Co
Tier 3
<b>AKM Global</b> ←
AZB & Partners
Cyril Amarchand Mangaldas
JMP Advisors
KNAV Tax
L&L Partners
Majmudar & Partners

## Indirect Tax

Tier 1
Deloitte
Dhruva Advisors
Economic Laws Practice
EY
KPMG
Lakshmikumaran & Sridharan
PwC
Tier 2
BDO India
Grant Thornton India
Khaitan & Co
Tier 3
<b>AKM Global</b> ←
Nexdigm
Tier 4
Amicus Advocates & Solicitors
AMRG & Associates
JMP Advisors
Nangia Andersen
S&A Law Offices
TLC Legal



Amit Maheshwari

- Recognized as one of the **highly regarded practitioners in tax controversy and Transfer Pricing in the ITR's Expert Guides 2024.**
- Recognized as one of the **top tax practitioners advising on Indian Tax Laws, in the ITR's Expert Guides 2022.**
- Recognized as a **TAX LEADER in World Tax Controversy Leaders Guide 2021**
- Recognized as a **TRANSFER PRICING EXPERT in 2018, 2019, 2021, 2022 and 2023 listed by Euromoney**
- Nominated as **ASIA TRANSFER PRICING PRACTICE LEADER of the Year in Asia Tax Awards by ITR in 2017**

Source: [AKM Global - India - Firm Profile | ITR World Tax](#)

# Media



# Publications

## Authored by Partners

**Expatriate Taxation** - Decoding the Complexity

**NRI Regulations** – Decoding the complexity

**India Transfer Pricing Manual**- Transfer Pricing Challenges and Opportunities



# UAE Office

## Services

- UAE entry strategy & Entity set-up
- International Tax Structuring
- Corporate Tax Compliance
- Advisory on PE, VAT and Tax
- TP Benchmarking and Study
- Bookkeeping Support
- Assistance in Filing tax returns
- Golden Visa

## A Quick Look at Our Experience

- Advisory on moving a few functions from the mainland to a free zone entity from a tax standpoint.
- Transfer Pricing Reports and Benchmarking for over 50 clients.
- Analysis of Participation exemption for a large UAE multi-national group.
- Advisory on Permanent establishment exposure for a UAE mainland branch of a Switzerland entity.
- Completed full tax impact assessments for UAE HQ groups.
- Advisory on implications of pillar 2 on a free zone entity.
- Analysis of Participation exemption for a large UAE multi-national group.



Ashok Maheshwary



Amit Maheshwari



Sumit Maheshwari



Yeeshu Sehgal



Manish Garg



Ritik Saini



Biyash Chakraborty

# Agenda

01



Overview of the Corporate Tax Landscape in the UAE, Timeline and Free Zones

02



Tax Grouping, Transfer Pricing and its risk areas

03



Key Tax Challenges, Solutions and Key Considerations along with Real Estate restructuring by Individuals

# Corporate Tax Landscape in the UAE

**TAXABLE PERSON – SUBJECT TO CORPORATE TAX AT 9% (ON TAXABLE INCOME EXCEEDING USD 100,000)**

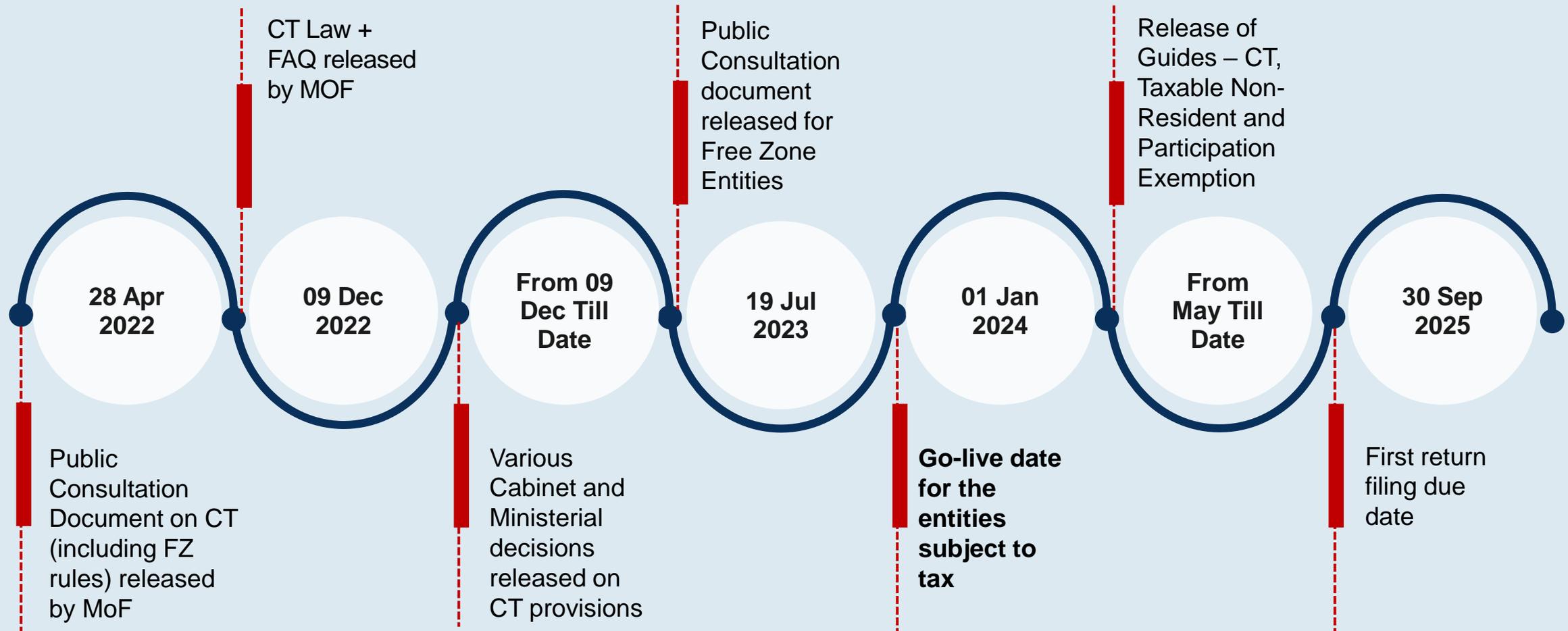
## Taxable Persons

- Resident Persons
  - Persons incorporated in UAE (including Mainland and Free Zone Persons)
  - Overseas Persons effectively managed and controlled in UAE
- Non-Resident Persons:  
which have a presence through a PE, state-sourced income or a nexus.

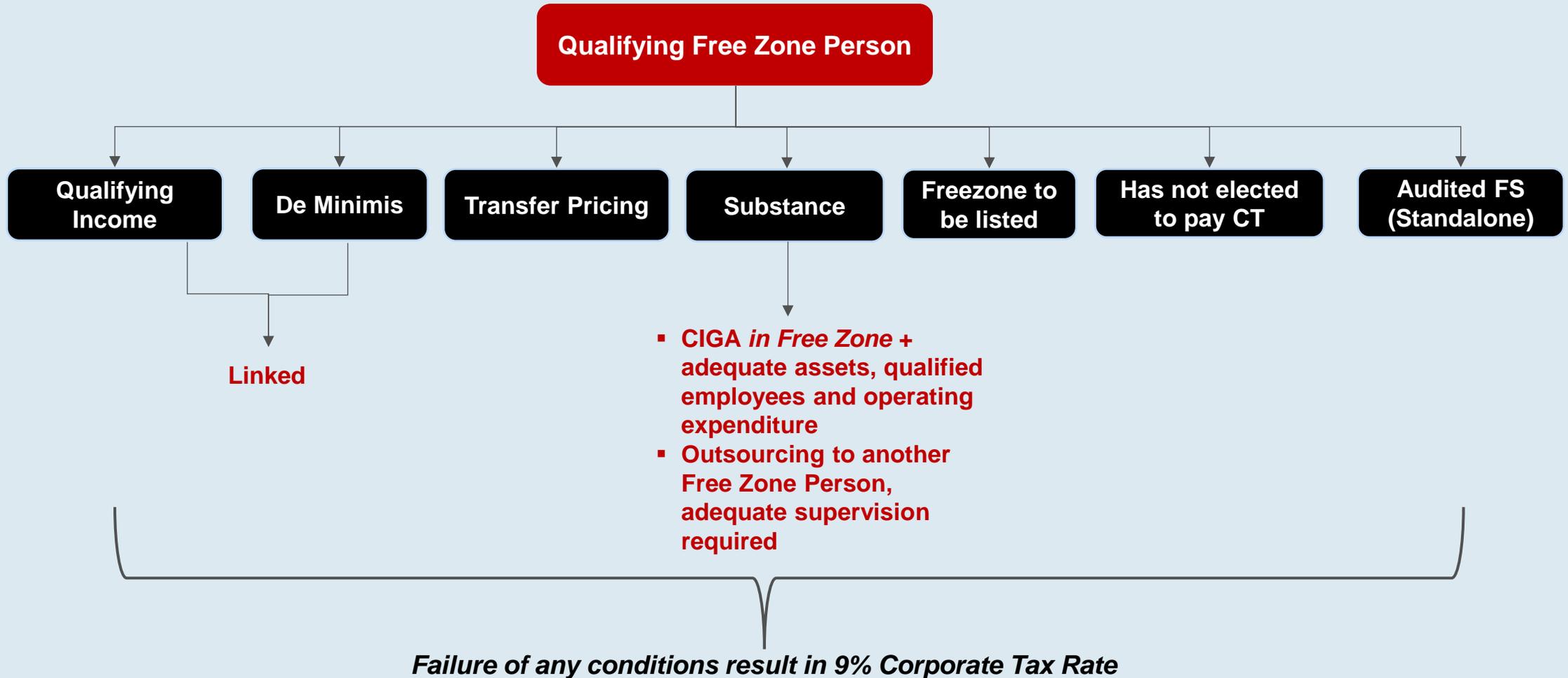
## Free Zones

- On meeting certain conditions, Free Zone (FZ) Person considered as Qualifying FZ Person
- Qualifying FZ Person subject to tax at 0%
- 0% CT Rate available to Qualifying FZ Persons until the expiry of the tax incentive period provided for in the relevant FZ legislation (unless extended in line with conditions specified by Cabinet)

# Corporate Tax Timeline

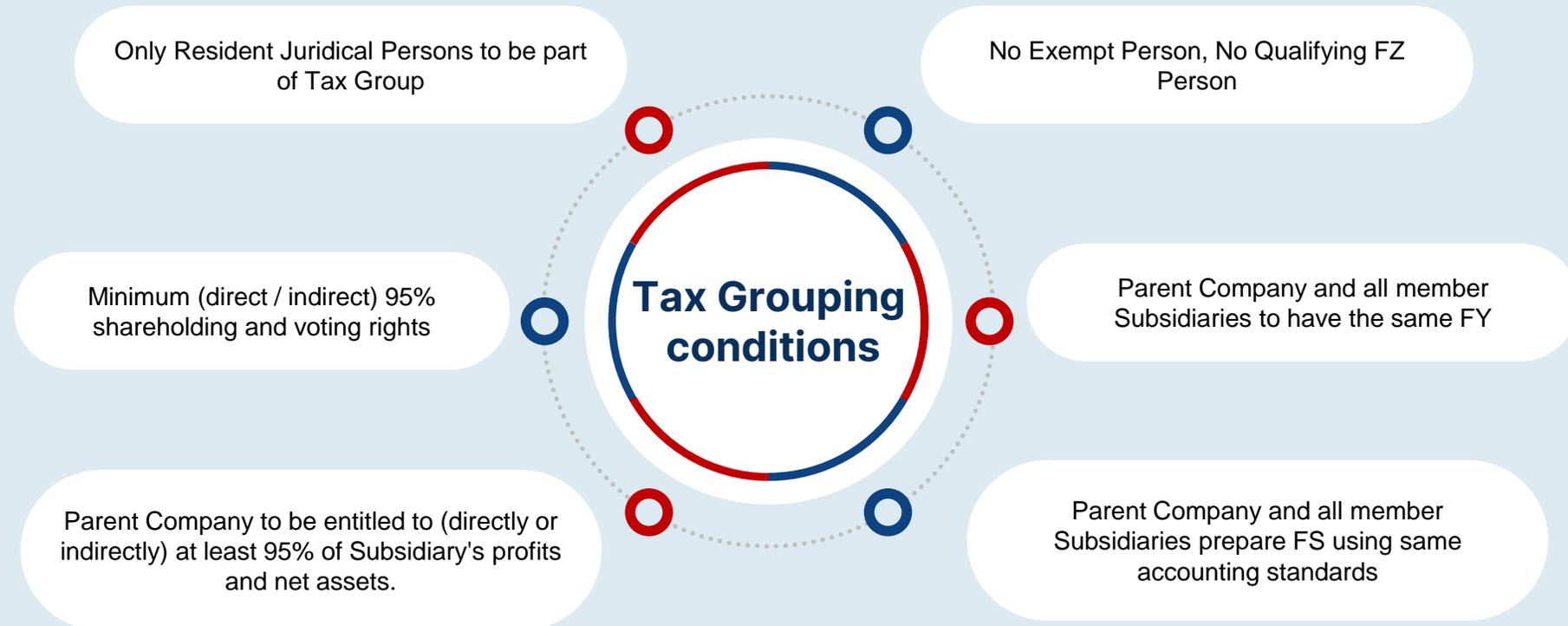


# Free Zones



# Tax Grouping

- Parent Company responsible for CT compliances, CT Return, CT liability
- Parent Company and Subsidiaries jointly and severally liable for the Tax Payable (unless limited by application to Authority) – consider Internal Tax Sharing Agreement
- One consolidated SPECIAL PURPOSE audited financial statements (audit if turnover > AED 50m), eliminating intra-group transactions - but not eliminating transactions with non-tax group entities (UAE including FZE or overseas entities)



# Transfer Pricing

*In absence of CT provisions, common practice for UAE based groups was to carry out inter-company transactions free of charge or at cost and with little or no documentation.*

## Post Implementation of UAE CT

*Transactions between Related Parties and Connected Persons to be at Arms' Length Price in accordance with OECD TP Principles*

### Definition

#### Related parties defined to include:

- Two natural persons (upto 4th degree of kinship)
- Persons (together with its related parties) owns directly or indirectly at least 50% ownership interest or controls the juridical person
- Permanent Establishment, partners, and partnership
- Trustee/beneficiary of a trust or foundation
- Connected Persons defined to include owner, director, officer and their related parties (entities and individuals upto 4th degree of kinship)
- Payment of Director Fees to also be at ALP – UAE CT and VAT impact in the hands of the Directors?

### Accepted Transfer Pricing Methods

- CUP Method
- Resale Price Method,
- Cost Plus Method,
- Transactional Net Margin Method
- Transactional Profit Split Method
- Other (residual)

### Compliance

- Disclosure Form (to be filed with the CT return)
- Local File, Master File (requested on audit):
  - Revenue in the relevant taxable period is at least AED 200 million~ USD 55 million.
  - Part of MNE Group, with consolidated revenue exceeds AED 3.15 billion ~ USD 857 million
- CbCR for UAE headquartered group

# Transfer Pricing Risk Areas

***Based on our experience in carrying out CT impact assessment of UAE and Foreign entities in the UAE, the following are the key intra-group transactions that may cause a potential transfer pricing risk***

Transactions	Pricing Methodology	Risk
Common expenses (Exempt and non-exempt income Qualifying and non-qualifying activity)		Currently no separate recording of expenses/cost allocation
Provision of management services (Senior managerial personnel (CEOs, CFOs, etc) providing services to other group entities)	No charge/ at cost	Rendering services at cost not at arm's length
Movement of cash between group entities/ Treasury Support	Need basis	No basis/agreement for transferring cash between group entities
Non-interest bearing loan	No charge	No interest is charged considering entities under one business group/vertical
Expenses incurred by Head office for branches	No charge	Expenses incurred are not recovered in view of one legal entity
Receivable outstanding for long period	No charge	Amounts o/s for long period and no interest is charged
Payment to connected persons (Board Fees)	As required	Personal expenses of CP are also booked

# Key Tax Challenges and Solutions

**Based on our experience in carrying out CT impact assessment of UAE and Foreign entities in the UAE, the following are the key tax challenges that may cause a potential tax risk**

Area	Tax Challenges	Solutions and Implementation
Choosing the Right Structure	Complexity in Structuring the group to optimize UAE Corporate Tax (CT) due to a mix of Free Zone (FZ), mainland, dormant, and overseas entities.	Opt for a tax group as one entity being a parent entity. Entities not meeting criteria should be excluded. Maintain an internal tracker of eligibility throughout the year.
Determination of Taxable Income	Taxable income must be adjusted for exempt income, disallowed provisions, and interest caps under NIE rules.	Use ERP automation for tagging adjustments and generating tax-specific trial balances.
Transfer Pricing Adjustments	Intercompany transactions must comply with arm's length pricing. Some group services not benchmarked.	TP policy and benchmarking reports to be done. Intercompany agreements and time tracking implemented for shared services.
Free Zone 0% Tax Dilemma	Claiming 0% CT needs strict compliance.	SOPs to be implemented to monitor qualifying income and activities.

# Key Tax Challenges and Solutions

**Based on our experience in carrying out CT impact assessment of UAE and Foreign entities in the UAE, the following are the key tax challenges that may cause a potential tax risk**

Area	Tax Challenges	Solutions and Implementation
Managing Permanent Establishment (PE) Risks	UAE branches of foreign entities may be subject to CT exposure if the branch is considered as a PE.	Documentation is the key. The claims such as branch is non-revenue generating, actual conduct, employee roles, and internal documentation can mitigate the PE risk.
Effective Control and Management	Overseas entities risk being considered UAE tax residents if EC&M appears to be in the UAE.	Hold BoD meetings abroad. Document decisions. Maintain a EC&M file for each overseas entity with records and director locations.
Tax Grouping Decision	Grouping simplifies but results in the loss of the USD 100,000 threshold per entity thereby leads to joint tax liability.	Implement internal tax-sharing agreement to allocate burden.
Compliance Issues	Tax registration, tax return filing, TP documentation, financial statement readiness, and system configurations.	Create compliance roadmap and calendar. Configure ERP systems. Sync alerts for CT filings, elections, and audit readiness.

# Key Tax Considerations for Businesses in 2025 <sup>(1/4)</sup>

1. **Dormant entities – Registration requirement, if not liquidated in 2024**
2. **Review of existing holding structures**
  - Analyse income streams for potential restructuring
  - Justify restructuring commercial considerations from GAAR perspective
3. **New entities set up after 1st January 2024** - Analyse income streams for potential restructuring
4. **Foreign Companies**
  - Tax residents if effectively controlled and managed in the UAE
  - Facts and circumstances based test
  - Indicator is where board of directors make strategic decisions
  - key management and commercial decisions concerned with broader strategic and policy matters
  - Regularly and predominantly made
  - Controlling shareholders location of decision making
  - Location of another body or committee in case of delegation of decision making

# Key Tax Considerations for Businesses in 2025 (2/4)

- 5. Assess activities of group – whether existing activities of Mainland entities need restructuring to a Free Zone**
- 6. Evaluate activities of existing FZ entities**
  - Distinguish between Qualifying Activities and Non-Qualifying Activities
  - Identify Excluded Activities
  - Test de minimis thresholds
- 7. Ensure that FZ entities have adequate substance**
  - Core Income Generating Activities should be in the Free Zone
  - Should have adequate employees, assets and operating expenditure
  - If outsourced, ensure that it is outsourced to a FZ entity and there's adequate supervision (including substantiation through documentation)
  - Relook at visas of existing employees and move them to FZ entity

# Key Tax Considerations for Businesses in 2025 <sup>(3/4)</sup>

## 8. Ensure compliance with Transfer Pricing

- Relook at related party and connected person transactions to ensure they are at arms' length price
- Identify any free-of-charge/pass through transactions
- Prepare a TP policy (if doesn't already exist)

## 9. Ensure that Independent Financial Statements can be prepared - Allocate costs between ML and FZ entities, in line with TP principles

## 10. Transfer Pricing

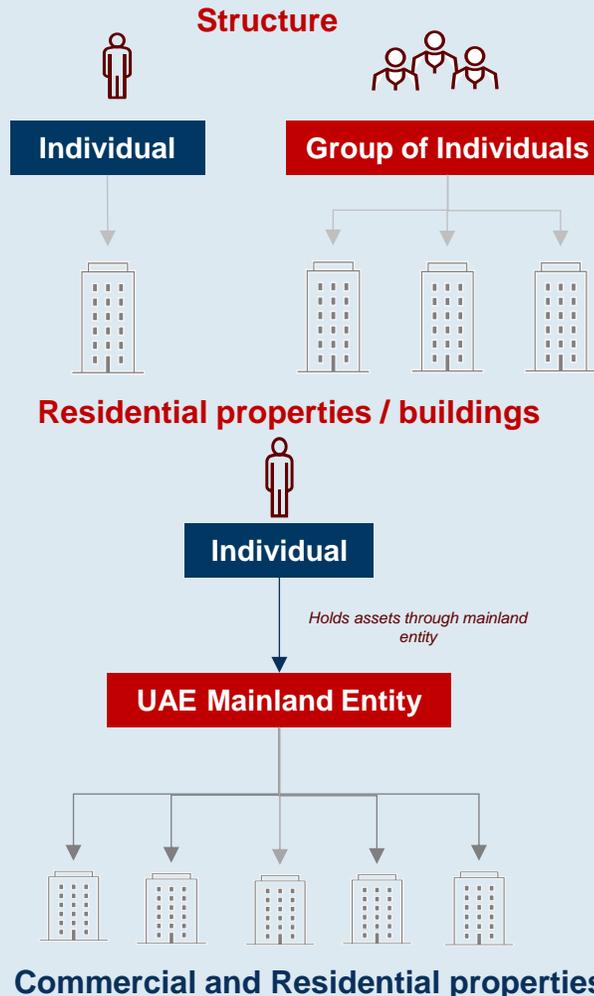
- Review all inter-company transactions within the group and evaluate current approach vis-à-vis requirements under UAE CT law
- Transfer Pricing Policy to be prepared to document basis of pricing, determining cost base and allocation mechanism for related party transactions
- Connected person payments including perquisites/ benefits obtained from connected persons and deemed imputation of arms' length
- Perform year-end adjustments to reflect appropriate transfer pricing adjustments for prior period and transitional rules requirement
- Draft and execute appropriate inter-company agreements setting out functions and responsibilities in line with transfer pricing policy

# Key Tax Considerations for Businesses in 2025 (4/4)

## 11. Ensure compliance with Transfer Pricing

- Detailed assessment on income streams of free zone entities – qualifying and non-qualifying income
- Assess quantum of non-qualifying income subject to de-minimis rules and whether FZ relief tainted?
- Restructuring (subject to anti-abuse considerations under the UAE CT law) for tax optimization
- Standalone audited financial statements required – in addition to Tax Group financials
- Transfer pricing considerations for ALL related party and connected person transactions
- Review substance in the free zone including alignment with ESR filings
  - any outsourcing arrangements are in place with other related or third party free zone companies
  - appropriate supervision arrangements with documentary evidence in place by the QFZP
- Keep a check out for the list of free zones to be notified by MoF for FZ reliefs

# Real Estate Ownership by Individuals



## UAE Corporate Tax Impact

- Rental income / Capital not taxable in hands of individuals
- Assumption no license is required
- If properties are recorded at historical costs, pregnant gains pre- tax period exempt
- If they are recorded at Fair Value – election possible to follow realization basis
- Rental income / Capital Gains taxable at 9%
- Expenses incurred for the purpose of earning such income deductible

## Restructuring

- Current structure is already tax efficient.
- Property transfer to Foundation from succession planning perspective
- Foundations can apply for tax exemption/look-through status,
- Transfer of properties to individual shareholders / Foundation
- Individuals not taxed on income from property, whereas Foundations can apply for look-through / exempt status (subject to conditions)
- GAAR to be evaluated

# Priorities for Businesses in 2025 <sup>(1/3)</sup>

01



CT registrations - Due date to register for CT before filing tax return (Sept 2025) for first tax period, if not done as of now. Penalty of AED 10,000 shall be attracted on missing the due date.

02



Tax Group application/ registrations – All the conditions to be met through out the year.

03



Service level agreements for inter-company transactions between entities reflecting results of benchmarking studies performed in 2024. Bechmarkings should be done if not done already.

# Priorities for Businesses in 2025 <sup>(2/3)</sup>

04



Maintain issues log for various CT implementation work streams identified in impact assessment (actions for 2024 and 2025)

05



Evaluate elections to be made in the tax return and approach (ie transitional rules for immovable properties, tax treatment of unrealized exchange gains/ losses)

06



Determination and collation of evidence / valuations to support market value of immovable property on 31 December 2023 for transitional rules

# Priorities for Businesses in 2025 (3/3)

07



Building out the substance in Free Zone relating to employees, office space, CIGAs, and finalise outsourcing arrangements (if any) and monitoring the substance requirements having regard to the nature and scale of activities

# How can we help you?

## Corporate & International Tax

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- Corporate Tax Advisory and Impact Assessment
- Tax Due Diligence
- International Tax Structuring
- Business Structuring
- Permanent Establishment Advisory

## Transfer Pricing

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- Transfer Pricing Documentation
- Global Benchmarking
- Master File and Local File
- Inter-company Agreements
- Country-by-Country Reporting (CbCR)

## Value Added Tax

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- VAT advisory
- VAT registrations
- VAT returns
- VAT Due Diligence

## Valuation

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- Business Valuation for Funding and other purposes
- Fund Valuation
- Valuation for ESOPs or Employee Benefits
- Valuation of Complex Instruments
- Valuation of Intangible Assets
- Building of Financial Model

## Corporate Law Compliances

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- UAE entry strategy
- UAE Business Set up
- Liquidation and Winding up
- Shareholder's resolution

## Tax Compliance

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- Corporate Tax Compliances (Registrations, return filing, de registration, etc.)
- VAT Compliances (Registrations, return filings, de registration, etc.)

## Immigration

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- Visa Assistance
- Golden Visa Assistance

## Others

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- Bank Account Opening
- Assisting foreign companies in selecting the office space for them, etc.



+971 585972425



[info@akmglobal.in](mailto:info@akmglobal.in)



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