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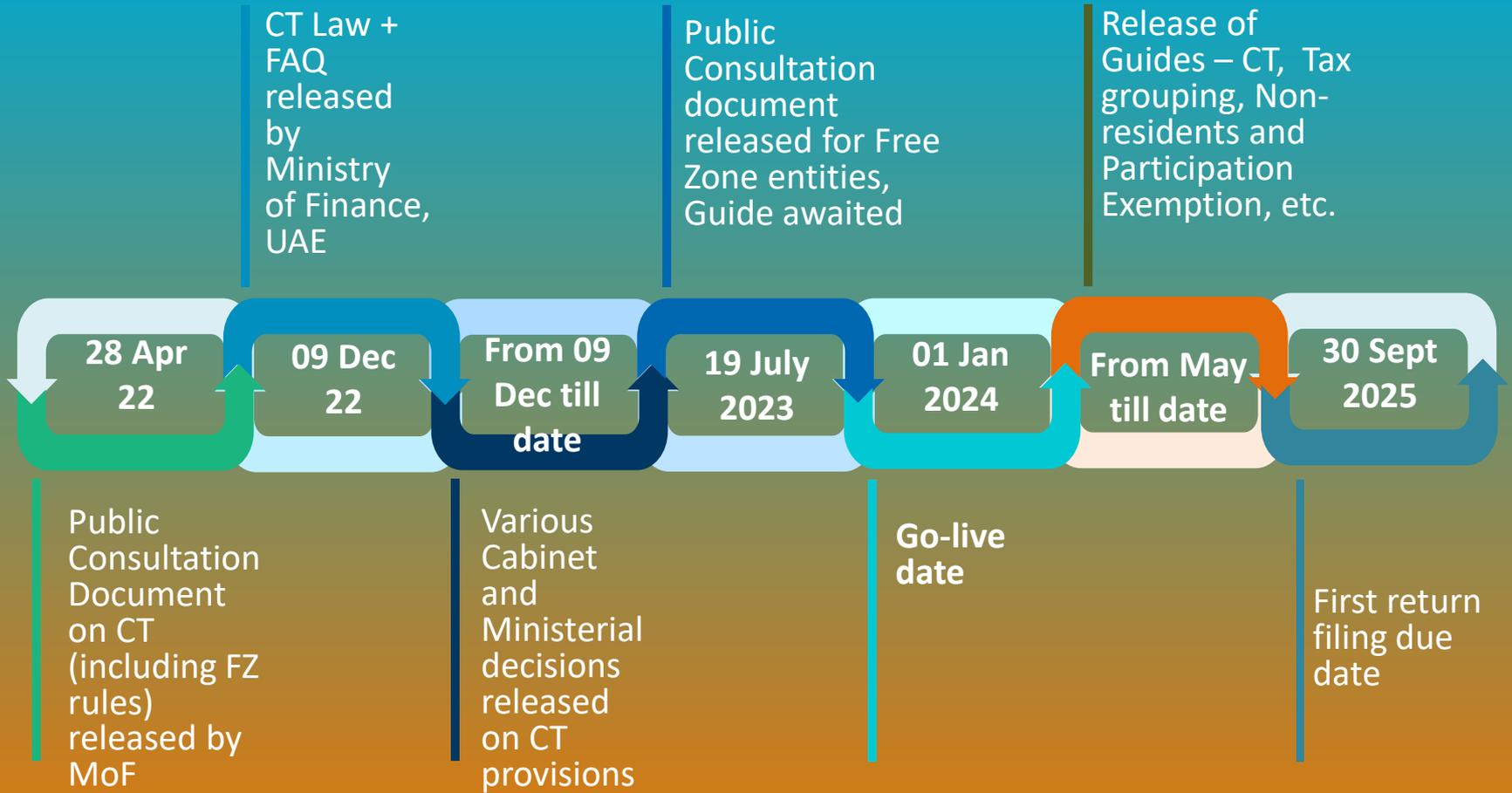
UAE Corporate Tax Implementation

LEA GLOBAL EUROPEAN REGIONAL CONFERENCE



Agenda

- Corporate tax timelines
- Are you ready to implement the UAE Corporate tax
- In-Scope entities
- Tax Grouping
- Transfer Pricing
- Transitional Rules
- Free Zones
- Priorities to implement UAE Corporate tax



Are you ready to implement UAE corporate tax?



Groups and entities need to adapt to a UAE CT regime



Review on going/concluded or start UAE CT Impact Assessment for your entities, if not done already

- Key items for the assessment – in-scope entities, related party transactions, Free Zone analysis, tax grouping, exempt incomes, indicative tax computation, etc.
- Reorganization of any holding arrangements
- Evaluation of deferred tax implications
- Modifications to accounting systems and disclosures concerning taxes
- Interaction between Value Added Tax (VAT) and Corporate Tax (CT)



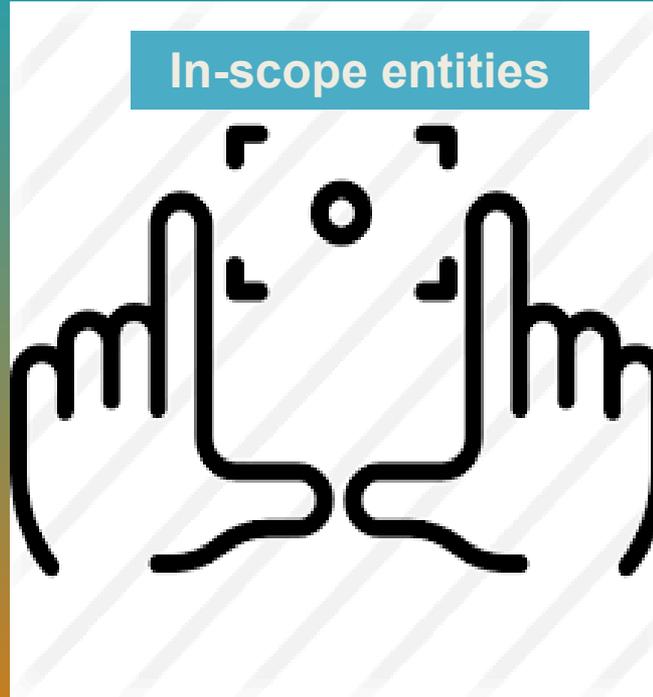
Critical for successful implementation of UAE CT:

- Ensuring alignment with owners, managers/heads and respective teams
- Seamlessly integrate tax impact assessment with business operations

In-Scope Entities

UAE residents – juridical persons, natural persons carrying on business and **foreign companies effectively controlled and managed from UAE**

Non-resident entities which have permanent establishment in UAE



Exempt entities - qualifying investment fund, qualifying public benefit entities, entities in extractive/ non-extractive businesses

Non-resident entities with UAE nexus, ie linked to immovable property situated in UAE



In-Scope Entities – Key tax considerations



Existing entities

- Undertake corporate tax impact assessment for the group
- Assess tax registration requirements
- Special attention on overseas subsidiaries/associates/joint ventures
- Analyse income streams for potential restructuring
- Evaluation from GAAR perspective



New Entities

- Assess tax registration requirements
- Tax group evaluation



Dormant Entities

- Should have been liquidated before 1 Jan 2024 to avoid registration. After 1 Jan 2024, the entity needs to be registered and then de-registered.

Tax grouping

Tax grouping– Key considerations

- A group is treated as a single taxable person.
- Parent Company responsible for CT compliance, returns, and liabilities.
- Parent Company and Subsidiaries share joint and several liability for tax payments.
- Single consolidated SPECIAL PURPOSE audited financial statements required (audit if turnover exceeds AED 50m), excluding intra-group transactions but including transactions with non-tax group entities.
- Free Zone (FZ) entities have the option to choose a 9% CT rate (and be included in a Tax Group).
- Non-UAE entities with establishments in the UAE can join a tax group if they confirm non-resident status with their home country's tax authority or relevant treaty authorities.

Transfer Pricing

Transfer Pricing– Key considerations

Assess intra-group transactions and compare with UAE CT law requirements.

Develop Transfer Pricing Policy for determining basis of pricing, costs, and allocation method for related party transactions.

Review TP Policy to assess transactions not currently cross-charged or charged at cost, ensuring appropriate markup based on benchmarking from 1 Jan 2024.

Review payments from connected persons (owners, etc.) including benefits and perquisites, ensuring to be at arms-length.

Transitional Rules

Transitional Rules

The UAE CT law provides transitional rules

- **Opening balance sheet as on 1 Jan 2024 shall be prepared considering the arm's length principle.**
- Any other adjustment prescribed by the Minister (*Article 20 (2) of the UAE CT law*)

Also, Ministry of Finance, UAE has issued Ministerial decision No 120 of 2023 on the adjustments under the transitional rules. They apply to the following three types of Assets and Financial Liabilities

- Immovable Properties
- Intangible assets
- Financial Assets and Liabilities

Free Zones

Free zone – Key considerations

- Conduct a thorough examination of income streams for entities operating in free zones.
- Evaluate whether income is qualifying or not along with the conditions such as substance, audit requirements, transfer pricing, etc. are fulfilled.
- Monitoring the threshold of de-minimis rules on the operations.
- Assess the potential for restructuring, with a careful analysis under GAAR.
- Prioritize timely completion of financial statement audits.
- Scrutinize transfer pricing implications for transactions involving related parties and connected individuals.
- Verify compliance with Substance requirements, including a review of Economic Substance Regulations filings.
- Evaluate outsourcing agreements for compliance and efficiency.
- Stay informed about the list of free zones eligible for Free Zone reliefs to be notified by the Ministry of Finance.

What should we do?

Contact us at AKM Global
We are in Dubai as well!



Do this!

Your Priorities for implementing UAE CT smoothly are as follows

- Identify and close unnecessary entities in 2024 and rationalize legal entities if needed.
- Assess non-UAE entities' ECM to determine the UAE CT exposure.
- Review all connected persons and intra-company transactions comprehensively.
- Determine current charging basis and conduct benchmarking studies for transfer pricing impact.
- Conclude Tax Group assessment.
- Consider restructuring for Free Zone benefits, focusing on substance and transfer pricing.
- Implement changes to accounting and IT systems and engage in relevant discussions with auditors.

Do this!

Your Priorities for implementing UAE CT smoothly are as follows

- Prepare balance sheet as of December 31, 2023, considering transitional rules.
- Submitting the CT registrations by May 31, 2024, based on trade license issuance date (It is advisable to read the cabinet decision no. 3 of 2024).
- Proceed with Tax Group application/registrations.
- Linking EMARA tax portal with UAE Pass Login (No access starting 30 Sep 2024 without UAE pass).
- Assess tax return elections and approach, including transitional rules and treatment of unrealized exchange gains/losses.
- Gather valuations to support market value of immovable property as of December 31 2023, for taking benefit of transitional rules.

Thanks!

