UAE business 101

The ultimate tax guide for foreign investors

Contents

About the United Arab Emirates

Occupying a strategic location between Asia, Europe and Africa, the United Arab Emirates (UAE) ranks first among the countries most attractive to foreign direct investment in the Middle East (ME) and Africa region. While initially reliant on its oil resources, the nation has pivoted towards areas such as digital technology, knowledge-centric sectors, and real estate.

The UAE’s federation is comprised of seven Emirates including Abu Dhabi, Dubai, Sharjah, Ajman, Ras Al Khaimah, Umm Al Quwain, and Fujairah. Formed in 1971, its Federal authority, the Federal Supreme Council, consists of the hereditary rulers of each emirate who further elect a President and Vice President from the existing members.

The currency of the UAE is the Dirham (Dhs.), which is pegged to the United States dollar (USD).

Arabic is the first language here, however, English is widely spoken and commonly used in business transactions.

Dubai serves as a significant point of connectivity, linking the East and West through its solid infrastructure. Its airports, including the Dubai International Airport and Al Maktoum International Airport, underscore Dubai's role as an important center for transit and tourism. Alongside its aerial capabilities, on the maritime front, Jebel Ali Port adds to the city's prominence in global commerce. As a key port in the region, Jebel Ali Port connects Dubai to over 150 ports across more than 60 countries. This maritime hub not only supports the UAE's economy but also aligns with its goal to be recognized as a noteworthy logistics center. The combined strength of air and sea connectivity highlights Dubai's strategic relevance in the global setting.

A notable event in the nation's history, Expo 2020 in Dubai showcased advancements in sustainability, technology, and innovation. For foreign businesses, it offered a global platform for networking with international corporations and understanding diverse investment opportunities in various sectors.

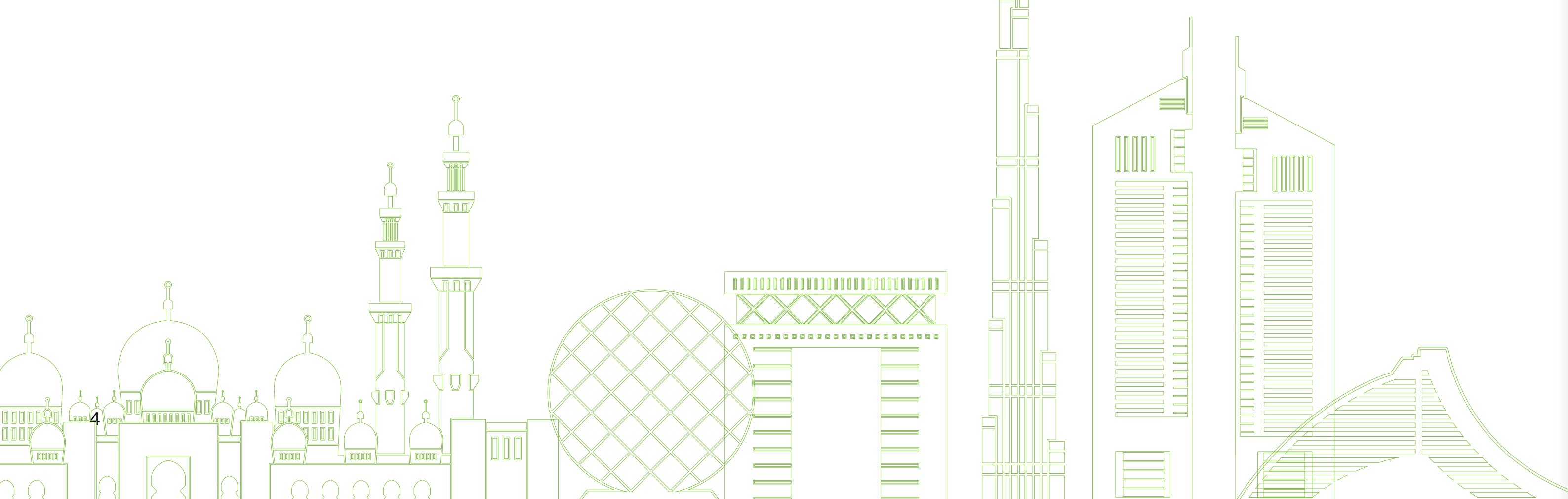
Similarly, GITEX 2023 in Dubai is a nexus for technological innovation. It annually attracts a global audience, offering foreign businesses access to the latest technological trends and a chance to connect with a vibrant ecosystem of tech startups and companies.

The push towards environmental sustainability is evident, especially with the hosting of COP28 in 2023 in the country. This event, along with the Abu Dhabi International Petroleum Exhibition and Conference (ADIPEC) – a significant gathering for the energy sector – provides a noteworthy opportunity for foreign businesses. ADIPEC, held in Abu Dhabi, UAE, draws a considerable number of global attendees and serves as a platform for networking, conducting business, and displaying recent advancements in the energy sector. For companies engaged in green technology and renewable energy, these events highlight the country's dedication to carbon reduction and eco-friendly initiatives, offering a conducive environment to enhance their ventures.

Simultaneously, the progression towards a digitized society offers foreign businesses access to a burgeoning digital market. The nation’s focus on technological advancement and digital integration, supported by government policies, promises a vibrant landscape for digital solutions and e-commerce expansion.

Regarding the legal system, it is based on both civil code principles and Islamic Shari’ah Law, including the Federal Constitution, Federal and Emirati laws and regulations, and Free Zone regulations as applicable.

Overall, the UAE stands as a prime destination for foreign businesses, offering a strategic location, advanced infrastructure, and a growing focus on technology and sustainability. The clear and organized legal framework and widespread use of English simplify business operations, making the country an attractive and accessible market for international enterprises.




EMAAR
DUBAI MALL

Legal and regulatory framework

Entering the market

Foreign investors interested in establishing a formal presence in the UAE generally have two options:

1. Establish a presence in the UAE mainland, i.e. one of the Emirates; or
2. Establish a presence in one of the many UAE Free Zones.

Foreign investors may also enter into a joint venture with a local business or do business via an authorized distributor/ agent located in the UAE.

Mainland establishments

The legal forms for the UAE mainland are governed by Federal Law No. 32 of 2021 regarding the Commercial Companies on 20 September 2021 (CCL), which recently came into force on 2 January 2022 and replaces in its entirety, Federal Decree Law No. (32) of 2021 on Commercial Companies Law (Old Companies Law). The most commonly used business forms in the UAE mainland are the Limited Liability Company (LLC) or a branch/ representative of a foreign company.

1. Limited liability company

Under the Old Companies Law, foreign investors could own up to a maximum of 49% of the share capital of an entity with the remaining 51% held by a UAE national shareholder or company wholly owned by UAE nationals. Decree Law No. 26 of 2020 contained a significant amendment to the Old Companies Law, specifically, permitting wholly foreign owned companies unless a special exemption applied to restrict them.

The CCL codifies the changes to foreign ownership restrictions, allowing for 100% foreign ownership for certain businesses, but with certain 'strategic sectors' retaining ownership restrictions. A list of activities permitted for the purpose of 100% foreign ownership has recently been published by the relevant Departments of Economic Development (DED) in Abu Dhabi and Dubai. The UAE Cabinet is yet to issue a Resolution regarding the list of activities that would be considered to have a 'strategic impact' and subject to restricted foreign ownership.

Generally, LLCs are not subject to any minimum share capital requirement, however this is at the discretion of the DED and in most cases they require investors to inject a paid-up capital of AED 300,000.

2. Branch of foreign company

As per the new CCL, foreign companies are allowed to establish a branch entity in the UAE mainland. The branch entity does not require a local shareholder, however, it is mandatory for the foreign investor to appoint a local service agent (LSA) which should be a UAE national or a company owned by UAE nationals.

The role of the LSA is to facilitate communication with the government and ministries. Pursuant to Law No. 13 of 2011 Regulating the Conduct of Economic Activities, the relationship between the parent company and LSA must be governed by a notarized agency agreement based on the template prescribed by the DED.

Free Zone establishments

Establishing a business in a Free Zone is another option available to foreign investors. A Free Zone is a designated area within the UAE where foreign investors enjoy up to 100% foreign ownership as well as other benefits such as import duty and VAT exemptions. Free Zones have been established to attract foreign investments into the UAE.

There are over 50 Free Zones in the UAE, each administered by its own rules and regulations and authorities which are responsible for licensing and registration matters in relation to foreign entities looking to establish their business in the given Free Zone. Free Zones in the UAE have typically been established in order to accommodate specific industries. For example, there are dedicated Free Zones in Dubai focusing on companies from the technology, media, finance, and import/ export industries.

> "The Decree Law now permits wholly foreign owned companies unless a special exemption applies to restrict them.

Some of the most popular Free Zones in the UAE are:

• Jebel Ali Free Zone Authority (JAFZA) - Popular amongst industries focused towards trade, import and export.
• Dubai Airport Free Zone Authority (DAFZA) - Popular amongst the aviation and logistics industry.
• Dubai International Financial Center (DIFC) - Popular amongst the financial services industry.
• Dubai Media City (DMC) - Popular amongst the technology, media and telecommunication industry.
• Dubai Multi Commodities Center (DMCC) - Popular amongst businesses engaged in the commodity trade and services sector.
• Abu Dhabi Global Market (ADGM) – Popular amongst the financial services industry.
• Khalifa Industrial Zone Abu Dhabi (KIZAD) – Popular amongst industrial services.
• Hamriyah Free Zone (HFZ) – Popular amongst logistics and trading companies.
• Ras Al Khaimah Free Trade Zone (RAKFTZ)
• Ajman Free Zone (AFZ)
• Fujairah Free Zone (FFZ)

The last three Free Zones are generalist with core focus on trading, manufacturing and logistics.

Investors looking to establish a business in one of the several Free Zones in the UAE have to choose between a Free Zone Company (FZCO) and Free Zone Establishment (FZE). These two company structures are distinctive from one another in terms of capital requirements and the number of shareholders permitted.

High-level entity set-up comparison in mainland vs. Free Zones

	Mainland	Free Zones
Registration authority and approvals	Department of Economic Development (DED); additional approvals from other authorities may be required	The relevant Free Zone authority (note that there are more than 40 Free Zones in the UAE); additional approvals from other authorities may be required
Type of legal entity	Private/public joint stock company; LLC; branch of a foreign company	FZE (single shareholder); FZCO (multiple shareholders); branch of a foreign company
Audit requirement	Accounts need to be audited	Accounts generally need to be audited
Timeline for set-up (LLC)	Generally, around 3-4 months to set-up (from receipt of all documents)	Generally around 2-3 months depending on the Free Zone
Foreign ownership restrictions	In principle 51% local shareholding required; however, exceptions are possible	100% foreign ownership possible
Minimum shareholders	At least 2 shareholders	1 shareholder possible
Minimum share capital	In practice, generally around AED 150-300k (depending on Emirate and activity)	Share capital requirements typically vary from AED 50,000 to AED 1,000,000 (depending on the Free Zone, activity, etc.)
Physical office	The required minimum office space is 200 square feet	No minimum square feet requirement, but minimal set-up required (flexi desk solution); details depend on Free Zone
Conduct of business	Generally no restriction	Free Zone companies can only operate within the Free Zone; carrying out business operations in mainland UAE is not permitted

Offshore establishments

A handful of Free Zones such as JAFZA and RAKFTZ permit foreign investors to establish offshore entities that may act as a holding company within their group structure and are further not permitted to perform any activities in the UAE (Free Zone or mainland). These legal vehicles, however, are allowed to own freehold property within the UAE jurisdiction. UAE offshore companies are governed by the relevant Free Zone's offshore regulatory laws and regulations.

Formation procedures and registration

The steps to establish an LLC in the UAE are generally as follows:

1. Decide on the business activity
2. Determine the trade name
3. Prepare required documents
4. Ensure attestation and legalization of required documents (as required) with the UAE Embassy in the country of origin
5. Provide legal/official translation of required documents (as required)
6. Ensure counter attestation and legalization of required documents (as required) with the Ministry of Foreign Affairs and Ministry of Justice in the UAE
7. Apply for initial approval from the DED
8. Open a bank account
9. Deposit the share capital into the bank account
10. Prepare expand to memorandum of association (MoA) and partnership agreement
11. Establish business location
12. Obtain final approval from the DED
13. Obtain commercial license
14. Register with the Chambers of Commerce
15. Register with the Ministry of Labor and Immigration
16. Registration with the Municipality
17. Registration with the Civil Defense

Please note that the above refers to the procedures at the time of this guide's publication and might be subject to variations when the process is initiated in the future. In addition, there may be variations to the above steps in case of Free Zones (depending on the exact Free Zone).

"UAE offshore companies are governed by the relevant Free Zone's offshore regulatory laws and regulations.

Below we have set out an initial list of documents typically requested by the UAE authorities for company registration purposes:

- Attested and legalized resolution from the parent company to set up a subsidiary in the UAE;
- Attested and legalized certificate of incorporation/trade license of the parent company;
- Passport copy of the directors of the parent company;
- Attested and legalized memorandum and articles of association of the parent company;
- Copy of the last financial statements of the parent company;
- Business plan;
- Office lease agreement;
- Passport copy of the manager to be appointed for the new company; and
- Letter of authorization for a third party to submit documents to the authority on behalf of the parent company.

The documents of the parent company should be attested and legalized with the UAE Embassy and Ministry of Foreign Affairs in the country of origin and counter attested with the Ministry of Foreign Affairs in the UAE. The documents would also need to be legally translated in Arabic and attested by the Ministry of Justice in the UAE.

Please note that this refers to an indicative list and might be subject to variations at the time of application.

A license will then be issued by the Department of Economic Development or the Municipality or the Chamber of Commerce of the relevant Emirate. The process of registering in Dubai, for example, is estimated to take about six to eight weeks from the date of initial application, provided all documentation is in place and that there are no extraordinary issues that need to be resolved.

Taxation in the United Arab Emirates

Overview

In recent years, there has been a dynamic change in the tax environment around the globe. International tax initiatives are also at its most vital standpoint with the issuance of Base Erosion and Profit Shifting (BEPS) 2.0 by the Organization of Economic Cooperation and Development ('OECD'). Being a member of OECD's Inclusive Framework, in response to the international tax initiative, on 31 January 2022, the Ministry of Finance (MoF) announced that the UAE will introduce a Federal Corporate Tax (CT) on business profits that will be effective for financial years starting on or after 1 June 2023. Following the announcement, on 9 December 2022, the UAE published the Federal Decree-Law No. (47) of 2022 on the Taxation of Corporations and Business ('CT Law'). The MoF also published Frequently Asked Questions (FAQs), providing the details on the key design features of the CT regime. Several Cabinet Decisions (CD) and Ministerial Decisions (MD) have been published following the release of the CT Law, which provides more clarity on provisions of the law.

The UAE CT is a Federal tax; therefore, it applies across all the Emirates. However, businesses engaged in the extraction of natural resources and in certain non-extractive businesses that are subject to Emirate level taxation according to the local decrees are out of the scope of UAE CT (see 'Taxation of oil and gas companies' below).

The UAE Federal Tax Authority (FTA) was established in 2016 by Federal Decree and is the government entity responsible for collecting and managing Federal taxes in the UAE, including CT, value-added tax (VAT) and excise taxes.

Customs duties are managed within each Emirate of the UAE by local Customs authorities, coordinated by the Federal Customs Authority.

Introduction of Corporate income tax

The UAE CT regime is based on international best practices and is designed in a way which is not too complex or overburdensome for the businesses to comply with. The key objective of the policy includes:

- Competitive CT regime
- Support investment and headquarters activities
- Free flow of capital, trade, financing and services
- Minimal compliance
- Support small businesses and startups
- Aligned with OECD Pillar Two initiative
- Ample time for businesses to prepare

CT being a direct tax, is levied on the net profits of the UAE businesses as reported in their financial statements prepared in accordance with the acceptable international accounting standards, with minimal adjustments and exceptions.

The CT Law comprising of 20 Chapters and 70 Articles, provides scope of CT, its application, exemptions, and rules pertaining to compliance and administration. Key provisions / articles of the CT law are summarized below:

Timing

The UAE CT is effective for the financial year starting on or after 1 June 2023. The updated FAQs that have been published on the FTA's website considers the following examples:

- A business with a financial year starting on 1 July 2023 and ending on 30 June 2024 will become subject to UAE CT from 1 July 2023 (the beginning of the first financial year starting on or after 1 June 2023).
- A business that has a financial year starting o 1 January 2023 and ending on 31 December 2023 (i.e., calendar year) will become subject to the UAE CT from 1 January 2024 (which is the beginning of the first financial year that starts on or after 1 June 2023).

Scope:

- All legal persons incorporated in the UAE and foreign legal persons, if they are effectively managed and controlled in the UAE or have permanent establishment in the UAE or have UAE source income, are subject to UAE CT.
- Free Zone businesses are also in the scope of CT and subject to tax filing requirements. However, the UAE CT regime will continue to honor the incentives (0% CT rate on Qualifying income) currently offered to Free Zone businesses subject to prescribed conditions.
- Individuals engaged in the business or commercial activity are also subject to CT, provided total turnover exceeds AED 1 Million (excluding income from employment, personal and real estate investment income)
- There is no separate Federal or Emirate-level personal income tax in the United Arab Emirates

Rate

CT rates:

- 0% for taxable income up to AED 375,000;
- 9% for taxable income above AED 375,000;
- A different tax rate will likely apply for large multinationals (MNE) that meet criteria set with reference to Pillar Two rules.

A multinational corporation is a corporation that operates in its home country, as well as in other countries through a foreign subsidiary, branch or other form of presence/registration. "Large" refers to a multinational corporation with consolidated global revenues in excess of EUR 750m (c. AED 3.15 bn).

Exempt person

Some to the persons are exempt (subject to prescribed conditions, if any) from UAE CT such as:

- A Government Entity
- A Government controlled entity
- Businesses engaged in certain extractive and non-extractive natural resource business
- Specified charities and other public benefit organizations
- Pension / social security funds
- Investment funds

Free Zone

- Free Zone company / branch which qualifies as a Qualifying Free Zone Person (QFZP) is subject to CT but would continue to benefit from a preferential 0% CT rate on its Qualifying income. A 9% CT rate would apply on non-qualifying income of QFZP without considering taxable income threshold of AED 375,000 as available to a Taxable person.

• The following conditions needs to be fulfilled in order to be a QFZP:

- Maintain adequate substance
- Derive qualifying income
- Comply with transfer pricing rules and documentation requirement
- Prepare and maintain audited financial statements
- No election made to be subject to regular CT regime

Failure to meet any of the above requirements shall cease taxpayer's status of a QFZP from the beginning of the relevant tax Period and for the subsequent four tax Periods.

Qualifying income categories as defined under the CD broadly includes:

- Income derived from transactions with other FZ Persons, except for income derived from Excluded Activities
- Income derived from transactions with a Non FZ Person, but only in respect of Qualifying Activities that are not Excluded Activities. List of such qualifying activities and excluded activities are provided in the CD.
- Any other income provided that the qualifying FZ satisfies the de minimis requirements.

• Free Zone entities that are part of a large multinational group are anticipated to be subject to a different rate once the Pillar Two rules are embedded into the UAE CT regime.

• A Free Zone Person will be able to make an irrevocable election to be subject to regular CT

Tax Group

• In order to reduce compliance burden, the CT Law permits the resident juridical persons to form a tax group and be treated as a single taxable person for tax reporting purpose.

• Resident person i.e., parent company can make an application to the FTA to form a tax group provided, that parent company directly or indirectly owns at least 95% of share capital, voting rights and entitlement to profits and net assets of the subsidiary and fulfills the other conditions provided under the CT Law.

• Once formed, a tax group is treated as a single taxable person with parent company responsible for administration and payment of CT on behalf of tax group.

• To determine the taxable income of the tax group, parent company will have to consolidate the financial accounts of each subsidiary for relevant tax period and eliminate the transaction between parent company and each of subsidiary group member.

• Business needs to take in to account many qualitative and quantitative considerations before forming such groups.

Non-resident

• Foreign entities/individual will be subject to CT only if they earn a taxable income from their permanent establishment in the UAE or derive a UAE-sourced income (which is defined as income accruing or derived from UAE) or has a nexus in the UAE (which is defined as income from immovable property in the UAE).

• Permanent establishment concept under the CT Law has been designed on the basis of the OECD Model tax convention and considers recommendation under BEPS Action 7 report.

• Article 5 of the OECD Model tax convention sets out internationally recognized principles for determining what constitutes a PE, which forms the basis for determining a PE under UAE CT regime.

• Non-resident person has a PE in the UAE in any of following instances:

- Where it has a fixed or permanent place through which the business is conducted
- Where a person has habitually exercised the authority to conclude a business on behalf of a non-resident person

• CT will generally not be levied on a foreign investor's income from dividends, capital gains, interest, royalties and other investment returns.

• Merely earning a UAE sourced income would not trigger CT payable or require the foreign entity to register and file for UAE CT.

Unincorporated partnership and family foundation

• The UAE CT Law has specific provisions governing the taxability of unincorporated partnerships and family foundations.

Tax Base

• Residency is a key determinant of whether business profits is to be subject to CT in the UAE.

• Resident person is subject to CT on their worldwide income (subject to resident natural person only being taxed on income insofar as it relates the business or business activity conducted in the UAE)

• Non-resident person is taxed only on income derived from sources within UAE.

• Taxable income is determined based on standalone financial statement prepared in accordance with accounting standards accepted in the UAE.

• Taxable income is the accounting net profit (or loss) adjusted for unrealized gain or loss, exempt income, reliefs, deductions, related party transactions, tax loss, incentive, or special relief specified by the MOF.

• Expenditures not incurred for business purpose or incurred for exempt incomes are not allowed for deductions.

• Certain expenditures such as donation, gifts, fines, bribes, corporate tax, recoverable VAT and dividends distributed are disallowed for deduction for CT purposes.

Small Business Relief:

A taxable person that is resident person (except QFZP or entity that is part of large MNE) may elect to be treated as not having derived any taxable income for tax period wherein revenue in that tax period and previous tax period does not exceed AED 3 Million (relief available for financial years beginning on or after 1 June 2023 but only until 31 December 2026).

Exempt income

• The CT Law exempts certain income and disallows related expenditures' deductibility while determining taxable

income.
• Dividends and other profit distributions from UAE legal persons are exempt from UAE CT.
• Foreign dividends, capital gains (domestic and foreign), etc.from participating interest are exempt subject to the fulfilment of prescribed conditions. Participation interest is defined as ownership interest of 5% or more in the participation or where the aggregate cost of acquisition of ownership interest in the participation is more than or equal to AED 4 million.
• One of the key conditions to be fulfilled to benefit from participation exemption is, participation should be subject to CT in its jurisdiction at a rate of not less than 9%.
• Income derived by a Non-Resident Person from operating or leasing aircraft or ships used in international transportation is exempt on the reciprocity principle.
• Resident person can make an application to not take into account income and associated expenditure of its foreign PE. Exemption applies to all foreign PE that are subject to tax rate not less than 9%.

Interest deduction limitation
• One of the important considerations in line with Action 4 of the OECD's Base Erosion and Profit Shifting project, which has been implemented by countries around the world, is the capping of the amount of the net interest expense that can be deducted by businesses.
• In line with international practice, CT Law limits deductibility of net interest expenditure to 30% of the taxable person's Earnings Before Interest, Taxes, Depreciation, and Amortization (EBITDA) (excluding exempt income) for the relevant tax Period.
• General interest deduction limitation rule will not apply if the taxable person's net interest expenditure for the particular tax period does not exceed AED 12 million.
• Remaining part of net interest expenditure can be carried forward up to 10 years
• There are also specific interest limitations for the payments to related parties and certain grandfathering provisions for existing loans in the CT Law.

Tax loss
• Tax losses incurred can be carried forward indefinitely except for losses incurred before 1 June 2023 or before a person becomes a taxable person or from an asset or activity the income of which is exempt.
• The amount of tax loss used to reduce taxable income for any subsequent tax period cannot exceed 75% of taxable income for that tax period.
• Tax losses can be carried forward provided that the same person continues to own at least 50% ownership interest in the taxable person and the taxable person continues to conduct the same or a similar business following a change in ownership of more than 50%.
• This limitation does not apply to a taxable person whose shares are listed on a recognized Stock Exchange.
• CT Law permits to transfer tax losses to other UAE entities or tax group as long as they are at least 75% commonly owned (except for Qualifying free zone person or exempt person)

Transfer pricing
• In line with the OECD Guidelines, the UAE CT law requires transactions and arrangements between related parties must meet the arm's length standard.
• Transactions and arrangements between related parties to meet the arm's length principle if the result of such transactions and arrangements are consistent with the result that would have been realized if the person who are not related parties had engaged in similar transactions under similar conditions.
• The TP methods and applicability based on the comparability factors have also been stated in the CT Law.

Transitional provision
• The opening balance sheet for Corporate tax purposes shall be the closing balance sheet prepared for financial reporting purposes under accounting standards applied in the UAE on the last day of the financial year that ends immediately before the first tax period commences. This is subject to any conditions or adjustments that may be prescribed by the Minister.
• It should be prepared taking into consideration the arm's length principle as discussed in the transfer pricing section.
• A taxable Person may elect to adjust its taxable income to the extent of unrealized gains inherent on the date of entry into CT regime while calculating the gains on any Immovable Property, Intangible Assets, gains and losses on all the Financial Assets and Financial Liabilities that meet certain conditions.

Transfer within qualifying group
• Subject to meeting the relevant conditions prescribed under the CT Law, no gain or loss shall arise for the transfer of one or more assets or liabilities between two taxable persons that are members of the same qualifying group. Note that a holding period of a minimum two years post date of transfer is applicable.
• Otherwise, the event of transfer shall be calculated at market value instead of net book value.

Business restructuring relief:
• Subject to meeting the relevant conditions prescribed under the CT Law, no gain or loss shall arise in a qualifying business restructuring exercise between two taxable persons. Note that a holding period (whether in part or whole – shares or business) of a minimum two years post date of restructuring is applicable.
• Otherwise, the event of restructuring shall be calculated at market value instead of net book value.

General Anti-abuse rules
• CT Law introduces a general anti-abuse rules where the FTA may counteract or adjust the taxable basis in case where tax advantages are obtained as a result

of any transaction or arrangement where its main purpose or one of the main purposes is to obtain a tax advantage.
- The general-anti abuse rules apply to transactions or arrangement entered into on or after the date of the Decree-Law is published (i.e., 10 October 2022) in the Official Gazette.

Other elements

- Foreign CT paid on income taxable in UAE will be allowed as a tax credit against the UAE CT liability subject to conditions.
- Under current legislation, withholding tax is applicable at 0% on cross-border transactions and there is no obligation to file WHT returns.
- Additionally, there is no requirement to withhold tax on payments or distributions made within the UAE.

Administrative and compliance

- The FTA is a responsible institution for the administration, collection, and enforcement of the CT. The MoF remains the "competent authority" for exchange of information and bilateral/multilateral agreements.
- Business should register with FTA and obtains a tax registration number.
- Only one CT return needs to be filed annually.

electronically per financial period (which is generally a year) within 9 months after the end of given period.
- Fiscal unity election possible in which case only be required to file a single tax return for the entire group.
- No advanced or provisional CT filings is required.
- There are no advance UAE CT payments.
- It is mandatory for business to maintain audited financial statements in case where:
- Revenue exceeds AED 50 million during the relevant Tax Period and
- Qualifying free zone person

- Business is required to maintain financial and other records that support the CT return for the period of 7 years following the end of the tax period.
- Penalties for non-compliance with the CT regime will be applicable such as:

Description of Violation	Administrative Fine Penalty Amount in AED
Penalties for not submitting a tax return	- AED 500 for each full or partial month throughout the first 12 months. - AED 1,000 for each month or part of a month after the thirteenth month. - Penalties begin the day after the deadline for filing a tax return and are assessed monthly
Failure to settle the Payable Tax	A monthly penalty of 14 % per annum, for each month or part thereof, on the unsettled payable tax amount.
Failure to maintain the records and other information	AED 10,000 for each information and 20,000 in case of repeated violation within 24 months from date of first violation.
Failure to provide the Authority with tax-related information in Arabic when requested	AED 5,000

Implications and readiness

The implications of the CT Law can be far-reaching and tax and finance teams should work on developing a roadmap.
As a first step, businesses should gain a good understanding of the proposed changes to fully assess the implications. These implications may require changes to the legal structure, business model, contracting and (transfer) pricing, accounting and profit, systems and data and organizational structure (e.g., tax function). Tax and finance teams should be ready to start conversations with the different departments and stakeholders within the business around the anticipated impacts.

Taxation of oil and gas companies

To prevent the double taxation and respect the sovereignty of Emirates over natural resources, business engaged in extraction of natural resource and certain non-extractive activities are considered outside the scope of UAE CT, subject to the fulfilment of conditions stipulated under the CT Law and as such would continue to be taxed under Emirate level taxation according to the local decrees.

Taxable oil and gas companies are taxed under the specific terms of the concession agreements or fiscal letters signed with the government. The fiscal terms under such agreements generally supersede the provisions of the Emirati tax decrees, and this is typically stipulated in the wording of the concession agreement

The concession agreements or fiscal letters are the principal tax legislations for oil and gas companies in the UAE (apart from any VAT obligations). Generally, all matters not specifically mentioned in the concession agreement or fiscal letter should follow the provisions of the relevant Emirate's tax decree.

The terms of the concession agreements or fiscal letters are specific and determine the tax base, the applicable tax rate, relevant due dates and filing deadlines, and to whom the tax is paid.

Details of such fiscal regimes are not publicly available; however, the regime usually involves mixture of payment of royalties and income tax.

Under the agreements, the tax rates typically range up to 85%, and royalty rates range between 12 - 20%, depending on the levels of production.

The competent authority for the regulation of the oil and gas industry, grant of concessions and collection of taxes under the concession agreements or fiscal letters is the government of the respective Emirate.

Taxation of branches of foreign banks

With the introduction of CT, Branches of foreign/international banks are now subject to both CT as well as Emirates level taxation , i.,e subject to income tax in the Emirate where they are established and operate. Emirates level taxes paid will not be able to be credited against CT payable.
Certain Emirates including Dubai and Abu Dhabi have issued special banking decrees or banking tax regulations (Regulations). The Regulations are broadly similar and share the following key characteristics:

- The taxable income of foreign banks is typically subject to tax at 20%;
- The taxable profit is determined based on the audited branch accounts and subject to the adjustments as prescribed by the Regulations;
- The Regulations contain a number of provisions dealing with the allocation/ attribution of revenue as well as expenses1 to the branch and expense deductibility rules2;
- The Regulations further contain specific guidance regarding accruals/provisions, depreciation of bankable assets and the carry forward of tax losses;
- The Regulations provide for procedural/ administrative rules (e.g. filing deadline, late payment interest and penalties in case of non-compliance, payment of income tax and the appeal process).

The central competent authority for overseeing the tax affairs and collection of taxes is the Ruler's Commissary or the Department of Finance of each Emirate.

Residence

With the announcement of introduction of the CT in the UAE, the authorities issued decisions (Cabinet Decision No. 85 of 2022 and Ministerial Decision No. 27 of 2023) which sets out the criteria for determining the tax residency of legal and natural person for purposes of any UAE tax law or bilateral tax agreement from 1 March 2023.

The domestic tax resident definition is aligned to internationally recognized standards and gives additional clarity to individuals and legal person in respect of their UAE tax residency position. However, CD also specifies that the definition of tax residency provided in any applicable international tax treaty shall prevail over the definition provided in the UAE domestic law.

A. Legal persons:

Following legal persons are considered as UAE tax resident:

- A legal person that is incorporated in the UAE, this does not include branch of foreign legal person
- Foreign legal person if it is effectively managed and controlled in the UAE which typically considers where the directors or other decision makers of the company make the key management and commercial decisions.

B. Natural persons:

A natural person will be considered a tax resident if:

- The primary place of residence and the center of financial and personal interests are in the UAE (or meets further conditions to be specified); or
- There is a physical presence in the UAE for at least (183) days within (12) consecutive months; or
- There is a physical presence in the UAE for at least (90) days, and the individual either is a UAE national or holds a valid residence permit in the UAE or holds the nationality of any GCC Member State and meets any of the following :

- (i)has a permanent place of residence in the UAE
(ii) Carries on employment or business in the UAE

UAE tax resident can obtain Tax Residency Certificates (TRCs) from the FTA and benefit from bilateral tax agreements signed by the UAE with several countries. Copies of the below documents are required as part of the TRC application3:

A. Legal person

- Trade License
- Proof of Authorization (Establishment Contract or the Power of Attorney)
- Copy of the audited financial accounts certified by a certified audit firm
- A bank statement issued by a local bank covering 6 months within the financial year related to the request
- Certified copy of the Memorandum of Association (if applicable)

B. Natural persons:

- Passport
- Valid Residence Permit
- Emirates ID
- A certified copy of residential lease agreement
- Source of income/salary certificate
- A bank statement issued by a local bank covering 6 months within the financial year related to the request
- Entry and exit report from Federal Authority of Identity and Citizenship or a local competent Government entity

[1] For example, the Regulations provide that the branch shall bear regional and shared expenses according to the ratio of its asset to the total assets of the operating branches.
[2] For instance, the deductibility of the total of the head office expenses and the regional management expenses is capped at 2.5% of the branch's revenue.
[3] Sour https://tax.gov.ae/en/services/issuance.of.tax.certificates.aspx

Transfer Pricing

Arm's length principle:
Transfer pricing rules are in line with the OECD Transfer Pricing Guidelines (TPG) and apply to cross-border and domestic transactions. There is an exception for UAE tax groups as all related party transactions within the tax group will be eliminated in the consolidation. In determining the taxable income for UAE corporate tax purposes, transactions and arrangements between related parties must be in line with the arm's length principle. Accepted transfer pricing methodologies include the comparable uncontrolled price method, the resale price method, the cost-plus method, the transactional net margin method and the transactional profit split method. If none of these methods can be reasonable applied, any other transfer pricing method could be applied to satisfy the arm's length principle.

Payments or benefits to connected persons are only deductible if these correspond with market value and are incurred wholly and exclusively for the business of the taxpayer.
It should be noted that the transfer pricing rules also apply to transactions of Free Zone Persons and form part of the key conditions to qualified as a Qualifying Free Zone Person.

Transfer pricing documentation:
Taxpayers are required to maintain information regarding their transactions with related parties and connected persons, and may be required to submit this information in a disclosure along with their tax return. In addition, businesses may be required to maintain a master file and a local file if certain conditions are met. Upon request of the authorities, taxpayers should submit the master file and local file within 30 days. Taxpayers that elect for small business relief will not have to comply with the transfer pricing documentation rules.

Country-by-country reporting:
The UAE introduced country-by-country reporting, which has taken effect for financial years commencing on or after 1 January 2019. It is noted that the UAE country-by-country rules apply to Multinational Enterprise (MNE) groups with the Ultimate Parent Entity (UPE) in the UAE if consolidated group revenue is equal to or more than AED 3.15 billion in the financial year immediately preceding the reporting period. The UAE country-by-country reporting rules do not apply to MNEs with the UPE outside of UAE. Therefore, constituent entities in the UAE with UPE located overseas are not required to do any country-by-country report secondary filing and are also not required to file any notifications.

Furthermore, the UAE VAT law contains a definition of related parties, which are defined as two or more persons not separated on an economic, financial or regulatory level, where one can control the others either by law, or through the acquisition of shares or voting rights.

It has been noticed that the FTA requests TP documentation during VAT audits to ensure the basis on which the VAT rate is applied is at arm's length in an intragroup context.

It is also important to mention that the Gulf Cooperation Council (GCC) Common Custom Law contains a definition of related parties which is similar to the one mentioned above. Consequently, intragroup transactions and related TP could be challenged by the Customs Authorities, which would ensure that the custom value declared for duty proposed is in line with the TP value disclosed in TP documentation.

Foreign income and tax treaties

The UAE has concluded around 128 double taxation treaties of which around 90 are already in force. The in-force DTTs include Algeria, Comoro Islands, Egypt, Guinea, Kenya, Mauritius, Morocco, Mozambique, Saudi Arabia, Senegal, Seychelles, South Africa, Sudan, Tunisia, Jordan, Lebanon, Syria, Yemen, Azerbaijan, Kazakhstan, Kyrgyzstan, Turkmenistan, Tajikistan, Uzbekistan, Armenia, Bangladesh, Brunei, China (PRC), Georgia, Hong Kong, India, Indonesia, Japan, Korea (Rep.), Malaysia, Maldives, Pakistan, Philippines, Singapore, Sri Lanka, Thailand, Vietnam, Albania, Andorra, Belarus, Belgium, Bosnia and Herzegovina, Bulgaria, Croatia, Cyprus, Czech Republic, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Jersey, Kosovo, Latvia, Liechtenstein, Lithuania, Luxembourg, Macedonia, Malta, Moldova, Montenegro, Netherlands, Poland, Portugal, Romania, Russia, Serbia, Slovakia, Slovenia, Spain, Switzerland, Ukraine, Turkey, United Kingdom, Barbados, Canada, Mexico, Panama, Uruguay, Venezuela, Fiji and New Zealand.

Furthermore, the UAE joined the OECD Inclusive Framework on Base Erosion and Profit Shifting (BEPS) on May 2018 and signed the OECD Multilateral Convention to Implement Tax Treaty Related Measures to prevent BEPS (MLI) on 27 June 2018.

Stamp duty

There are currently no stamp duties levied in the UAE. Registration/notary or attestation fees, as are common in most other jurisdictions, however, there may be registration/notary or attestation fees upon incorporation of a company.

Certain Free Zones may levy an administrative fee for a transfer of shares to other UAE companies.

Real estate transfer fees

There are currently no property taxes applicable in the UAE. However, a registration/transfer fee is levied on the direct and, in specific circumstances, indirect transfer of real property (e.g. a transfer of shares in a company holding real estate). This fee is also levied on partial transfers under certain circumstances.

The rate varies according to the Emirate in which the property is situated. For the Emirate of Dubai, the rate is 4%, borne equally by the buyer and the seller (although in practice, the buyer is generally responsible for paying the transfer fee).

It is worth noting that the purchase of any property in the UAE is generally restricted to UAE/GCC nationals only (foreign ownership may be possible if the property is within the designated areas of the UAE).

Municipal charges

In the case of property rentals, certain Emirates charge a municipality fee on the annual rental value of the property, which varies according to the Emirate in which the property is situated. For the Emirate of Dubai, a municipality fee of 10% is levied on commercial properties (5% for residential properties). The fee is included proportionally in the monthly utility bills for the property.

Municipal charges are also imposed on certain hotel and leisure services.

Economic substance rules

On 10 August 2020, the UAE Cabinet issued the Cabinet of Ministers Resolution No. 57 of 2020 concerning Economic Substance Regulations (ESR). UAE onshore and Free Zone entities that carry on specific activities mentioned in the rules will have to meet ES requirements, as failure to do so could trigger penalties.

The ESR foresees specific substance requirements (economic substance tests) on entities that fall within its scope. Broadly speaking, there is a two-step test to determine the applicability of the UAE ES requirements i.e. the entity is a relevant entity and the entity carries out a relevant activity in the UAE.

A relevant entity is any entity, including a branch, that is licensed by a competent authority to carry out a relevant activity either onshore on in a UAE Free Zone.

Any of the following nine activities should be considered as a relevant activity as per the ESR: banking business; insurance business; fund management business; financing and leasing; shipping business; headquarters business; holding company business; intellectual property holding business; and distribution and service center business.

Under the ESR, licensed entities undertaking any of the relevant activities listed above and deriving income therefrom are required to comply with the following three ES tests:

1. The 'directed and managed test': The entity will need to be directed and managed in the UAE with regards to the relevant activity (for example: frequent board meetings, quorum of directors physically present, minutes of all board meetings kept in the country, etc.).

2. The 'core income generating activities (CIGA)' test: The entity that performs any of the relevant activities for the purpose of the ESR will need to demonstrate that the relevant CIGAs have been undertaken in the UAE. The criteria for the CIGA test vary depending on the relevant activity in question.

3. The 'adequate' test: The entity will need to have an adequate number of qualified employees in the UAE, incur adequate expenditure in the jurisdiction and have an adequate physical presence in the country. The applicability of the 'adequate' test will be dependent on the particular facts and should vary on a case by case basis.

In order to meet the ES tests, each of the above must be satisfied for the entire relevant period.

Companies covered by the ES rules will be subject to the following two compliance/reporting requirements:

1. Notification; and
2. Report submission.

Non-compliance could result in financial penalties as well as exchange of information with the shareholder's jurisdiction (this is potentially up to the beneficial owner) and suspension/non-renewal of a trade license.

Value added tax

Introduction

The UAE introduced VAT with a standard rate of 5% from 1 January 2018. This followed agreement from the seven member states of the Gulf Cooperation Council for the Arab States to implement VAT in accordance with the GCC VAT framework agreement, which sets out the principles of the GCC regional VAT regime.

The UAE has a range of legislation governing VAT, but the primary sources of national law are the Federal Decree-Law No. 8 of 2017, and Cabinet Decision No. 52 and its amendments.

The GCC framework agreement and UAE national VAT legislation sets out specific VAT rules for supplies between GCC member states. However, the UAE has elected not to implement these provisions until VAT is implemented more broadly across the GCC. As such, other GCC member states are currently treated in the same way as non-GCC countries for VAT purposes in the UAE.

Rates

VAT is applicable on taxable supplies of goods and services in the UAE, and imports of goods into the UAE from outside of the GCC (and from GCC member states for an interim period), with limited exceptions.

Certain supplies may qualify for either zero-rating or exemption under the UAE national legislation (refer to Table 1). Zero rated supplies have a VAT rate of 0% and are treated as taxable supplies in all other respects, including the right to recover VAT incurred on expenditure. Exempt supplies do not require VAT to be accounted for, however, VAT incurred on expenditure is restricted.

In practice exceptions to the standard rate of VAT are often interpreted narrowly by the FTA. Care should be taken in their application, with the relevant evidence to support the position retained.

Table 1: Overview of supplies not subject to the standard rate of VAT

Type of supply	VAT treatment
Qualifying exports of goods or services	Zero
International transport of passengers and goods, including some related goods and services	Zero
Qualifying means of transport, and certain goods and services supplied for their operation, repair, maintenance or conversion	Zero
Aircraft or vessels designated for rescue and assistance	Zero
Certain investment precious metals	Zero
The first qualifying supply of a new residential building (or converted from non-residential to residential building) or a building specifically designed to be used by charities	Zero
Crude oil and natural gas	Zero
Qualifying educational services and related goods and services	Zero
Preventive and basic healthcare services and related goods and services	Zero
Qualifying financial services	Exempt
Residential buildings not qualifying for the zero rate	Exempt
Bare land	Exempt
Local passenger transport	Exempt

Registration and VAT administration

VAT registration is mandatory for taxable persons who are residents in the UAE that make taxable supplies exceeding AED 375,000 over the previous 12-month period or that are expected to exceed AED 375,000 within the next 30 days. Please note that taxable supplies for the purpose of determining the registration threshold may also include the import of goods and services from outside the UAE. A supplier that solely makes zero-rated supplies may submit an application for an exemption from mandatory registration.

A resident business may voluntarily register for VAT if its taxable supplies (or expenses) exceed or are expected to exceed the voluntary registration threshold of AED 187,500.

No threshold applies to non residents. Non residents will be required to register for VAT to remit any tax payable by them on supplies in the UAE regardless of value. A broad reverse charge mechanism is set out within the UAE VAT legislation, allowing resident taxpayers to account for VAT payable on supplies received from non residents in certain cases, which has the effect of reducing the instances of non-resident VAT registration in the UAE.

It is possible to register as a tax group in the UAE and be treated as a single taxable person for VAT purposes. Two or more entities may apply to be grouped where they have establishments in the UAE and the relevant ownership and control requirements are met.

Once registered, taxpayers will be required to calculate the net VAT due and declare this on a VAT return. VAT returns are generally required on a monthly or quarterly basis depending on turnover, but the FTA may specify a longer or shorter period if it considers that to be appropriate.

Returns must be filed online via the FTA's e-Services portal by the 28th day (or next working day if the 28th day falls on a weekend or national holiday) of the month following the end of the reporting period. Any VAT payable for the reporting period is due on the return filing date and payments are generally made online via the e-Dirham website or by bank transfer.

Valid tax invoices must be issued for all taxable supplies, showing a range of mandatory information.

Any VAT deduction requires the purchaser to hold a copy of a valid tax invoice issued by the supplier. Deductions of VAT are not permitted for non-business expenses and certain purchases are specifically excluded from recovery, such as entertainment, catering, and purchase or expenditure on motor cars for private use.

Taxpayers are expected to retain the relevant VAT, accounting, and other records to support the data entered on the VAT return for a period no less than five years from the end of the relevant tax period, and 15 years for activities relating to real estate. The FTA may increase these time limits by a further four years in certain circumstances.

Excise tax

Overview

A framework agreement between the seven member states of the GCC sets out the principles of the Excise tax regime at a regional level. Consistent with this agreement, the UAE imposes Excise tax on the importation, production, and stockpiling of tobacco, electronic smoking devices and associated liquids, carbonated drinks, sweetened drinks, and energy drinks.

The primary sources of legislation for Excise tax in the UAE are the Federal Decree-Law No. 7 of 2017, and Cabinet Decision No. 37 of 2017, supported by a range of Cabinet, Ministerial, and Federal Tax Authority Decisions.

> "VAT registration is mandatory for taxable persons resident in the UAE that make taxable supplies exceeding AED 375,000 over the previous 12-month period or that are expected to exceed AED 375,000 within the next 30 days.

Rates and compliance

Excise tax in the UAE is currently applied on the following product types: carbonated drinks (50% rate), sweetened drinks (50% rate), energy drinks (100% rate), tobacco and tobacco products (100% rate), electronic smoking devices and tools (100% rate), and liquids used in electronic smoking devices and tools (100% rate).

Excise tax is chargeable by reference to the tax base of the goods concerned. The tax base is either the designated retail price of the goods, a minimum price set by regulation, or a list price determined and published by the FTA.

Excise tax registration is required for anyone who imports, produces, or stockpiles excisable goods in the UAE, or releases excisable goods from designated zones for consumption in the UAE. There is no threshold limit, and any person involved or forming the intention to be involved in excisable activities must notify the FTA within 30 days of the end of the month in which they were involved or formed the intention to be involved. There are specific limited exceptions to registration, including qualifying infrequent importations of Excise goods.

Excise tax registrants must file the relevant declarations in respect of their Excise operations.

The declarations are reflected in the Excise tax return, and submission of returns is required each calendar month; however, a longer tax period may be agreed directly with the FTA in certain circumstances. The due date for filing the Excise tax return is no later than the 15th day of the calendar month following the end of the tax period. The Excise tax return is required to be submitted online to the FTA.

> "Goods entering the UAE which are immediately and appropriately moved to a designated zone are not treated as imported into the UAE at that time.

Importers of Excise goods that are not entered into an approved warehousing arrangement will be required to pay Excise tax upon importation to the Customs Authorities.

Designated zones

A designated zone in accordance with the Excise tax law is an area which is treated as being outside the territory of the UAE for the purposes of Excise tax.

Goods entering the UAE which are immediately and appropriately moved to a designated zone are not treated as imported into the UAE at that time.

Excise tax is due when goods are released from a designated zone for consumption in the UAE.

Any person who carries on or intends to carry on the operation of a designated zone is required to seek approval and register as a warehouse keeper with the Federal Tax Authority. A warehouse keeper shall be responsible for the Excise Goods produced or stockpiled within the designated zone.

Digital tax stamps

Digital tax stamp marking and encoding allows for product traceability from the point of manufacture through to the final point of distribution.

The digital tax stamps scheme in the UAE requires manufacturers and other specified parties in the supply chain to comply with physical stamping and control requirements for the importation and trading of certain designated Excise goods in the UAE.

Currently, designated Excise goods are tobacco and tobacco products, as well as electronically heated cigarette products, and the digital tax stamps scheme has been introduced on specified products within this category on a phased basis.

Customs duty

The UAE is a member of the World Trade Organization (WTO), and is a contracting party to the World Trade Organization's revised Kyoto Convention, the primary agreement in respect of global Customs administration and procedures. At a regional level, the UAE and other GCC countries are unified through a common Customs law, implementing procedures, and a common Customs tariff (although it is noted that there may be differences in implementation between member states).

In addition to the agreements between GCC member states, the UAE is part of the Greater Arab Free Trade Area and a range of bilateral and multilateral free trade agreements are in place or are being negotiated. Within the UAE, there are a number of Free Zones established which allows for the suspension of Customs duty (as well as designated Free Zones and limited VAT relief).

In pursuit of the UAE's economic objectives, we are strengthening international ties with countries around the world to build on our position as a global trade and logistics hub. Signing Comprehensive Economic Partnership Agreements (CEPAs) is key to this goal. The UAE signed its first bilateral trade agreement with India on 18 February 2022 and aims to deepen ties with strategic partners around the world. This is in pursuit of the UAE's Projects of the 50, a series of bold initiatives driving the nation's next phase of sustainable development.

Customs duty is generally calculated on the cost, insurance and freight (CIF) value of imported goods, when goods are 'sold for export'. It is payable at the time of importation. The stranded Customs duty rates are 5% or 0% depending on the Tariff numbers and Harmonized Codes, but may be higher on certain products in the UAE (i.e. the excise goods).

Usually the importer of record and/or the declarant is the entity that declares the goods for import or/and export purposes when goods are declared at the UAE border for movement into or out of the country. Even if a Customs broker is in place, subject to contractual arrangements, the owner of the goods and/or consignee may be held liable for the duty and related compliance obligations. As such, careful consideration should be given to the broker selection and the contracting process.

The documents required for all commercial shipments into the UAE, irrespective of value or mode of transportation, are generally:

- Customs Declaration
- Master Airway Bill/House Airway Bill for Air channel
- Master Bill Of Lading/House Bill Of Lading for Sea Channel
- Commercial Invoice
- Certificate of Origin
- Packing List
- Delivery Order
- Permits wherever applicable

Depending on the nature of goods being shipped, and whether goods are restricted or require a specific import permit, a specific approval, a separate notification and approval process from the relevant ministry may be necessary.

On 2 November 2022, the government of Dubai announced the imposition of a fixed service fee of AED 150 (approx. USD 40) for the attestation of commercial invoices worth AED 10,000 and above.

Importers are required to make payments within 14 days of completing the customs declaration forms.
Importers are required to make payments within 14 days of completing the customs declaration forms.

Understanding the fundamental Customs drivers

In addition to complying with Customs reporting and notification requirements, to understand the level of Customs duty exposure, it is important to understand the following three areas:

- Classification of goods: how goods are classified and whether harmonized system (HTS) codes used for Customs declaration are in order;
- Origin of goods: where the goods are imported from and if any free trade agreement benefits can be availed; and
- Valuation of goods: what is the value of the goods being imported? This will therefore form a basis of the duty bill calculation.

Many Multinational Enterprises (MNEs) operating in the Cooperation Council for the Arab States of the Gulf (GCC) are required to comply with the arm's length principle as well as GCC Customs valuations rules and regulations.

In this context, Customs Valuation and Transfer Pricing (TP) present many tax, legal, and operational challenges in the GCC. The Customs Authorities have been active in reviewing and auditing MNEs and challenging their TP policies and positions in the GCC. In addition, some of the GCC Customs Authorities have been very active in running joint audits to ensure alignment between TP and Customs Value declared upon importation. For many taxpayers, the magnitude of uncertainty and potential financial exposure presents a significant business risk.

Some consideration should also be given to operational and regulatory issues that arise from non-fiscal Customs affairs, particularly export controls and trade embargoes affecting movement of goods among other things. There has been a focus in the UAE on a revised regulatory framework, to implement such non-fiscal measures in respect of trade control.

Customs trends and areas of focus in the UAE

- There appears to be a significant onslaught of post clearance audits (PCAs) initiated by Customs authorities in the UAE in recent years to check Customs and global trade compliance among economic operators. The focus of these audits tends to be around accurate documentation to support duty reliefs sought, validation of valuation methodologies and Customs values used for Customs declaration purposes, classification codes determination and applied origins, among others. Particular focus has been on operators and businesses in Free Zones/ designated zones around the customs reconciliation of inbound and outbound transactions and maintain right record keeping as per the Common Customs Law and the local Polices.

- The Customs authorities in the UAE (Dubai and Abu Dhabi alike) have been promoting the Authorized Economic Operator (AEO) certification. AEO is a trade securitization program aimed at enhancing the relationship of Customs authorities and businesses. AEO certified businesses reap several benefits including faster clearance times and reduced guarantees, among others.
- Many businesses and facilities continue to apply for the industrial exemption program, which allows duty free import of goods when the importer has an industrial exemption in place. Obtaining such an exemption and ongoing compliance in this respect continues to be an area of focus for both businesses and Customs authorities in the UAE.

Personal taxation

There is currently no personal income tax imposed on the income of individuals working in the UAE, and no tax returns need to be filed.

Residence

There are no tax laws covering individuals in the UAE, and as a result, there is no domestic concept of personal tax residence. Nevertheless, the MOF issues TRCs to individuals who satisfy the requirements of the MOF (including a physical presence of more than 183 days within any 12-month period) and a pertinent double tax treaty, if appropriate.

Copies of the following documents are required as part of the application:

- Passport;
- UAE residence visa;
- Emirates ID;
- Certified UAE bank statements for the last 6 months (stamped by the bank);
- Letter from the company stating the position and remuneration of the employee or certified salary certificate;
- Copy of the tenancy contract for any personal premises leased by the individual (or by the company on behalf of the individual) in the UAE; and
- A report from the General Directorate of Residency and Foreigners Affairs specifying the date and times at which the individual has entered/left the UAE since obtaining his/her residence visa (exit/entry report).

Social security, pension

Social security contributions are due only in respect of nationals of the GCC countries (Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the UAE). For UAE national employees, the employer and employee contribution rates are 12.5% and 5% respectively, and contributions are based on the monthly contractual salary, including basic allowances, as agreed in the local employment contract.

The contribution rates and bases for other GCC nationals vary, but are broadly in line with those for UAE nationals.

Under the UAE labor law, non-GCC national employees are entitled to an end of service benefit (EOSB) if their employment contract is terminated after completion of at least one year of service. EOSB is payable by the employer and calculated as 21 days per year of basic wages for the first five years of employment, plus 30 days per year of basic wage for each additional year of service, subject to a maximum EOSB payment of two years' remuneration.

> "Under the UAE labor law, non-GCC national employees are entitled to an end-of-service-benefit if their employment contract is terminated after completion of at least one year of service.

Immigration and labor landscape

Introduction

Foreign investors interested in establishing a presence in any of the seven Emirates; Abu Dhabi, Dubai, Sharjah, Ras Al Khaimah (RAK), Fujairah, Ajman and Umm Al Quwain (UAQ) maintain a large degree of independence when managing the immigration process requirements, policies and regulations. While all the Emirates follow the same immigration process governed by the Federal authorities, Dubai has more flexible immigration processing regulations and is the home for many Free Zone authorities facilitating the establishment of foreign entities in the country.

The UAE has been a regional trade hub and a permanent Middle Eastern destination for international investors. The open environment, tolerant values, infrastructure and flexible immigration regulations have attracted many investors throughout the past years. The UAE immigration and labor authorities are continuously running updates to the relevant legislations and laws governing the immigration and labor laws in the country.

Work authorization

General requirements

Foreign nationals who intend to conduct productive, hands-on work activities in the UAE must apply for a work and residence permit. Work authorization is issued in the form of a work and e-residence visa (residence permit).

Since the UAE authorities ceased residence visa stamping in passports, the Emirates ID now serves as the main immigration status document.

In general, a business can recruit either expatriate or local national staff. Free Zone based employers are required to apply for work permits for their employees via the relevant Free Zone authority. Employers based in the Mainland would apply for employee work permits at the Immigration department.

All immigration and labor applications are to be submitted through the relevant jurisdictional/Free Zone authority's online portal. The presence of a company-appointed public relations officer (PRO) is typically required for certain applications, submissions and for in-person applications follow ups.

Employers can only engage a foreign employee in line with the specific occupation designated on the work and residence document. The employee can only work in the specific location or for a branch of the same employer that has the same business activities and where the employee is engaged in the same activity.

Health insurance requirements are imposed by the government for the sponsorship of employees' work permits. An employer is required to submit valid health insurance at the final stage of a new or renewal work and residence permit application for its employee.

> "The UAE has been a regional trade hub and a permanent Middle Eastern destination for international investors.

UAE nationals are required to obtain work authorization through the Ministry of Human Resources and Emiratization (MOHRE) when employed by mainland entities. For Free Zone entities, UAE nationals are required to obtain work authorization through the Free Zone authority in which the employer is based.

However, are subject to the same work authorization requirements as UAE nationals (as outlined above).

The validity of work authorization and residence permits ranges from 1-2 years and it is renewable.

Summary process of work and residence permit

1. Free trade zones

The work and residence permit application process is submitted to the relevant Free Zone authority in which the employer is based. The Free Zone subsequently forwards the application to the relevant immigration department for consideration. The Free Zone authority acts as the ultimate sponsor of the employee.

Employers based in free trade zones have a quota restriction on work visas. The amount of the quotas is generally limited to one foreign worker for each 9 square meters of office space, although this can differ between each Free Zone. If a quota limit has already been reached, a quota upgrade can be applied for, but approval is granted at discretion.

The work and residence permit application process starts with the submission of an employment entry permit application to the relevant Free Zone authority. Once an employment entry permit is secured, the employee may travel to the UAE and commence his/her assigned activities. However, there are post-arrival formalities that are required to be undertaken to receive the final e-residence permit and Emirates ID. Those formalities include undertaking a medical fitness test. The medical fitness test will include a blood test to check for HIV, hepatitis B and an X-ray to screen for tuberculosis.

Where the intended job title is managerial in nature, the applicant must hold a higher education degree (which does not have to be relevant to the job title). The degree certificate must be legalized in the country of issuance, translated to Arabic and attested at the UAE's Ministry of Foreign Affairs. The legalization process can take a few weeks or substantially longer, depending on processing times of the relevant entities in the country of issuance.

Processing time: the estimated processing time for the completion of a Free Zone sponsored work and residence permit application is approximately 3-4 weeks (in addition to be translation, legalization and attestation process, where required).

2. Mainland

Work and residence permit applications for those employed by mainland entities are required to go through the approval of the MOHRE and the relevant jurisdictional immigration department.

According to Article 13 of the UAE Labor Law, companies operating in mainland UAE are required to obtain an approval from the Labor Department (represented by the MOHRE) and obtain a work permit. The approval is issued in the form of an employment quota and a work permit. Once a work permit is approved, the employer is then able to submit an Employment entry permit application through the relevant jurisdictional immigration department.

When processing a work permit application for a foreign national, the MOHRE considers the following*:

- The worker must possess professional competence or academic qualifications needed in the country.
- Whether the worker has lawfully entered the country and satisfied the conditions of residency in the UAE.
- Whether there are UAE nationals registered in the employment section who are capable of performing the required job.

* The MOHRE is yet to fully implement these considerations to the Dubai mainland work and residence permit process.

Provided the applicant meets all required criteria, the MOHRE will issue a work permit approval after which the Department of Immigration will issue the employment entry permit. The employment entry permit is valid for 60 days from the date of issue and is now issued electronically.

Once an employment entry permit is secured, the employee may travel to the UAE and commence his/her assigned activities. The remaining in-country formalities are similar to the Free Zone residence and work permit process.

Processing time:

The estimated processing time for the completion of a mainland work and residence permit application is 4-6 weeks (in addition to any required document legalizations that may be required).

[3] The Gulf Cooperation Council (GCC) is a political and economic alliance of seven Middle Eastern countries—Saudi Arabia, Kuwait, the United Arab Emirates, Qatar, Bahrain, and Oman.

3. In-country work and residence permit

In-country applicants are able to obtain work authorization without the need to exit the UAE. Examples of in-country applicants are individuals on cancelled residence visas, tourist/business visitors and individuals under a guardian's visa sponsorship.

4. Sponsoring dependents

Work and residence permit holders can sponsor married partners' children, provided they meet the salary requirements (minimum salary of AED 4,000 or AED 3,000 plus AED 1000 accommodation allowance). Parents can also be sponsored, but the application is discretionary.

Female employees sponsoring their husband and children may require additional documentation and such dependent applications may need to go through additional review process by the authorities.

In the UAE, unmarried females can be sponsored by their parents as dependent children regardless of age. However, if they are married, they must be sponsored by their husband. Male dependents up to 25 years of age can also be sponsored but will require additional documents for their application above the age of 21.

Unmarried children over the age of 18 may be recognized as dependents if they are physically or mentally disabled, however this would require special approval from the Immigration Department.

5. Who can be recognized as a dependent?

The below tabular form shows a list of dependent categories.

	Recognized as a dependent	Authorized to work as a dependent
Opposite-sex spouse	Yes	No - must apply for work authorization.
Same-sex spouse	No	N/A
Opposite-sex domestic partner	No	N/A
Same-sex domestic partner	No	N/A
Children	Unmarried females can be sponsored by their parents as dependent children regardless of age. However, if they are married, they must be sponsored by their husband. Male dependents up to 25 years of age can be sponsored.	No - must apply for work authorization.
Parents	Yes, special approval is required to be obtained from the main immigration department	No - must apply for work authorization.
Siblings	Yes, special approval is required to be obtained from the main immigration department	No - must apply for work authorization.

6. Documents required from dependents

- Original passport valid for at least six months and containing at least three blank pages;
- Copy of passport biometric pages;
- Digital passport photo;
- For spouse's sponsorship, a marriage certificate, legalized and translated into Arabic at an authorized translation office in the UAE;
- For children's sponsorship, a birth certificate, legalized and translated into Arabic at an authorized translation office in the UAE;
- Local health insurance card; and
- For parents' sponsorship, a proof of relationship document should be obtained from the embassy/consulate of the sponsor's citizenship attested by the UAE Ministry of Foreign Affairs.

7. Documents required from the sponsor

- Electronic copy of the Labor contract of the sponsor (primary applicant)/salary certificate in arabic;
- Electronic copy of the registered tenancy contract in the primary applicant's name attested by the jurisdictional municipality;
- Water and electricity bill copy;
- International Bank Account Number (IBAN);
- Scanned copy of the passport and residence visa of the sponsor; and
- Original and copy of Emirates ID card – front and back (if new Emirates ID card is under processing, an old Emirates ID card can be used to file the dependents' applications).

Alternative work and residence authorizations

Dependents

Female dependents above the age of 18 may obtain work authorization based on their dependent residence status, provided a 'no objection certificate', signed by their sponsor, is provided and submitted to the authorities. The work authorization approval is obtained from the MOHRE and is issued in the form of a non-sponsored Labor card for employees working in mainland entities. For Free Zone entities, the work authorization is obtained from the Free Zone authority in which the employer is based.

Processing time:

The estimated processing time for the completion of a non-sponsored labor card application is 5 working days.

Split contracts

Since 2010, the UAE's Labor Law has made provisions which allow an employee to have a part-time job, along with a full-time job subject to certain conditions. The employee can work part-time provided he/she has obtained the required work authorization from the MOHRE. The work authorization is issued in the form of a temporary work permit. Temporary work permits are issued with a validity of 6 months and can be extended for a maximum of a total of 12 months. A temporary employment contract and a no objection certificate (NOC) from the residence permit sponsor is required for the approval of a temporary work permit application.

Part-time work permit holders are allowed to work in another company at the same time as working in the current company on a part-time basis for less than eight hours per day.

> "Since 2010, the UAE's Labor Law has made provisions which allow an employee to have a part-time job along with a full-time job, subject to certain conditions.

As per Federal Decree Law No. 2 of 2007, if an expatriate is caught working for another company without an official permit, then a fine of AED 50,000 will be applied to the hiring company, in addition to other penalties in case of repeating the offence.

Processing time: the estimated processing time for the completion of a temporary work permit application is 5-7 working days.

Freelance work and residence permit
Several Free Zones in the country offer a freelance work and residence permit option for expatriates. The Freelance permit enables individuals to conduct business as a sole practitioner. The relevant jurisdictional immigration department regulates the issuance of the freelance residence permits and freelance trade licenses.

The Free Zones that currently offer a freelance work and residence permit include Dubai Development Authority, Dubai Design District, Abu Dhabi's twofour54, Fujairah Creative City, Ras Al Khaimah Economic Zone, Sharjah Media City and Ajman Free Zone. In order for an expatriate to be eligible for a freelance work and residence permit, the profession would have to be related to the activity of the Free Zone. Activities allowed for freelance licenses vary between Free Zones.

Processing time: the estimated processing time for the completion of a freelance work and residence permit application is approximately 10-14 working days.

10-year Golden visa
Expatriates from the below listed categories are entitled to apply for a 10-year Golden residence visa in the UAE.

1. Specialized talented individuals and researchers in various fields of science and knowledge
2. Bright students with promising scientific capabilities
3. Business executives meeting the following criteria:
- Monthly salary of at least AED 30,000 monthly salary.
- Managerial title on UAE residence visa
- Processing times can vary from 3-6 weeks depending on whether the Golden visa application is submitted with a golden visa nomination.

10-year investor visa
Expatriates from the below listed categories are entitled to apply for a 10-year residence visa in the UAE.

Investors in public investments with value of a minimum of AED 2,000,000

Processing time: the estimated processing time for the completion of a 10-year work and residence permit application is approximately 3-4 weeks.

5-10-year Golden visa - Real estate investor
Expatriates from the below listed categories are entitled to apply for a 5-year residence visa in the UAE.

1. Real estate investors in the UAE, provided they meet the below criteria:
• The real estate property value should not be less than AED 5 million.
• The ownership of the real estate property must not be on a loan basis.

2. Entrepreneurs
To be eligible for the Golden Visa as an entrepreneur, one must meet certain criteria, including having a successful track record in entrepreneurship, owning a business that is valued at AED 500,000 or more, having a business that is innovative or provides a significant contribution to the UAE's economy, and having a valid UAE residence visa at the time of application.

3. Outstanding students
Outstanding students with a minimum grade of 95 percent in public and private secondary schools are eligible for a 5-year visa, as well as university students within and outside the country having a distinction GPA of at least 3.75 upon graduation. The 5-year visa includes families of the outstanding students.

Processing time: the estimated processing time for the completion of a 10-year residence permit application is approximately 7-10 working days.

Third-party sponsorship
Several manpower and recruitment agencies offer third-party sponsorship which is typically set up based on a service agreement with a local or overseas employer. This is a useful alternative for the deployment of assignees without having a local corporate presence (or for companies in the UAE, where a presence is required in another jurisdiction, whether an Emirate or Free Zone). A local employment contract and local payroll are mandatory requirements.

Processing time: the processing time for the completion of a work and residence permit application through a third-party vendor takes approximately 8-10 weeks.

One-year residence permit extension for certain dependent categories
Widow and divorced women - The UAE government provides a one-year residence permit extension for widows and divorced women who are residing in the country.

> Expatriates from certain categories are entitled to apply for a 10-year Golden residence visa in the UAE.

Short-term work authorization

Free Trade Zones

Short-term work authorization is issued in the form of an access card sponsored by the Free Zone entity in which the employer is based. A local employment agreement is required for the temporary access card, and foreign national employees may remain on foreign payroll.

Processing time: the estimated processing time for the completion of a temporary access card application is approximately 5-7 working days.

Mainland

A mission visa may be obtained for foreign nationals on short-term work assignments and must be applied for and obtained by the UAE sponsoring company before the foreign nationals travel to the UAE. A local employment contract is required for the mission visa, and foreign national employees may remain on foreign payroll.

Eligibility for the mission visa is highly dependent on the UAE sponsoring company. It should be noted that not all sponsoring companies are eligible to obtain a mission visa.

Processing time: the estimated processing time for the completion of a mission visa application is approximately 3-4 weeks.

Exit requirements/de-registrations

Employers must cancel employees' work and residence permits upon termination of employment, doing so prior to the employee departing the country. Upon termination of employment and cancellation of the work and residence permit, employers are typically responsible for the repatriation costs of the employee in-line with the employment contract and UAE labor law.

Any dependent visas must be cancelled before the employee/sponsor's visa is cancelled.

Once a UAE residence visa is cancelled, 30-180 days (dependent on additional factors) will be granted to exit the UAE or change status (e.g. be sponsored by another employer, obtain spouse sponsorship, etc.).

Processing time and location

Work and residence permit cancellation applications must be filed with the relevant authority by the prospective employer, regardless of whether the employee is in the UAE or not.

Processing challenges for work permits

Whilst the UAE immigration authorities do not formally list any restrictions on the issuance of residence visas to certain nationalities, there are a number of countries whose citizens may face delays (see list below), requests for additional documents or rejections in their visa application.

High risk of delay/rejection
- Afghanistan
- Algeria
- Bangladesh
- Iran
- Iraq
- Palestine
- Syria
- Tunisia
- Yemen
- Nigeria

Moderate risk of delay/rejection
- Egypt
- Kenya
- India
- Lebanon
- Libya
- Morocco
- Indonesia
- Pakistan
- Somalia
- South Africa
- Turkey

"Eligibility for the mission visa is highly dependent on the UAE sponsoring company. It should be noted that not all sponsoring companies are eligible to obtain a mission visa.

Inter-emirate assignments

Generally, an employee can be seconded to a branch of his/her employer and current visa sponsor. However, in cases of secondment to a client's site or any other third-party entity, the employee is required to secure a temporary work authorization from the relevant jurisdictional authority.

Employer compliance

Employers in general must be in good standing with the MOHRE and GDRFA, as well as the relevant Free Zone authority (if applicable).

An employer is required to hold a valid copy of all of the below corporate documents for the submission of any immigration application for its employees.

1. Trade license
2. Establishment card
3. E-signature card

The employer must have the relevant quotas and sponsorship permissions in place (if applicable).

Emiratization

Emiratization refers to the policies and initiatives aimed at increasing the employment of Emirati nationals in the national workforce, particularly in the Mainland.

The UAE have consistently made efforts to boost Emiratization over the past decade. Whilst Emiratization quotas have always been a requirement in the banking and insurance sectors, initiatives such as 'Tawteen' and the Nafis Scheme have been launched to encourage engagement with Emiratization within the wider private sector. Most recently, the UAE authorities have mandated employers to meet a target of employing 2% Emirati nationals once they reach 50 skilled employees (i.e., 1 Emirati employee for every 50 skilled employees).

The new Emiratization requirements apply to all employers in Mainland. Additionally, Mainland companies with 50 or more employees are required to increase their Emirati employee population by 2% year on year increase until they reach 10% in 2026.

The new Emiratization requirement stipulate fines for non-compliance and employers will be fined AED 6,000 per month per Emirati employee they are required to meet the relevant quota. This fine will be increased by AED 1,000 per month per year.

Business visitors

Most foreign nationals entering the UAE to conduct ordinary business activities require a business visa. The process for obtaining a visa will depend on the applicant's nationality.

Select nationalities may obtain a visa on arrival (VoA) issued at the port of entry. If not eligible based on nationality, business visitors may be able to obtain a visit e-visa directly online from the General Directorate of Residency and Foreigners Affairs without sponsor registration prior to arrival. For Free Zone companies, the e-visa is obtained through their immigration portal.

Citizens of GCC countries have established visa exemptions with the UAE and may enter the country without a visa to conduct business activities, however the position may differ if they are visiting a Free Zone where the regulations differ depending on the relevant Free Zone. Foreign national residents of GCC countries may be eligible for a visit e-visa with multiple entries for business. However, if visiting a Free Zone, the regulations may differ depending on the relevant Free Zone. Business visitors are not required to register with the local authorities.

1. Permissible business activities

- Business meetings
- Buying goods for sale outside the country
- Touring a company facility
- Attending a trade show or seminar convention
- Attending corporate stockholders' assemblies
- Establishing a business venture or to explore possibilities to set up a business venture
- Trade delegations

2. Impermissible activities

- Physical work activities cannot be performed, i.e. 'hands on' work

3. General requirements for business visitors

1. Passport valid for at least six months with a minimum of 2 blank pages
2. Passport-sized photo on a white background
3. Applicants must establish the specific purpose of the visit and must demonstrate intent to depart the country at a fixed time (present a valid confirmed onward ticket)
4. Applicants must also establish that they have sufficient funds to support themselves while in the UAE
5. Health issues, criminal violations, or circumstances giving rise to security concerns may trigger denial of admission

4. Visa validity and maximum authorized period of stay

Visit e-Visas are issued for single or multiple entries with a 30 or 60 days duration of stay. VoA are issued at the port of entry. Durations of stay vary and are determined upon entry at the discretion of immigration authorities. A single duration of stay will not exceed 90 days.

The UAE does not have a required cooling-off period between visa issuance except for VoA issued for certain nationalities which have a cooling-off period of 90 days upon exhaustion of the initial 90 days period which is granted within any 180 days period. Repeated, extended visits may appear suspicious and result in increased scrutiny on the part of immigration officers. There are no restrictions on the number of entries authorized per year.

5. Future changes

- With increased focus on the Emiratization initiatives, employers should expect further scrutiny to be imposed on foreign nationals' work and residence permit applications
- 5 year Green visas for individuals with a UAE salary of over AED 15k monthly was due to be implemented in late 2022, however has been delayed and is expected to be rolled out later this year
- Golden and Green visas are expected to boost expats' confidence to stay in the UAE and attract more investments.

Virtual work program

The virtual/remote work program enables eligible foreign professionals eligible foreign professionals, entrepreneurs and company owners to work remotely from Dubai for up to one year with the ability to bring their family members with them as well as access all services in Dubai, including telecoms, utilities, and schooling for children. This program has been recently introduced and details of the application process for the main applicant and dependents are to be confirmed.

Eligibility

In order to qualify for the program, the applicant must have:

• A minimum monthly salary of USD 3,500 per month.
• An overseas employment contract valid for at least 1 year.
• Valid health insurance for use in Dubai.

Permissible activities

• Conduct overseas role remotely from Dubai for up to one year.
• Visit employer's office in Dubai for networking and attending meetings.
• Conduct client meetings.

Impermissible activities

• Conducting direct and productive work for your employer's entity in Dubai.
• Starting your own business from within Dubai.

Labor laws

1. Employment contracts

In 2022, the UAE government introduced new legislation that updated the country's labor laws. Under the amendments, all new employment contracts in the UAE must be time-limited (no minimum or maximum duration specified). Employers are also required to update all existing employee employment contracts to time-limited contracts by December 2023.

• Termination

Either party can terminate the original contract or a renewed contract, provided they comply with the legal consequences of early termination which include:

• Written notice for at least 1 month in advance but no longer than 3 months.
• Serving the agreed upon notice period.
• Compensating the other party to the level that was agreed to by both the parties, provided this does not exceed the equivalent of three months' gross wages.

1.2 Unlimited term contract

An unlimited term contract is open-ended, more flexible and commonly used in the UAE. Either parties can terminate the contract with mutual consent or by giving a notice of 1 to 3 months. The parties involved must honor their obligations throughout the notice period.

In case of unlimited contracts, an employment relation is terminated in one of the following instances:

- Both, the employer and employee mutually agree to terminate the contract.
-When either party decides, at any time, to terminate the contract provided that the terminating party abides by the legal notice requirements and continues to honour his obligations for the duration of the notice period, which cannot be less than one month and no longer than three months.
-When either party acts unilaterally to terminate the contract, without complying with the legal notice and without reasons of default by the other party - in this case, the terminating party bears the legal consequences of early termination.

• Termination

An employment relation is deemed to have ended without due process when either the employer or employee terminates the employment relation without complying with legally mandated procedures.

In this case, the wronged party may initiate legal action and compensation.

2. Free trade zones

Companies operating in a free trade zone are generally required to use a Free Zone generated template for the employment contract. Whilst some Free Zones grant the freedom for an employer to use a company's own contract, the latter is required to be reviewed by the Free Zone's legal team to ensure compliance with the Free Zone's regulations and the Federal labor laws.

3. Mainland

Companies operating in mainland UAE are required to comply with the MOHRE labor laws. An offer letter is initially required to be obtained through the MOHRE system for a work permit to be granted. Once a work permit is approved, a Labor contract is then generated through the MOHRE system.

4. Wage protection system (WPS)[5]
The Ministerial Decree 788 of 2009 on the Wage Protection System (WPS) came into force on 1 September 2009 in the UAE. The WPS was implemented in stages and now all employers are required to comply. Below is a list of the minimum WPS requirements:

- At least 70% of all salaries must be paid through WPS.
- A new employee must be added to the WPS process within 60 calendar days from the execution of their employment agreement.
- No more than 10% of an employee's salary can be deducted for any reason (exemptions listed below).

The WPS is an electronic salary transfer system that was set up by the UAE to regulate the payment of salaries to employees. It is overseen by the Central Bank of the UAE. The system allows the MOHRE to create a database that records wage payments in the private sector to guarantee the timely and full payment of agreed-upon wages. MOHRE is linked with the systems of Federal Authority for Identity and Citizenship which allows employers to exclude the following categories of employees from the Wage Protection System (WPS) compliance requirements:
- Employees who are outside the UAE
- Employees who have been reported absconding by their employers by filing "escape reports"
- Employees who have filed a lawsuit against their employer in the Labor court.

WPS is only applicable to mainland entities registered with the MOHRE across all sectors and industries in the UAE. This requirement is not applicable to Free Zones, except for Jebel Ali Free Zone in Dubai.

All salaries must be paid through WPS by the 15th calendar day of the following month. The employer's MOHRE account will be blocked if salaries are not processed on time. The MOHRE account will be unblocked automatically if salaries are paid before the last calendar day of the month. In the event the employer fails to pay employees' salaries before the end of the following month they were due, an administrative penalty will be imposed on the company for the late payment of wages.

5. Remuneration
There is no minimum salary stipulated in the UAE Labor Law. However, the law does state that salaries must cover the basic needs of the employees.

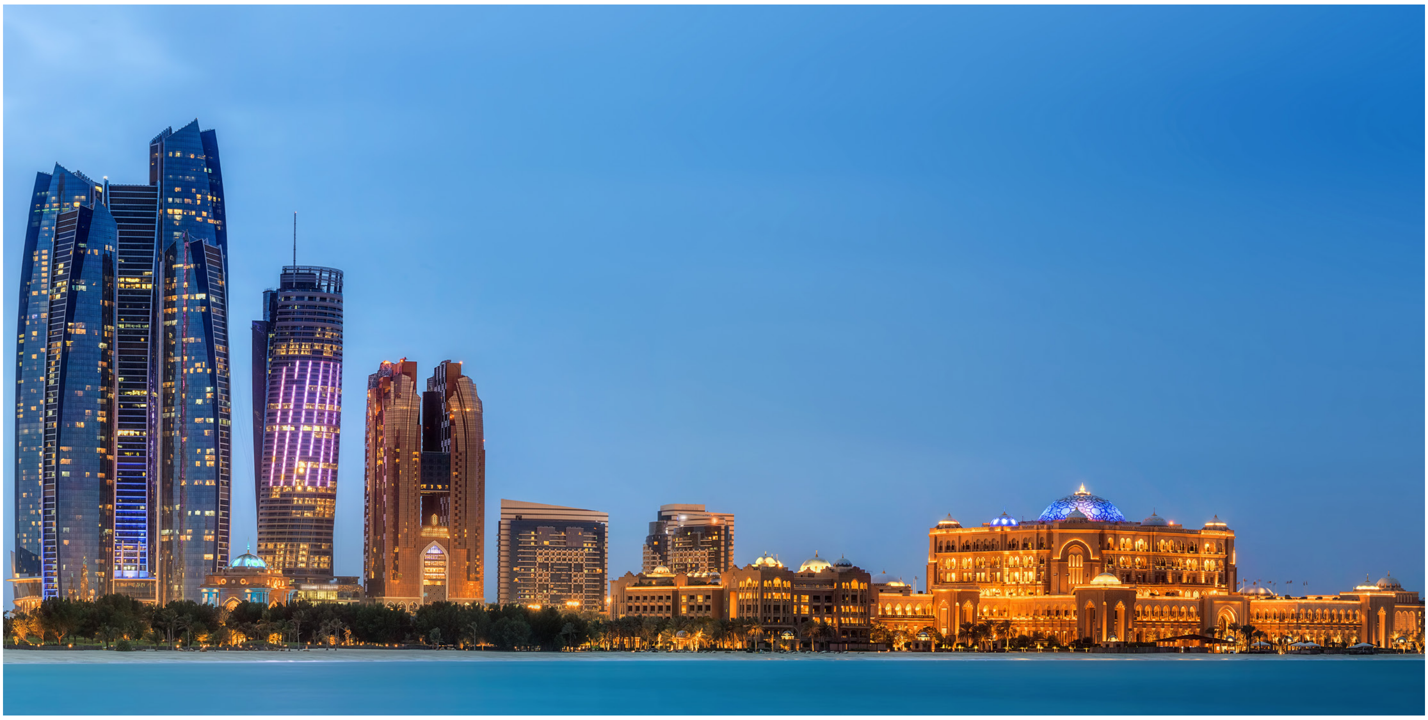
Remuneration is typically divided into three components: basic salary, accommodation allowance and transport allowance.

The UAE Labor Law does not provide any guidelines on how the salary is divided. However, it is worth noting that end of service benefits (next page) are only based on the basic salary. It is at the discretion of the company to decide this percentage.

> "WPS is only applicable to mainland entities registered with the MOHRE across all sectors and industries in the UAE.

6. Social security registration
Government and private sector employers must register their UAE and GCC national employees with the General Pension and Social Security Authority (GPSSA).

[5]Wages Protection System (WPS) is an electronic salary transfer system that allows institutions to pay workers' wages via banks, bureaux de change, and financial institutions approved and authorized to provide the service.



7. Working hours and days

The UAE Labor Law identifies the normal working hours for the private sector as 8 hours per day or 48 hours per week. The working hours may be increased to 9 hours a day for certain business industries such as hotels and cafes after approval from the MOHRE. Government entities are not governed by the Labor Law and they operate for 7 hours daily.

Working for more than 7 hours a day is prohibited in arduous or unhealthy types of work and industries.

Normal working hours are reduced by two hours daily during the holy month of Ramadan.

The UAE switched to a Monday to Friday working week with the aim to better align the country with global markets. This has led to the UAE becoming the only Gulf state not to have a Friday-Saturday weekend. The UAE Federal government has adopted a four and a half-day working week for the public sector. The weekend starts at noon on Friday and ends on Sunday for this sector. Friday prayers at mosques will be held after 1:15pm all year round. This work week system was announced in December 2021 and became effective on 1 January 2022.

Overtime is considered if the nature of the job demands working beyond normal working hours and it will entitle the employee to pay equal to normal working hours' remuneration plus 25 percent of that pay. This could increase to 50 percent if overtime it is worked between 9 pm and 4 am.

Some Free Zones, in particular DIFC and ADGM, have their own labor regulations in place that have some marked differences to Federal labor law.

8. Public holidays

Article (74) of the UAE Labor Law provides that each worker shall be entitled to an official holiday with full pay on the following occasions:

- New Year's Day
- Eid Al Fitr
- Arafat Day
- Eid Al Adha
- Hijri New Year
- Prophet's Birthday
- Martyrs' Day
- UAE National Day

Accordingly, the above occasions are official holidays for employees working in the private sector, during which they are entitled to full pay. The holidays listed above are applicable to all employees whether they are working in the public or private sectors.It should be noted that the actual date of public holidays, especially Islamic holidays, is subject to variation as it based on the Islamic lunar calendar (which is approximately 11 days shorter than the Gregorian calendar), as well as on the sighting of the new moon, which marks the beginning of the new month.

9. End of service benefits

The UAE Labor Law dictates that employers are obliged to pay EOSB to any non-GCC national employees who have completed at least one year of continuous employment.

The end of service gratuity is calculated on the basis of the last basic salary. Hence, it will not include allowances such as accommodation, transport, relocation, utilities, furniture, etc.

The DIFC has implemented replaced EOSB with a defined contribution savings scheme, called the DIFC Employee Workplace Savings (DEWS). Under this scheme, employers are required to pay on behalf of each employee into DEWS on a monthly basis. The scheme is intended to give employees more visibility and control over the end of service benefit.

United Arab Emirates double tax treaty network

	Treaties	Status	Dividends (%)	Qualifying dividends (%)	Interests (%)	Royalties (%)
1	Albania	🟢	10	0/5	0	5
2	Algeria	🟢	0	0	0	10
3	Andorra	🟢	0	0	0	0
4	Angola	🟢	8	8	8	8
5	Antigua and Barbuda	🟢	0	0	0	0
6	Argentina	🟢	15	10	12	10
7	Armenia	🟢	3	0	0	5
8	Australia	🔴	Pending	Pending	Pending	Pending
9	Austria	🟢	0/10	0	0	0
10	Azerbaijan	🟢	10	5	7	5/10
11	Bangladesh	🟢	10	5	10	10
12	Barbados	🟢	0	0	0	0
13	Belarus	🟢	10	5	5	5/10
14	Belgium	🟢	10	5	5	5
15	Belize	🟢	0	0	0	0
16	Benin	🟠	0	0	0	0
17	Bermuda	🟢	0	0	0	0
18	Bosnia and Herzegovina	🟢	10	0/5	0	5
19	Botswana	🟢	7.5	5	7.5	7.5
20	Brunei	🟢	0	0	0	5
21	Brazil	🟢	15	5	10/15	15
22	Bulgaria	🟢	5	5	2	5
23	Burundi	🟠	0	0	0	0
24	Burkina Faso	🟠	Pending	Pending	Pending	Pending
25	Cameroon	🟢	10	10	7	10
26	Cambodia	🔴	Pending	Pending	Pending	Pending
27	Canada	🟢	15	5/10	10	0/10
28	Chad	🟠	0	0	0	0
29	Chile	🟠	10	5	4/10	2/10
30	China (People's Rep.)	🟢	0/7	0/7	0/7	10

🟢 Double tax treaty in force

🟠 Double tax treaty signed but not in force

🔴 Treaty under negotiation

	Treaties	Status	Dividends (%)	Qualifying dividends (%)	Interests (%)	Royalties (%)
31	Costa Rica	🟢	15	5	5/10	12
32	Comoro Islands	🟢	0	0	0	0
33	Colombia	🟠	15	5	0/10	0/10
34	Commonwealth of Dominica	-	-	-	-	-
35	Congo (Dem. Rep.)	🟠	Pending	Pending	Pending	Pending
36	Croatia	🟢	5	5	5	5
37	Cyprus	🟢	0	0	0	0
38	Czech Republic	🟢	0/5[1]	0/5[1]	01	10[1]
39	Ecuador	🟠	0/10	0/10	0/10	10/15
40	Equatorial Guinea	🟠	0	0	0	0
41	Egypt	🟢	10	5	0/10	10
42	Estonia	🟢	0	0	0	0
43	Ethiopia	🟢	0/5	0/5	0/5	0/5
44	Fiji	🟢	0	0	0	10
45	Finland	🟢	0	0	0	0
46	France	🟢	0	0	0	0
47	Gabon	🟢	0/10	0/10	7	10
48	Gambia	🟠	0	0	0	0
49	Georgia	🟢	0	0	0	0
50	Germany	🟢	10/15	5	0	10
51	Ghana	🟢	0	0	0	0
52	Greece	🟢	0/5	0/5	5	10
53	Guernsey	🔴	Pending	Pending	Pending	Pending
54	Guinea	🟢	0	0	0	0
55	Guinea- Bissau	-	-	-	-	-
56	Guyana	🟠	Pending	Pending	Pending	Pending
57	Hong Kong	🟢	0/5	0/5	0/5	5
58	Hungary	🟢	0	0	0	0
59	India	🟢	10	10	0/5/12.5	10
60	Indonesia	🟢	10[1]	10[1]	0/5[1]	5

🟢 Double tax treaty in force

🟠 Double tax treaty signed but not in force

🔴 Treaty under negotiation

	Treaties	Status	Dividends (%)	Qualifying dividends (%)	Interests (%)	Royalties (%)
61	Iraq	🟢	0	0	0	0
62	Ireland	🟢	0	0	0	0
63	Israel	🟢	15	0/5	0/10	12
64	Italy	🟢	15	5	0	10
65	Ivory Coast	🟠	Pending	Pending	Pending	Pending
66	Japan	🟢	10	5	0/10	10
67	Jersey	🟢	0	0	0	0
68	Jordan	🟢	7	7	0/7	10
69	Kazakhstan	🟢	-	0/5	0/10	10
70	Kenya	🟢	5	5	10	10
71	Korea (Rep.)	🟢	10	5	0/10	10
72	Kosovo	🟢	0/5	0/5	0/5	0
73	Kyrgyzstan	🟢	0	0	0	5
74	Latvia	🟢	0/5	0/5	0/2.5	5
75	Lebanon	🟢	0	0	0	5
76	Liberia	🟠	Pending	Pending	Pending	Pending
77	Libya	🟠	0	0	0/5	0/10
78	Liechtenstein	🟢	0	0	0	0
79	Lithuania	🟢	0/5	0/5	0	5
80	Luxembourg	🟢	0/10	0/5	0	0
81	Macedonia (FYR)	🟢	0/5	0/5	0/5	0/5
82	Malawi	🔴	Pending	Pending	Pending	Pending
83	Malaysia	🟢	0/10	0/10	0/5	10
84	Maldives	🟢	0	0	0	0/7
85	Mali	🟠	Pending	Pending	Pending	Pending
86	Malta	🟢	0	0	0	0
87	Mauritania	🟢	0	0	0	0
88	Mauritius	🟢	0	0	0	0
89	Mexico	🟢	0	0	0/4.9/10	10
90	Moldova	🟢	5	5	6	6

🟢 Double tax treaty in force

🟠 Double tax treaty signed but not in force

🔴 Treaty under negotiation

[1] The rates are subject to a 'most favored nation' clause; if this jurisdiction concludes a more favorable treaty Withholding Tax (WHT) rate with another GCC country other than the UAE, then the favorable treaty WHT shall automatically apply under the UAE treaty

	Treaties	Status	Dividends (%)	Qualifying dividends (%)	Interests (%)	Royalties (%)
91	Monaco	● (orange)	Pending	Pending	Pending	Pending
92	Mongolia	Terminated	0	0	0	10*
93	Montenegro	● (green)	10	0/5	0/10	0/5/10
94	Morocco	● (green)	10	0/5	0/10	0/10
95	Mozambique	● (green)	0	0	0	0/5
96	Nepal	● (red)	Pending	Pending	Pending	Pending
97	Netherlands	● (green)	10	0/5	0	0
98	New Zealand	● (green)	15	15	10	10
99	Niger	● (green)	0	0	0	0
100	Nigeria	● (orange)	7.5	7.5	7.5	7.5
101	Pakistan	● (green)	15	10	10	12
102	Palestine	● (orange)	0	0	0	0
103	Panama	● (green)	5	5	0/5	5
104	Paraguay	● (green)	15	15	6/15	15
105	Philippines	● (green)	15	0/10	0/10	10
106	Poland	● (green)	0/5	0/5	0/5	5
107	Portugal	● (green)	15	5	0/10	5
108	Romania	● (green)	0/3	0/3	0/3	3
109	Russia	● (green)	-	0	0	-
110	Rwanda	● (green)	7.5	7.5	0/10	10
111	Saint Kitts and Nevis	● (orange)	0	0	0	0
112	Saint Vincent and the Grenadines	● (orange)	0	0	0	0
113	San Marino	● (green)	0	0	0	10
114	Saudi Arabia	● (green)	5	5	0	10
115	Senegal	● (green)	5	5	5	5
116	Serbia	● (green)	10	5	0/10	10
117	Seychelles	● (green)	0	0	0	5
118	Sierra Leone	● (orange)	Pending	Pending	Pending	Pending
119	Singapore	● (green)	0	0	0	0/5
120	Slovak Republic	● (green)	0	0	0/10	0/10

● (green) Double tax treaty in force

● (orange) Double tax treaty signed but not in force

● (red) Treaty under negotiation

*According to an update of March 2013, published by the Mongolian tax administration, Mongolia terminated the Mongolia - United Arab Emirates Income Tax Treaty (2001). As a result, the treaty will no longer be effective from 1 January 2015.

	Treaties	Status	Dividends (%)	Qualifying dividends (%)	Interests (%)	Royalties (%)
121	Slovenia	🟢	5	5	0/5	5
122	South Africa	🟢	10	5	10	10
123	South Sudan	🟠	0	0	0	0
124	Spain	🟢	15	5	0	0
125	Sri Lanka	🟢	10	0	10	10
126	Sudan	🟢	0	0	0	5
127	Suriname	🟠	5	5	5	5
128	Syria	🟠	0	0	0/10	18
129	Switzerland	🟢	15	5	0	0
130	Tajikistan	🟢	0	0	0	10
131	Thailand	🟢	10[1]	10[1]	10/15[1]	15
132	Tunisia	🟢	0	0	2.5/5/10	7.5
133	Turkey	🟢	12	5/10	10	10
134	Turkmenistan	🟢	0/8	0/8	0/8	10
135	Uganda	🟠	Pending	Pending	Pending	Pending
136	Ukraine	🟢	-	5[2]	0/3[2]	0/10[2]
137	United Kingdom	🟢	15	15	0	0
138	Uruguay	🟢	7[2]	5[2]	0/10	0/5/10
139	Uzbekistan	🟢	15	5	0/10	10
140	Venezuela	🟢	10	0/5	0/10	10
141	Vietnam	🟢	15	5	0/10	10
142	Yemen	🟢	0	0	0	10
143	Zambia	🟢	Pending	Pending	Pending	Pending
144	Zimbabwe	🟢	0/5	0/5	0	9

🟢 Double tax treaty in force
🟠 Double tax treaty signed but not in force
🔴 Treaty under negotiation

	Treaties	Status	Dividends (%)	Qualifying dividends (%)	Interests (%)	Royalties (%)
121	Ukraine	●	-	5[2]	0/3[2]	0/10[2]
122	United Kingdom	●	15	15	0	0
123	Uruguay	●	7[2]	5[2]	0/10	0/5/10
124	Uzbekistan	●	15	5	0/10	10
125	Venezuela	●	10	0/5	0/10	10
126	Vietnam	●	15	5	0/10	10
127	Yemen	●	0	0	0	10
128	Zimbabwe	●	5	0	0	9

- ● Double tax treaty in force
- ● Double tax treaty signed but not in force
- ● Treaty under negotiation

[2] The rates are subject to a 'most favored nation' clause; if this jurisdiction concludes a more favorable treaty WHT rate with a country other than the UAE, then the favorable treaty WHT shall automatically apply under the UAE treaty

Want to do business in the United Arab Emirates?

Dubai
Emaar Square Building 2, Level 3
Downtown Dubai
P.O. Box 4254
Dubai, United Arab Emirates
D: +971 (0) 4 3678888

Abu Dhabi
Al Sila Tower
Abu Dhabi Global Market Square
Abu Dhabi, United Arab Emirates
Phone: +971 (0) 2 408 2424

Sharjah
United Arab Bank Building
Al Buhairah Corniche
Sharjahi, United Arab Emirates
Phone: +971 (0) 6 517 9500

We welcome the opportunity to discuss your needs and provide you with a better understanding of the issues discussed in this material. Please do not hesitate to contact one of our specialists.

Deloitte has created a series of Business Guides to help clients learn more about influential tax considerations, alongside key legal, economic and market drivers which may impact those who are maintaining a business or looking to invest in countries such as Kingdom of Saudi Arabia (KSA), Qatar, Iraq, and Kuwait.

In addition, Deloitte publishes a Middle East Tax Handbook on yearly basis providing buisnesses with an overview of the tax landscape in Bahrain, Egypt, Iraq, Jordan, Kuwait, Lebanon, Libya, Oman, Palestinian Ruled Territories, Qatar, KSA, and Yemen.

Want to do business in the UAE?

Serving as trusted advisors for clients in the Middle East since 1926

We welcome the opportunity to discuss your needs further and provide you with a better understanding of the issues discussed in this material. The 'Doing business guide' series is supplemented by the Middle East Tax Handbook, which provides a summary of basic tax information in a country-by-country snapshot.

Deloitte has created a series of Business Guides to help clients learn more about influential tax considerations, alongside key legal, economic and market drivers which may impact those who are maintaining a business or looking to invest in countries such as Qatar, KSA, Iraq, and Kuwait.

Our tax team can support

Deloitte's Tax professionals in the Middle East provide both compliance and advisory services across a broad range of matters affecting businesses. This approach ensures clients' most demanding challenges when operating in multiple jurisdictions are holistically addressed in a coordinated way, by subject matter and industry specialists, locally and abroad.

Tax team based in the UAE

We have a team of dedicated tax professionals, based in UAE, who possess a solid understanding of the local market. With their practical experience and familiarity with the country's business environment, they are well-equipped to provide valuable guidance on tax matters. Their knowledge extends beyond just regulations, encompassing insights into market trends that can be critical for business planning. They help businesses navigate UAE tax regulations while taking into consideration the specificities of the local market. Whether you are looking to maintain compliance or seeking ways to optimize your tax position, our team is here to support your business in a grounded and effective manner.

Summary of tax services

- Business Tax
- International Tax
- Transfer Pricing
- Mergers and Acquisitions Tax
- Indirect Tax
- Global Employer Services
- Business Process Solutions
- Tax Technology Consulting and Support

Our tax teams across the region

- Bahrain
- Kuwait
- Egypt
- Qatar
- Iraq
- Cyprus
- Jordan
- Oman
- Kingdom of Saudi Arabia
- United Arab Emirates

UAE Contacts

Please do not hesitate to contact us on the following email ID: deloittetaxme@deloitte.com
Alternatively, you can contact one of our leaders listed below:

Business Tax

Nauman Ahmed
nahmed@deloitte.com

Abi Man Joshi
abijoshi@deloitte.com

Basel Arafe
baselarafe@deloitte.com

International and M&A Tax

Alex Law
UAE Tax Market Coordinator
alexlaw@deloitte.com

Jan Roderick van Abbe
jvanabbe@deloitte.com

Pieter Schoorel
pschoorel@deloitte.com

Bhakti Thakker
bthakker@deloitte.com

Indirect Tax

Mark Junkin
majunkin@deloitte.com

Kate Bacon
kabacon@deloitte.com

Transfer Pricing

Mohamed Serokh
mserokh@deloitte.com

Rabia Gandapur
rgandapur@deloitte.com

Customs and Global Trade Advisory

Fernand Rutten
frutten@deloitte.com

Tax Technology Consulting and Support

Marjolein van Delft
marvandelft@deloitte.com

Business Process Solutions

Basit Hussain
bhussain@deloitte.com

Global Employer Services

Hadi Allawi
hallawi@deloitte.com