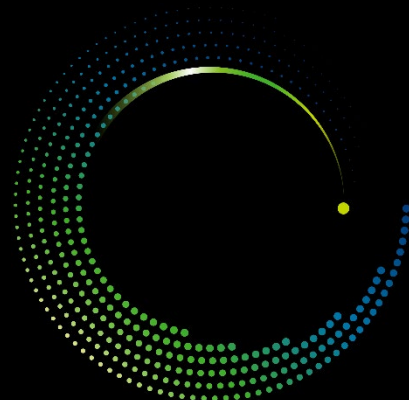


## International Tax United Arab Emirates Highlights 2024

Updated January 2024



### Recent developments

For the latest tax developments relating to the United Arab Emirates (UAE), see [Deloitte tax@hand](#).

### Investment basics

**Currency:** UAE Dirham (AED)

**Foreign exchange control:** There are no foreign exchange controls.

**Accounting principles/financial statements:** IAS/IFRS apply. Financial statements generally are required to be prepared annually.

**Principal business entities:** These are the limited liability company, private/public joint stock company, partnership, branch, and representative office.

UAE mainland foreign ownership restrictions may apply to certain industries/activities, in which case foreign investors generally may own only up to 49% of the shares in a UAE mainland-registered company conducting such qualifying activities; however, the shareholding may be increased to 100% in companies registered in one of the more than 40 free zones.

### Corporate taxation

Rates	
Corporate tax rate	0% on the first AED 375,000 of taxable income; 9% on taxable income exceeding AED 375,000
Branch tax rate	Corporate income tax rate
Capital gains tax rate	Corporate income tax rate

**Residence:** A juridical person is resident in the UAE if it is incorporated (or otherwise established or recognized under applicable legislation) in the UAE (including in free zones) or managed and controlled in the UAE.

**Basis:** Residents are taxed on worldwide income; nonresidents are taxed only on UAE-source income. Branches generally are taxed in the same way as subsidiaries.

Certain entities are exempt from corporate income taxation (subject to conditions), namely: government or government-controlled entities, entities engaged in an extractive business, entities engaged in a non-extractive natural resource business, qualifying public benefit entities, qualifying investment funds, public or private pension or social security funds, and companies incorporated in the UAE that are wholly owned and controlled by any of the aforementioned entities. However, these entities may be subject to emirate-level income taxes (see “Emirate income taxation” under “Other” under “Other taxes on corporations and individuals,” below).

**Taxable income:** Taxable income is computed based on the accounting net profit (or loss) as stated in financial statements, subject to adjustments for exempt income or restricted or disallowed expenses for corporate income tax purposes. Exempt income may include certain income from shareholdings and foreign permanent establishments, as well as income derived by a nonresident operating aircraft or ships in international transportation, subject to conditions (see “Taxation of dividends,” “Participation exemption,” and “Foreign tax relief,” below).

## Rate

### General

The corporate income tax rate is 0% on the first AED 375,000 of taxable income, and 9% on taxable income that exceeds AED 375,000.

### Surtax

There is no surtax.

### Alternative minimum tax

There is no alternative minimum tax.

### Global minimum tax (Pillar Two)

The UAE has announced that it intends to implement rules that generally are in line with the global anti-base erosion (GloBE) or “Pillar Two” model rules published by the OECD/G20 Inclusive Framework on BEPS that are designed to ensure a global minimum level of taxation of 15% for multinational enterprise groups with annual consolidated revenue of at least EUR 750 million. However, the Ministry of Finance has clarified that Pillar Two will not be applicable in the UAE in 2024.

**Taxation of dividends:** Dividends and other profit distributions received from residents are exempt from corporate income tax. Dividends received from nonresidents may be exempt if the conditions for the participation exemption are met (see “Participation exemption,” below).

**Capital gains:** Capital gains are taxed at the applicable corporate income tax rate. Capital gains derived from the sale of a participation are exempt if the participation exemption applies (see “Participation exemption,” below). Gains or losses arising on the transfer of assets or liabilities between two group members or on a (de)merger may be exempt if certain conditions are met.

**Losses:** Tax losses can offset up to 75% of the taxable income of subsequent tax periods, provided certain conditions are met (e.g., continuity of shareholding and business activities). Losses may be carried forward indefinitely. The carryback of

losses is not permitted. A tax loss may be transferred to another taxable person at least 75% commonly owned, subject to certain conditions.

**Foreign tax relief:** Foreign tax paid may be credited against UAE corporate income tax due, limited to the amount due on the relevant income (ordinary credit method) for the relevant tax period. Unused foreign tax credits cannot be carried forward or back. Alternatively, residents may elect for an exemption to apply to the income and associated expenditure of foreign permanent establishments, provided certain conditions are met, including a subject-to-tax test at a minimum rate of 9%. Where the election is made, any income, losses, associated expenditure, and foreign tax credit that would have been available cannot be taken into account.

**Participation exemption:** The participation exemption applies to income from participating interests of at least 5%, provided the following conditions are met: (i) an uninterrupted holding period of at least 12 months (including an intention to hold); (ii) a subject-to-tax test at a minimum rate of 9%; (iii) an entitlement to receive not less than 5% of profit distributions and liquidation proceeds; and (iv) an asset test, i.e., not more than 50% of the direct and indirect assets of the participation consist of ownership interests or entitlements that would not have qualified for a participation exemption if held directly. In addition, the subject-to-tax test is deemed to be met by a participation that is a holding company whose underlying participations would meet the aforementioned conditions, a qualifying free zone person, or an exempt person under the corporate income tax law. Where the conditions are met, the exemption applies to dividends and other profit distributions, gains or losses on disposition of the participating interest, and foreign exchange and impairment gains or losses. However, it does not apply to a loss realized on the liquidation of a participation. If the participation was acquired in exchange for the transfer of an ownership interest that did not meet the conditions or in a transfer that was exempt from corporate income tax (i.e., certain transfers between at least 75% commonly owned taxable persons or certain business restructurings), the participation exemption will not apply for a period of two years. Rules targeting hybrid mismatches also apply (see “Anti-hybrid rules” under “Anti-avoidance rules,” below).

**Holding company regime:** See “Taxation of dividends” and “Participation exemption,” above.

**Incentives:** The UAE has established several free zones that offer benefits, which include renewable tax holidays of 15 to 50 years, no restrictions on foreign ownership, no restrictions on capital and profit repatriation, and an exemption from import duties on goods brought into the zones.

Companies and branches established in a free zone may continue to benefit from the tax holidays even though subject to the corporate income tax regime. A 0% corporate income tax rate applies on certain qualifying income if certain conditions of a “qualifying free zone person” are met. A qualifying free zone person is a legal entity incorporated, established, or otherwise registered in a free zone, including a branch of a nonresident that is registered in a free zone, that: (i) maintains adequate substance in a free zone or a designated zone, depending on where activities are required to be conducted; (ii) derives qualifying income; (iii) has not elected to be subject to corporate income tax; (iv) complies with the arm’s length principle and transfer pricing documentation requirements; (v) prepares and maintains audited financial statements; (vi) does not have non-qualifying revenue that exceeds the de minimis requirements; and (vii) meets any other conditions that may be prescribed by the Ministry of Finance.

Qualifying income refers to income derived from transactions with other free zone persons, except for income derived from excluded activities; income derived from transactions with a non-free zone person (i.e., any person that is not a free zone person, such as a foreign company or UAE mainland company), but only in respect of qualifying activities that are not excluded activities; income derived from the ownership or exploitation of qualifying intellectual property; and any other income, provided that the de minimis requirements are met (see below). Income derived in a tax period from

excluded activities or activities that are not qualifying activities where the other party to the transaction is a non-free zone person is non-qualifying revenue.

The following activities are qualifying activities: (i) manufacturing of goods or materials; (ii) processing of goods or materials; (iii) trading of qualifying commodities; (iv) holding of shares and other securities for investment purposes; (v) ownership, management, and operation of ships; (vi) provision of reinsurance services that are subject to regulatory oversight; (vii) provision of fund management services that are subject to regulatory oversight; (viii) provision of wealth and investment management services that are subject to regulatory oversight; (ix) provision of headquarter services to related parties; (x) provision of treasury and financing services to related parties; (xi) financing and leasing of aircraft; (xii) distributing of goods or materials in or from a designated zone; (xiii) provision of logistics services; and (xiv) any activities that are ancillary to the aforementioned activities.

The following activities are excluded activities: (i) any transactions with natural persons, except transactions in relation to the qualifying activities specified under (v), (vii), (viii), and (xi) above; (ii) banking activities that are subject to regulatory oversight; (iii) insurance activities that are subject to regulatory oversight, other than those specified under (vi) and (ix) of the qualifying activities above; (iv) financing and leasing activities that are subject to regulatory oversight, other than those specified under (v), (x), and (xi) of the qualifying activities above; (v) ownership or exploitation of immovable property, other than commercial property located in a free zone where the transaction in respect of such commercial property is conducted with other free zone persons; and (vi) any activities that are ancillary to the aforementioned activities.

Qualifying intellectual property refers to patents, copyrighted software, and any rights functionally equivalent to a patent that are both legally protected and subject to a similar approval and registration process to a patent, such as utility models, intellectual property assets that grant protection to plants and genetic material, orphan drug designations, and extensions of patent protection. However, it does not include marketing related intellectual property assets, such as trademarks. Qualifying income from qualifying intellectual property is calculated in proportion to overall income (i.e., such qualifying income is the result of qualifying expenditures increased by 30%, then divided by overall expenditures, then multiplied by overall income). Income derived from the ownership and exploitation of intellectual property that is not qualifying, as well as income in excess of qualifying income as calculated, is considered taxable income subject to the 9% corporate income tax rate.

The de minimis requirements are satisfied where the non-qualifying revenue derived by the free zone person in a tax period does not exceed 5% of the total income in that tax period or AED 5 million, whichever is lower. The following revenue is not included in this calculation: (i) revenue derived in relation to immovable property located in a free zone from transactions with a non-free zone person in respect of commercial property or transactions with any person in respect of immovable property that is not commercial property; (ii) revenue attributable to a domestic permanent establishment or a foreign permanent establishment of the qualifying free zone person; and (iii) revenue derived from the ownership or exploitation of intellectual property, except for the revenue that is qualifying income.

Qualifying free zone persons are subject to a 0% corporate income tax rate on qualifying income and a 9% rate on all other income. The application of the 0% corporate income tax rate applies for the remainder of the tax incentive period stipulated in the applicable legislation of the free zone in which the qualifying free zone person is registered. This period may be extended but not beyond 50 years. A qualifying free zone person may elect to be subject to the 9% corporate income tax rate.

## Compliance for corporations

**Tax year:** The tax year is the financial year, which is the 12-month period for which the taxpayer prepares financial statements.

**Consolidated returns:** A resident parent company may form a tax group and file a consolidated tax return with one or more of its resident subsidiaries and be treated as a single taxpayer for corporate income tax purposes. The parent company would consolidate the financial results, assets, and liabilities of the group members for the relevant tax period, eliminating transactions between the group members. In regard to tax losses, common ownership must exist from the start of the tax period in which the tax loss is incurred to the end of the tax period in which the other taxable person offsets the tax loss transferred against its taxable income. Certain restrictions apply to the use of tax losses when subsidiaries join and leave a tax group.

To qualify for a tax group, the parent company must own at least 95% of the share capital, voting rights, and entitlement to profits of the subsidiary, either directly or indirectly, through one or more resident subsidiaries. In addition, the parent company and group subsidiaries must have the same financial year and prepare their financial statements using the same accounting standards. Exempt entities or qualifying free zone persons do not qualify for tax grouping.

**Filing and payment:** Taxpayers must file an annual corporate income tax return and settle any tax payable within nine months after the end of the tax period. Taxpayers also are required to maintain financial and other records that support the corporate income tax return for a period of seven years following the end of the tax period.

**Penalties:** Administrative penalties may be imposed for noncompliance with the tax rules.

**Rulings:** A taxpayer may apply to the Federal Tax Authority (FTA) for a clarification regarding the application of the corporate income tax rules or the conclusion of an advance pricing agreement with respect to a transaction or an arrangement proposed or entered into by the taxpayer.

## Individual taxation

There is no individual income taxation. However, an individual that conducts a certain business or business activity in the UAE is subject to corporate income tax on income arising in the UAE or from foreign sources if the income relates to the business or business activity, but only where the total turnover derived from such business or business activity exceeds AED 1 million within a calendar year. However, the following is not included in the turnover amount and is not subject to corporate income tax: wages, personal investment income, and real estate investment income.

Apart from the above, there are no income tax laws that apply to individuals in the UAE and, as a result, no domestic concept of individual tax residence. Nevertheless, the Ministry of Finance issues tax residence certificates to individuals who satisfy certain requirements of the Ministry of Finance and an applicable tax treaty, if appropriate.

## Withholding tax

A 0% withholding tax may apply to certain types of UAE-source income paid to nonresidents if the income is not attributable to a permanent establishment of the nonresident in the UAE. In practice, due to the 0% rate, there are no registration or filing obligations for payers or foreign recipients of UAE-source income. Withholding tax does not apply to transactions between residents.

## Anti-avoidance rules

**Transfer pricing:** The transfer pricing rules in the UAE are broadly in line with the OECD transfer pricing guidelines and apply to cross-border and domestic transactions. The transfer pricing rules also apply to arrangements with a connected person (i.e., an individual who directly or indirectly has an ownership interest in, or controls, the taxable person). There is an exception for UAE tax groups to the extent all related party transactions/arrangements within the tax group are eliminated in the consolidation.

In determining the taxable income for UAE corporate income tax purposes, transactions and arrangements between related parties and connected persons must be in line with the arm's length principle. Accepted transfer pricing methodologies include the comparable uncontrolled price method, resale price method, cost plus method, transactional net margin method, and transactional profit split method. If none of these methods can be reasonably applied, any other transfer pricing method may be applied that satisfies the arm's length principle.

As a general principle, expenses incurred by a taxpayer in the course of business (excluding capital expenses) are eligible for deduction. However, payments or benefits to connected persons are deductible only to the extent they correspond to market value and are incurred wholly and exclusively for the business of the taxpayer.

The transfer pricing rules also apply to transactions of free zone persons and form part of the key conditions to qualify as a qualifying free zone person (see "Incentives" under "Corporate taxation," above). For transfer pricing purposes, the taxpayer must provide support and justification for income derived from qualifying activities that are not excluded activities (i.e., a comprehensive functional analysis).

Taxpayers are required to maintain information regarding their transactions with related parties and connected persons and must submit this information in a disclosure along with their tax return. The disclosure is required only where certain materiality thresholds are met.

In addition, the following categories of businesses are required to maintain a master file and local file: (i) taxpayers that are constituent entities of a multinational enterprise (MNE) group with total consolidated group revenue of at least AED 3.15 billion in a tax period; and (ii) taxpayers with revenue of at least AED 200 million in a tax period (a master file is not required if such taxpayer is not part of an MNE group (i.e., does not have business establishments outside of the UAE)). Upon the FTA's request, taxpayers should submit the master file and local file within 30 days.

The UAE country-by-country (CbC) rules apply to MNE groups with an ultimate parent entity (UPE) in the UAE if consolidated group revenue is at least AED 3.15 billion in the financial year immediately preceding the reporting period. The notification in the UAE is due on or before the end of the reporting year, whereas the CbC report is due within 12 months from the end of the reporting year. The CbC reporting rules in the UAE do not apply to MNEs with a UPE outside of the UAE. Therefore, constituent entities in the UAE with a UPE located overseas are not required to file a notification in the UAE or a secondary CbC report.

**Interest deduction limitations:** The corporate income tax law provides for a general interest deduction limitation rule, based on which net interest expenditure that exceeds a certain threshold is deductible up to 30% of the accounting EBITDA (earnings before interest, taxes, depreciation, and amortization) for the relevant tax period. Any net interest expenditure disallowed may be carried forward and deducted in the subsequent 10 tax periods. The rule does not apply to banks and other financial institutions, insurance providers, or individuals. The limitation also does not apply where the net interest expenditure for the relevant tax period does not exceed AED 12 million.

In addition, a specific interest deduction limitation rule applies to interest expenditure incurred on a loan obtained directly or indirectly from a related party on certain transactions to finance exempt income, namely: a dividend or profit distribution to a related party; a redemption, repurchase, reduction, or return of share capital to a related party; a capital contribution to a related party; or the acquisition of an ownership interest in an entity that is or becomes a related party following the acquisition. In such cases, the interest on the related party loan is not deductible unless the taxpayer can demonstrate that the main purpose of obtaining the loan and carrying out the transaction is not to gain a corporate income tax advantage. This is deemed to be the case if the related party is subject to corporate income tax (or a similar tax) on the interest income at a minimum rate of 9%.

**Controlled foreign companies:** There are no controlled foreign company rules.

**Anti-hybrid rules:** Rules targeting hybrid mismatches are included under the participation exemption regime (see “Participation exemption” under “Corporate taxation,” above). Accordingly, the participation exemption does not apply insofar as: (i) the payer can claim a deduction for the dividend or other distribution made; (ii) the taxable person has recognized a deductible impairment loss in respect of the participating interest prior to meeting the conditions for an exemption; or (iii) the taxable person, or its UAE related party, has recognized a deductible impairment loss in respect of a loan receivable from the participation.

**Economic substance requirements:** There are specific economic substance requirements for UAE entities (including companies and branches) licensed to carry out certain “relevant activities” in the UAE. Failure to adhere to these requirements could trigger penalties. The following nine activities are considered relevant activities: banking, insurance, fund management, financing and leasing, shipping, headquarters, holding company, intellectual property holding, and distribution and service center activities.

If such entities derive income from any of the relevant activities, they are required to comply with the following three economic substance tests, as well as certain reporting requirements: (i) the entity must be directed and managed in the UAE with regard to the relevant activity; (ii) the entity must demonstrate that “core income generating activities” have been undertaken in the UAE with regard to the relevant activity; and (iii) the entity must have an adequate number of qualified employees, incur adequate expenditure, and have an adequate physical presence in the UAE. A test with less stringent requirements applies for pure equity holding companies.

**Disclosure requirements:** Annual audited financial statements prepared on the basis of IFRS/IAS must be filed with the Ministry of Commerce by entities located outside the free zones. Entities located within a free zone report to the free zone authority for the relevant zone and generally are required to submit annual audited financial statements in accordance with IFRS/IAS. Some free zones do not require or do not enforce submission of annual audited financial statements.

**Exit tax:** There is no exit tax.

**General anti-avoidance rule:** The corporate income tax law provides for a general anti-abuse rule (GAAR). The GAAR applies to a transaction or an arrangement if, having regard to all relevant circumstances, it can be reasonably concluded that: (i) the entering into or carrying out of the transaction or arrangement, or any part thereof, is not for a valid commercial or other non-fiscal reason that reflects economic reality; and (ii) the main purpose or one of the main purposes of the transaction or arrangement, or any part thereof, is to obtain a corporate income tax advantage that is inconsistent with the intention or purpose of the law.

## Value added tax

Rates	
Standard rate	5%
Reduced rate	0%

**Taxable transactions:** VAT applies on the domestic supply of a broad base of goods and services, as well as the importation of goods and services, with some limited exceptions.

**Rates:** The standard VAT rate is 5%; certain supplies of goods and services are zero-rated or exempt from VAT.

**Registration:** Registration is mandatory for taxable persons resident in the UAE with taxable supplies that exceed AED 375,000 in the previous 12 months or are expected to exceed AED 375,000 within the next 30 days. A resident business may register voluntarily if its taxable supplies exceed AED 187,500 in the previous 12 months or are expected to exceed AED 187,500 within the next 30 days. No threshold applies to nonresidents that are required to register for VAT to remit any tax payable by them on supplies in the UAE.

**Filing and payment:** VAT returns generally are 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 electronically via the FTA portal by the 28th day (or the next business 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 generally are made online.

## Other taxes on corporations and individuals

Unless otherwise stated, the taxes in this section apply both to companies and individuals and are imposed at the national level.

**Social security contributions:** Social security contributions are due only in respect of nationals of Gulf Cooperation Council (GCC) jurisdictions (i.e., Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and the UAE). For UAE national employees, the employer and employee pension 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.

**Payroll tax:** There is no payroll tax.

**Capital duty:** There is no capital duty, but limited registration/notary or attestation fees may apply.

**Real property tax:** There is no real property tax, but limited registration/notary or attestation fees may apply. In the case of property rentals, certain emirates charge a municipality fee, which varies according to the emirate in which the property is situated. For the Emirate of Dubai, a municipality fee of 5% is imposed on the annual rental value of residential property, and a municipality fee of 10% is imposed on the annual rental value of commercial property. The fee is included proportionally in the monthly utility bills (electricity and water) for the property.

**Transfer tax:** A transfer tax is imposed on the direct and, in specific circumstances, indirect transfer of real property situated in the UAE (e.g., a transfer of shares in a company holding real estate situated in the UAE). The tax also is imposed on partial transfers under certain circumstances. The tax 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 generally is responsible for paying the transfer fee).



**Stamp duty:** There is no stamp duty, although free zones generally charge companies operating within the zone an administrative fee for a transfer of shares in other UAE companies.

**Net wealth/worth tax:** There is no net wealth tax or net worth tax.

**Inheritance/estate tax:** There is no inheritance tax or estate tax.

## Other

### Emirate income taxation

Income tax decrees have been issued by five of the seven emirates (the seven emirates consist of Abu Dhabi, Ajman, Dubai, Fujairah, Ras Al Khaimah, Sharjah, and Umm Al Quwain), but are not enforced on most businesses.

Branches of foreign banks may be subject to income tax under separate banking tax decrees in certain emirates (e.g., Abu Dhabi and Dubai). Branches of foreign banks are taxed at rates according to the banking tax decree of the emirate in which they operate, generally at a flat rate of 20%.

Oil and gas exploration and production companies generally are taxed under the specific terms of a concession agreement (or fiscal letter) signed with the government. The fiscal terms under such agreements generally supersede the provisions of the emirati income tax decrees. Oil and gas exploration and production companies are taxed at progressive rates of up to 55% under the applicable emirate-level income tax decree, although in practice different rates may be agreed with the relevant authority under specific government concession agreements.

### Municipal taxes

Municipal taxes are imposed on certain hotel and leisure services.

**Tax treaties:** The UAE has concluded around 130 tax treaties. The Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting (BEPS MLI) entered into force for the UAE on 1 September 2019.

For information on the UAE's tax treaty network, visit [Deloitte International Tax Source](#).

**Tax authorities:** Ministry of Finance, Federal Tax Authority, and General Pension and Social Security Authority

## Contact us:

### Alex Law

Email: [alexlaw@deloitte.com](mailto:alexlaw@deloitte.com)

### Mark Junkin

Email: [majunkin@deloitte.com](mailto:majunkin@deloitte.com)

### Rabia Gandapur

Email: [rgandapur@deloitte.com](mailto:rgandapur@deloitte.com)

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited (DTTL), its global network of member firms, and their related entities (collectively, the "Deloitte organization"). DTTL (also referred to as "Deloitte Global") and each of its member firms and related entities are legally separate and independent entities, which cannot obligate or bind each other in respect of third parties. DTTL and each DTTL member firm and related entity is liable only for its own acts and omissions, and not those of each other. DTTL does not provide services to clients. Please see [www.deloitte.com/about](http://www.deloitte.com/about) to learn more.

Deloitte provides industry-leading audit and assurance, tax and legal, consulting, financial advisory, and risk advisory services to nearly 90% of the Fortune Global 500® and thousands of private companies. Our people deliver measurable and lasting results that help reinforce public trust in capital markets, enable clients to transform and thrive, and lead the way toward a stronger economy, a more equitable society, and a sustainable world. Building on its 175-plus year history, Deloitte spans more than 150 countries and territories. Learn how Deloitte's approximately 457,000 people worldwide make an impact that matters at [www.deloitte.com](http://www.deloitte.com).

This communication contains general information only, and none of Deloitte Touche Tohmatsu Limited ("DTTL"), its global network of member firms or their related entities (collectively, the "Deloitte organization") is, by means of this communication, rendering professional advice or services. Before making any decision or taking any action that may affect your finances or your business, you should consult a qualified professional adviser.

No representations, warranties or undertakings (express or implied) are given as to the accuracy or completeness of the information in this communication, and none of DTTL, its member firms, related entities, employees or agents shall be liable or responsible for any loss or damage whatsoever arising directly or indirectly in connection with any person relying on this communication. DTTL and each of its member firms, and their related entities, are legally separate and independent entities.

© 2024. For information, contact Deloitte Global.