



Preparing for Corporate Tax in the UAE

Survey results

February 2022

Introduction

On 31 January 2022, the Ministry of Finance (MoF) announced that the United Arab Emirates (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.

The UAE CT regime has been designed to incorporate best practices globally and minimize the compliance burden on businesses. CT will be payable on the profits of UAE businesses as reported in their financial statements prepared in accordance with international accounting standards, with minimal exceptions and adjustments.

Some of the reasons behind this decision are that the UAE is looking to cement its position as a leading global business hub, in addition to accelerating its transformation to achieve its strategic objectives. Overall, this announcement reaffirms the UAE's commitment to meeting international standards for tax transparency and preventing harmful tax practices.

Whilst the law has not yet been issued, we have conducted a client survey in order to gauge businesses' reactions to the announcement of the introduction of CT within the UAE marketplace, as well as understand the steps businesses have already taken to get ready for the introduction of the new tax.

The feedback is clear that the majority of respondents are concerned about the introduction of CT in the UAE. Although the majority of businesses have an understanding of CT, they will require an external service provider to support them throughout their implementation journey.

This document summarizes the results of our client survey which presents some insight as to where businesses are today.

Businesses have 16 to 22 months to prepare and therefore, it is important to consider that this a marathon and not a sprint. There is a great deal to be done for every business to be able to achieve day one compliance. We hope these results provide some interesting food for thought on the commencement of your implementation journey.

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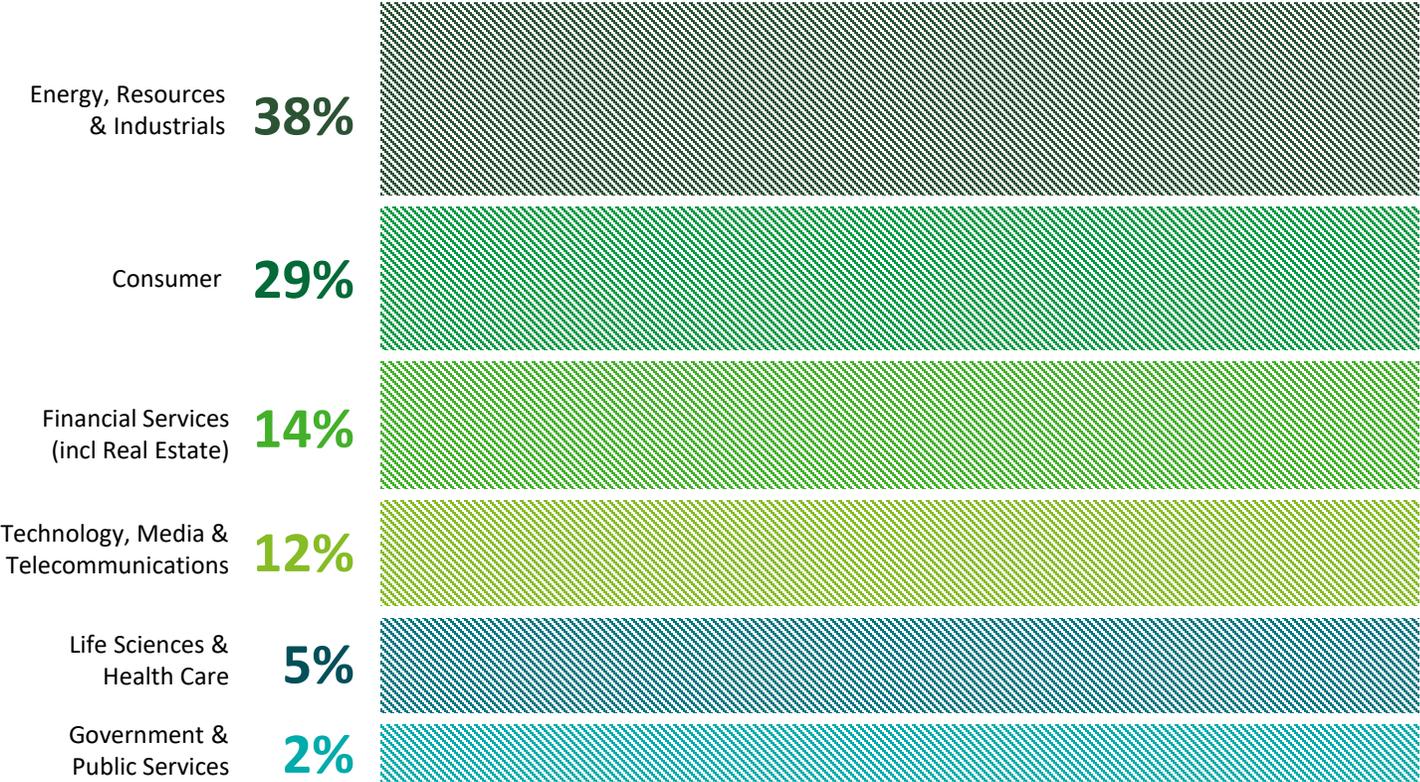
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Cross-sector Response

Our survey was completed by businesses spanning all industry sectors, giving insight of the opinions of the UAE business community as a whole

Our survey respondents represent a broad spectrum of industries, including the energy, resources and industrials industry, financial services, consumer business, technology, media and telecommunications, among others. As a result, the findings of this survey represent the opinions of the business community as a whole.

The majority of the respondents (90%) are finance or tax professionals within their respective organisations and are responsible for the implementation and ongoing administration/compliance with corporate tax in the UAE within their business.



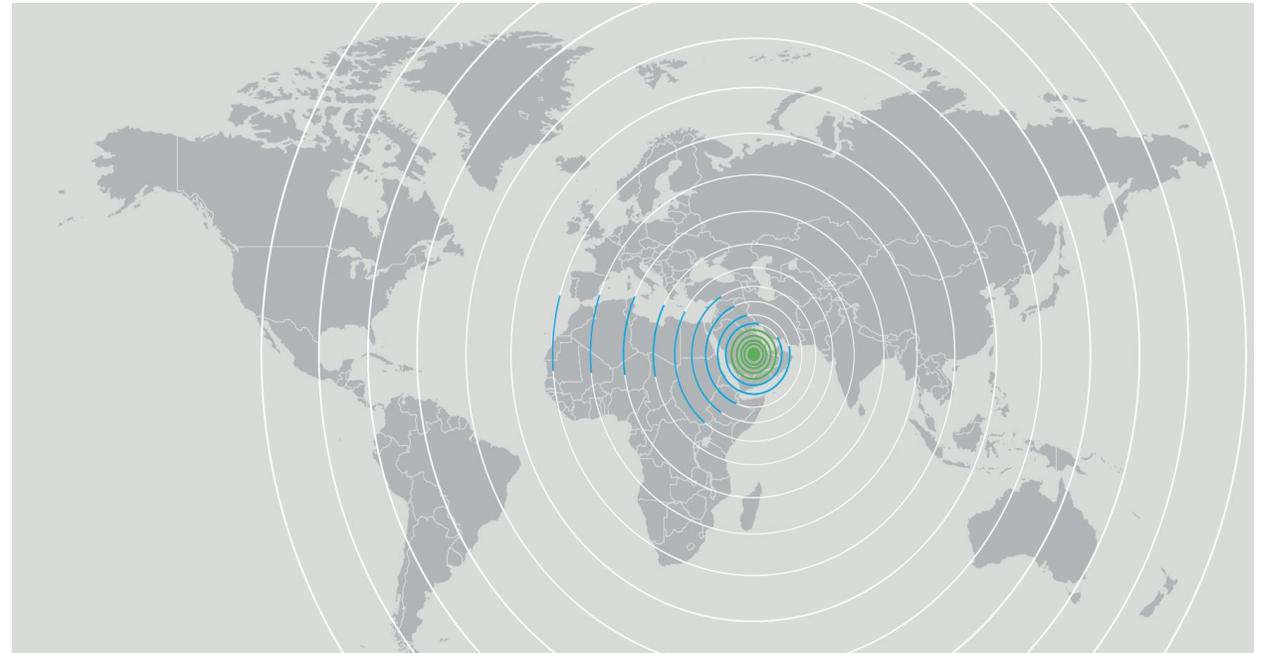
Respondents

The survey respondents represent businesses primarily headquartered in the UAE, but also further afield.

Almost half of the respondents represent local businesses or businesses headquartered in the UAE. Many of these businesses will be facing the challenge of dealing with CT for the first time and may have to significantly adapt their business processes and systems to deal with new compliance obligations. The other half of the respondents represent foreign owned businesses or businesses headquartered outside the Middle East region.

Foreign based groups and local businesses have different features/profiles. Foreign Multinational Enterprises (MNEs) typically do not have a large legal footprint in the UAE. They are also used to dealing with corporate tax compliance in other countries and therefore have established/mature tax functions and capabilities which they can deploy or leverage from. Whereas local businesses have much larger operations locally and have often had less exposure to direct taxes. Therefore, the tax function is typically smaller/less mature. Accordingly, the introduction will be likely present more challenges for local businesses.

Where is your organization headquartered?



In the UAE

47%

Outside the Middle East

44%

Elsewhere in the Middle East

9%

Awareness of Corporate Tax in the UAE

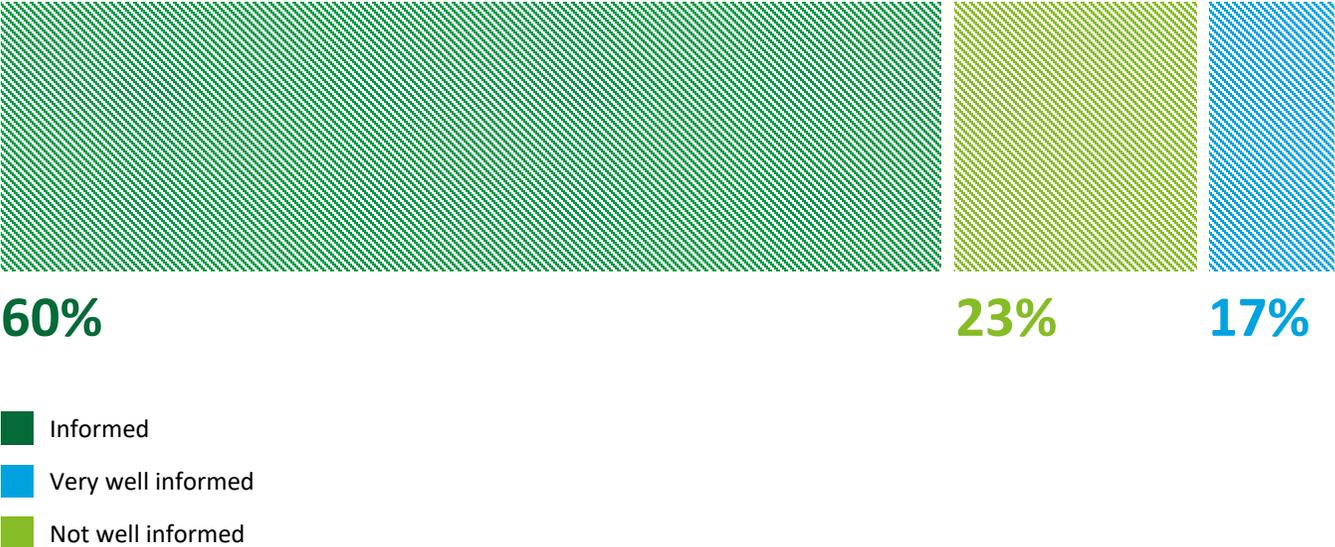
Businesses are aware of the introduction of Corporate Tax, but less than a quarter say they feel very well informed.

Our survey shows that whilst the majority of respondents are aware or following the development regarding the introduction of CT, less than a quarter of respondents only (17%) feel **very well informed** about the subject.

This indicates that whilst businesses in general feel 'informed' that CT will be implemented in the UAE, there is a need for further detailed information from the respective governments or assistance from advisors in order to be adequately prepared for this change.

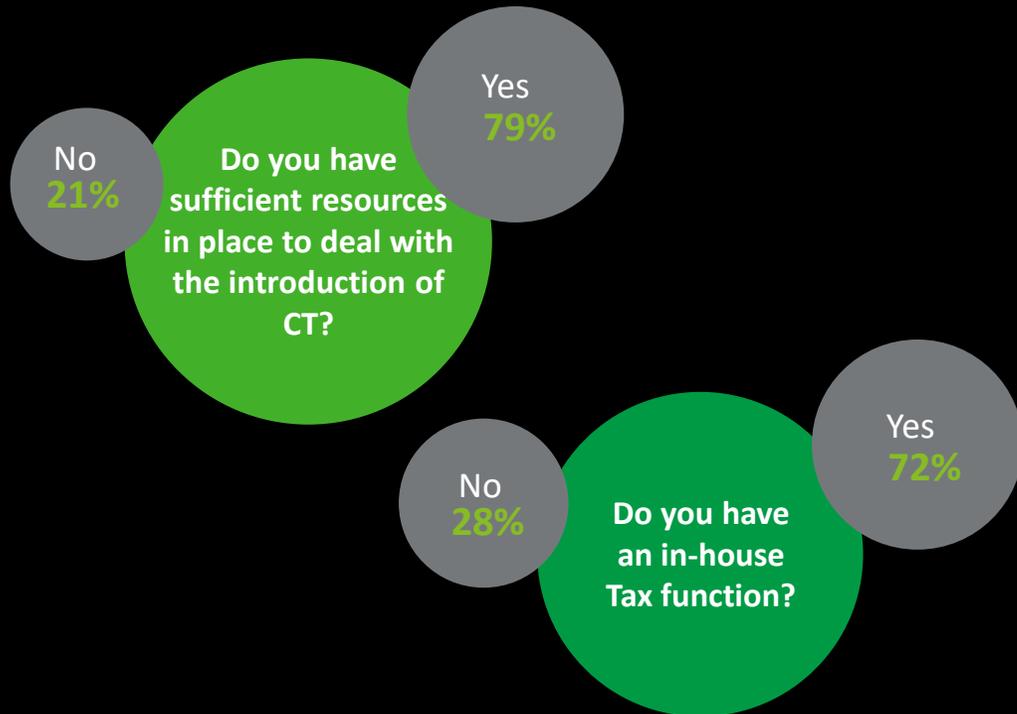
It is important to note that whilst the law has not yet been issued, the UAE Federal Tax Authority (FTA) has publicly communicated the key design principles and policy choices of the new regime. This provides a solid platform on which a preliminary (qualitative and quantitative) assessment can be performed with a view to assess the financial impact and identify key risks/weaknesses. Businesses should consider performing these assessments now so that they have adequate time to prepare.

How well informed do you feel regarding reports of the introduction of CT in the UAE?

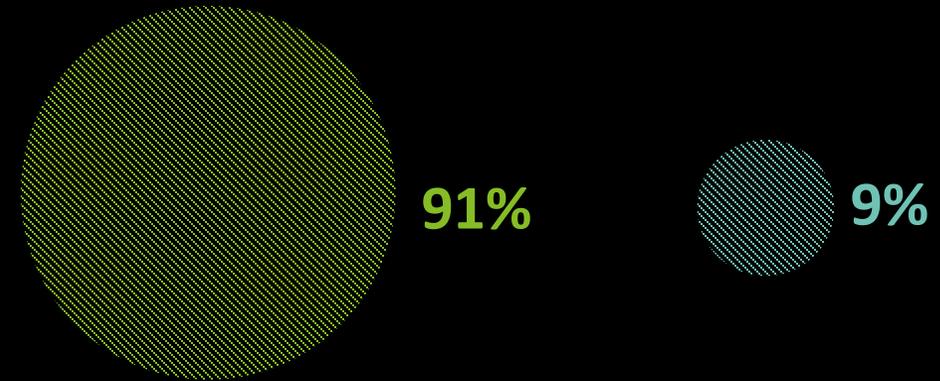


People and Resources

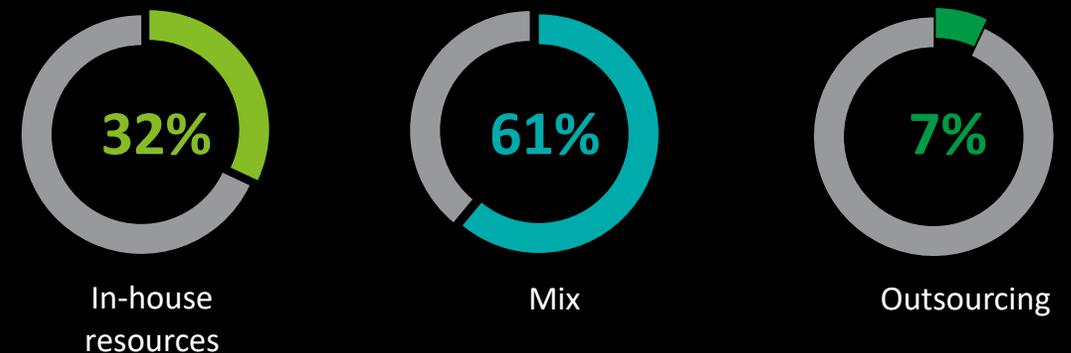
Although most businesses have a good understanding of what CT is, have sufficient resources in place and have an in-house tax function, 68% (mix and outsourcing) of businesses are still planning to hire an external advisor to support them throughout their CT journey. At this point, businesses need to assess the organizational and operational aspect of the implementation including the impact on people, processes and technology.



Do you have an understanding of what CT is and how it operates/is calculated and the impact it has on the business?



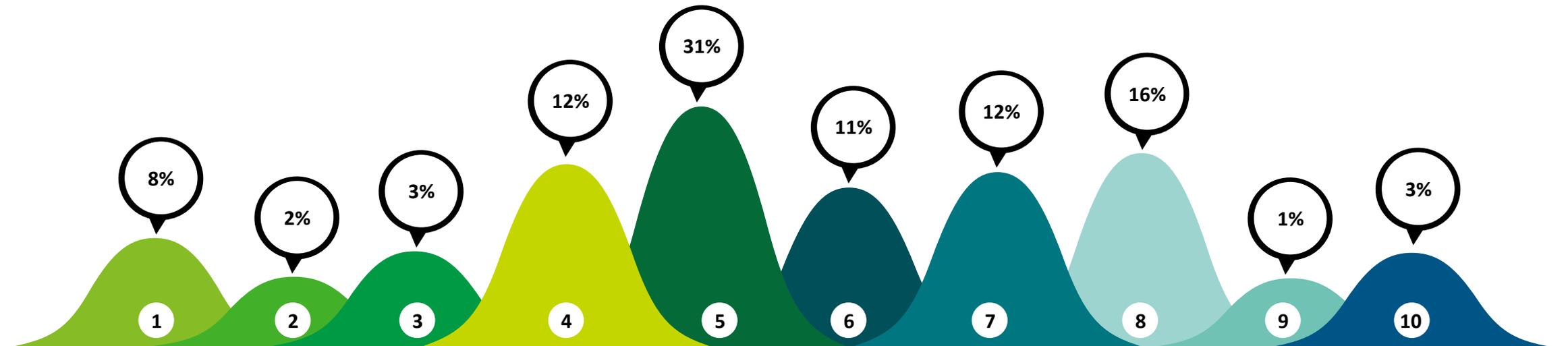
Do you plan to deal with the introduction using in-house resources or will you be appointing an external advisor?



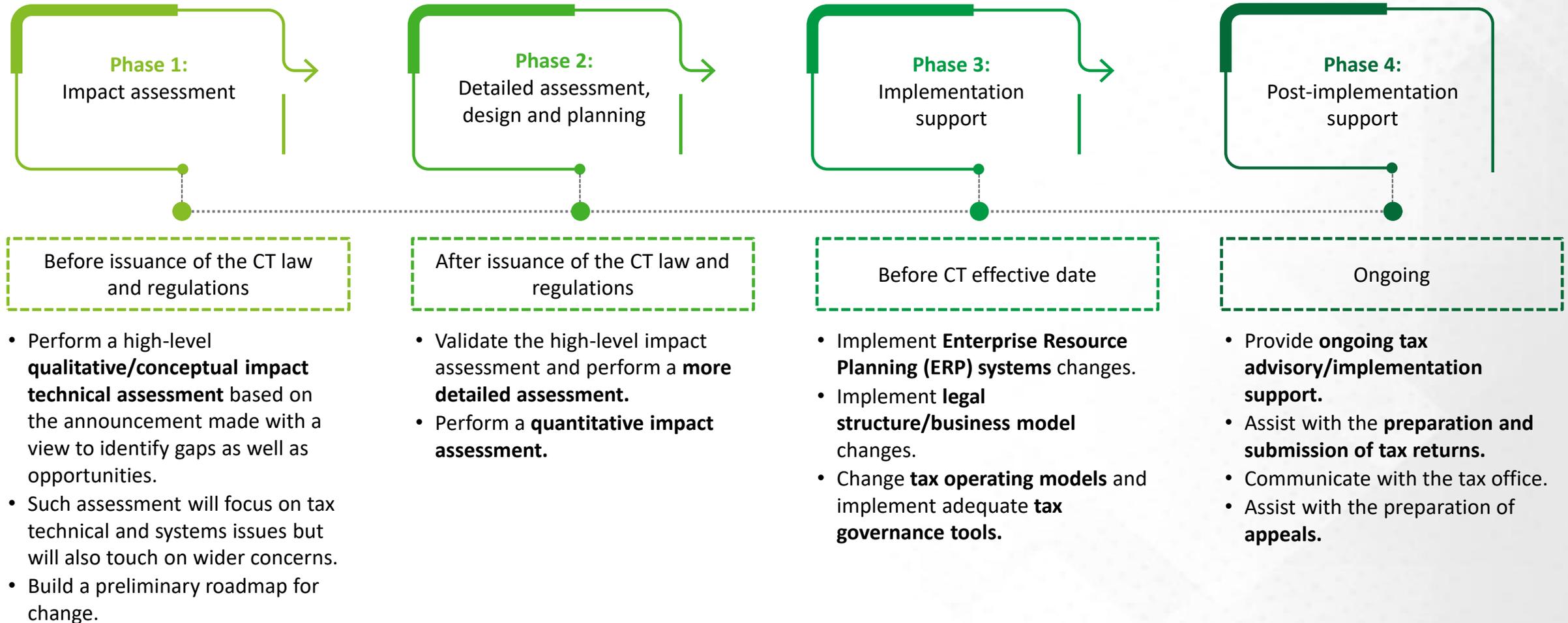
Business Readiness

With the announcements made, there is clarity around some of the main components of the CT regulations including but not limited to timing, scope, tax base and rate. Businesses can start the thought process in terms of what the implementation phase may require. The implications 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 required changes in order to be able to fully assess the implications. These changes might apply 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. With these end goals in mind, Deloitte has developed a four-phased approach to help businesses achieve day one readiness taking into consideration their own individual needs.

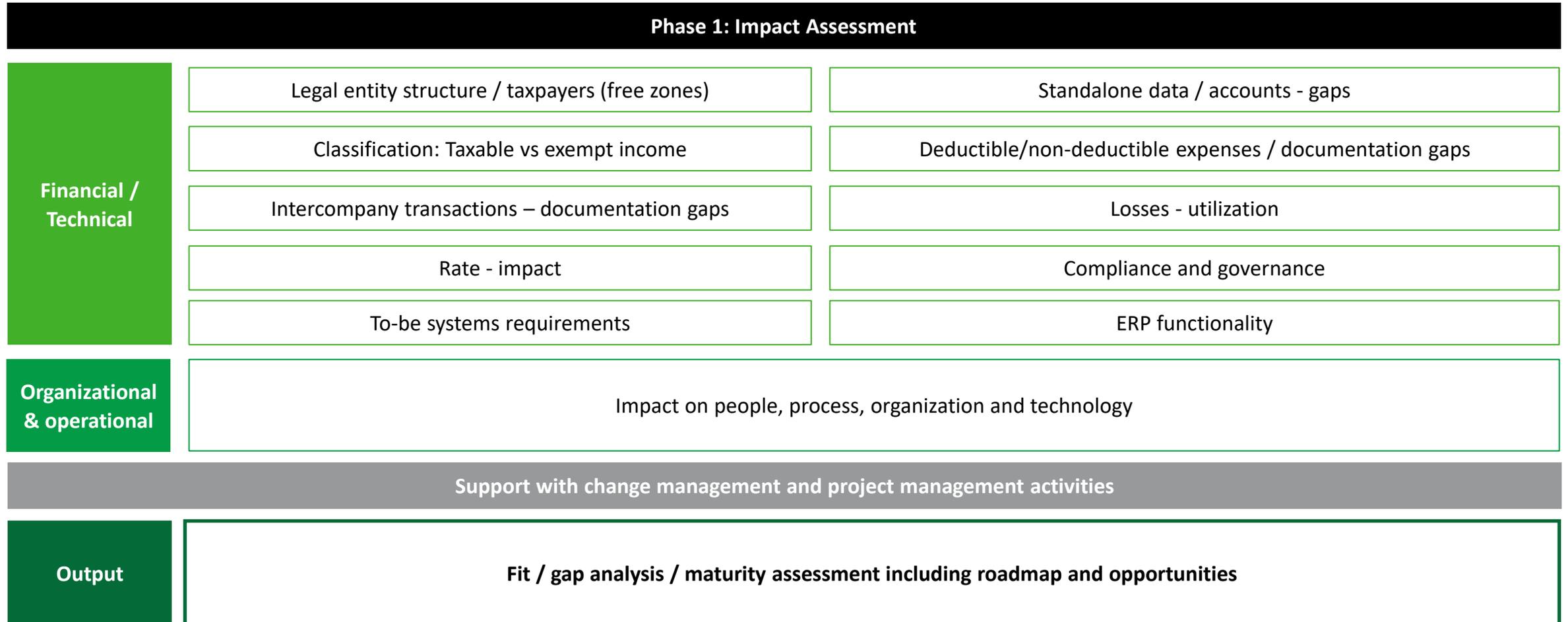
On a scale of 1 to 10, how ready are you for the implementation of CT in the UAE?



Deloitte's Phased Approach



Deloitte's Phased Approach



Contacts

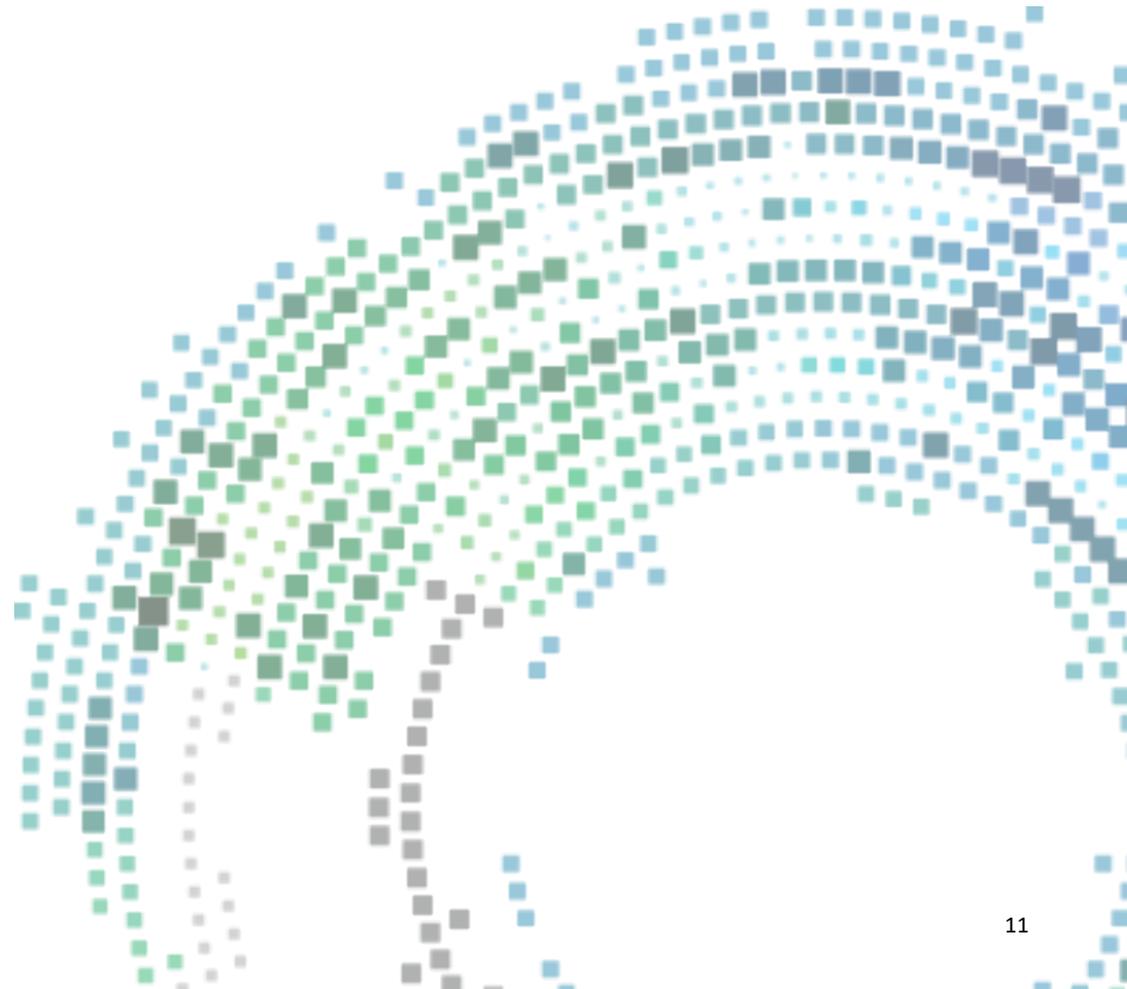
We have a dedicated CT team based in the UAE who have in-depth experience and can support you throughout your readiness journey.

If you require assistance at any stage during the CT implementation, please get in touch with one of our tax experts listed on the following [page](#).

You can also contact us and submit all your queries on this email cituae@deloitte.com.

More information:

We have developed a webpage which hosts our full suite of materials dedicated to the implementation of CT in the UAE. The content provides businesses with guidance during this transitional period and will be updated regularly. Access the webpage by clicking [here](#).





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