



Embarking 2024 Are you Corporate Tax Ready?

January 2024

Introduction



To whom does Corporate Tax apply?

- **All legal entities and natural persons** (individuals) **engaged in a business** or business activity in the UAE are subject to CT
- The standard rate of **9% CT** is applicable for taxable profits exceeding AED 375,000; Free Zone Tax regime of **0% CT** is subject to compliance with certain conditions
- A **Top-Up Tax** at an effective tax rate of **15%** introduced on **Multinational Enterprises ('MNEs')**



When does it apply?

- Effective for the financial year **starting from 1 June 2023**
Businesses with **standard (January to December) **financial year subject to UAE CT starting January 2024***



Ongoing Obligations

- **Register once** for CT purposes
- **Maintain** accounting records in accordance with IFRS
- **Ensure** all transactions with related parties and connected persons **are at arm's length**
- **Obtain** transfer pricing documentation/ benchmark studies
- **Submit tax returns annually** (9 months from the end of the Tax Period)
- **Submit country-by-country (CbC) Notification/Report** (with data on the global allocation of income, profit, taxes paid, and economic activity), **if the Entity is the Ultimate Parent Entity/Alternate Parent Entity**
- **Comply** with other requirements that the FTA may publish



Are you Corporate Tax Ready?

Key Priorities for Corporate Tax Readiness



Related Party Pricing Check

- Do you have a **TP policy/TP model** in place?
- Have you evaluated **TP Controls for related party/connected person transactions**?
- Have you **identified related parties/connected persons and transactions**?



Accounting Check

- Have you assessed **the adequacy of accounting practices** and review your **chart of accounts**?
- Have you reviewed **the accounting policies for tax efficiencies**?
- Have you identified transactions potentially involving accounting for **deferred taxation**?
- Have you considered **claims, elections and transitional reliefs**?



Reliefs & Exemptions Check

Free Zone Entities: Have you evaluated compliance with the **pre-requisite conditions for Free Zone relief 0% CT**?

- Have you checked **adequacy** to comply with substance requirement?
- Have you assessed whether the **related party transactions adhere to the arm's length principle**?
- Have you analyzed whether to consider **FZ relief or opt-in for regular CT**?

Foundations: Have you assessed the eligibility for Tax Transparency?

Small Businesses: Have you assessed the eligibility for Small Business Relief?

Holding Entities: Have you evaluated the exemptions available for dividends and capital gains?

Operating companies and other entities: Does your business fall under any other exemption criteria?



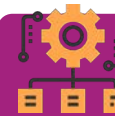
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Operations Check

- Have you considered a compliance plan for **dormant entities**?
- Have you evaluated the CT exposure for **Non-UAE entites**?
- Have you assessed if the **Trade License activities are aligned** with actual business conducted?



Organization & Funding Structure Check

- Have you assessed the **organizational structure** for overall Tax efficiency including Tax grouping and loss setoff?
- Have you evaluated **your capital/ debt funding structure**, factoring dividend tax implications and limitations on interest deductibility?



GAAR Check

- Have you **assessed GAAR exposure** after recent business restructuring?



International Tax Matters Check

- Have you **assessed the requirement of Country-by-country reporting** requirement?
- Have you assessed the **applicability of Top-up Tax** under OECD BEPS Pillar Two?



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