

# UAE announced introduction of Corporate Tax from 1st Jun 2023

Direct Tax being introduced for Taxable Income of Corporates above AED 375,000

On 31st Jan 2022, UAE Ministry has announced inclusion of Corporate Tax from 1st June 2023.

Right now the information from FTA is very limited but here we are hereby summarizing few important points about Corporate Tax in UAE for your ready reference. Federal Tax Authority (FTA) has announced UAE Corporate Tax (Corporate Tax) on or after 1st June 2023.

For example:

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

0%-Businesses with Taxable income up to AED 375,000 to support small start-ups and businesses

9%-Businesses with Taxable income exceeding AED 375,000 (i.e. portion of taxable income exceeding AED 375,000 shall be subject to Corporate Tax)

Exempt:

- Corporates operating with in Freezone without any business activity in the UAE. (Means NO Local Sales)
- Foreign Investors

**The Key features of the announcement are given on the next page**



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## UAE announced introduction of Corporate Tax from 1st Jun 2023 (contd.)

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## UAE TAX UPDATE

01 February 2022

### Key features of the announcement:

The said announcement has briefly specified the below features of the corporate taxes to be implemented. The Authority shall publish the further details regarding registrations, guidelines, payments, etc. in due course of time:

- Scope of Corporate tax: UAE has proposed to levy corporate income tax on the adjusted accounting net profits during an assessment year.
- Tax on Individuals: Individuals are not subject to income tax on their earnings from employment (salary and wages), real estate, investment in shares, or other personal income not related to the UAE trade or business
- Tax on Individuals carrying on a business: Individuals having (or being required to obtain) a business license (Sole Establishment, one person LLC or holder of freelancer license) permitting to carry out the relevant commercial, industrial, and professional activity in the UAE will be within the purview of UAE Corporate tax.
- Foreign Investors who don't carry on a business in the UAE will not be subject to corporate tax.
- Freezone businesses that meet all the requirements will continue to be exempt from the corporate income tax provisions (More information yet to come).
- The extraction of natural resources: will continue to be subject to tax at Emirati level corporation tax.
- Withholding tax: UAE proposed not to levy withholding tax on Domestic and Cross border payments.
- Capital gains and dividends received by UAE business from qualifying shareholding kept outside the purview
- Qualifying Intra-group and restructuring transactions are held outside the scope.
- Foreign tax credits will be utilized against the payment of corporate taxes.
- If certain conditions are met, excess tax losses may be carried forward and used against taxable income in future years. Tax losses from one group company may be used to offset the taxable income of another group company, provided certain conditions are met.
- A UAE group of companies can elect to form a tax group and be treated as a single taxable person, provided certain conditions are met. A UAE tax group will only be required to file a single tax return for the entire group.
- UAE businesses will need to comply with transfer pricing rules and documentation requirements set concerning the OECD Transfer Pricing Guidelines.
- Only one Corporate Tax return will need to be filed electronically per financial period.
- No provisional or advance Corporate Tax filings or payments will be required.
- FTA has issued frequently asked questions that can be accessed at <https://tax.gov.ae/en/faqs>

Please be in touch with us for any further discussion on the same.

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