

# Implementation of corporate tax in the UAE

Tax Alert

January 2024

# Time is of the essence - corporate tax in the UAE is effective

While the UAE Corporate Tax (CT) law is effective from 1 June 2023, for numerous businesses that follow a December financial year end, the application of the UAE CT commenced on 1 January 2024.

As a top priority, businesses should consider evaluating their preparedness for CT compliance and take immediate actions as they transition into the new and first Tax Period.

To ensure compliance with CT regulations, there are several preliminary tasks that need to be completed. These include gaining a clear understanding of how CT will affect business operations and identifying the necessary adjustments that need to be made across the entire organisation.

This comprises areas such as legal, finance, human resources, processes, and systems.



# To avoid a frenzied rush and costly complications, businesses in the UAE should prioritise the following key areas that need immediate attention:

## Natural persons

Review and identify whether a CT registration exposure arises upon conducting Business or Business Activity in the UAE.

## Entity rationalisation

Review of legal entity structure and determine entities in the scope of UAE CT. This includes holding, operating, new, and dormant entities.

## Foreign entity profile

Review and evaluate effective management and control of non-UAE entities to determine whether a CT registration exposure arises and determine immediate next steps to manage and reduce the related risk.

## Free Zone relief (beneficial tax rate of 0% to Qualifying Free Zone Persons)

Determine the activities undertaken by Free Zone entities and the nature of income earned, review substance and transfer pricing conditions are met.

## Transfer pricing profile

Identify intercompany transactions, perform benchmarking studies, and prepare transfer pricing policies.

## Funding structures

Review existing funding structures to identify any tax inefficiencies that may arise such as limits on interest deductions.

## Group structure profile

Assess eligibility to form a Tax Group and identify opportunities and potential risks that could give rise to tax leakages.

## Closing balance sheet as of 31 December 2023

Preparation of balance sheet as of 31 December 2023 having regard to transitional rules and to be prepared on arm length principle.

## Elections under transitional rules

Evaluate the application of transitional rules to prevent taxation on pre-CT regime gains derived from revaluation/appreciation of capital assets.

## Accounting and IT profile

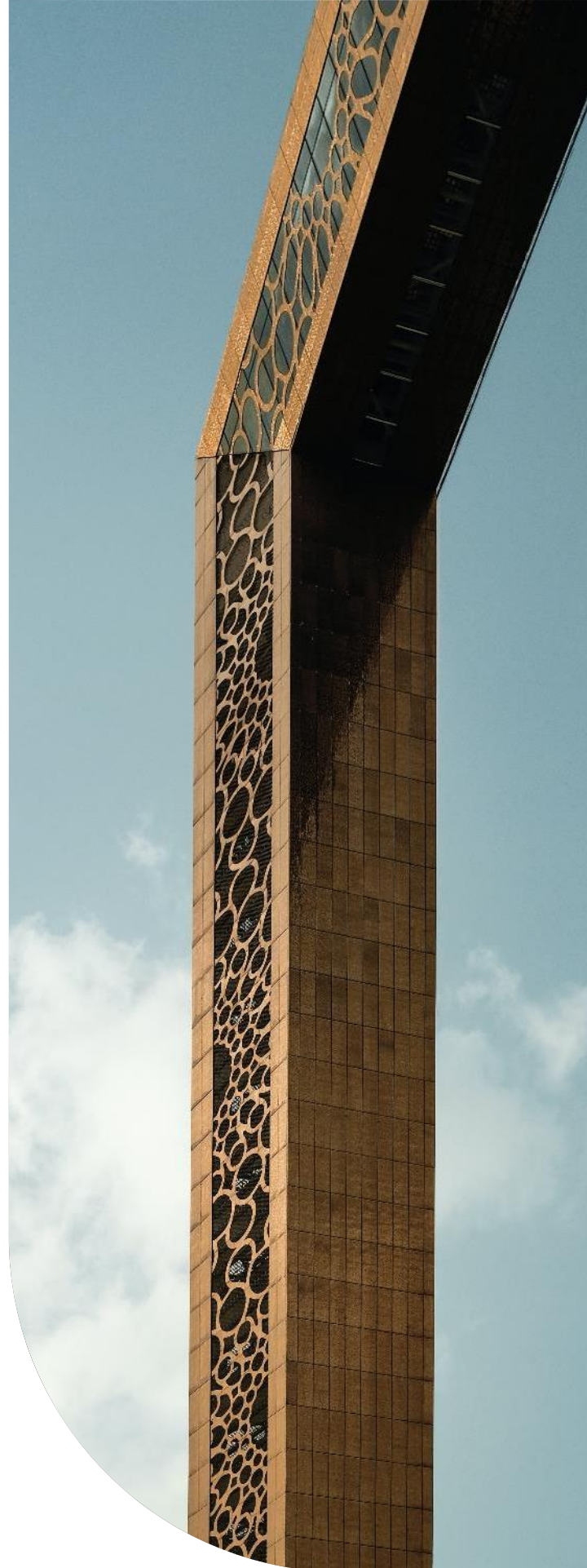
Changes to accounting and IT systems and relevant discussions with auditors.

## Accommodating Pillar 2 requirements

The UAE Ministry of Finance (MoF) recently made amendments to the CT Law to accommodate the introduction of Pillar Two Rules. While the UAE is expected to implement Pillar Two rules by 2025, pending a forthcoming Cabinet Decision that will provide further clarity on the implementation process, it is important for businesses to start evaluating their readiness to comply with such complex rules.

Each business may have specific facts and commercial aspects that require additional consideration and action from a UAE readiness perspective.

Therefore, the list above should be regarded merely as a representative reference.



# Contact our Tax Advisory team

If you wish to explore the implications and preparedness of CT for your business, please get in touch with our team:



## Steve Kitching

Head of Tax, Partner  
Tax Advisory

**T** +971 58 5520 90 64  
**E** [steve.kitching@ae.gt.com](mailto:steve.kitching@ae.gt.com)



## Anuj R. Kapoor

Partner  
Tax Advisory

**T** +971 4 388 9925  
**E** [anuj.kapoor@ae.gt.com](mailto:anuj.kapoor@ae.gt.com)



## Isabel Strassburger

Director  
Tax Advisory

**T** +971 2 666 9750  
**E** [Isabel.strassburger@ae.gt.com](mailto:Isabel.strassburger@ae.gt.com)



## Tatiana Stupenkova

Associate Director  
Tax Advisory

**T** +971 4 388 9925  
**E** [tatiana.stupenkova@ae.gt.com](mailto:tatiana.stupenkova@ae.gt.com)



## Amisha Anil

Associate Director  
Tax Advisory

**T** +971 50 801 0768  
**E** [amisha.anil@ae.gt.com](mailto:amisha.anil@ae.gt.com)



## Siddharth Jain

Manager  
Tax Advisory

**T** +971 4 388 9925  
**E** [siddharth.jain@ae.gt.com](mailto:siddharth.jain@ae.gt.com)



## Saeed Hassan

Manager  
Tax Advisory

**T** +971 52 666 9750  
**E** [saeed.hassan@ae.gt.com](mailto:saeed.hassan@ae.gt.com)

## Abu Dhabi

Al Kamala Tower  
Office 1101, 11th Floor  
Zayed the 1<sup>st</sup> Street  
Abu Dhabi, UAE

**T** +971 2 666 9750

**F** +971 2 666 9816

## Abu Dhabi

Unit 2, Floor 14  
Sila Tower  
ADGM Square  
Al Maryah Island  
Abu Dhabi, UAE

**T** +971 2 666 9750

**F** +971 2 666 9816

## Dubai

The Offices 5  
Level 3, Office 303  
One Central, DWTC  
PO Box 1620  
Dubai, UAE

**T** +971 4 388 9925

**F** +971 4 388 9915

## Sharjah

Al Bakr Tower  
Office 305  
7/9 Al Khan Street  
Sharjah, UAE

**T** +971 6 525 9691

**F** +971 6 525 9690

