



The Institute of Chartered Accountants of India
(Dubai) Chapter NPIO



UAE

TAX UPDATE

NEWSLETTER

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FTA Link : For full information on UAE Corporate Tax, refer to - <https://tax.gov.ae/en/legislation.aspx>

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From the **CHAIRMAN**

Dear Esteemed Members,

I am delighted to introduce the inaugural edition of our newsletter, heralding the beginning of a journey dedicated to delivering essential updates and insights mainly on corporate tax and VAT in UAE. In an evolving subject it is important to be regularly Updated to avoid becoming outdated.

In this first edition, we delve into the latest developments in Corporate Tax and VAT, offering invaluable updates to aid your understanding and decision-making processes. Our commitment is to keep you abreast of pertinent changes in these areas, empowering you to navigate the intricate tax landscape with confidence and precision.

Looking ahead, we envision each subsequent edition as an opportunity for deeper exploration and richer discourse on corporate tax and VAT matters. We remain steadfast in our dedication to providing you with timely and relevant information, facilitating continuous learning and growth within our community.

Furthermore, I urge each of you to actively participate in shaping the future of this newsletter by your valuable feedback and contributing articles in line with the provided guidelines. Your perspectives and expertise are vital to enriching the content and fostering a vibrant exchange of knowledge among our members.

Enclosed with this newsletter, you will find detailed instructions and the submission link for your contributions. Your engagement and feedback are invaluable as we chart the course forward, ensuring that this newsletter serves as a beacon of insight and value for all our members.

Thank you for your unwavering support and enthusiastic participation in the ICAI (Dubai) Chapter.

Warm regards,

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3. UPDATES

UAE Corporate Tax – Key Highlights

The Ministry of Finance of UAE (MoF) introduced Corporate Tax Law by issuing a Federal Decree Law Number 47 of 2022 "Taxation of Corporations and Businesses". Further, the MoF has also been issuing the other Cabinet and Ministerial Decisions which essentially form part of the Corporate Tax Law. The Federal Tax Authority (FTA) has been issuing various guidance notes on various important aspects of the Corporate Tax Law. Following is the overview of certain key provisions of the Corporate Tax Law:

Corporate Tax Rates:

- **General Corporate Tax Rates:**
 - o Taxable Income up to AED 375,000 – 0%
 - o Taxable Income more than AED 375,000 – 9%
- **Special Corporate Tax Rates for Qualifying Free Zone Persons (QFZP):**
 - o Qualifying Income – 0%
 - o Non- Qualifying Income – 9%

Scope of Total Income:

- Residents will be taxed on global income (Income derived from UAE & outside UAE) and Non-residents will be subject to CT on any taxable income attributable to a Permanent Establishment (PE) or nexus in the UAE or any income that is considered UAE-sourced income. CT does not apply to a natural person's income from salary, personal investment & personal real estate income that is conducted or does not required to be conducted through a license. Free zone persons can continue to maintain their 0% tax position subject to meeting certain conditions.

Taxable Persons:

- Juridical Person incorporated in UAE (Resident & Non-Resident)
- Foreign juridical Person which is effectively managed and controlled in UAE
- Natural Person conducting business activity in UAE
- Any other person decided by the cabinet

Qualifying Free Zone Persons (QFZP):

The QFZPs are taxable at 0% rate if all the following conditions are satisfied:

- o Maintain Adequate Substance
- o Derive Qualifying Income
- o Not Elect to subject for CT under normal scheme
- o Satisfied De minimis Requirement
- o Maintain Audited Financial Statements

Small Business Relief:

- Small business relief is applicable only when the revenue of the Taxable Person for the relevant Tax Period and previous Tax Periods does not exceed AED 3,000,000 and after meeting other conditions mentioned in the Law.

Tax Group and Qualifying Group:

- For the formation of a tax group, all subsidiaries in the UAE should be held by a resident holding entity with at least a 95% stake either directly or indirectly through one or more subsidiaries.
- For the formation of a qualifying group, either taxable person should have a direct or indirect ownership



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interest of at least 75% in the other taxable person or a third person should have a direct or indirect ownership interest of at least 75% in each of the taxable persons.

- These entities must share the same financial year and prepare financial statements using the same accounting standards. They must not be exempt or qualifying free zone persons.

Tax Loss Relief:

- Tax loss relief allows offsetting negative taxable income against subsequent periods, limited to 75% of total taxable income unless otherwise specified. Unused losses can be carried forward until fully utilized, offsetting against the taxable person's income or other group companies' income.

Transfer of Tax loss:

- Transfer of tax losses between eligible resident and juridical persons requires 75% or more common ownership, same financial year end, and use of identical accounting standards, with transferred losses limited to the business part transferred. Exempt and QFZPs are ineligible for such transfers.

GAAR:

- Law also covers General Anti Avoidance Rule (GAAR) which is conceptually similar to what is adopted in many developed countries.
- Enter into valid commercial transactions to avoid any transactions primarily aimed at securing a corporate tax advantage

Transitional Rules:

- UAE CT Law states that the opening balances of first tax period have to be at arm's length as per Article 34. This aims to mitigate the impact of past transactions on future income.

Transfer Pricing:

- Arm's Length Principle enforced for transactions with Related Parties.
- Related Parties defined with a 50% ownership. Kinship, Control, Significant influence criteria included.
- Payments to 'Connected Persons' as mentioned in the CT Law must align with market value.
- Internationally recognized Transfer Pricing (TP) methods adopted.
- Authority to adjust Taxable Income if results deviate from Arms Length Price (ALP) range.
- 'Disclosure Form' to be filed for businesses to be notified.
- 'Master File' and 'Local File' Documentation must for Entities with revenue AED 200 Millions or more. Also, applies to UAE entities of Multi National Enterprises (MNE) Groups subject to Contry by Country Reporting (CbCR) compliance.
- 'CbCR' mandatory for UAE-headquartered MNE Groups with AED 3.15 Billions Consolidated Group Revenue.

Corporate Tax Returns and Payment:

- Taxable person must file a corporate tax return and settle the corporate tax payable no later than 9 months from the end of the tax period.





3.1 UAE TAX UPDATES

3.1.1 FTA Guide - Qualifying Group Relief

On April 3, 2024, the Federal Tax Authority (FTA) released a Corporate Tax Guide focusing on “Qualifying Group Relief” (Relief) to offer general insights into the Relief provisions outlined in Article 26 of the Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses (CT Law).

While the guide is not legally binding, the guide aims to aid in comprehending the Relief provisions within the CT Law.

Following are the key takeaways that can be summarized from the Corporate Tax Guide issued by the FTA:

- “Qualifying Group Relief” provisions is to streamline transfer of capital assets or liabilities between two Taxable Persons within a Qualifying Group, ensuring that no gain or loss is incurred for Corporate Tax purposes (with the transfer being assessed at book value). This facilitates tax-neutral restructuring/transfers, thereby maintaining the overall ownership structure of assets or liabilities within the group.

- The guide also provides clarity on various aspects concerning Relief conditions. Specifically, it clarifies that common ownership by a third party, who doesn't need to be a Taxable Person, eliminating ambiguity regarding the ownership condition.

- However, it's worth assessing whether a transferor and transferee can be considered members of a Qualifying Group if there's a common ownership of 75% by Exempt Persons and QFZP in both entities.

- The guide elaborates on the tax implications in case of transfer of assets and liabilities at net book value or transfer of losses in the hands of the parties involved.

- Explanation for treatment of exchange of assets and liabilities is also provided in the guide.

- A brief note on Business Restructuring Relief in relation to Qualifying Group Relief is also included in the guide.



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- The guide also sheds light on Qualifying group compliance requirements.

- Transitional relief in respect of gains recognized on assets owned prior to the Taxable Person's first Tax Period could be available on the final taxable disposal of the relevant capital asset, subject to certain conditions which is also further discussed in the guide.

Who qualifies for the relief as Qualifying Group?

Following are the conditions applicable for availing the 'Qualifying Group Relief':

1. Transferor and transferee are Juridical Persons:

A legal entity with distinct legal personality, such as private or public joint stock companies, limited liability companies, and incorporated partnerships, is eligible to be a member of a Qualifying Group. Natural persons or unincorporated partnerships lacking separate legal personality are ineligible for the relief. Nevertheless, relief may be accessible to a legal entity that acts as a partner in an Unincorporated Partnership or is owned by one.



2. Transferor and transferee are Taxable Persons:

The juridical person must qualify as a Taxable Person under the CT Law, which encompasses:

- Resident Persons: Entities incorporated, established, or recognized under UAE legislation, or entities incorporated outside the UAE but effectively managed and controlled within the UAE.

- Non-Resident Persons: Entities with a Permanent Establishment in the UAE through which they conduct business. Qualifying Group Relief can also apply if a Person becomes a Taxable Person for the first time because of the transfer, because the assets or liabilities transferred result in a Permanent Establishment in the UAE for the Transferee.

Exceptions: Non-Resident Persons deriving UAE sourced income or having nexus in the UAE cannot be members of a Qualifying Group, despite being classified as Taxable Persons under the CT Law. Qualifying Group Relief is not available for transfers between a Permanent Establishment in the UAE and its head office outside the UAE.

3. Direct, indirect or common ownership of at least 75%:

The Transferor and Transferee shall be treated as members of the same Qualifying Group if:

- the Transferor holds a direct or indirect ownership interest of at least 75% in the Transferee, or
- the Transferee holds a direct or indirect ownership interest of at least 75% in the Transferor, or
- a third Person holds a direct or indirect ownership interest of at least 75% in the Transferor as well as the Transferee.

A Taxable Person must exercise control over the



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ownership interest and be entitled to its economic benefits according to the applicable Accounting Standards. The ownership interest (as any equity or similar interest like a partnership interest that carries rights to the profits and liquidation proceeds of the Taxable Person) is determined based on paid-up capital and is aggregated if held in various types of instruments. The third party (common shareholder) holding 75% common shareholding in two taxable persons does not need to be a taxable person themselves.

The percentage of ownership must be calculated as $(X/Y) * 100$ where,

X = Paid-up capital of ownership interests held by, or the equity interest contributions made by the Transferor or Transferee or a third Person, as applicable

Y = Total paid-up capital of the Taxable Person or the total equity interest contributions made to the Taxable Person, as applicable

Direct and indirect ownership interests held by members of the same Tax Group are determined by consolidating the ownership interests of the Parent Company and each Subsidiary within the Tax Group. The ownership condition is fulfilled if the required indirect holding is through an Exempt Person or a QFZP.

4. Exempt Person and Qualifying Free Zone Person ('QFZP'):

Relief is applicable to Taxable Persons, with Exempt Persons and QFZP being excluded. However, Free Zone entities that do not meet these criteria can still be included in a Qualifying Group. Where a member of a Qualifying Group becomes an Exempt Person or a QFZP in a subsequent Tax Period, that Person will cease to be a member of the Qualifying Group from the date on which the condition is no longer met.

Furthermore, Resident Persons who choose Small

Business Relief are ineligible to claim this Relief.

5. Financial Year and Accounting Standard:

All entities within the Qualifying Group must have their financial year end on the same date, ensuring uniformity in the group's financial timeline. They must follow the same Accounting Standards.

A Taxable Person can request the FTA to alter its financial year's end date to synchronize with other Qualifying Group members, provided:

-Such person has not yet filed the Tax Return for the Tax Period it is applying to change.

-the Tax Period is not extended to last more than 18 months or not reduced to last less than 6 months.

-where the Taxable Person filed an application to shorten a Tax Period, the application is not in respect of a prior or current Tax Period

-the application is made before the lapse of 6 months from the end of the original Tax Period





3.1.2 Public Consultation Paper on BEPS Pillar 2/ Global Minimum Tax

On 15 March 2024, the UAE Ministry of Finance (MoF) of the United Arab Emirates (UAE) released a consultation paper on the Global Minimum Tax (Pillar Two) or Global Anti-Base Erosion Model Rules (GloBE Rules) to gather the views of stakeholders concerning the potential policy design options to respond to the implementation of the GloBE Rules worldwide. The deadline to provide input into the consultation was 10 April 2024.

Brief Background prior to the Public Consultation:

UAE published Federal Decree Law No. 60 of 2023 dated 24 November 2023 amending certain provisions of Federal Decree Law No. 47 of 2022. This amendment introduces two new definitions in the CT Law:

(a) Top-up Tax

(b) Multinational Enterprise (MNE)

The Decree released was silent on the size of the MNEs for applicability of GMT. However, FAQs released by the UAE FTA indicated that this may be as per the OECD BEPS project.

Key Highlights:

1. UAE doesn't have the intention to apply the GloBE Rules to UAE Headquartered MNE Groups which does not meet the revenue threshold of EUR 750 million. This is to not impose any additional and unnecessary compliance burden on the small UAE Headquartered MNE Groups.

2. The UAE is contemplating using the common Euro threshold instead of an equivalent threshold in UAE Dirhams to prevent discrepancies in the application of GloBE Rules.

3. The UAE was evaluating the adoption of the two interlocking mechanisms to charge the Top-up Tax under the GloBE Rules, the Income Inclusion Rule (IIR) and the Undertaxed Profits Rule (UTPR). Along with it, the UAE has the intention to implement the Qualified Domestic Minimum Top-up Tax (QDMTT).

4. The UAE will have to undergo a peer review process to establish whether its Domestic Minimum Top-up Tax (DMTT) is equivalent to GloBE Rules so that it can be considered a QDMTT.

5. The MoF is exploring the possibility of having a separate return for QDMTT in addition to the GloBE Information Return (GIR). Additionally, it is considering two options for the payment of Top-up tax liability either annually following UAE Corporate Tax law payment dates or adhering to timelines set by GloBE Rules.

6. The financial accounting standards that would be used would be IFRS.

7. The UAE MoF is contemplating the introduction of substance-based incentives, with consultation questions focusing on understanding the global benefits of such incentives for taxpayers.

8. THE UAE MoF will consider the following factors when implementing tax incentives so that they are in alignment with GloBE Rules:

- The development of flexible agile and future-oriented incentive packages tailored to meet the investor's need.
- The monitoring and compliance of incentives.
- The approach adopted by other comparable jurisdictions.
- Exploration of additional non-tax incentives.

By initiating an extensive public consultation, the UAE MoF demonstrates a commitment not only to conducting thorough analysis and review of the relevant regulations but also to offering a crucial forum for stakeholders and taxpayers to express their views and issues.

This strategy highlights the UAE's commitment to harmonizing international standards with the preservation of its economic environment, with the ultimate goal of achieving a comprehensive and informed rollout of the new tax frameworks. As the consultation is now closed, it will be interesting to see rules and further details to be notified by the UAE MoF and the FTA.



3.1.3 FTA Guide - Taxation of Partnerships

On March 4, 2024, the Federal Tax Authority (FTA) released a Corporate Tax Guide on “Taxation of Partnerships”, offering insights into how Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses (CT Law) addresses partnerships and its application, alongside other clarifications related to compliance.

While the guide is not legally binding, the guide aims to aid in comprehending the Relief provisions within the CT Law. Following are the key takeaways that can be summarized from the Corporate Tax Guide issued by the FTA:

Key takeaways:

- Taxability and treatment for incorporated partnership (to be taxed as separate Juridical taxable persons) vis-à-vis unincorporated partnerships (Fiscally opaque to be taxed as separate juridical person or fiscally transparent not treated as a Taxable Person, instead each Partner shall be taxed on their distributive share of assets, liabilities, income and expenditure). However, the partners of an Unincorporated Partnership can file an application with the FTA for the Unincorporated Partnership to be treated as a Taxable Person in its own right.

- The guide also outlines the procedure on how a fiscally opaque person can be treated as taxable person.

- The Guide also sheds light on the CT Compliance obligations and tax treatment of Foreign Partnerships.

- Interactions and interplays with provisions of Free Zone and Small Business Relief are also addressed in the guide.

- Partners in an Unincorporated Partnership shall be Connected Persons and transactions between such partners must be as per the arm’s length standard. This shall also apply to any Related Party of a partner in an Unincorporated Partnership.

- General Anti-Abuse Rules (GAAR) provisions shall be applicable for all the transactions entered into by

the partnerships and the partners which is also further discussed in the guide.

- Types of partnerships and types of unincorporated partnerships have also been explained in the guide along with their taxability.

- The guide also elaborates regarding the tax implications of transition from fiscally opaque to fiscally transparent and tax treatment of foreign entities.

- Additionally, the guide also provides tax implications in the hands of the partners or the partnership, in case of change in distributive share of partner.

- Tax treatment in case a partner leaves or retires has also been elaborated in the guide.

- Corporate tax obligations have also been discussed in the guide.





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Treatment of certain transactions:

Transaction	Fiscally Transparent	Fiscally Opaque
1. Income from investments made by unincorporated partnerships	Dividends or other profit distributions from a juridical person and income from the sale or disposal of shares of UAE or foreign juridical persons	
	will be taxable in the hands of partners in their distributive share.	will be taxable in the hands of the partnership.
	a. If partners are Juridical Persons:	Taxability in the hands of Partnership:
	Dividends or other profit distributions will be exempt from CT if : <ul style="list-style-type: none"> Received from a resident Juridical Person It is received from a Participating Interest in a foreign Juridical Person Income from the transfer of shares will be exempt if received from a participating interest. 	
	b. If partners are Natural Persons: <ul style="list-style-type: none"> Such Incomes shall be treated as Personal investment income if the same is held on their "Personal Account" and the conditions of Participation Exemption need not be evaluated. If such income is received during "Business activity", then they are taxable in the hands of partners and the conditions of Participation exemption need to be evaluated. 	
2. Gain or loss on transfer, Sale or disposal of partner's distributive share in the partnership	Will be treated as business income and subject to corporate tax in the hands of partners.	Is not subject to corporate tax in the hands of partners, provided the Participation Exemption conditions are met.
3. Non-Deductible Expenditure	<ul style="list-style-type: none"> Dividends, profit distributions or similar amounts paid to the partners. Amounts withdrawn by a partner in an Unincorporated Partnership or personal expense. 	
4. General Interest/ Specific Interest Deduction Limitation Rule	Applicability will be tested in the hands of partners and interest is allowable subject to the limitation Rules. However, General Interest Deduction Rule is not applicable to Natural Persons.	Applicability will be tested at the level of partnership and the interest is allowable subject to the limitation rules.
5. Interest on capital contribution to partners	<ul style="list-style-type: none"> Interest paid is treated as allocation of income and not allowed as a deduction to the partners in determination of their taxable income. It is treated as interest income and taxable in the hands of partners. 	<ul style="list-style-type: none"> Interest paid is treated as profit distribution and is not deductible in the hands of the partnership . It is not taxable in the hands of partners.
6. Interest paid on loans by partners and payment to partners for provision of services.	<ul style="list-style-type: none"> Allowed as deduction only if it is incurred wholly for the business purpose and is at Arm's length. Taxable in the hands of partners while determining their taxable income. 	



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Transaction	Fiscally Transparent	Fiscally Opaque
7. Salary paid to partners	<ul style="list-style-type: none">Not deductible in the hands of partners as it is treated as amount withdrawn from the business.Shall be included in the determination of taxable income of the partner.	<ul style="list-style-type: none">Not deductible as it is treated as profit distribution to the owner.Will not be taxable in the hands of partner as it is already taxed at partnership level.
8. Reimbursement of expenditure to partners	<ul style="list-style-type: none">such reimbursed costs would be deductible by the partners in proportion to their distributive share.	<ul style="list-style-type: none">Partnership can claim the deduction of an amount reimbursed to the partner.
	<ul style="list-style-type: none">The partners are allowed to set off their expenditure against the reimbursement.	
9. Carry forward of Tax Loss	<ul style="list-style-type: none">Not Relevant.	<ul style="list-style-type: none">The tax loss which is carried forward can only be utilized to offset the taxable income of the partnership and not the partners.No portion of the tax loss will be allocated to exiting partner.
10. Foreign Tax Credit	<ul style="list-style-type: none">Is allocated among the partners in their distributive share.	<ul style="list-style-type: none">Credit can be availed by the partnership.





3.1.4 FTA Guide - Business Restructuring Relief

On April 17, 2024, the Federal Tax Authority (FTA) released a Corporate Tax Guide focusing on “Business Restructuring Relief” (**Relief**) to offer general insights into the Relief provisions outlined in Article 27 of the Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses (**CT Law**).

While the guide is not legally binding, the guide aims to aid in comprehending the Relief provisions within the CT Law. Following are the key aspects discussed in the Corporate Tax Guide issued by the FTA.

- Compliance requirements and a brief note on Interaction of Business Restructuring Relief with other parts of CT Law.
- Consideration for the transfer as per BRR is also elaborately discussed in the guide.
- The guide also states the consequences of not electing BRR.
- Detailed explanation on clawback provisions along with elaborative examples is given in the guide.

1. What is a Business Restructuring relief?

The Corporate Tax Law offers relief for restructuring transactions, allowing smooth business reorganizations without tax penalties, supporting legitimate commercial activities.

Business Restructuring Relief applies to two types of transactions:

- (i) transferring a whole business or an independent part* of it from one taxpayer to another (Article 27(1)(a)), and
- (ii) transferring a whole business from one or more taxpayers to another, resulting in the cessation of the transferor (Article 27(1)(b)).

*An independent part of a business operates autonomously from other components, with transferred assets and liabilities functioning separately. Transfer occurs on a going concern basis, adhering to accounting standards. Operational support, whether from Related Parties or third parties, doesn't negate its independence.

2. Conditions to qualify for Business Restructuring Relief:

For Business Restructuring Relief to apply, all of the following conditions need to be met:

- the transfer is undertaken in accordance with, and meets all the conditions imposed by, the applicable legislation of the UAE (the “legally compliant condition”)
- the Transferor and the Transferee are Resident Persons, or Non-Resident Persons that have a Permanent Establishment in the UAE (the “Taxable Persons condition”)
- neither the Transferor nor the Transferee is an Exempt Person (the “Exempt Person condition”)
- neither the Transferor nor the Transferee is a Qualifying Free Zone Person (the “Qualifying Free Zone Person condition”)
- the Financial Year of Transferor and Transferee ends on the same date (the “Financial Year condition”)
- the Transferor and Transferee prepare their Financial Statements using the same Accounting Standards (the “Accounting Standards condition”)
- the transfer is undertaken for valid commercial or other non-fiscal reasons which reflect economic reality (the “valid commercial reasons condition”).

3. Consequences of electing for Business Restructuring Relief:

Where a Business or an independent part of a Business is transferred on a no gain or loss basis under Article 27(1) of the Corporate Tax Law, the assets or liabilities transferred will be treated as transferred at their net book value at the date when the transfer takes place. Accordingly, for the Transferor, there will be no taxable gain or loss on transferring the assets and liabilities.*

*Net Book Value = Cost of the Asset / Liability - of Asset/Liability Accumulated Depreciation / Amortisation or any other value adjustments.

Adjustments to be made by the Transferee:

Generally, the assets and liabilities of the business are acquired at market value, and the transferee's financial statements reflect this value. Consequently, any changes



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in value, such as depreciation or amortization, are based on market value in the transferee's financial statements. If BRR applies, the Transferee shall make the following adjustments in his financial Statements.

• **In cases other than upon realisation:** to exclude depreciation, amortisation, or other change in the value of the transferred assets and liabilities to the extent of the amount not previously recognised for CT.

• **Upon realisation:** to include the amount of depreciation, amortisation, or other change in the value of the transferred assets and liabilities not previously recognized for CT purposes.

Effect of several transfers:

• If there are several transfers on a no gain or loss basis, all the gains and losses in relation to those transfers shall be included upon realisation.

• The depreciation, amortisation or any other amount previously excluded shall be included in the taxable income of the transferee upon realisation.

• If a clawback is triggered in any of the transfer within the several transfers, then the amount of gain previously excluded shall be taxable in the hands of "transferor of the transaction" for which the clawback is triggered in the tax period in which the clawback is triggered.

Value of shares or ownership interest transferred:

The value of the consideration received by the transferor shall be treated as having a value not exceeding the net book value of the shares or ownership interests surrendered, less the value of any other form of consideration received.

Transfer of Tax Losses:

Tax losses incurred by the transferor before the restructuring can be carried forward and treated as the transferee's losses if the transferee continues a similar business activity as the transferor.

4. Clawback of Business Restructuring Relief:

Business Restructuring Relief won't be granted if, within two years of transfer:

• Shares or ownership interests in either the transferor or transferee that were issued as a part of business restructuring relief are sold, transferred, or disposed of, either wholly or in part, to an entity not a part of the

qualifying group of the relevant taxable persons.

• The business or its independent parts transferred under Article 27(1) of the Corporate Tax Law are subsequently transferred or disposed of.

Consequences of the clawback:

In the hands of the transferor:

• The transfer of business or part thereof will be treated as having taken place at market value.

• And any gain or loss calculated with the consideration of the market value and net book value on the date of transfer shall be taxable in the year in which clawback has triggered.

• If the transferor in the year in which clawback has triggered has ceased to be a taxable person, transferee shall include such gain or loss in his taxable income.

In the hands of Transferee:

• The Transferee will reverse the depreciation, amortisation or any other change in the value of assets and liabilities that has previously been adjusted by the Transferee.

• Following a clawback trigger, the Transferee stops making adjustments for Taxable Income determination. However, if the transfer was recorded differently from Market Value in Financial Statements, adjustments are necessary.





3.2 OTHER TAX UPDATES

New Emirate Law Issued for Foreign Banks Based in Dubai

On March 8, 2024, Dubai’s ruler issued Law No. (1) of 2024, replacing Regulation No. (2) of 1996. The new law strictly imposes a 20% tax on the annual taxable income of branches of foreign banks in Dubai, except for those operating within the Dubai International Financial Centre (DIFC) under the oversight of the Dubai Financial Services Authority (DFSA).

Previously, foreign bank branches in Dubai were subject to a 20% Emirate-level tax. However, the new Federal CT Law introduced a 9% corporate tax, which could have resulted in double taxation. But the new Emirate Law provides a solution by allowing foreign bank branches to deduct the Federal CT from the Emirate-level tax, thereby reducing the burden of double taxation.

The new Emirate Law is aligned with the old law in terms of computing taxable income and is also correlated with the Federal CT Law. It permits the deduction of Federal CT from the Emirate-level tax to prevent double taxation. Taxpayers must comply with the law by filing tax returns, making voluntary disclosures, maintaining records, and following detailed provisions for tax audits. They can also file objections and appeals, but the implementation of this law will be closely monitored by the DG through executive decisions.

Penalty Provisions

Particulars	New Emirate Law
Tax Evasion Penalty	2x the amount of Tax evaded
Delay in Payment of Emirate level tax and/or Penalty	2% of the amount of unpaid tax or penalty for each month of delay or part thereof
Upper limit on penalties levied	<ul style="list-style-type: none"> Cannot exceed AED 500,000 per administrative violation. Up to 2 times in case of repetition of same violation within 2 years





Saudi Arabia

Increasing number of ZATCA Indirect Tax Audits

ZATCA, the Zakat, Tax, and Customs Authority in Saudi Arabia, has recently launched a series of tax audits, with a specific focus on Value Added Tax (VAT) and Real Estate Transaction Tax (RETT) compliance to increase revenue. Larger taxpayers can anticipate audits every 1 to 3 years.

Tax audits by ZATCA can be initiated due to regular examinations of tax returns or VAT refund requests. The Draft Zakat and Tax Procedures Law may introduce penalties for incorrect refund requests, underscoring the need for strict compliance.

During audits, ZATCA typically requests financial statements, trial balances, sales and purchase listings, and sample invoices and credit notes. Taxpayers should ensure their responses are complete and relevant, avoiding unnecessary information that could lead to further queries.

RETT audits are also becoming more common, focusing on aspects like tax base calculation, evidence retention for exemptions, and timely tax remittance. Given the complexity of some real estate transactions, seeking rulings from ZATCA based on specific scenarios can provide valuable evidence during audits.

Regional Headquarters Programme (RHQ) in Saudi Arabia

The RHQ Programme by the Ministry of Investment in Saudi Arabia (MISA) aims to attract multinational organizations to establish their regional headquarters in the Kingdom, positioning it as a leading investment and commercial hub in the Middle East. The programme offers various benefits and incentives to encourage companies to set up their base through MISA in Saudi Arabia.

The RHQ Programme in Saudi Arabia, part of the Vision 2030 strategy, aims to attract multinational organizations to establish their regional headquarters in the Kingdom. The number of RHQ companies has increased significantly each year, with 180 established in 2023. With a target of 480 RHQ companies aligned with Vision 2030 goals, the program is on track to achieve its objectives.

The policy offers broad incentives, including:

- Tax advantages, such as a 30-year corporate tax relief, effectively reducing it to 0%.

- Immigration perks, like exemption from the quota system for hiring Saudi nationals.
- A 10-year exemption from the "Saudization" requirement.
- Work permits for spouses and extension of dependent age to 25.
- Waiver of professional accreditation requirements.
- Expedited visa issuance and exemption from visa limits.
- Comprehensive services covering business, personal, and concierge needs.
- Additional incentives available in the King Abdullah Financial District special economic zone since early 2022.

Cancellation of Fines and Exemption of Penalties Initiative

Zakat, Tax, and Customs Authority (ZATCA) reminds taxpayers to benefit from cancellation of fines and exemption of penalties initiative, which is scheduled to expire on 30 June 2024.





The Institute of Chartered Accountants of India (Dubai) Chapter NPIO



i. National Bureau for Revenue (NBR) has recently published the updated version of the VAT Transportation Guide to exclude the 'whitelist' related procedure previously included in relation to qualifying means of transport.

ii. Ministry of Industry and Commerce (MoIC) has issued a letter to all registered entities regarding Country-by-Country (CbC) filing for the fiscal year 2023. According to Ministerial Order No. 28 of 2021, entities subject to its provisions must adhere to specific filing requirements.

- Constituent Entities within a multinational group must submit a notification via email to es@moic.gov.bh, disclosing the identity and tax residence of their Ultimate Parent Entity (UPE).
- Reporting Entities, which are UPEs resident in Bahrain, must file a CbC report on behalf of the group through the CbC report form on the International Tax Information Exchange System (ITIES) by the deadline of December 31, 2024.





4. INVITATION TO WRITE ARTICLES FROM MEMBERS

Dear Members,

We invite contributions from Chartered Accountants who are members of the Chapter to share insightful articles on Corporate Tax, Value Added Tax and Excise Tax matters for our newsletter.

Please submit your articles by clicking on the link <https://icaidubai.org/articles>

Kindly adhere to the following guidelines:

Intellectual Property Responsibility: The articles/ writeups/ views shared are from your own research and you should take full responsibility that it does not breach any copyright, patent or any other IP or any other types of rights.

Content Guidelines: The article should not contain any objectionable contents including but not limited to such as taboo topics like religion, politics, culture and sex.

Editorial Modification: The author should not have an objection if the Managing Committee makes any changes to the shared articles/ writeups/ views to make it fit for the purpose of inclusion in the Journal/ Newsletter/ Publication of the ICAI Dubai Chapter.

Author Attribution: The articles/ writeups/ view is selected for publication, only the author name with photo will be published in the Newsletter/ Journal/ Publication in which its being published.

Publication Decision: The submission of articles/ writeups/ views does not create an/any obligation on/to the Managing Committee of the ICAI Dubai Chapter to publish it or to make it as part of their any publication. The decision of the Managing Committee will be final and binding on the author.

Submission Deadline: Submit the complete article with relevant information by the 25th of the month to be considered for publication in the upcoming newsletters.

We look forward to receiving your contributions, which will enrich our newsletter with valuable insights and updates. Please use the above mentioned link for submitting your article. For any clarifications please contact below persons,

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Thank You

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