



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



UAE

TAX UPDATE

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**FTA Link : For full information on UAE Corporate Tax, refer to - <https://tax.gov.ae/en/legislation.aspx>
and for the FTA Guides, refer to - <https://tax.gov.ae/en/taxes/corporate.tax/corporate.tax.guides.references.aspx>**

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From the **CHAIRMAN**

Dear Esteemed Members,

I am pleased to present the second edition of our monthly tax updates newsletter, building upon the foundation laid by our inaugural issue. Our commitment to providing you with the latest and most pertinent updates in corporate tax and VAT in the UAE remains steadfast, ensuring you stay well-informed in this dynamic field.

This edition continues our journey of delivering crucial insights and updates. We feature a comprehensive overview of recent developments in corporate tax and VAT, alongside thought-provoking articles contributed by our esteemed members. These contributions not only reflect the depth of expertise within our community but also foster a collaborative environment for sharing knowledge and best practices.

As we delve deeper into the nuances of tax regulations and their implications, our goal is to equip you with the tools and information necessary to navigate the complexities of the tax landscape confidently. Staying updated is paramount, and through this newsletter, we aim to support your professional growth and decision-making processes. Corporate Tax provisions related to Free Zones remain evolving and continuous updates and learnings are must.

I encourage you to actively engage with this publication by sharing your feedback and contributing articles. Your insights are invaluable and play a crucial role in enriching our collective understanding. Detailed guidelines for article submissions and feedback are enclosed, and we look forward to your active participation.

Thank you for your continued support and enthusiasm for the ICAI (Dubai) Chapter. Together, we can make this newsletter a cornerstone of knowledge and a valuable resource for all our members.

Warm regards,

CA Rajesh Somani
Chairman
ICAI (Dubai) Chapter NPIO



3 UAE TAX UPDATES

3.1 Corporate Tax Guide on Free Zone Persons

On May 20, 2024, the Federal Tax Authority (FTA) released a Corporate Tax Guide focusing on “Free Zone Persons” to offer general insights into the Corporate Tax (CT) treatment for Free Zone Persons (FZPs).

Following are the key clarifications that can be summarized from the CT Guide issued by the FTA:

The Glossary

Abbreviation	Word
CIGA	Core Income-Generating Activities
CT	Corporate Tax
FAR	Functions, Assets, & Risks Analysis
FS	Financial Statements
FTA	Federal Tax Authority
FZP	Free Zone Persons
QFZP	Qualifying Free Zone Persons
QI	Qualifying Income
QIP	Qualifying Intellectual Property
UAE	United Arab Emirates

Background of Free Zone Persons

Free Zones are crucial to the UAE economy, promoting growth with benefits like relaxed foreign ownership,

streamlined procedures, modern infrastructure, and varied business activities. The UAE CT rules offer a 0% CT rate on certain Qualifying Activities and transactions for Free Zone companies meeting specific conditions. Qualifying Free Zone Persons (QFZPs) are taxed at 0% on Qualifying Income (QI) and 9% on non-QI.

A free zone person shall be deemed to be a QFZPs unless one of the conditions to be QFZP is not met, or if the QFZP makes an election to be subject to tax. However, if they are QFZP then they are excluded from certain tax reliefs. If a FZP does not meet all the conditions, it will no longer qualify to be a QFZP, and its income will be subject to standard Corporate Tax rates and rules. Any FZPs losing the QFZP status due to election or failure to meet the criteria shall revert to standard CT rules from the start of the relevant Tax Period and for the next four periods.

Every FZP should check with their respective Free Zone Authority to confirm if they operate in a Free Zone or Designated Zone to avail the benefit of CT @ 0%. There is no separate list of Free Zones/Designated zones issued for CT purposes.

Conditions to be a QFZP

The conditions of the Free Zone CT Regime require a QFZP to:



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- Maintain adequate substance.
- Derive QI.
- Not have made an election to be subject to the regular UAE CT regime.
- Comply with arm's length principle and transfer pricing rules and documentation requirements.
- Ensuring non-qualifying revenues do not exceed the de-minimis requirements (Minimum of 5% or 5 million of total revenue).
- Prepare and maintain audited Financial Statements (FS).

In case of QI derived from transactions between FZPs, the seller may obtain a written statement or undertaking from the purchaser affirming their role as a Beneficial Recipient and their intention to utilize the services or goods for their free zone business.

The CT regime does, however, provide flexibility to allow a FZP to elect not to be treated as a QFZP, and to be subject to CT in the same manner as other Taxable Persons in general.

Adequate Substance

To be a QFZP for a Tax Period, a FZP must maintain adequate substance in a Free Zone or Designated Zone throughout that period. This includes undertaking core income-generating activities, maintaining adequate assets, qualified full-time employees, and incurring adequate operating expenditures and substance to be maintained in relation to each activity.

FZP who have not earned any QI in a Tax Period because they haven't commenced revenue generation won't lose eligibility as a QFZP because of adequate substance, if they do not derive any non-qualifying revenue and fulfil all other obligations outlined in the CT Law.

Below are the key points for consideration:

- Core income-generating activities (CIGA) must be performed in the Free Zone or Designated Zone.
- Adequate substance varies by business nature and size, requiring an assessment of assets, employees, and operational costs.
- Non-core activities or routine works can be performed outside the Free Zone.
- CIGA can be outsourced within the Free Zone or Designated Zone, provided there is adequate supervision and proper documentation.
- For Qualifying Intellectual Property, CIGA can be outsourced to any Person in the UAE or outside the UAE (non-Related Party).

Adequate supervision requires mechanisms to oversee

and guide outsourced activities, demonstrated through contractual agreements and actual conduct. Without adequate supervision, outsourced activities won't count towards maintaining adequate substance and the company shall not qualify as QFZP.

Allocation of Expenses

Where a QFZP derives both Qualifying Income and Taxable Income that is not Qualifying Income, it will need to allocate its expenses between the two components to determine the Taxable Income component. This should be done by applying the arm's length principle.

For income attributable to a Foreign PE or Domestic PE, this requires the Foreign PE or Domestic PE to be treated as if it were a separate and independent Person transacting at arm's length ("separate entity approach").

In relation to income that is not connected with a Foreign PE or Domestic PE, the FZP should make a reasonable allocation between the components to determine the arm's length value of profits attributable to each activity.

To attribute the profit between a Free Zone business and its Foreign PE or Domestic PE, a two-step approach is required:

Step one: Conduct a FAR performed by the Foreign Domestic PE on one side, and the Free Zone business on the other side, treating each as separate to the other.

Step two: Determine the compensation relating to arrangements or dealings between the Foreign or Domestic PE and the Free Zone business, commensurate with their respective functions performed, assets deployed, and risks assumed.

Tax Losses:

If a QFZP incurs Tax Losses on the Taxable Income component, those Tax Losses may be carried forward and offset against the QFZP's Taxable Income in subsequent Tax Periods except for income from intellectual property, provided the conditions in relation to Tax Loss relief and carry forward of Tax Losses are met. Income from intellectual property can only be offset against Tax Losses from such intellectual property.

A QFZP cannot utilise any losses incurred prior to the commencement of CT or prior to becoming a Taxable Person.

If a QFZP incurs losses in relation to the Qualifying Income component of its income, those losses may



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not be applied against the QFZP's Taxable Income, transferred, or carried forward. A QFZP cannot transfer Tax Losses to, or receive Tax Losses from, another Taxable Person.

Beneficial Recipients:

The 0% CT rate benefit is intended to apply to transactions between FZPs.

However, to preserve the integrity of the rules, the benefit only applies to those transactions if the recipient (i.e. the FZP) is the Beneficial Recipient of the relevant services or goods and is not the conduit or intermediary and the real beneficial recipient is a third party.

De-minimis requirements:

To preserve the integrity of the 0% Corporate Tax rate on Qualifying Income, where a free zone person derives income that is outside the scope of the intended rules it will lose the benefits of QFZP unless it passes the De-minimis test and requirements.

The non-qualifying revenues does not exceed the lower of

- AED 5 million, or
- 5% of the total revenue

The FZP's total revenue is the total of following revenues derived from:

- Excluded activities.
- Qualifying activities; &
- Non-qualifying activities with non-FZP

The FZP's non-qualifying Revenue derived from:

- Excluded Activities,
- Activities that are not Qualifying Activities where the other party to the transaction is a non-FZP, and
- Transactions with a FZP where such FZP is not the Beneficial Recipient of the relevant services or Goods.

Not included in total revenue as well as in non-qualifying revenue:

- Income attributable to Domestic and foreign Permanent Establishment,
- Immovable property outside free zone and non-commercial property within free zone.
- Intellectual property not related to QI.

Qualifying Activities

Manufacturing of goods or materials: Activities that might be treated as ancillary to the Qualifying Activity of manufacturing of goods or materials, provided that they naturally and integrally complement the main Qualifying Activity and meet the conditions. Ancillary activities might include Post-sale activities and Customer support.

This does not necessarily mean that any activity that might be ancillary to the Qualifying Activity of manufacturing goods or materials will be treated as a Qualifying Activity in their own right or on a standalone basis, if taken individually.

Manufacturing does not include repairs. Repairs are typically classified as a service and the act of repairing involves restoring or fixing existing products to their original or functional state, rather than creating a new product (manufacturing) or substantially changing the form or nature of a product (processing).

Trading of Qualifying Commodities: Trading of Qualifying Commodities involves physical trading and derivative trading for risk hedging. Qualifying Commodities include metals, minerals, energy, and agricultural products in their raw, unprocessed form, traded on a Recognized Commodities Exchange. Ancillary activities include warehousing and delivery.

The Qualifying Commodity needs to be in a form that is traded on a Recognised Commodities Exchange Market. Metals, minerals, energy and agriculture commodities that are traded on a Recognised Commodities Exchange Market will be deemed to be in raw form when they meet the conditions to be traded on the said exchange. The trade itself does not need to be performed through an exchange.

The HSN code can serve as an indicator in verifying if a commodity still maintains its raw form. A mere alteration in HSN code due to some level of processing does not conclusively determine whether that commodity has lost its raw form for the purposes of determining whether it is a Qualifying Commodity.

Holding of shares and other securities for investment purposes: a major shareholder holding shares in a company for investment purposes may also derive income such as royalties or management fees from that company. Those other income streams would not constitute income from the Qualifying Activity of holding shares and other securities for investment purposes.

Investment activity of holding shares includes investment planning, portfolio management and buying and selling securities.



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Ownership, operation and management of ships: The use of Ships in offshore oilfield and maritime services, involving such operations as oil drilling, seismic surveys, and related services typically associated with oilfield support and offshore vessels, are within the scope of ownership, management and operation of Ships. Activities that might be treated as ancillary to the Qualifying Activity of ownership, management and operation of Ships, provided that they naturally and integrally complement the main Qualifying Activity and meet the conditions for ancillary activities include ship broking, organising and overseeing voyages.

Reinsurance services: Activities that might constitute the Qualifying Activity of reinsurance services include underwriting premium, salvage and subrogation recoveries, claim handling or management, loss adjusting and claims management.

Ancillary activities may include investing activities, actuarial services, and risk management.

Fund Management Services: Fund management services might include investment planning and strategy, investment diversification, Asset allocation, Fund management, Performance monitoring.

Ancillary activities may include financial advisory. Training and education, financial planning, and technological support.

Wealth and Investment management services: Wealth and investment management services would include Portfolio management, Financial planning, and Asset allocation.

Ancillary activities may include risk management, market research, investment analysis and family governance.

Headquarter Services to Related Parties: Activities that might constitute headquarters services to related parties includes Taking relevant management/ strategic decisions, Incurring operating expenditure on behalf of group entities, Co-ordinating group activities, Financial Management, Central procurement services, Human resource management, Technical support Legal and compliance services, Intellectual property management.

Treasury and financing services to related parties: Shareholder loans fall under the scope of financing services and there is no threshold for the amount of loans that must be granted in order to qualify for the Qualifying Activity of treasury and financing services.

Any payment received as part of conducting the treasury

and financing services will be treated as Qualifying Income from a Qualifying Activity.

Financing and leasing of Aircraft: An Aircraft refers to any machine that can derive support in the atmosphere from the reactions of the air other than the reactions of the air against the surface of the earth. It includes drones but does not include hovercraft or spacecraft.

Logistic Services: Logistics services include transporting goods, warehousing, inventory management, declaration and documentation, freight forwarding services, order fulfilment, packing. Logistic services do not include the movement of people.

Distribution of goods or materials in or from a Designated Zone: Distribution involves transporting, storing, and selling products, with the distributor holding title to the products. It includes activities like purchasing, warehousing, logistics, inventory management, and order processing in or from a Designated Zone.

High sea sales are covered as a Qualifying Activity. Distribution excludes intangible products and end-user sales. Ancillary activities include marketing, quality control, and customer support.

Interest Income: The interest income earned by the FZP in startup phase may be considered as income from Qualifying Activities under Treasury and financing services to related parties.





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Excluded Activities

Transactions with Natural Persons: All transactions with natural persons are treated as Excluded Activities, except transactions in relation to the ownership, management and operation of Ships, fund management services, wealth and investment management services, and financing and leasing of Aircraft.

Banking Activities: Banking activities means the regulated financial activities specified under Article 65 of Federal Decree-Law No. 14 of 2018.

Banking activities do not include fund management services, wealth and investment management services or treasury and financing services to Related Parties if they constitute a separate and distinct Business performed by a Free Zone Person. If a Free Zone Person engaged in banking activities performs any of these services, the same could be treated as Qualifying Activities but it would need to satisfy the de minimis requirements.

Insurance Activities: Insurance activities means insurance operations that are regulated under Federal Law No. 6 of 2007.

This includes activities that are subject to regulatory oversight, such as, the Business of accepting risks by effecting or carrying out contracts of insurance, in both the life and non-life sectors. Insurance activities do not include reinsurance activities.

Financing and leasing activities: Financing and leasing activities means the provision of credit or financing for digital currency or cryptocurrency or any kind of consideration.

Regulatory oversight of the relevant Competent Authority includes the Central Bank of the United Arab Emirates, the Dubai Financial Services Authority of the Dubai International Financial Centre, the Financial Services Regulatory Authority of the Abu Dhabi Global Market and the Securities and Commodities Authority as applicable in the UAE.

Ownership or exploitation of Immovable Property: The ownership or exploitation of Immovable Property, other than Commercial Property located in a Free Zone where the transaction in respect of such Commercial Property is conducted with other Free Zone Persons, is an Excluded Activity

Transfer Pricing for QFZP

Where a FZP is having qualifying business activities or transactions with another FZP or non-FZP and the

transactions are not with any Related Parties and Connected Persons or FZP's domestic or foreign parent entity, then it is not required to comply with this principle and transfer pricing rules do not apply.

This means that the FZP must earn and record operating profits or losses at arm's length, determined in accordance with internationally accepted profit attribution methods such as the separate entity approach, taking into account the functions performed, assets used, and risks assumed through the FZP and through its Foreign or Domestic PE.

This requires the maintenance of Transfer Pricing documentation to demonstrate the arm's length nature of the relevant transactions and the preparation of a master file, local file, and disclosure form for the FZP as a whole if the relevant Transfer Pricing compliance thresholds are met.

The Transfer Pricing documentation compliance is required and is based on the turnover of FZP in the UAE above AED 200 million and group turnover above AED 3.15 million.

Income from Qualifying Intellectual Property (QIP)

To benefit from the 0% rate on QI from QIP, a QFZP must be able to demonstrate a nexus between Qualifying expenditure and income from QIP. In such cases, a QFZP must set up an appropriate tracking system to avail the benefit.

While calculating the QI from Intellectual Property, the sum of Qualifying expenditure and Uplift expenditure shall be lower of 130% of Qualifying Expenditure or Overall Expenditures.

The nexus approach involves a cumulative ratio of Qualifying Expenditures and Overall Expenditures for tracking expenses related to QIP. QFZPs can derive QI from Intellectual Property created or under development before the CT Law, provided they can track historic expenditures. For the first three Tax Periods, QFZPs may use a three-year rolling average ratio before transitioning to a cumulative ratio in the fourth Tax Period.

Compliances for QFZP

A QFZP is not required to prepare separate Audited FS for its QI and its other income and should have sufficient documentation to demonstrate the calculation of QI.

A QFZP is not required to prepare separate FS for any of its branches.

For full FTA Guide, refer to - <https://bit.ly/3VknWzP>



3.2 Investment Funds & Investment Fund Manager Exemption in the UAE

On May 6, 2024, the Federal Tax Authority (FTA) released a Corporate Tax Guide focusing on “Investment Funds & Investment Managers” to offer general insights into the Corporate Tax (CT) treatment for Investment Funds & Investment Managers. Further, also expounding on the Investment Manager Exemption.

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

Background of Investment funds

Investment funds invest funds received from investors on a collective basis in accordance with a defined investment policy. In return, investors share in the profits of the investment fund. These funds can take on different legal structures, such as joint liability companies or investment trusts.

Investors participate in these funds with the aim of generating returns on their investments. Meanwhile, professional investment managers are tasked with making investment decisions on behalf of the fund, adhering to pre-established investment policies and strategies.

Managers typically earn compensation in the form of fees, which can include management fees based on the total assets under management and performance fees based on the fund’s performance relative to certain benchmarks or targets.

Investment funds in the UAE

Investment funds in the UAE encompass public funds available to all and private funds for professional investors only. They can be open-ended, with variable capital, or close-ended, with fixed capital. Funds may focus on specific themes, asset classes, or sectors, such as private equity, real estate, or Islamic finance. Various terms describe fund types, sometimes loosely. Regulatory exemptions apply to qualifying funds meeting specific conditions.

Further, In the context of the CT Law, the provisions of the Qualifying Investment Fund exemption and the Investment Manager Exemption are not restricted to a specific investment fund or strategy and can apply to any investment fund, where the relevant conditions are met.

Tax treatment for Investment Funds as per the UAE CT Law

Treatment of Resident Persons

Investment funds incorporated or managed in the UAE are treated as Resident Persons and are subject to Corporate Tax. However, they can qualify as Exempt Persons by registering as QIFs, with investors who are taxable person be taxed individually on their portion of the fund’s income.

Treatment of Unincorporated Partnerships

Unincorporated Partnership investment funds are treated as transparent for tax purposes, mirroring the tax treatment if investors had directly invested. Therefore, these partnerships are not classified as Taxable Persons in the UAE, with income attributed directly to the investors.

Treatment of Non-Resident Investment Funds

Non-resident Investment Funds are only taxed in the UAE if managed within the country. Otherwise, they are not considered residents. If they have a permanent establishment or income sourced from the UAE or nexus in the UAE, they may face taxation. Income related to a permanent establishment is taxed, while state sourced income could incur withholding tax, presently at 0%. Nexus applies to non-resident juridical persons earning from UAE immovable property.

CT Treatment for Investment Managers

Resident Investment Managers are subject to UAE Corporate Tax on fees earned from brokerage or investment management services, similar to other business income.

Non-Resident Investment Managers may also be liable for Corporate Tax in the UAE if they have a permanent establishment (PE), state sourced income, or nexus in the UAE. Fees related to a PE are taxable, while state sourced income may face withholding tax (WHT) subject to 0%.

Qualifying Investment Funds (QIFs)

It’s essential to recognize that as Exempt Persons under UAE Corporate Tax Law, QIFs are not eligible



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for certain tax reliefs available to Taxable Persons. These exemptions encompass Qualifying Group Relief, Business Restructuring Relief, transferring Tax Losses, or forming a Tax Group.

An investor in a QIF who is a taxable person must report their share of the net income available for distribution, as shown in the QIF's financial statements. This net income is divided into Exempt Income, Interest Income, UAE Immovable Property Income, and other income.

Further, the guide explains about the allocation of income in detail for a resident person, non-resident person & exempt person.

Furthermore, the guide also expounds on the inclusion and definition of exempt income, interest income, income from immovable property & other income of the QIF.

Applying for QIF Exemption

An investment fund entity can seek exemption from Corporate Tax only after registering with the FTA and obtaining a Tax Registration Number. Once the Qualifying Investment Fund criteria are met, the fund can apply to the FTA for exemption, indicating the intended Tax Period. The FTA will review the application and either approve or reject it, stating the applicable Tax Period and reasons for rejection if applicable. Upon approval, the fund becomes exempt from Corporate Tax.

If approved by the FTA, the Exempt Person status begins from the specified Tax Period's start. However, the FTA reserves the right to assign a different start date for the Qualifying Investment Fund.

The FTA mandates an annual declaration, due within nine months after the relevant Tax Period's end, confirming the continued fulfilment of exemption conditions. Furthermore, a Qualifying Investment Fund must retain records enabling the FTA to verify its exempt status for seven years after the Tax Period's conclusion.

Investment Manager Exemption

The Investment Manager Exemption aims to prevent UAE-based investment managers and brokers from incurring Corporate Tax liabilities for foreign investors in typical commercial situations, enabling them to provide discretionary investment management services and conduct transactions on behalf of foreign customers without creating a PE for the foreign investor. Under Article 14 of the CT Law, a Non-Resident Person could have a PE in the UAE if a person habitually concludes

or negotiates contracts on behalf of the Non-Resident Person. However, a PE does not arise if the person acts as an independent agent in the ordinary course of business. Without this exemption, an Investment Manager's activities might trigger a PE for a Non-Resident Person, deterring risk-averse investors from using UAE-based investment managers due to potential tax implications.

Further, The Investment Manager Exemption applies automatically if the conditions are met.

Transfer Pricing Considerations

The Investment Manager Exemption applies when services to Non-Resident Persons are conducted at arm's length, ensuring fair compensation. If serving Related Parties, compensation must align with arm's length standards. Third-party arrangements with agreed-upon fees are considered arm's length. If majority-owned by third parties agreeing to lower fees, while equivalent amounts are borne by Related Parties, the condition is met. If the Investment Manager receives arm's length compensation from a single entity covering services to others within the structure, the condition is satisfied.

For full FTA Guide, refer to - <https://bit.ly/4bUPJOv>





4. ARTICLES FROM MEMBERS

4.1 Savings and Family succession planning through Family Foundation in UAE



CA Naseer Mohammed

Family Foundations mainly serve the purpose of achieving succession plan. considering the main objectives of creating a Family Foundation, the UAE Corporate Tax has given relief to Family Foundations. A Family Foundation (as defined in the UAE Corporate Tax Law) is a foundation, trust or similar entity used to protect and manage the assets and wealth of a natural person or family. The principal activity of a Family Foundation would generally be to receive, hold, invest, disburse, or otherwise manage funds and assets associated with savings or investment for the interest of individual beneficiaries. Such activities are not generally considered as "Business" activity. Applicability of UAE Corporate Tax on Family Foundations, as explained by Ministry of Finance, Family Foundations (including certain trusts) are independent juridical persons with separate legal personality, and would therefore be subject to UAE Corporate Tax in their own right.

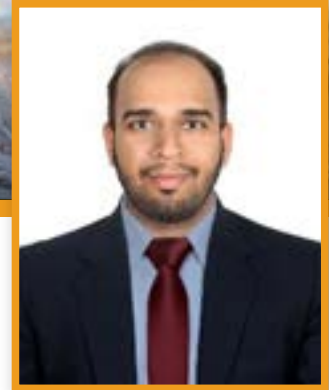
The Relief: These types of Family Foundations can apply to be treated as transparent "Unincorporated Partnerships" for UAE Corporate Tax purposes, resulting in the founder/settlor and the beneficiaries of the foundation to remain to be seen as owners of the assets held by the foundation. This would generally

prevent the income of the foundation from attracting UAE Corporate Tax. In this case, each member of Family Foundation will be treated as a Taxable person and the Tax provisions as per UAE Corporate tax law applies to Individuals. A natural person will be subject to UAE Corporate Tax when performing any Business or Business Activity generating an annual turnover in excess of AED 1 million. This excludes income generated by a natural person from the following sources, that are not considered as Businesses or Business Activities:

As per Cabinet Decisions 49, the following incomes are not treated as 'Business Income' In the hands of Natural persons. (Without any limits) Employment income, Personal Investment income, Real Estate Investment income. (If not conducted through license or requires a license) As per Cabinet Decision 49, Natural person can have income from Real Estate (sale, lease etc) without falling under Corporate tax purview if not conducted with a license or 'not' required to be conducted through a license (for example hotels, holiday homes etc). It will be a big relief for those who are planning for family foundation.



4.2 Setting up of Regional Headquarter in The Kingdom of Saudi Arabia



CA Devang Mehta

The Kingdom of Saudi Arabia (KSA) issued licenses to 180 companies to set up regional headquarters in the Kingdom in 2023, surpassing the targeted 160. In 2021, it issued licenses to 44 global companies to set up RHQs, and in 2022, 80 licenses were issued. At this rate, it can be said that the Vision 2030 targets are on track to be achieved. Furthermore, starting from January 1st, 2024, a new law will restrict government contracts between entities owned by the Saudi government and international businesses that do not have a Regional Headquarters in Saudi Arabia.

The Regional Headquarter (RHQ) Program in the Kingdom of Saudi Arabia (KSA) is a unit of a multinational company duly established under the laws of Saudi Arabia for the purpose of supporting, managing, and providing strategic direction to its branches, subsidiaries, and affiliates operating in the MENA region.

Process of setting up an RHQ License in KSA:

1. To qualify for an RHQ license, a multinational company must have a presence in at least two countries (excluding its headquarters and Saudi Arabia), operate in the MENA region, and engage in activities categorized under Strategic Direction, Management Function, or Support functions through its branches, subsidiaries, or affiliates in the MENA region.

2. The entity then needs to select the Activities, i.e., Mandatory Activities and Optional Activities. It must carry out at least 3 of the optional activities for the branches, subsidiaries, and/or companies related to the multinational group, at least within one year from the date of granting the license.

3. Documents required for obtaining the RHQ license include copies of at least two commercial registrations or commercial licenses issued in two different countries, excluding the Kingdom of Saudi Arabia and the country in which the headquarters of the multinational company is located. Additionally, a copy of the applicant's commercial registration or commercial license for the parent company, which should be located outside the MENA region, global corporate financial statements audited for either the latest finished year or the one before if the most recent one isn't finalized yet, and a completed RHQ License Online Application Form are required.

4. RHQs will have a minimum capital investment of SAR 10,000.

5. Regional Headquarters can be set up in any city in Saudi Arabia.



5 OTHER TAX UPDATES

5.1 Income Tax Slab Rates - Amendment (Income Tax Act, 1961)

While the Finance Act 2024 makes some amendments to income-tax provisions, such as the treatment of agricultural income, the country's finance ministry maintains there will be no changes to the direct tax regime in India for FY 2024–25, i.e., from April 1, 2024.

Amendments to indirect taxation under the Finance Act 2024, which generally puts into implementation Interim Budget 2024 provisions, include updates to the Central Goods and Services Tax Act, 2017 concerning Input Service Distributors and penalties for the failure to register certain machines used in the manufacture of goods under special procedures.

India's finance ministry has clarified that there will be no additional changes to the income tax regime (new and old) in the new financial year starting April 1, 2024 (FY 25).

In the Interim Budget for 2024-25, announced on February 1 this year, India's finance minister Nirmala Sitharaman made no recommendations for changes to the tax structure, either direct or indirect. As such, the income tax slabs set in the Union Budget for 2023–24 continue to apply to both the old and new regimes.

New Tax Regime 115BAC (1A) introduced for FY 2023-24 (INR)		Existing Old Regime (INR)	
0-0.3 million	0%	0-0.25 million	0%
0.3-0.6 million	5%	0.25-0.5 million	5%
0.6-0.9 million	10%	0.5-1 million	20%
0.9-1.2 million	15%	Above 1 million	30%
1.2-1.5 million	20%		
Above 1.5 million	30%		

- The new tax regime is applicable to individuals other than companies and firms, as a default regime from FY 2023-24, and the assessment year corresponding to this – AY 2024-25.
- Under the new tax regime, the tax rates are significantly lower, though the benefit of various exemptions and deductions (other than the standard deduction of INR 50,000 (approx. US\$699.04) from salary and INR 15,000 (approx. US\$179.86) from family pension) is not available, as in the old regime.
- While the new tax regime is the default tax regime, taxpayers are free to select the tax system that best suits their needs.
- The option of opting out of the new tax regime is available until the filing of the return for AY 2024-25. Eligible persons without any business income will have the option to choose the regime for each financial year. Thus, they can choose a new tax regime in one financial year and an old tax regime in another, and vice versa.





6. 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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