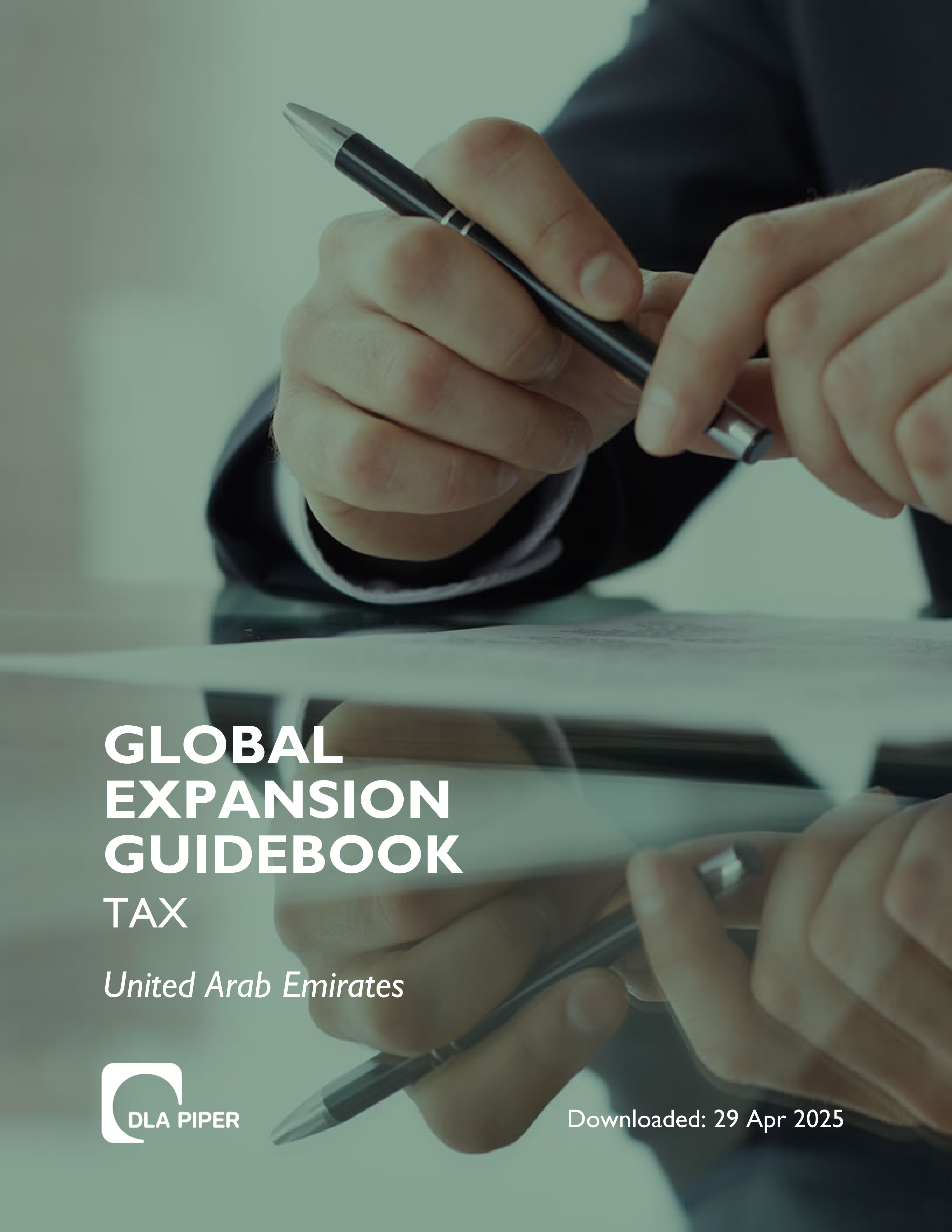

GLOBAL EXPANSION GUIDEBOOK

TAX

United Arab Emirates

DLA PIPER

INTRODUCTION

Welcome to the 2024 edition of DLA Piper's *Global Expansion Guidebook – Tax*.

GLOBAL EXPANSION GUIDEBOOK SERIES

Many companies today aim to scale their businesses globally and into multiple countries simultaneously. In order to help clients meet this challenge, we have created a handy set of global guides that cover the basics companies need to know.

The *Global Expansion Guidebook* series reviews business-relevant corporate, employment, intellectual property and technology, global equity and tax laws in key jurisdictions around the world.

TAX

Multinational companies continue to expand globally at an ever faster pace. Successful expansion depends, in part, on strategic and effective tax planning and compliance. This guide, brought to you by DLA Piper's Tax group summarizes the key features of tax laws in 41 popular jurisdictions.

This guide addresses common tax questions, by jurisdiction, including:

- Taxation of resident companies and non-resident companies
- Availability of tax holidays, rulings, and favorable tax regimes
- Ability to use losses to offset income
- Anti-deferral (ie CFC) rules
- Withholding taxes
- Employment tax issues

With more than 300 tax lawyers and economists in offices throughout the Americas, Europe and Asia Pacific, DLA Piper's global tax advisory services help multinational companies address the complex challenges of international commerce and business operations as well as manage and resolve tax audits. Our global tax group also assists clients in structuring a wide range of transactions, from private equity deals to corporate acquisitions and disposals. We provide these tax services across our global platform, while at the same time offering clients the benefits of the attorney-client and work-product privileges.

The information in this guide is an accessible, high-level summary of the tax laws in each jurisdiction. This is not a substitute for legal or tax advice. If you have specific questions or require detailed advice, we encourage you to contact one of the attorneys listed in the contributors section of this guide.

We hope that you find this guide valuable and we welcome your feedback.

UNITED ARAB EMIRATES

Last modified 01 January 2022

RESIDENCE AND BASIS FOR TAXATION

Companies incorporated in the UAE are considered tax residents. For the application of any of the UAE's Double Tax Treaties, a company can obtain a Tax Residency Certificate, provided it meets the relevant conditions.

TAXABLE INCOME

There is currently no federal UAE corporate income taxation. The existing income tax decrees at Emirate level (the UAE consists of 7 Emirates, including Abu Dhabi and Dubai) are not applied in practice.

Currently, income taxes are only imposed at Emirate level on the following:

- Oil and gas producing companies and
- Branches of foreign banks.

Over the past years, there have been discussions to introduce corporate income tax at the UAE federal level, although this has not yet materialized in any proposed legislation.

TAX RATES

Oil and gas producing companies pay tax in the form of royalties as per specific government concession agreements, which are confidential.

Branches of foreign banks are subject to income tax at a rate of 20 percent.

TAX COMPLIANCE

Only oil and gas producing companies and branches of foreign banks are required to register with the tax authorities and file tax returns.

ALTERNATIVE MINIMUM TAX

Not applicable for this jurisdiction.

TAX HOLIDAYS, RULINGS AND INCENTIVES

The UAE has a large number of Emirate-instated Free Zones where the usual mainland foreign ownership restrictions do not apply. Entities registered in the Free Zones are not liable to pay tax at the Emirate level for a specific period. Free Zone entities may either be exempt from tax or subject to a 0-percent tax rate, depending on the regulations in the specific Free Zone.

CONSOLIDATION

Not applicable for this jurisdiction.

PARTICIPATION EXEMPTION

Not applicable for this jurisdiction.

CAPITAL GAIN

At present, there is no capital gains taxation in the UAE. For taxpaying entities, such as oil and gas-producing companies, capital gains are taxed as part of business profits.

DISTRIBUTIONS

No specific tax rules apply in relation to distributions by UAE companies.

LOSS UTILIZATION

Branches of foreign banks may carry forward losses for a limited number of years, depending on the Emirate of establishment. For other companies, loss utilization is not applicable in the UAE.

TAX-FREE REORGANIZATIONS

Not applicable for this jurisdiction.

ANTI-DEFERRAL RULES

Not applicable for this jurisdiction.

FOREIGN TAX CREDITS

Not applicable for this jurisdiction.

SPECIAL RULES APPLICABLE TO REAL PROPERTY

Not applicable for this jurisdiction.

TRANSFER PRICING

Not applicable for this jurisdiction.

WITHHOLDING TAX

Not applicable for this jurisdiction.

CAPITAL DUTY, STAMP DUTY AND TRANSFER TAX

A Real Estate Transfer Fee (RETF) is applicable to transfer of real property at rates which differ per Emirate. In Dubai, the total RETF is 4 percent and is equally shared between seller and buyer. The rates in most other Emirates are lower than in Dubai.

EMPLOYMENT TAXES

Social security

Social security is only applicable to UAE and other GCC nationals (ie, UAE and GCC passport holders).

End of service benefits

According to the UAE labor law, all employees who complete a period of continuous service that is longer than 1 year are entitled to a gratuity computed and accrued by employers according to either Emirate- or Free Zone-specific regulations.

OTHER TAX CONSIDERATIONS

Value Added Tax

The UAE introduced value added tax (VAT) on January 1, 2018. The VAT regime is loosely based on the EU VAT system with a number of notable differences. The UAE VAT applies to most supplies of goods and services, including the import of goods and services. The standard VAT rate is 5 percent. For specific activities, a zero rate applies (such as on exports), whereas other activities may be exempt (such as financial services).

Customs Duty

The UAE is a member of the Gulf Cooperation Council's (GCC) Customs Union, which is governed by the GCC Customs Law. The GCC Customs Union is based on the principle of a single entry point upon which all customs duty on foreign imported goods is collected. Under the GCC Customs Law, customs duties (if any) are levied over the customs value of the foreign imports (eg, the Cost, Insurance and Freight, or CIF, value).

KEY CONTACTS

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