

Corporate tax (CT)

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In January 2022, [Ministry of Finance \(https://www.mof.gov.ae/en/media/materials/News/Pages/31012022.aspx\)](https://www.mof.gov.ae/en/media/materials/News/Pages/31012022.aspx) announced that it will introduce federal Corporate tax (CT) on the net profits of businesses. The tax will become applicable either on 1 July 2023 or on 1 January 2024, depending on the financial year followed by the business. CT will be applied across all the emirates.

Introduction about Corporate tax

What is Corporate tax (CT)?

Corporate tax is a form of direct tax levied on the net income or profit of corporations and other entities from their business.

Objectives of CT

By introducing the CT, the UAE aims to:

- cement its position as a leading global hub for business and investment
- accelerate its development and transformation to achieve its strategic objectives
- reaffirm its commitment to meeting international standards for tax transparency and preventing harmful tax practices.

Scope

CT will apply to:

1. all businesses and individuals conducting business activities under a commercial licence in the UAE
2. free zone businesses (The UAE CT regime will continue to honour the CT incentives currently being offered to free zone businesses that comply with all regulatory requirements and that do not conduct business set up in the UAE's mainland.)
3. Foreign entities and individuals only if they conduct a trade or business in the UAE in an ongoing or regular manner
4. Banking operations
5. Businesses engaged in real estate management, construction, development, agency and brokerage activities.

Exemptions from CT

Below are the rules regarding exemptions from the corporate tax.

- Businesses engaged in the extraction of natural resources are exempt from CT as these businesses will remain subject to the current Emirate level corporate taxation.
- Dividends and capital gains earned by a UAE business from its qualifying shareholdings will be exempt from CT.
- Qualifying intra-group transactions and reorganizations will not be subject to CT, provided the necessary conditions are met.

Additionally, CT will not apply to:

- an individual earnings salary and other employment income, whether received from the public or the private sector
- interest and other income earned by an individual from bank deposits or saving schemes
- a foreign investor's income earned from dividends, capital gains, interest, royalties and other investment returns
- investment in real estate by individuals in their personal capacity
- dividends, capital gains and other income earned by individuals from owning shares or other securities in their personal capacity.

CT Rate

As per Ministry of Finance, CT rates are:

- 0 per cent for taxable income up to AED 375,000
- 9 per cent for taxable income above AED 375,000 and
- a different tax rate (not yet specified) for large multinationals that meet specific criteria set with reference to 'Pillar two' of the [OECD Base Erosion and Profit Shifting Project \(https://www.oecd.org/tax/beps/\)](https://www.oecd.org/tax/beps/).

[Federal Tax Authority \(FTA \(https://www.tax.gov.ae/en\)\)](https://www.tax.gov.ae/en) will be responsible for the administration, collection and enforcement of the CT. FTA will soon provide more references and guides about [corporate tax \(https://www.tax.gov.ae/en/Corporate%20Tax/vat%20topics%20Corporate%20Tax%20TOPICS/What-is-Corporate-Tax\)](https://www.tax.gov.ae/en/Corporate%20Tax/vat%20topics%20Corporate%20Tax%20TOPICS/What-is-Corporate-Tax), and information on how to register and file returns on its website.