



**WellTax**

LONDON | DUBAI

TAX | ACCOUNTING | ADVISORY

*Webinar*

**KEY TAX & COMPLIANCE  
INSIGHTS FOR UK BUSINESSES  
EXPANDING TO THE UAE**



# DISCLAIMER



This document provides a general overview of certain specific aspects of the UAE's corporate laws and regulations. It is not an official interpretation or a comprehensive analysis of Federal Decree Law No. (32) of 2021. Only the Ministry of Finance and the Federal Tax Authority are authorized to issue official interpretations of the corporate income tax (CIT) laws and regulations. Readers should rely solely on official publications from these bodies for authoritative information.

We have made every effort to ensure the accuracy and timeliness of the information presented in this document; however, the laws and regulations governing corporate income tax in the UAE, including cross-border and international aspects, are subject to change. We do not accept any liability for any loss or damage arising directly or indirectly from reliance on the information contained herein. This document does not constitute legal or tax advice and should not be used as a substitute for consulting with professional legal or tax advisors, particularly regarding specific circumstances and cross-border matters. We strongly recommend seeking advice from local consultants to address any specific legal or tax-related concerns.

## ABOUT US

WellTax is a boutique accountancy, advisory, and tax firm with a strong presence in both the UK and the UAE market.

Our firm has cultivated a strong, sustainable, and dynamic environment, where our team is deeply committed to supporting our clients. We take the time to truly understand their unique needs and challenges

Whether you're a forward-thinking start-up, a growing SME ready to take the next leap, or a large corporation seeking to optimise complex structures, we recognise the value of your time.



# SPEAKERS



**Michele Ammirati**

Managing Partner

*[m.ammirati@well-tax.com](mailto:m.ammirati@well-tax.com)*



**Lorenzo Tosonotti**

Partner

*[l.tosonotti@well-tax.com](mailto:l.tosonotti@well-tax.com)*

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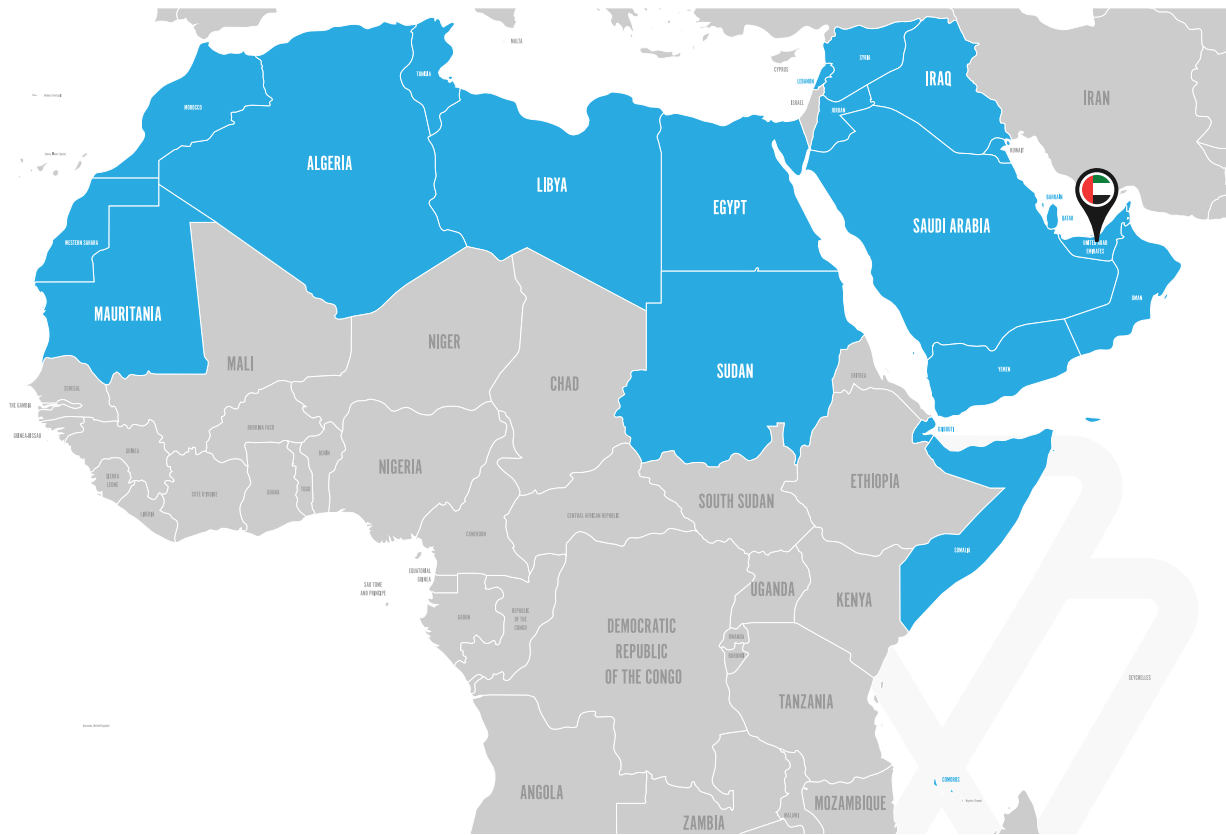
- **UNITED ARAB EMIRATES: A LAND OF OPPORTUNITIES**
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# UNITED ARAB EMIRATES **A LAND OF OPPORTUNITIES**



# UNITED ARAB EMIRATES – KEY ASPECTS



**Real GDP 2024:** approximately £426 billion (+3.6%)



Non-oil sector = 75% of GDP (+4%)



Real estate prices in Dubai have increased by ~20% in 2024 (~16% net of inflation)



Direct access to 2/3 of the world's population in under 8 hours

Abu Dhabi has been recognized as the safest city in the world in 2025, with Dubai ranking fourth.



Net inflow of millionaires in 2024: 6,700

Net inflow of millionaires in 2025: 9,800

# UAE – ADVANTAGES FOR INVESTORS



0% Personal Income Tax  
9% Corporate Tax



Foreign ownership is permitted up to 100% in most sectors



Ranked 1st in the region for logistics and transportation



Ranked 16th in the Ease of Doing Business index (World Bank)

# CORPORATE TAX & VAT – AT A GLANCE



# GEOGRAPHIC FORM



## 60+ BUSINESS JURISDICTIONS

The UAE has more than 60 Business jurisdictions to support the objectives of the investors incorporating a Company.

## 7 MAINLAND JURISDICTIONS

Each Emirate in UAE has one mainland jurisdiction and is regulated by the Department of Economic Development in that specific Emirate except for the Fujairah Municipality in Fujairah.

## ~50 FREEZONE JURISDICTIONS

There are more than 50 special Economic Zones in UAE with the objective of offering tax concessions and custom duty benefits. More than 50% of Free Zone jurisdictions are located in Dubai.

## 3 OFFSHORE JURISDICTIONS

Offshore jurisdictions are Non resident Companies and are not allowed to perform business transactions in UAE.

# CORPORATE TAX RATES



TAXABLE PERSONS	0%	9%
Natural Persons and Juridical Persons	On Taxable Income up to and including AED 375,000 (£75.8k) (from all Business Activities of a Taxable Person)	On Taxable Income exceeding AED 375,000 (£75.8k) (from all Business Activities of a Taxable Person)
Qualifying Free Zone Persons	On Qualifying Income	On Non-Qualifying Income
Non-Residents with a PE or a Nexus in the UAE	On Taxable Income up to and including AED 375,000 (£75.8k)	On Taxable Income exceeding AED 375,000 (£75.8k)
Non-Residents - Deriving UAE Sourced Income	Withholding Tax of 0% on UAE sourced income not attributable to a PE in the UAE	NA

# WHO IS SUBJECT TO CORPORATE TAX



## NATURAL PERSON

- Sole Establishment
- Trader License (social media)
- Partner of an Unincorporated Partnership

## LEGAL PERSON INCORPORATED

- LLC (including single owner LLC)
- Free Zone LLC
- Private Joint Stock Companies

## LEGAL PERSON FOREIGN BUSINESS

- UAE Branch of a Foreign Company
- UAE Nexus of a Foreign Company

## LEGAL PERSON OTHERS

- Clubs
- Association
- Society

## LEGAL PERSON CHARITY

- Charity

## PARTNERSHIP

- LLPs (Domestic or Foreign)

# ACCOUNTING STANDARDS



## ACCOUNTING STANDARDS

- For the purpose of determining Taxable Income under the Corporate Tax Law, a Taxable Person shall apply the IFRS (International Financial Reporting Standards)
- A Taxable Person with a revenue not exceeding AED 50 million (£10.6M) may apply IFRS for SMEs

## ACCOUNTING BASIS

- The Taxable Person should follow the accrual basis of accounting when preparing the financial statements
- The Taxable Person can also follow the cash basis of accounting when preparing financial statements only if the revenue generated does not exceed AED 3 million (£611.7k) or if other exceptional circumstances that need to be revised and approved by the FTA arise

# Corporate Tax Reliefs & Special Regimes in the UAE

## QUALIFYING FREE ZONE PERSON (QFZP)

### Key conditions

- Adequate substance in Free Zone
- Qualifying Income (from FZP or specific qualifying activities)
- Audited financials
- Complies with Transfer Pricing
- Not opted for 9% Corporate Tax
- Meets de minimis threshold



**TAXABLE AT 0% ON  
QUALIFYING INCOME**

# Corporate Tax Reliefs & Special Regimes in the UAE



## NATURAL PERSON RELIEF

Individuals earning income in the UAE don't need to register for Corporate Tax if:

- They do not carry out a Business or Business Activity in the UAE
- Or, their annual turnover is below AED 1 million (£202.3k)

### Not considered Business Activities:

- Wages
- Income from Real Estate Investment
- Personal investment income

## SMALL BUSINESS RELIEF

### Key conditions

- Annual revenue below AED 3M (£611.7k) (current and prior tax periods)
- Treated as having no taxable income for that tax period
- No transfer pricing required (but must follow arm's length principle)
- Valid until 2026

### Not eligible if:

- Registered as a Qualifying Free Zone Person
- Part of a Multinational Group with global revenue over AED 3.15 billion (£637.25M)

# PARTICIPATION EXEMPTION



Allows certain types of income (e.g. dividends, capital gains) to be **excluded from Corporate Tax** if a taxable person maintains a significant long-term ownership interest in a company.

## CONDITIONS TO QUALIFY

Hold at least 5% of shares or invest a minimum of AED 4 million (£809.2k)

Shares must be held for at least 12 months or with the intention to do so

Ownership must entitle at least 5% of profits, unless investment exceeds AED 4 million (£809.2k)

The company must be in a jurisdiction with a corporate tax rate of at least 9%

For Holding Companies which are Related Parties, 50% of total assets should be investments rather than operational costs

# PARTICIPATION EXEMPTION



**Both Resident and Non-Resident taxable persons can benefit from the Participation Exemption if all conditions are met**

## **Not Covered:**

- Management fees
- Interest or royalty income from UAE or foreign subsidiaries

## **Automatic Application:**

- If all conditions are met, the Participation Exemption applies automatically, providing tax relief on qualifying income

# VAT



## Overview

- The general VAT rate is 5% and applies to most goods and services, with some goods and services subject to a 0% rate or an exemption from VAT (subject to specific conditions being met).

## Registration Criteria

- UAE-based businesses with taxable supplies and imports over AED 375,000 (£75.8k) in the last 12 months must register for VAT.
- Non-UAE businesses must register for VAT if making taxable supplies in the UAE, with no minimum threshold.
- VAT registration is voluntary for businesses with taxable supplies, imports or taxable expenses above AED 187,500 (£37.9k).

## Impact on Individuals

- VAT applies broadly with limited exemptions, potentially increasing living costs.
- Business must clearly communicate VAT charges to customers.

## Impact on Businesses:

- Must charge VAT on taxable supplies and can reclaim VAT on business expenses.
- Need to maintain records for government review.
- Regularly report VAT collected and paid to the government online.
- Pay the government if collected VAT exceeds paid VAT; reclaim if the opposite occurs.

# REGISTERED TAX AGENT IN THE UAE

## WHY IS IT CRUCIAL ?



### REGULATORY COMPLIANCE

The UAE's tax framework is dynamic, with frequent updates to VAT, Corporate Tax, and substance rules—requiring businesses to stay informed and adapt quickly.

### REPRESENTATION BEFORE THE FTA

Communicate directly with the FTA during audits or disputes, ensuring clear, professional representation and protecting the business's interests.

### PREVENTION OF FINES

Mistakes or delays in tax filings can lead to significant FTA penalties. Tax agents help prevent this by ensuring accurate, timely submissions and proper record-keeping.

### OPTIMIZATION OF TAX LIABILITIES

Beyond compliance, tax agents help reduce liabilities through strategic planning, including legal deductions, efficient structuring, and use of tax treaty benefits.

### REDUCTION OF ADMINISTRATIVE BURDEN

Tax tasks like filing and record-keeping are time-consuming. Delegating them allows businesses to focus on strategy, growth, and innovation.

# CORPORATE TAX RESIDENCY & **BUSINESS STRUCTURING**



# UAE TAX RESIDENCY JURIDICAL PERSONS



**A juridical person is UAE tax resident if it is:**

- **Incorporated/formed/recognized in the UAE** (Mainland or Free Zone; e.g., companies, foundations, LLCs, PJSCs).
- **Otherwise considered resident** under UAE tax legislation (e.g., UAE CIT Law), including **foreign entities effectively managed and controlled from the UAE.**

# TAX RESIDENCY UNDER DTAs (JURIDICAL PERSONS)



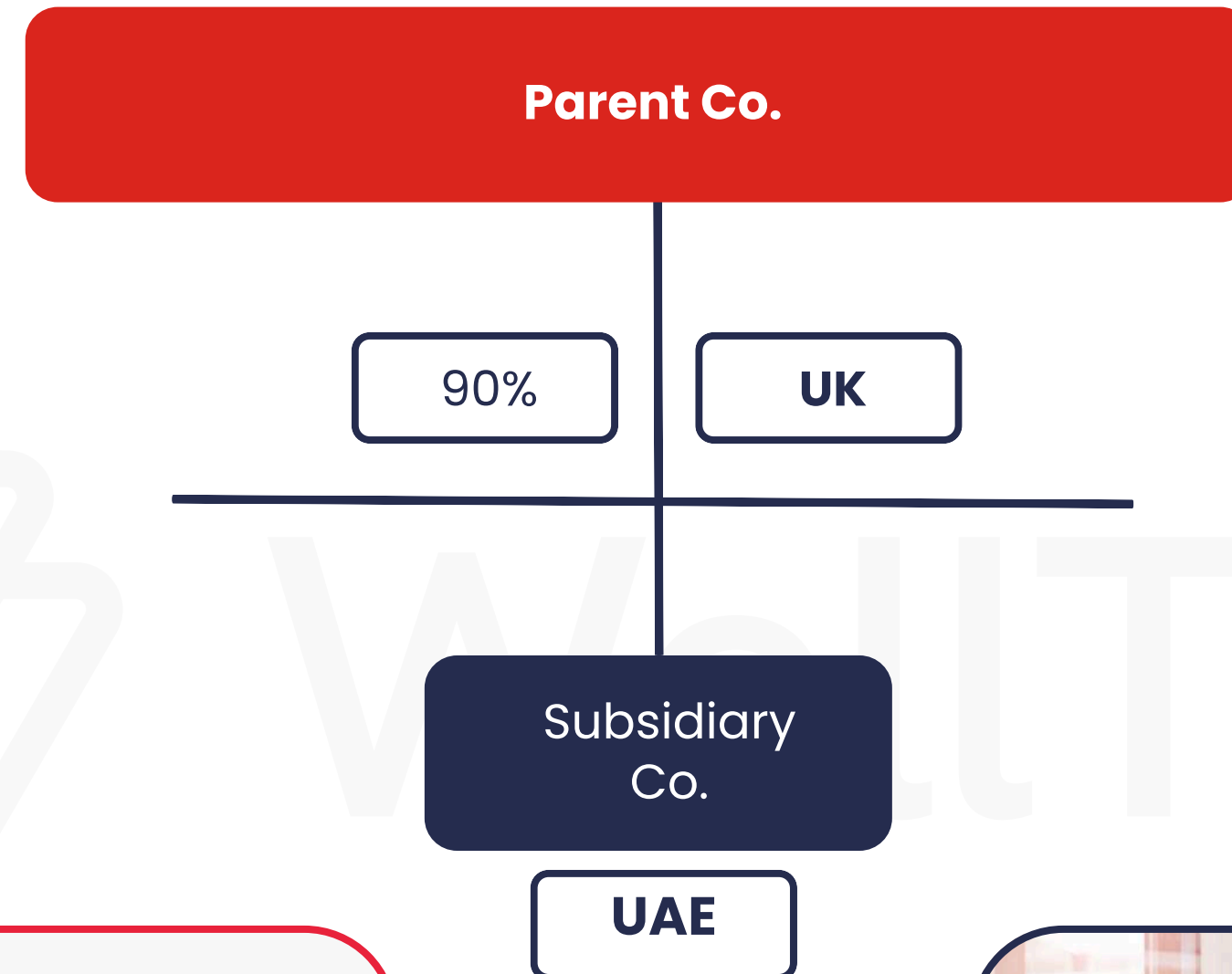
**DTA residence generally requires the entity to be liable to tax and have either:**

- a legal connection (e.g., incorporation), or
- an economic connection (e.g., effective management/POEM).

Dual residence can occur; DTAs apply tie-breakers (treaty-specific), typically place of effective management or resolution via Mutual Agreement Procedure (MAP).

If considered resident for DTA purposes, the entity is eligible for a Tax Residency Certificate (TRC) to access treaty provisions and benefits.

# UK - UAE GROUP EXAMPLE



## Subsidiary Co:

- All key management and strategic decisions are in substance made in the UK
- Board meetings are held in the UK
- All board members are resident in the UK

## Dual Residence situations:

- Solved under Double Taxation Agreements



# SUBSIDIARY, BRANCH & REPRESENTATIVE OFFICE



<b>SUBSIDIARY</b>	<b>BRANCH</b>	<b>REPRESENTATIVE OFFICE</b>
Assets & Liabilities are separate	Sharing Assets, Liabilities and claims	Sharing Assets, Liabilities and claims
Separate legal identity, can have different name	No legal identity, same name of parent company	No legal identity, same name of parent company
Separate books of accounts	Joint accounts with parent company	Joint accounts with parent company
Limited liability of parent	Unlimited liability for parent	Unlimited liability for parent
Similar or different activity than parent	Same activity as parent	Non-Profit activities only

# PERMANENT ESTABLISHMENT



## Fixed Place Permanent Establishment:

Fixed or permanent place in UAE for Non-Resident (NR) business activities.

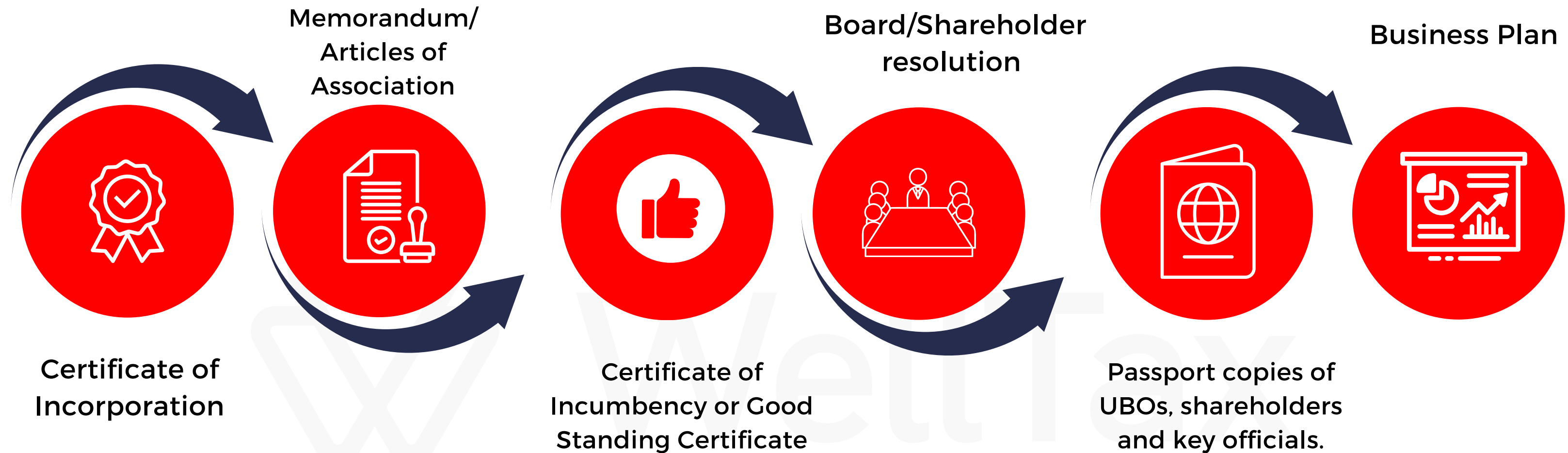
- **Examples:** Place of management, branch, office, factory, building site (+12 months).
- **Exclusions:**
  - Certain activities like preparatory or auxiliary functions (delivery, storage, information) are excluded.
  - Anti-fragmentation rule applies.
  - Exclusions for temporary and exceptional presence of a natural person.
  - Exclusions for an employee conducting non-core income-generating activities without UAE sourced income.

## Dependent Agent Permanent Establishment:

NR represented by a person habitually concluding or negotiating contracts.

- **Exclusions:**
  - Independent agents in the ordinary course of business are excluded.
- **Criteria for non-independence:**
  - Agent exclusively or almost exclusively works for the NR.
  - Agent is not legally or economically independent from the NR.

# DOCUMENTS OF THE PARENT COMPANY REQUIRED FOR INCORPORATION



- Audited Financial Statements (last two years) could be required
- These documents (apart from passport copies and business plan) need to be attested by the UAE embassy in the home country of the Parent Company and then by the UAE Ministry of Foreign Affairs.

\*This list of documents can vary from case to case, depending on the rules applied by the DEDs in the respective emirate or by the Free Zones Authorities.

# TRANSFER PRICING & **INTERNATIONAL TAX ASPECTS**



# IMPLEMENTATION OF OECD TRANSFER PRICING RULES IN UAE




The UAE has now adopted the OECD Transfer Pricing Rules, making it obligatory for all companies to adhere to these rules and their associated documentation requirements. This mandate extends to both international and domestic transactions.

Historically, in UAE business groups, intercompany sales and financing services have been commonplace. However, the emphasis on appropriate compensation for these transactions has been minimal, mainly because such transactions were often nullified during the financial consolidation process.

This adoption represents a significant shift in approach. Now, all intercompany dealings must be conducted at 'arm's length', meaning they should reflect the conditions that would be agreed upon by independent parties. This also implies that sufficient documentation must be maintained to support these transactions. Consequently, businesses must re-examine their existing practices and determine the implications of these new requirements on both their international and local transactions.

# ARM'S LENGTH PRINCIPLE

Fundamental rule of transfer pricing



For tax purposes, **related parties should transact with each other as if they were independent**, i.e. on arm's length terms

**This is known as the arm's length principle**

- Transfer pricing rules help taxpayers and tax authorities to work out what the arm's length price should be
  - The arm's length price will be a range → there is not one 'right' answer

# FIVE COMPARABILITY FACTORS



**Contractual  
Terms**

**Characteristics of  
Property or Service**

**Economic  
Circumstances**

**Business  
Strategies**

## **Functional Analysis**

- Functions performed
- Assets used
- Risks assumed

# TRANSFER PRICING METHODS AND COMPLIANCE



## OECD-Approved Transfer Pricing Methods:

<b>Comparable Uncontrolled Price (CUP) Method</b>	Compares prices of similar transactions between related and unrelated parties.
<b>Cost Plus Percent (CPM) Method</b>	Adds a markup to the cost of goods or services to determine a fair price.
<b>Resale Price Method (RPM)</b>	Uses the margin between purchase price and resale price to set a transfer price.
<b>Transaction Net Margin Method (TNMM)</b>	Compares net profit margins of controlled and independent transactions.
<b>Profit-Split Method</b>	Divides profits among related entities based on their contribution to a transaction.

# BUSINESS CASE-TRANSFER PRICING FOR LOANS



 Business Objectives

 Investment Opportunities

**LENDER**

How much **could** the company **borrow** from a third party?

- Financial strength
- Creditworthiness
- Industry
- Growth phase
- Acquisitions

 Credit Rating Impact

 Debt Serviceability

**BORROWER**

How much **would** it want to **borrow** from a third party?

- How much is it prudent to borrow?
- What is the risk of borrowing that amount?

# INTEREST RATES



## AFTER

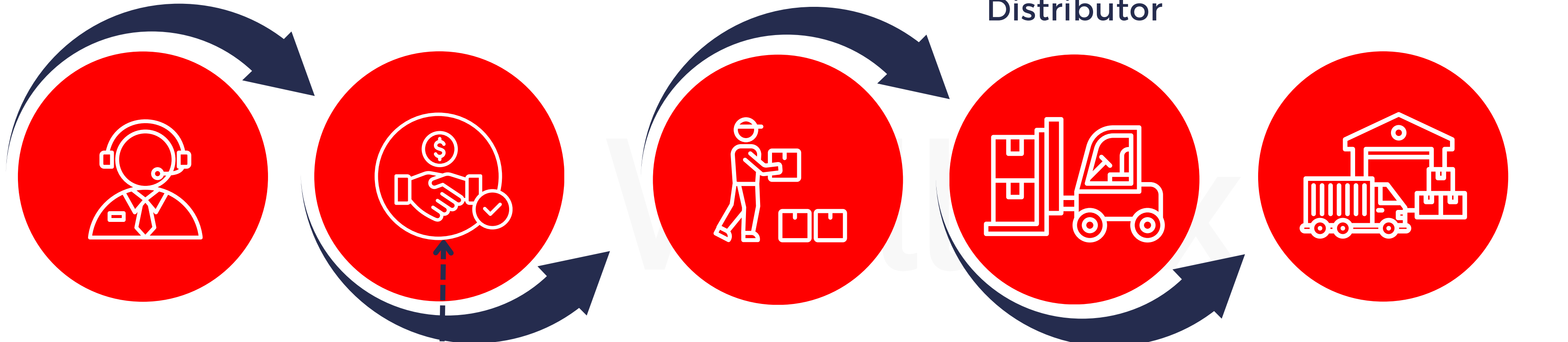
- Looking the character of the financing to establish that it is debt not equity.
- Considering the volume of the debt to ensure that it meets the arm's length test
- Then move on to test the interest rate to be applied to the interest-bearing debt.
- It is important to approach the transfer pricing of financing transactions in this order, as the amount of the debt can affect the interest rate to be applied.
- In contrast to other transactions which are subject to transfer pricing analysis, there is a huge volume of data concerning financing transactions between third parties in the public domain.
- Determining an arm's length rate of interest typically relies on either suitably adjusted internal comparables, or an external CUP approach.
- **External CUP** – assesses the arm's length interest rate on the debt by reference to comparable debt in the capital markets.

# SALES AND MARKETING ENTITY



Sales Agent /  
Commissionaire

Licensed  
Distributor



Sales Support  
Service

Limited Risk  
Distributor

Full Risk Distributor /  
Fully fledged  
distributor



Risk of Permanent Establishment

# TRANSFER PRICING METHODS AND COMPLIANCE



## Transfer Pricing Audits:

### Compliance Checks

UAE tax authorities audit transfer pricing to ensure adherence to guidelines.

### Documentation

Proper documentation reduces risks during audits, ensuring the company meets all regulatory requirements.

# TRANSFER PRICING DOCUMENTATION REQUIREMENTS – UAE



## Master File & Local File required if:

- MNE Group Revenue  $\geq$  AED 3.15 billion (£663M), or
- UAE Entity's Revenue  $\geq$  AED 200 million (£42.3M)

## Country-by-Country Reporting (CbCR):

- Applies to UAE-headquartered MNEs with Revenue  $\geq$  AED 3.15 billion

**All taxable persons must maintain contemporaneous documentation to demonstrate compliance with TP rules**

# DISCLOSURE FORM FOR UAE – TRANSFER PRICING

## ● GENERAL RULE

Taxable Persons that carry out transactions with Related Parties or Connected Persons (whether domestic or foreign) above a certain materiality threshold must prepare a **Disclosure Form**, which must be submitted together with the annual Corporate Tax return.

## ● RELATED PARTIES

The form must be completed by a Taxable Person that has transactions with **Connected Parties**, when:

- The total value of all transactions exceeds **AED 40M (£8 million)**
- The total value per transaction category exceeds **AED 4M (£809,200)**

## ● CATEGORIES OF TRANSACTIONS TO BE DISCLOSED

GOODS

SERVICES

INTELLECTUAL  
PROPERTY

INTEREST

ASSETS AND LIABILITIES

OTHER

# DISCLOSURE FORM FOR UAE – TRANSFER PRICING



## INFORMATION TO BE DISCLOSED

- ◆ Name of the Related Party, country of tax residence, and tax identification number
- ◆ Gross income received or expense incurred from the transaction with the Related Party
- ◆ Transfer Pricing method used
- ◆ Arm's length value
- ◆ Tax adjustments, if any



## RELATED PARTIES

The form must be completed **only** if the total value of transactions with Connected Persons (including Related Parties) exceeds **AED 500,000 (£ 101,100)**.

## RELATED PARTIES

The form must be completed if transactions with Related Parties exceed:

**AED 40 MILLION (£8M) IN  
TOTAL AGGREGATE VALUE**

or

**AED 4 MILLION (£809K) PER  
TRANSACTION CATEGORY**

### CATEGORIES OF TRANSACTIONS TO BE REPORTED

Goods	Services	Intellectual Property	Interest	Assets and Liabilities	OTHER
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### INFORMATION TO BE REPORTED

Related Party Name and Tax Reference Number	Related Party Country of Residence
Gross income received or expenses incurred	Transfer Pricing method used
Arm's Length value of the transaction	Any applicable Tax Adjustments

# FACTORS AFFECTING DEDUCTIBILITY OF RELATED PARTIES COMPENSATION



## MARKET RATE COMPARISON:

- **Relevance to Market Rate:** Remuneration paid above the market rate to directors, owners, or related parties is non-deductible.
- **Compliance:** Remuneration within the standard market rate is considered deductible.



## TRANSFER PRICING RULES:

- **Arm's Length Principle:** Management fees paid to a parent company or related party must align with the arm's length price.
- **Non-Deductibility:** Any fee exceeding the arm's length price will not be deductible under UAE corporate tax rules.



## GENUINE BUSINESS NEED:

- **Necessity:** Demonstrate a genuine business need for the services provided by the management team.
- **Documentation:** Provide evidence such as meeting minutes or project reports to support the legitimacy of the services rendered.



## ALIGNMENT WITH COMPANY GOALS:

- **Business vs. Personal Interests:** Remuneration should be linked to the company's objectives, not personal goals.
- **Example:** Bonuses tied to increased sales must clearly show how they contributed to the company's profitability to be deductible.

# ENSURING DEDUCTIBILITY OF RELATED PARTIES COMPENSATION



## STEPS TO ENHANCE DEDUCTIBILITY:

### 1) Industry Standards Analysis:

- Conduct a thorough analysis to ensure management remuneration aligns with industry norms and regulations.

### 2) Clear Documentation:

- Record the qualifications, responsibilities, and performance of the management team to justify compensation.

### 3) Goal-Oriented Compensation:

- Link compensation plans directly to the company's growth and financial performance objectives.

### 4) Regular Review and Adjustment:

- Periodically review and adjust compensation packages to ensure ongoing compliance with tax laws and adaptability to business changes.

### 5) Strategic Benefit:

- Minimizing Tax Liabilities: By adhering to these steps, companies can maximize the deductibility of management remuneration, optimizing their corporate tax strategy in the UAE.

# WITHHOLDING TAX



A **0% withholding** tax applies to certain types of UAE sourced income derived by non-residents, excluding income attributable to a PE.

## Credit of Withholding Tax Paid in UAE

If a person is having withholding tax credit, the same can be reduced when paying tax if he is a Taxable person in UAE.

No registration or filing obligations are expected due to the 0% withholding tax rate.

## The maximum of withholding tax shall be lower of:

- The amount of withholding tax deducted
- The corporate tax due
- The excess withholding tax shall be refunded to the taxable person



# FOREIGN TAX CREDIT



## WHAT IS IT?

Tax paid under the laws of a foreign jurisdiction on income or profits that may be deducted from the Corporate Tax due.

- Corporate Tax can be reduced by the Foreign Tax Credit for the relevant Tax Period.
- Foreign Tax Credit cannot exceed the amount of Corporate Tax due on the relevant income.
- Any un-utilised Foreign Tax Credit cannot be carried forward or carried back.



# FOREIGN TAX CREDIT ADJUSTMENT



The UAE CT regime has become effective for financial years starting on or after 1 June 2023.


Particulars	Amount (AED)
Revenue	3,000,000
Less: Deductible expenses	(2,200,000)
Taxable Income	800,000
Tax Payable (9% of 425,000)	38,250
Less: Foreign tax paid @ 5% on a service provided to a foreign client	(10,000)
Net tax payable	28,250




# Q & A SESSION

# GET IN TOUCH



 *24 Fitzroy Square, Fitzrovia,  
London, W1T 6EJ, UP*



 *The One Tower, Barsha Heights,  
13th Floor, Sheikh Zayed Road,  
Dubai, UAE*



## CONTACT US:

 UK: +44 20 3581 1717

 [www.well-tax.com](http://www.well-tax.com)

 UAE: +971 4 824 8162

 [info@well-tax.com](mailto:info@well-tax.com)

