



الإمارات العربية المتحدة  
وزارة المالية

# International Tax Forum

Implementation of Pillar Two rules in the UAE

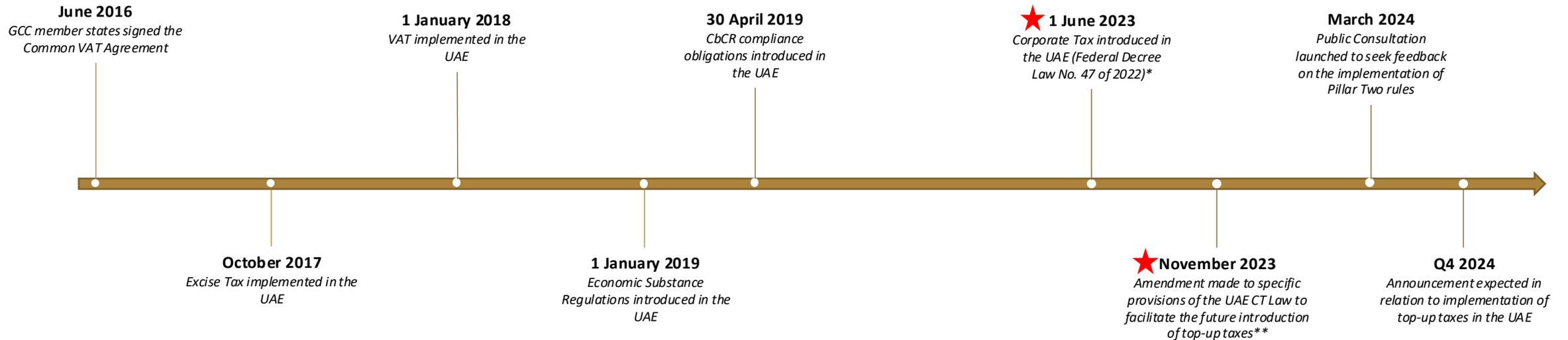
25 September 2024

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# Topics covered

- 1 Evolution of the UAE tax landscape**
- 2 UAE Corporate Tax regime**
- 3 Implementation of Pillar Two rules in the UAE**

# Evolution of the UAE tax landscape



\*The detailed timeline of CT introduction is laid out in the following page

\*\*This was done by way of Federal Decree Law No. (60) of 2023, amending specific provisions of Federal Decree Law No. (47) of 2022

# UAE Corporate Tax regime

# UAE Corporate Tax (CT) regime

Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses (UAE CT Law) issued along with over 30 implementing decisions

Designed to ensure **simplicity, transparency, and practicality of administration.**

The UAE's CT system **incorporates best practices globally** and are based on principles that are internationally known and accepted.



# UAE CT regime – objectives and impact

## Alignment with international commitments

Having a broad-based CT system supports the UAE in meeting its international commitments as a member of the G20/OECD Inclusive Framework with regards to addressing potential harmful tax practices and increasing international transparency.

## Increase transparency and certainty

A comprehensive CT system increases transparency and certainty in respect of the costs of doing business in the UAE, as well as improving fairness.

## Ease of doing business globally

Implementing a comprehensive CT system clarifies the CT profile of UAE businesses and increases the ease of doing businesses internationally, by granting access to relief from foreign taxation under double taxation agreements.

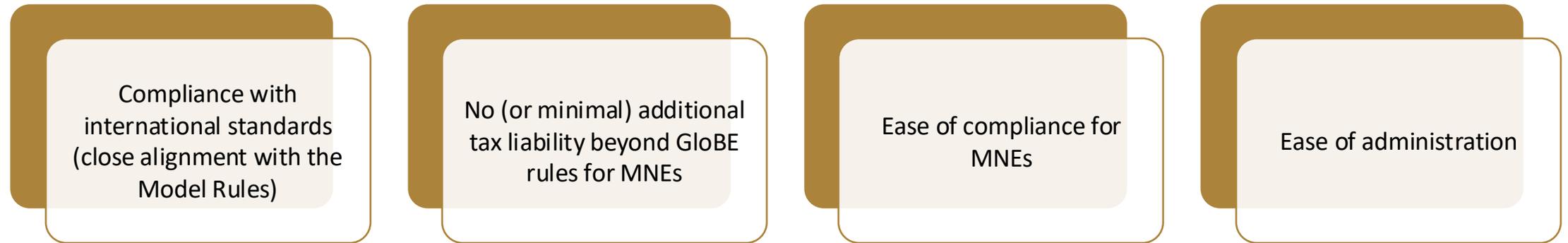
# UAE CT regime – key features

Topic	Features
<b>Scope of implementation</b>	<ul style="list-style-type: none"> <li>▪ All businesses established in the UAE irrespective of their legal form (e.g. limited liability companies, sole proprietorships, cooperatives) that carry on business activities will be subject to CT on their worldwide income.</li> <li>▪ Non-UAE juridical persons that are incorporated outside the UAE but effectively managed and controlled in the UAE are subject to UAE CT.</li> <li>▪ Natural persons (i.e. individuals) who conduct a Business or Business Activity in the UAE are subject to UAE CT.</li> <li>▪ UAE Government bodies (both federal and local) and public benefit entities (e.g. sovereign wealth funds, pension funds and charities) will be exempt from CT, provided these entities only perform their mandated activities (i.e. no commercial activities that compete with the private sector).</li> </ul>
<b>UAE CT rates</b>	<ul style="list-style-type: none"> <li>▪ 0% for taxable income up to AED 375,000; 9% for taxable income above AED 375,000.</li> <li>▪ 15% effective rate of taxation to be applied as a “top-up tax” on multinational groups (date of implementation is to be announced).</li> </ul>
<b>Businesses established in Free Zones</b>	<ul style="list-style-type: none"> <li>▪ Entities established in a Free Zone are eligible for a 0% tax rate if they meet certain conditions and comply with all regulatory requirements set out in the CT Law. Free Zone entities that do not meet these conditions are subject to tax at the standard rates.</li> <li>▪ Free Zone companies must register and file CT returns.</li> <li>▪ The UAE Free Zone CT regime has been considered ‘Not Harmful’ under the OECD FHTP review conducted in October 2023.</li> </ul>
<b>Losses</b>	<ul style="list-style-type: none"> <li>▪ The UAE CT regime will allow a business to use losses incurred (as from the UAE CT effective date) to offset taxable income in subsequent financial periods.</li> <li>▪ A loss for CT purposes (tax loss) would arise when the total deductions the businesses can claim are greater than the total income for the relevant financial period.</li> </ul>
<b>Tax Group</b>	<ul style="list-style-type: none"> <li>▪ A UAE group of companies can elect to form a tax group and be treated as a single taxable person, provided certain conditions are met.</li> <li>▪ A UAE tax group will only be required to file a single tax return for the entire group.</li> </ul>

# Implementation of Pillar Two rules in the UAE

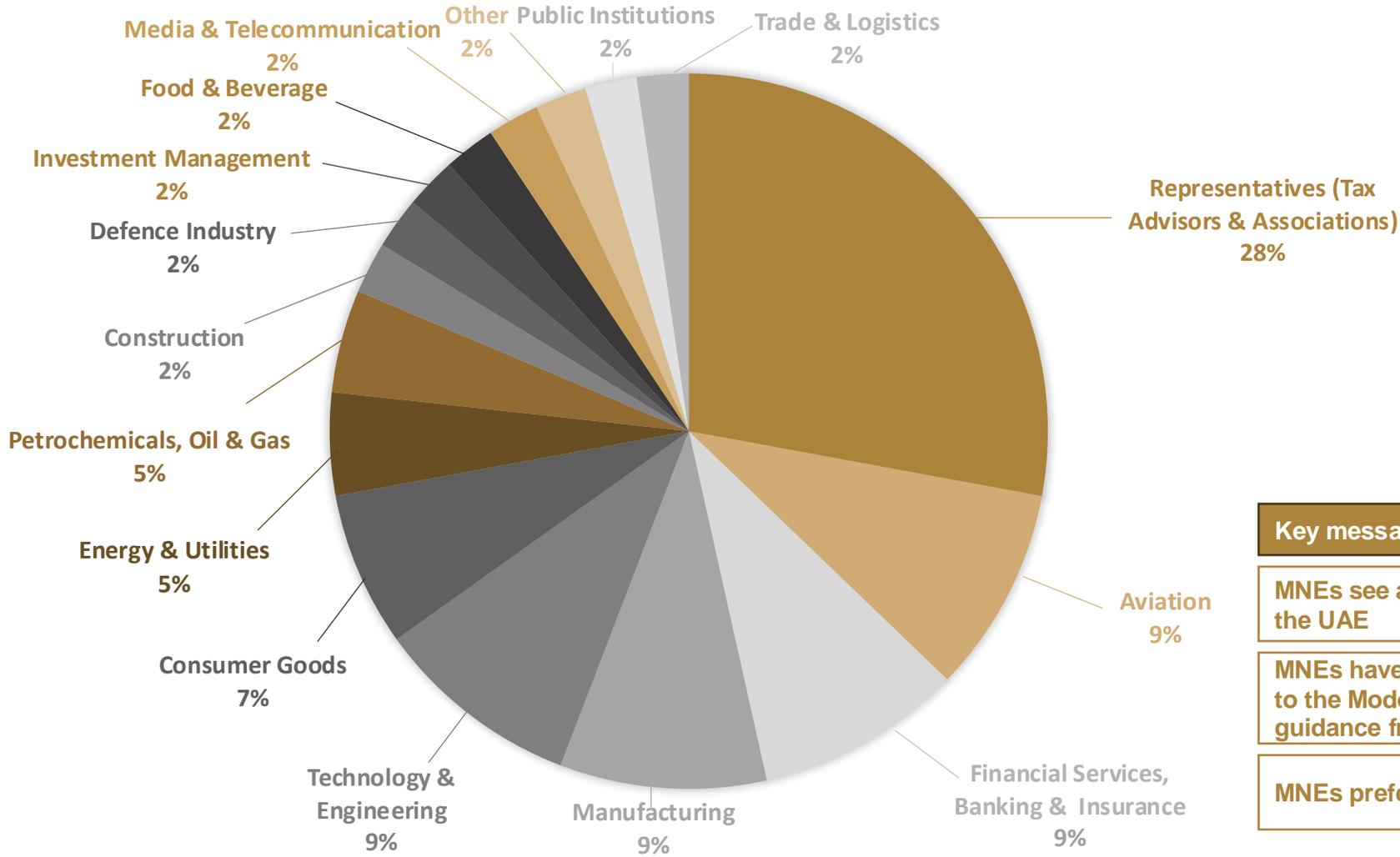
# Pillar Two implementation – UAE’s objectives

By virtue of being an Inclusive Framework member, the UAE remains committed to the OECD Two Pillar solution. The UAE’s key objectives in the implementation of Pillar Two rules in the country, include –



In light of UAE’s commitment, a Public Consultation was launched in March 2024 to obtain feedback from the public on the potential policy positions for Pillar Two implementation in the country.

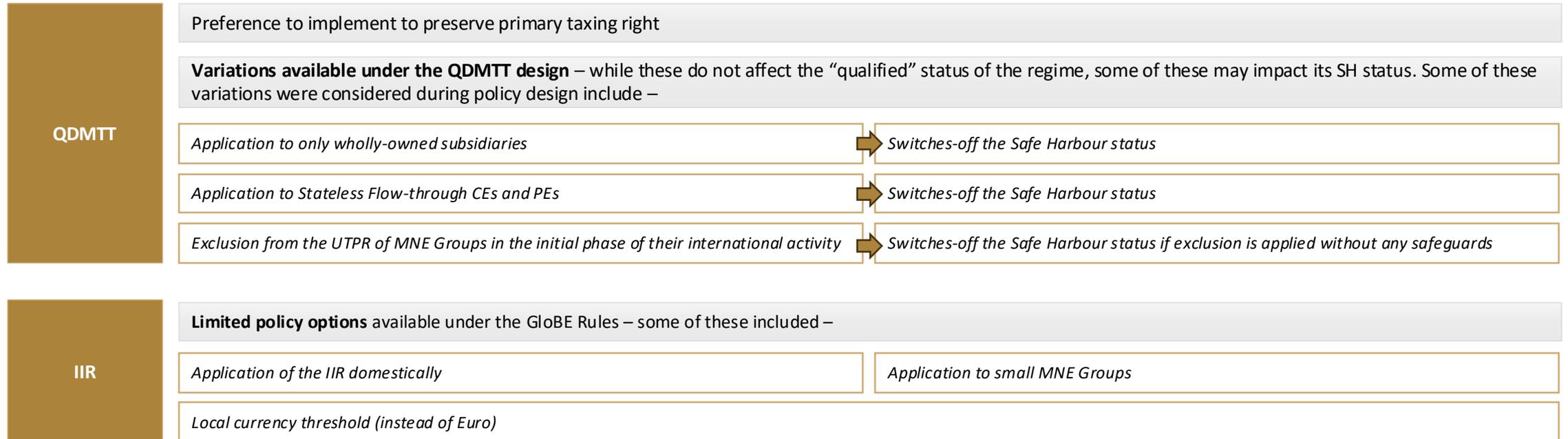
# Pillar Two UAE Public Consultation – feedback received



**Key messages from the consultation**

- MNEs see advantages in adoption of the GloBE Rules by the UAE
- MNEs have stressed the importance of close alignment to the Model Rules and to follow existing and future guidance from the OECD
- MNEs prefer a safe harbour status for the QDMTT

# Pillar Two – considerations for policy design



With the main goals of having qualifying rules and ease of administration, it is likely that the final legislation will ensure that the UAE Pillar 2 Rules are eligible for the SH status.

# Challenges faced

## Interaction with the UAE CT Law

Gaps exist between the GloBE Rules and the newly introduced domestic CT Law. While this is the case for most jurisdictions, the significant changes in the UAE's tax landscape in the recent past, highlight the need for increased awareness and understanding.

## Translation to Arabic

Domestic regulations mandate that all legislation be translated into Arabic, which takes precedence over English. Due to the complexity of the rules, this can lead to risks of misinterpretation and compromise the Qualified status of the regulations.

## Release of additional guidance

The Model Rules and administrative guidance are continuously evolving, and domestic approval processes may lead to unexpected delays.

# Expected policy positions and next steps

Finalise policy positions and evaluate the implementation date of the rules in the UAE

Release final legislation to facilitate the implementation of the rules

Prepare for post-implementation readiness both from a systems and an administration standpoint

Provide certainty wherever possible to UAE businesses by conducting awareness sessions / issuing clarifications, etc.



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Thank You