

International tax

United Arab Emirates Highlights 2012

Investment basics:

Currency—UAE Dirham (AED)

Foreign exchange control—No

Accounting principles/financial statements—IAS/IFRS. Financial statements must be prepared annually.

Principal business entities—These are the limited liability company, private/public joint stock company, branch and representative office.

Foreigners generally may only own up to 49% of a UAE-registered company, although they may increase their shareholding to 100% in respect of companies set up in free trade zones.

Corporate taxation:

Residence—In practice, a company incorporated in the UAE is considered resident provided it can establish that: (1) all of the shares of the company are beneficially owned by residents of the UAE; or (2) all or substantially all of the company's income is derived by the company from the active conduct of a trade or business, other than an investment business in the UAE; and (3) all or substantially all of the value of the company's property is attributable to property used in that trade or business.

Basis—Income tax decrees have been issued by 5 of the 7 Emirates (i.e. Abu Dhabi, Dubai, Sharjah, Ajman, Umm Al Qaiwan, Ras Al Khaimah and Fujairah), but are currently only enforced on the income of oil and gas exploration and production companies, branches of foreign banks and certain petrochemical companies under specific government concession agreements, at flat rates of 50%/55% (Dubai/Abu Dhabi)

Taxable income—There are no taxes imposed on the income of companies, except for oil and gas exploration and production companies and branches of foreign banks.

Taxation of dividends—No

Capital gains—No

Losses—N/A

Rate—Branches of foreign banks are taxed at rates agreed with the ruler of the Emirate in which they operate, generally at a flat rate of 20%. As noted above, oil and gas exploration and production companies are taxed at flat rates of 50%/55% (Dubai/Abu Dhabi).

Surtax—No

Alternative minimum tax—No

Foreign tax credit—No

Participation exemption—No

Holding company regime—No

Incentives—The UAE offers several free trade zones with renewable 50-year tax holidays and exemption from import duty on goods brought into that free zone.

Withholding tax:

Dividends—No

Interest—No

Royalties—No

Technical service fees—No

Branch remittance tax—No

Other—No

Other taxes on corporations:

Capital duty—No

Payroll tax—No

Real property tax—A transfer charge of 2% generally is levied on the transfer of real property.

Social security—The UAE does not impose social security taxes on foreign workers. Employer pension contributions for national employees are 12.5% of the "contribution calculation salary." In addition, national employee contributions are levied at 5% of the contribution calculation salary.

Stamp duty—No

Transfer tax—No, but see "Real property tax", above.

Other—Municipal taxes are imposed on hotel services and property rentals. Annual rental income earned by residential and commercial tenants are taxed at 5% and 10%, respectively.

Anti-avoidance rules:

Transfer pricing—No

Thin capitalization—No

Controlled foreign companies—No

Other—No

Disclosure requirements—Annual financial statements must be filed with the Ministry of Commerce by companies and branches located outside the free trade zones. Entities located within a free trade zone report to the free zone authority of the relevant zone. These entities have never officially been requested to file or report financial statements to a Ministry/authority located outside the free zone:

Administration and

compliance: Tax Year—N/A

Consolidated returns—N/A

Filing requirements—N/A

Penalties—N/A

Rulings—N/A

Personal taxation:

Basis—Individuals are not taxed on their income

Residence—N/A

Filing status—N/A

Taxable income—N/A

Capital Gains—N/A

Deductions and allowances—N/A

Rates—N/A

Other taxes on individuals:

Capital duty—No

Stamp duty—No

Capital acquisitions tax—No

Real property tax—A transfer charge of 2% generally is levied on the transfer of real estate property.

Inheritance/estate tax—There is no inheritance tax regime. In the absence of a will inheritance is dealt with in accordance with Islamic Sharia principles.

Net wealth/net worth tax—No

Social security—See above under “Other taxes on corporations.”

[Administra_on and compliance:](#)

Tax year—N/A

Filing and payment—N/A

Penal_es—N/A

[Value added tax:](#)

Taxable transac_ons—There is some specula_ion that VAT may be introduced in the future,

but this has not been confirmed at the 'me of writing.

Rates—N/A

Registra_on—N/A

Filing and payment—N/A

[Source of tax law:](#) Income tax decrees issued by 5 of the 7 Emirates (Dubai, Sharjah, Abu Dhabi, Ajman and Fujairah) make up the UAE tax laws.

[Tax trea_es:](#) The UAE has concluded more than 45 income tax trea'es.

[Tax authori_es:](#) Ministry of Finance

[Interna_onal Organiza_ons:](#) OECD, WTO, Gulf Co-Opera'on Council (GCC), League of Arab States, Organiza'on of the Islamic Conference, Islamic Development Bank, OPEC and OAPEC.