Doing business in the UAE

A comprehensive guide to navigating economic opportunities

2024

Welcome to the UAE

The United Arab Emirates (UAE) is strategically located between Europe, Africa and Asia. It bridges lucrative markets in Asia, Africa, and Europe. This prime location facilitates trade and logistics, offering businesses access to a vast consumer base exceeding 2 billion people. Coupled with its world-class airports and seaports, the UAE acts as a seamless gateway to regional and global markets.

Due to a continuous flow of new business opportunities, investor friendly legislation, a robust financial system, well developed infrastructure for business and life, and availability of people resources, the UAE may be an ideal business location for multiple purposes:

- Creating holding, trading, financing, support platform(s) for a group's international business
- Conducting regional business from a hub in the UAE
- Conducting local business in the UAE

A number of immediate and long-term initiatives are intended to foster the business environment and promote development within the Emirates.

This guide seeks to provide you with initial and practical information on doing business in the UAE, particularly from the perspective of an inbound investor. Please also refer to our website for the latest developments.

Recent highlights

The National Agenda for Entrepreneurship and SMEs aims to establish the UAE as an entrepreneurial nation by 2031. The Agenda has seven themes that cover its activities. They are: ease of doing business, innovation, business support, digital transformation, funding, human capital and increasing demand.

The UAE Ministry of Finance issued Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses. This Law provides the legislative basis for the introduction and implementation of the Federal Corporate Tax in the UAE and is effective for tax periods starting on or after 1st June 2023.

The New Immigration Regulations (Federal Decree No. 29 of 2021, Cabinet Decision No. 8 of 2021 regulating Golden Residence Permits and Cabinet Decision No. 65 of 2022) divide residence permits into two main types depending on whether the purpose of stay in the UAE is related to work or not, and identify certain categories of applicants eligible for the Golden Visa and Green Visa.

Under the New Labor Law (Federal Law Number 33 of 2021, and Cabinet Resolution No. 1 of 2022):

- Emiratization quotas have increased from 1 January 2023 with the purpose of achieving an overall rate of increase by 10% by 2026. Emiratization does not currently apply to Free Zone Companies.
- The mandatory unemployment insurance scheme was implemented in the UAE from 1st January 2023.

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Country overview

The UAE is a federation of seven emirates (Abu Dhabi, Ajman, Dubai, Fujairah, Ras Al Khaimah, Sharjah and Umm Al Quwain) located along the eastern side of the Arabian Peninsula. The UAE comprises approximately 71,023.6 square km of land, including islands in the Arabian Gulf, in addition to 27,624.9 square km of territorial water.

With a number of social, economic and environmental initiatives, the UAE strives to continue progressing on a variety of fronts, including trade, investment, communications, information technology, tourism and infrastructure, as well as human and social development.

Key business facts

- Member of the Gulf Cooperation Council (GCC), which also includes Bahrain, Kingdom of Saudi Arabia (KSA), Kuwait, Oman, and Qatar.
- Several GCC-based international free trade agreements and bilateral Comprehensive Economic Partnership Agreements (CEPAs) with different countries.
- Introduction of federal corporate income tax, and emirate-based taxation of natural resources sector companies and branches of foreign banks.
- Transfer pricing regulations as a part of the corporate tax regime.
- Levy of VAT, excise tax and customs duty.
- No personal income tax.
- Social security for UAE/GCC nationals only, with an end of service benefits (EOSB) scheme for expats.
- No foreign exchange control regulations.
- United Arab Emirates dirham (AED) pegged to the United States Dollar (USD 1.00 = AED 3.672513).

Political system

The political system is based on the Constitution which explains the main rules of the political and constitutional organization of the country. Article 45 of the Constitution provides for five federal authorities:

- The Federal Supreme Council
- The President and the Vice President of the UAE
- The Cabinet or the Council of Ministers
- The Federal National Council
- The Federal Judiciary

The Federal Supreme Council is the highest constitutional authority in the United Arab Emirates. It is also the highest legislative and executive authority that draws up general policies and approves various federal legislation.

Legislative process

The Cabinet or the Council of Ministers of the United Arab Emirates is the executive branch of the federation. It executes all internal and external affairs of the Federation as per the provisions of the UAE Constitution and federal laws. It works under the supervision of the President and the Federal Supreme Council. The country's parliament, the Federal National Council (FNCI), assists the Council of Ministers in a consultative capacity.

Each emirate has its own local government responsible for passing laws applicable to that emirate. Federal law, however, overrides local legislation.

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International membership

The country is a member of various international organizations, such as the United Nations (UN), the League of Arab States, the International Monetary Fund (IMF), World Trade Organization (WTO), the World Customs Organization (WCO) and the Organization of Petroleum Exporting Countries (OPEC).

GCC membership

The UAE is one of the six member countries of the GCC, together with Kuwait, Saudi Arabia, Bahrain, Qatar, and Oman. The GCC aims to promote political stability and economic integration in the region. Seeking to encourage closer ties between members, the Council has taken various measures, including establishing the GCC Customs Union with a common external customs tariff, developing a VAT framework and enabling more efficient travel between member states.

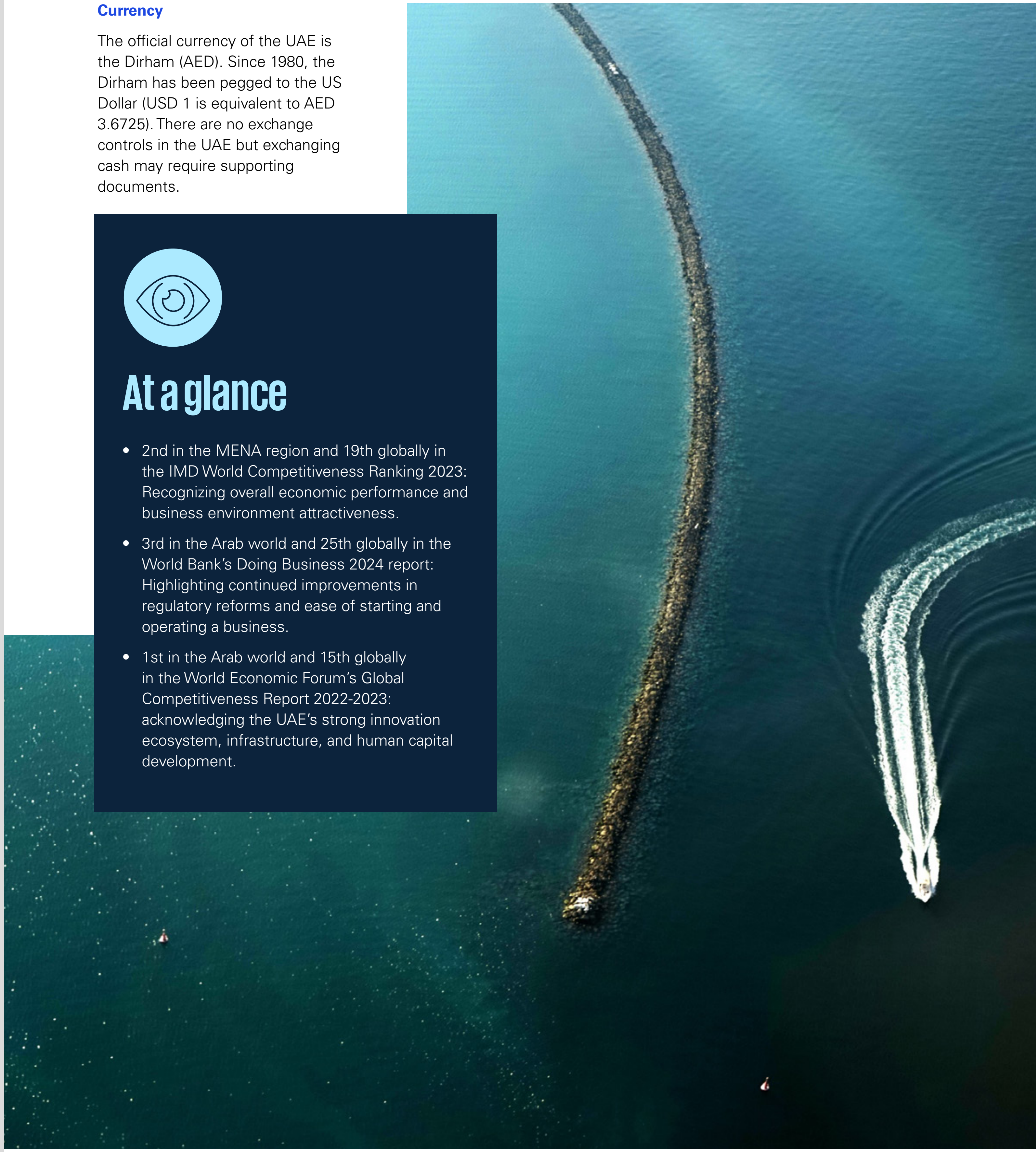
Population, language, and culture

According to 2024 data, the total population of the UAE is approximately 9.59 million. The official language of the UAE is Arabic. English is a widely accepted business language and is commonly spoken in commercial and government organizations, although government correspondence is mainly conducted in Arabic.

The UAE is an Islamic nation, and the legal system is largely based on Islamic teachings. The holy month of Ramadan is determined by moon sightings and shifts by approximately ten days each year. In this holy period, Muslims fast during the day. Non-Muslims are not expected to fast; however, smoking, drinking, or eating in public is prohibited. Working hours in both the public and private sectors are reduced during this period and a slowdown in commercial activities should be expected.

Currency

The official currency of the UAE is the Dirham (AED). Since 1980, the Dirham has been pegged to the US Dollar (USD 1 is equivalent to AED 3.6725). There are no exchange controls in the UAE but exchanging cash may require supporting documents.



At a glance

- 2nd in the MENA region and 19th globally in the IMD World Competitiveness Ranking 2023: Recognizing overall economic performance and business environment attractiveness.
- 3rd in the Arab world and 25th globally in the World Bank's Doing Business 2024 report: Highlighting continued improvements in regulatory reforms and ease of starting and operating a business.
- 1st in the Arab world and 15th globally in the World Economic Forum's Global Competitiveness Report 2022-2023: acknowledging the UAE's strong innovation ecosystem, infrastructure, and human capital development.

Options for doing business

Depending upon business objectives, different options of varying complexity, set-up and maintenance costs are available. Considerations may include proposed activities, expected duration, a need for location in mainland UAE versus a Free Trade Zone (FTZ), licensing requirements and costs, and tax impact. Broadly, the options are:

Business/trading with UAE from overseas:

- Directly with UAE customers/clients.
- Via a UAE agent or distributor.

Projects in the UAE:

- Fly-in fly-out (to the extent a local license is not required).
- Via a sub-contractor.
- Unincorporated joint venture (with a local or foreign partner).

Legal presence in the UAE:

- In a mainland UAE emirate to undertake business within that emirate and outside the UAE.
- In an FTZ as an onshore entity to undertake business within the FTZ and outside the UAE.
- In an FTZ as an offshore company to undertake business only outside the UAE.

Entities in the UAE are required to have a valid license to perform business activities within a particular emirate or FTZ.

Any activity in another emirate or FTZ generally requires additional set up and licensing from that particular emirate or FTZ.

Mainland UAE

The three most frequently utilized legal forms for mainland entities are:

- Branch: A branch of a foreign or UAE company, not being a separate legal entity, may only carry out the same activities as the head office.
- Representative office: A representative office of a foreign company, not being a separate legal entity, may only carry out marketing and promotional activities for the head office and may not undertake any business or trade activity.
- Commercial companies, such as a limited liability company (LLC): An LLC may be established in mainland UAE. It must have at least two shareholders. An LLC can conduct all activities included in its license in the respective emirate and outside the UAE.

  The UAE has recently amended the Commercial Companies Law (CCL), allowing foreign nationals or companies to have 100% ownership of companies undertaking business in the UAE, unless a specific restriction is created with respect to entities that engage in business activities that will have a "strategic impact" on the UAE economy.

  Subject to the powers of the committee in relation to activities with 'strategic impact', each Emirate will determine the percentage of permitted ownership, and the level of capital contribution required for higher levels of foreign ownership. Therefore, it is possible that different emirates will set different UAE national ownership requirements for similar business activities.

Free trade zones

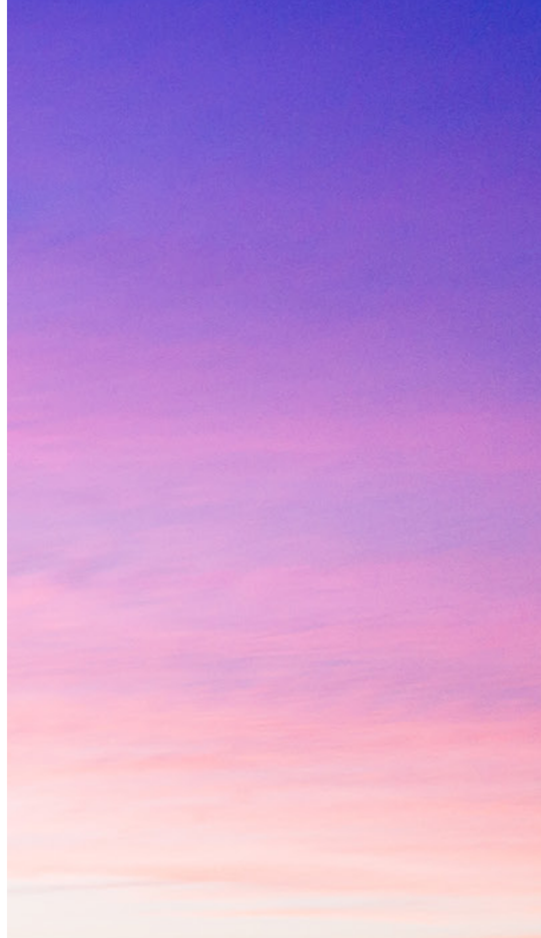
There are close to 50 FTZs throughout the UAE, with the majority located in Dubai. Each is independent, with its own rules and regulations. However, they are subject to certain UAE federal laws.

There are no foreign ownership restrictions within FTZs, and 100% foreign ownership is allowed.

A dual licensing system has been introduced by certain FTZs to allow entities (engaged in certain sectors) to also operate in the mainland UAE.

Many FTZs in the UAE are set up with a focus on particular sectors. Specialized FTZs include:

- Financial services: Dubai International Financial Centre (DIFC) and Abu Dhabi Global Market (ADGM).
- Ports and logistics: Jebel Ali Free Zone (JAFZA) and Dubai Airport Free Zone (DAFZ).
- Telecom, IT and multi-industry: Dubai Internet City (DIC) and Dubai Multi Commodities Centre (DMCC).



There are three main types of entities in FTZs. They can operate only within the specific FTZ and outside the UAE:

- Branch: A branch of a legal entity can be established in an FTZ by a foreign or UAE company.
- Free zone establishment (FZE): An FZE is the simplest form of a legal entity that can be established in an FTZ. It can have only one shareholder. The minimum share capital requirement will vary according to the specific FTZ.
- Free zone company (FZCO)/free zone limited liability company (FZLLC): An FZCO/FZLLC requires a minimum of two shareholders. The minimum share capital requirement will vary according to the specific FTZ.

Tax matters

Corporate Tax

The UAE corporate tax (CT) law was published on 9 December 2022 and is applicable to corporations and businesses.

General CT regime

Effective date/periods: The UAE CT regime applies to the Financial Year (FY) commencing on or after 1 June 2023.

Taxable person: The UAE CT applies to the following persons:

- Juridical persons that are incorporated in the UAE or foreign juridical persons that are effectively managed and controlled in the UAE.
- Non-resident juridical persons that have a Permanent Establishment (PE) in the UAE.
- Non-resident persons deriving state sourced income.
- Non-resident juridical persons that have a nexus in the UAE by virtue of earning income from immovable property in the UAE.
- Natural persons who conduct business or business activities in the UAE and have a turnover of over AED 1 million (not including wage, personal investment income, real estate investment income) per Gregorian calendar year from such business or business activities.

Tax rate: Corporate tax is imposed on the taxable income at the following rates:

- 0% for taxable income up to AED 375,000, and for income of free zone entity when certain conditions are met;
- 9% for taxable income above AED 375,000;
- A new provision for Multi-National Enterprises (MNE) has introduced the top-up tax with an effective tax rate of 15%. However, the Cabinet shall issue a specific decision regulating all cases, provisions, conditions, rules, controls, and procedures for imposing the top-up tax and exemptions.

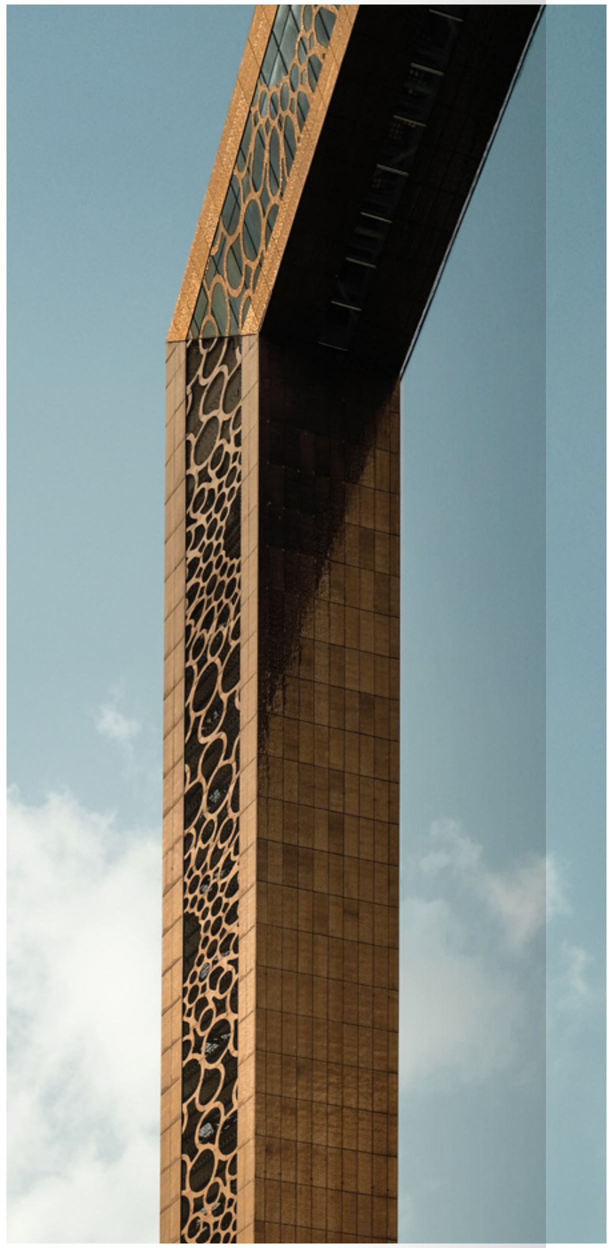
Exempt person: The following persons are not subject to CT:

- Automatically exempt persons – government entities.
- Exempt if they notify MoF and meet the relevant conditions – extractive business and non-extractive natural resource business.
- Exempt if listed in a CD and meet relevant conditions – government controlled entities and qualifying public benefit entities.
- Exempt upon application to, and approval by, the FTA:
  - Public and private pension or social security funds.
  - Qualifying investment funds.
  - Juridical persons incorporated in the UAE that are wholly owned and controlled by exempt persons.
  - Any other person determined in a CD/MD.

Free Zone Person: Entities established in the Free Zone (FZ) would be considered as a qualifying FZP (QFZP) upon satisfaction of the following conditions:

- Derives qualifying income from undertaking the activities as specified in the CT Law.
- Maintain adequate substance in the UAE.
- Satisfy the de-minimis requirement (non-qualifying revenue not to exceed lower of 5% of total revenue or AED 5 million).
- Not elected to be subject to CT.
- Complies with TP rules and documentation requirements.
- Prepares and maintains audited financial statements.

QFZPs will be eligible for 0% CT until the expiry of the tax incentive period provided for in the legislation of the relevant FZ (unless renewed). Failure to comply with any of the conditions at any time during the tax period would end the QFZP status from the beginning of the relevant tax period and for the subsequent four tax periods.



Tax calculation

Taxable income: The taxable income will depend on the category of taxable person:

- Resident Juridical and natural persons are subject to CT on worldwide income. A resident natural person is only taxed on income related to businesses or business activities in the UAE;
- A non-resident person deriving state source income through a Permanent Establishment (PE) or nexus is taxed on income attributable to that PE or nexus;
- A non-resident person deriving state source income without a PE or nexus is taxed on that income.

Exempt income: The following types of income are not considered in determining the taxable income:

- Dividends and other profit distributions received from resident juridical person.
- Income (dividend, capital gains) received from a participating interest subject to meeting the conditions of the participation exemption provision.
- Income of a foreign PE, subject to certain conditions.
- Income derived by a non-resident person from operating aircraft or ships, subject to certain conditions.

Deductible expenditure: The CT Law allows for deductibility of expenses incurred for the purposes of business, not incurred in deriving exempt income and not capital in the nature, subject to interest deduction limitation rules, restriction on entertainment expenses and certain non-deductible expenses such as donations, fines, penalties etc.

Tax loss: Taxable persons will be eligible to reduce their taxable income up to 75% by setting off against carried forward eligible tax losses, subject to certain conditions. Transfer of tax loss to another taxable person is permissible upon satisfaction of certain conditions.

Foreign tax credit: Credit of tax paid on the same income in a foreign country is available to be set off against the CT liability.

Special regimes

Unincorporated partnerships: Unincorporated partnerships are considered tax transparent unless an application is made to the FTA to treat the unincorporated partnership as a taxable person.

Family Foundations: Family Foundations can apply to the FTA to be treated as unincorporated partnerships subject to meeting certain conditions.

Tax Groups: The CT Law permits companies under common ownership of more than 95% to form a Tax Group by filing an application to the FTA, subject to the satisfaction of certain conditions.

Reliefs

Small business relief: Resident taxable persons with revenue equal to or below AED 3 million can elect to be treated as having no taxable income in that period and will not be obliged to calculate taxable income or complete a full tax return.

Transfer within a Qualifying Group: Transfer of assets and liabilities within members of a Qualifying Group will not give rise to a gain or loss, subject to satisfaction of certain conditions.

Business restructuring relief: Transfer of business or independent part of the business will not give rise to a gain or loss, subject to satisfaction of certain conditions.

Administration

Compliance: The taxable person is subject to certain CT compliance requirements in the UAE. Deadlines are as follows.

- CT registration:
  - Taxable Resident Persons
    - Juridical Person: **Taxable Person in existence as of 1 March 2024:** Various timelines prescribed by the FTA depending on the date of issuance of the license (irrespective of the year of issuance). The earliest due date is 31 May 2024. **Taxable Person comes into existence after 1 March 2024:** 3 months from the date of establishment in the UAE (including Free Zone) or 3 months from the end of the FY of the person established under the legislation of a foreign jurisdiction whose POEM (place of effective management) is in the UAE.
    - Natural Person: 31 March of the subsequent Gregorian calendar year.
  - Taxable Non-Resident Person**:**
    - Juridical Person: **Has a PE in the UAE:** 9 months or 6 months from the date of existence of the PE depending on whether the person is in existence as of 1 March 2024 or after respectively. **Nexus in the UAE:** 3 months from 1 March 2024 or 3 months from the date of establishment of the nexus depending on whether the person is in existence as on 1 March 2024 or after respectively.
    - Natural Person: 3 months from the date of meeting the requirements of being subject to tax.

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- Tax group application: Before the end of the relevant tax period.
- Election to opt for realization basis: During the first tax period and at the time of filing the first CT return.
- Payment of CT liability: Before 9 months from the end of the relevant tax period.
- CT return: Before 9 months from the end of the relevant tax period.

Maintenance of records: Preparation of Financial Statements (FS) as per IFRS and maintenance of audited FS is required in case of taxable persons deriving revenue exceeding AED 50 million in the relevant tax period and QFZP. Other records and documents supporting the information provided in a CT return and enabling the taxable person's taxable income to be readily ascertained by the FTA are required to be maintained for a period of 7 years from the end of the tax period to which they relate.

General Anti-Abuse Rules: Where the FTA can reasonably conclude that transactions and arrangements were entered into without a valid commercial reason and their main purpose is to obtain a CT advantage that is not consistent with the intention of the CT Law, the FTA can counteract or adjust CT advantages obtained, which are abusive. These rules apply to transactions or arrangements entered on or after 10 October 2022.

Transfer Pricing

Application of the arm's length principle in the UAE

The Corporate Tax Law also introduced Transfer Pricing (TP) provisions that are broadly aligned with Organization for Economic Co-operation and Development (OECD) principles.

The UAE Transfer Pricing legislation applies to all UAE taxpayers and sets the general requirement that transactions and arrangements between related parties and connected persons should meet the arm's length standard.

It is strongly recommended for all taxpayers in the UAE to develop a robust TP Policy and ensure that all related-party transactions are in compliance with the arm's length principle.

TP compliance in the UAE

UAE taxpayers must file a Transfer Pricing disclosure form, as part of their Corporate Tax return file, with the exception of those claiming Small Business Relief. In addition, UAE taxpayers who have turnover above AED 200 million or who are members of multinational group with global turnover above AED 3.15 billion need to annually prepare a local file and master file.

Country-by-Country Reporting (CbCR) in the UAE

The UAE has implemented CbCR rules, with relevant notification and reporting requirements. CbCR requirements apply to the ultimate parent entity of a multinational group of entities (MNE) which is a 'tax resident' in the UAE and has consolidated revenues equal to or exceeding AED 3.15 billion in the preceding financial year.

Other important TP considerations

One of the conditions for Qualifying Free zone persons to maintain their 0% tax position on qualifying income is to satisfy arm's length requirements for all the transactions with related parties and connected persons.

Where the taxpayers of a common Group form a Tax Group for tax purposes, it eliminates intra-group transactions and thereby, eliminates the need for an arm's length analysis for transactions between the taxpayers that form the Tax Group.

As part of the transitional rules, the opening balance sheet for the first tax period is expected to be prepared taking into consideration the arm's length principle.

The production and exploitation of oil, natural gas, water, and other natural resources make up an important part of the UAE's economy. Companies engaged in the Natural Resource Business under concession agreements are subject to income tax per the respective Emirate Tax Decree.

Each of the seven individual Emirates that constitute the UAE are responsible for the regulation of Natural Resources sector within their own territory. In most of Emirates, taxable income is subject to progressive rates of up to 55% under the relevant Income tax Decree. However, foreign concession holders who are engaged in the extraction of Oil and Gas are typically taxed at different tax rates and provisions agreed with the relevant authority under specific government agreements/fiscal letters in practice.

Taxation for foreign banks

The foreign banks conducting bank activity in the UAE through branches located in the mainland are subject to Emirate Income Tax at 20% on taxable income.

BEPS implementation in the UAE

The UAE joined the OECD Inclusive Framework on Base Erosion and Profit Shifting (BEPS) on 16 May 2018. The country has committed to implementing the four minimum standards in the near term:

- Action 5: Harmful tax practices
- Action 6: Treaty abuse
- Action 13: Transfer pricing documentation and CbCR
- Action 14: Dispute resolution

In addition to implementing these minimum standards, the UAE has also committed to implementing the remaining 11 BEPS Actions in the medium- to long-term.

UAE double tax treaties (DTTs) and tax residency certificate (TRC)

The UAE has an extensive network of DTTs, with the purpose of exempting or reducing taxes on investment and profits from direct and indirect taxes.

The BEPS Multilateral Instrument (MLI) is in force in the UAE to change its selected 114 DTTs.

The Federal Tax Authority (FTA) issues Tax Domicile Certificates or Tax Residency Certificates (TRCs) on a case-by-case basis to UAE companies in operation for at least one year, with an office in the UAE and audited accounts. A TRC is issued for a specific DTT and for a specified period.

Individuals residing in the UAE can apply for a UAE TRC in order to avail tax treaty benefits, as applicable. The FTA grants TRCs to individuals on a case-by-case basis.

Economic Substance Regulations

The UAE introduced economic substance regulations with notification and reporting requirements for UAE entities.

The regulations require UAE entities that undertake 'relevant activities' and derive any income therefrom to demonstrate economic substance:

- Banking
- Insurance
- Investment fund management
- Lease finance
- Headquarters
- Shipping
- Holding company
- Intellectual property
- Distribution and service centers

Economic substance broadly comprises of core income generating activities, employees, premises, management and costs.

The purpose of the economic substance regulations is to ensure that UAE entities report actual profits that are commensurate with the economic activity undertaken within the UAE.

Common Reporting Standards (CRS)

Following FATCA implementation for US tax reporting purposes, the UAE has implemented CRS legislation to collect via the UAE's financial institutions and automatically exchange information with foreign tax authorities on foreign tax residents' financial accounts in the UAE.

Value Added Tax (VAT)

The UAE implemented VAT with effect from 1 January 2018. The UAE VAT legislation is based on the Common VAT Agreement of the GCC States. However, VAT in the UAE is directly administered by the local Tax Authority (FTA).

The standard rate of VAT in the UAE is 5%, but some qualified supplies of goods or services may be subject to a special rate of 0% or be exempt from VAT subject to certain requirements.

All local entities making taxable supplies or imports of goods or services exceeding AED 375,000 (in the last 12 months or next 30 days) are obliged to register for VAT. Entities making the above transactions or incurring taxable expenses between AED 187,500 and AED 375,000 (in the last 12 months or in the next 30 days) can apply for VAT registration on a voluntary basis.

Non-resident entities are required to register for VAT if they make any taxable supplies in the UAE, unless there is another person in the UAE who can account for the VAT due on such activities under the reverse charge mechanism. The VAT registration threshold for non-resident suppliers is nil.

Under UAE VAT legislation, entities established in FTZs are considered to be mainland entities for VAT purposes and have the same VAT registration and compliance obligations. Some FTZs are considered to be designated zones for VAT purposes. There are special rules for the VAT treatment of the supply of goods to, from and within these designated zones. Businesses that establish or operate in FTZs should assess their VAT registration requirements carefully.

VAT registered entities are required to file monthly or quarterly returns, as determined by the FTA. VAT returns and any associated VAT liability payments are due to be submitted to the FTA by the 28th day of the month following the end of the VAT return period.

Businesses may obtain an input VAT credit for any VAT incurred on expenditure subject to the normal rules of VAT recovery. VAT refunds may be requested from the FTA where the VAT incurred on purchases exceeds the VAT payable on sales.

Clarification requests can be submitted to the FTA where there is uncertainty in the application or interpretation of VAT legislation and the results of these private clarifications are specific to the facts of the requestor.

The FTA periodically publishes public clarifications and sectorspecific VAT guides. Therefore, it is important for taxpayers to remain up to date with the continually evolving VAT legislation.

The FTA can impose administrative penalties for non-compliance and under-declaration of VAT. These penalties are fixed and/or percentage based and, in cases of late or under declaration of VAT, may be up to 200% of the underpaid tax.

Trade and Customs

The UAE is a Member State of the GCC. Accordingly, the UAE is part of the GCC Customs Union; as such, it acts frequently as a first point of entry of goods into the GCC.

Most goods entering the UAE are subject to the standard duty rate of 5%. Some goods imported are subject to a 0% duty rate while other goods are taxed at higher rates (e.g. tobacco and alcoholic beverages). Generally, once duties are paid in the UAE, no further duties would apply when goods are transferred within GCC states if complied with the 'Makasa' process.

Under a specific set of requirements, licensed entities in the UAE can benefit from several customs' duty deferment regimes, such as free trade zones, customs warehouses, and temporary admission.

Customs duty exemptions may be available when importing goods into the UAE subject to meeting certain conditions, e.g. GCC originating goods, industrial exemption for raw materials and equipment, exemption on diplomatic goods, and exemption on imports made by Foundations (charities), among others.

Subject to a specific set of rules, the relevant UAE authorities may issue a certificate of origin for locally obtained or produced goods which may support the UAE/GCC origin to said products.

Goods of UAE origin may also receive preferential customs duty treatment within the Greater Arab Free Trade Area (GAFTA) under the free trade agreement signed between the member states of the League of Arab States.

As a GCC member state, the UAE enjoys the benefits of the free trade agreements signed between the GCC and other international trade actors, such as EFTA States and Singapore. Furthermore, the UAE has signed bilateral Comprehensive Economic Partnership Agreements (CEPAs) with different countries such as India, Indonesia, Turkey, among others, which also provide preferential customs duty treatment to originating goods from any of the contracting parties within the relevant CEPA.

Excise tax

Excise tax is an indirect tax levied on specific categories of goods. It was introduced for the first time in the UAE in 2017. These goods are referred to as 'excise goods':

In the UAE, excise tax is applicable to the below mentioned products as follows:

- 50% on carbonated drinks
- 100% on tobacco and tobacco products
- 100% on energy drinks
- 100% on electronic smoking devices
- 100% on liquids used in such devices and tools
- 50% on any drinks with added sugar or other sweeteners

Businesses that are engaged in below mentioned activities are required to register for excise tax:

- The production of excise goods
- The import of excise goods into the UAE
- Released for consumption in the UAE from a Designated Zone
- The stockpiling of excise goods in the UAE in certain cases; and/or
- The warehousing of excise goods by warehouse keepers, in certain cases.

Property transfer fee

A registration fee is applicable on transfer of real estate. For example, within the Emirate of Dubai, the fee is 4% of the property transfer value.

Regulation of procedures related to real beneficiaries

On 28 August 2020, the UAE Ministry of Economy published Cabinet Resolution No. 58 of 2020 (the Decision) on the Regulation of Procedures Related to Real Beneficiaries. The Decision requires companies based in the UAE mainland and commercial free zones to maintain registers of their beneficial owners and shareholders. Further, it requires that the companies file their registers with the relevant registrar and licensing authorities within 60 days from the date of promulgation, i.e. 27th October 2020 or at the time of incorporation of a new entity to their respective registrars. Companies must notify the Registrar of any change or amendment to the information provided within 15 days of such change or amendment. The information maintained in the register could be shared by the Ministry of Economy with foreign governments at their request, as per international cooperation measures.

These rules do not apply to companies established in the UAE's financial free zones (such as DIFC or ADGM) or to companies which are wholly owned by the federal or local government.

Staff matters

UAE Labor Law

The Labor Law regulates employment terms such as work hours, leave, termination rights and medical benefits. The Labor Law overrides any conflicting provisions in an employment contract that are deemed less beneficial to the employee.

Certain FTZs, such as DIFC or ADGM, have their own labor laws.

Emiratization requirements

To overcome structural divisions in the labor market, the UAE government launched an Emiratization campaign which mandates inclusion of Emiratis in the workforce, particularly the private sector. Emiratization aims to increase by 10 percent by 2026 the number of Emiratis participating in the job market and their contribution to the economy. Emiratization currently only applies to Mainland companies.

The UAE encourages Emiratization across levels through the establishment of a special department, quotas and incentives.

Visa requirements

An employer entity in the UAE must ensure its employees are authorized to work in the UAE by providing a employment visa, residence permit and Emirates ID. Employees may then sponsor their families to reside in the UAE.

Further, some UAE companies that meet specific requirements can obtain a three-month mission visa for overseas staff or visitors.

Expatriates that meet specific requirements are entitled to apply for a long-term residency visa which will be issued for five or ten years and renewed automatically. The eligibility criterion for both five- and ten-year visas is wide and covers a number of qualifying cases, including freelancers, property investors, entrepreneurs, outstanding talent and researchers, students with promising scientific capabilities and their respective family members.

Upon termination of employment and prior to the employee's UAE departure, the employer must cancel the employee's visa and residence permit.

Virtual work program

Dubai has launched a unique virtual/ remote working program enabling eligible foreign professionals, entrepreneurs and company owners to work remotely from Dubai for up to one year with the ability to bring their family members with them, as well as access all services in Dubai.

The expat will need to provide proof of employment with a contract valid/ ownership of a company for one year, a minimum salary/income of USD 5,000 per month, and the last three pay slips/company bank statements.

Personal income tax

There is no personal income tax in the UAE, and, accordingly, there is no requirement to register for personal income tax or employment tax purposes in the UAE.

Tax residence

After the implementation of the CT in the UAE, the local authorities determined through Cabinets Decisions the criteria for determining when an individual shall be considered Tax Resident of the UAE for the purposes of domestic law or bilateral tax agreements, which are in effect from March 2023. Further, it is clarified that any residence definition provided through an international tax treaty will prevail over any domestic regulation.

Social security payments

Under the Pensions and Social Securities law, when a company employs a GCC national, both the employer and employee must make social security and pension contributions to the Genera l Pension and Social Security Authority. These contributions are based on salary and are payable at the following rates for a UAE national (different rates may apply for other GCC nationals):

- Public-sector employer: 15%
- Private-sector employer: 12.5% (15% is applied for the Emirate of Abu Dhabi)
- Employee: 5% There is no requirement for expatriates or the employer of an expatriate to make social security contributions.

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End of service benefits (EOSB)

The UAE law entitles every worker to receive end-of-service benefits, also known as gratuity, if they work for a minimum period of one year. When calculating the period of service, days of absence without pay are not included and employers may deduct any amounts owed by the worker from their gratuity payment. UAE Gratuity is calculated based on 21 days' wage for each year of the first five years of their service, and 30 days' wage for each additional year.

The above calculation may differ in the case of a limited contract, termination of employment or for certain free zones. For example, in DIFC, the DIFC Employee Workplace Savings Scheme (DEWS) replaces the above EOSB scheme. As per this scheme, employers now are required to make monthly contributions to DEWS or an alternative regulated qualifying scheme instead of a lump sum EOSB payment to eligible employees at the end of their employment. Employers are required to contribute monthly 5.83% or 8.33% of the employee's basic salary into the scheme, as applicable.

Wage protection system (WPS) The UAE Ministry of Human Resources and Emiratization mandates use of the electronic salary transfer system to pay wages via authorized financial institutions in the UAE.

The system allows the Ministry to create a database that records wage payments in the private sector to guarantee their timely and full payment.

Companies located in certain FTZs are not required to use the WPS.

Key insurance obligations for employers and employees:

- Health insurance: Specific health insurance laws are implemented in each emirate, to ensure that employees enjoy a minimum level of health coverage. For example, in the Emirate of Abu Dhabi, employers are required to provide health insurance for employees and their families. In the Emirate of Dubai, employers are required to provide health insurance for employees, only. Employers may be required to submit a valid health insurance policy for employees when a visa is initially issued and renewed.
- Workmen's compensation insurance: This is a mandatory requirement for all companies. It covers legal liability to employees for occupational injury during the course of their employment, within the defined territorial limits according to the Labor Law workmen's Compensation Ordinance.
- Unemployment Insurance: This scheme mandates all employees to subscribe by 30th June 2023, and provides UAE nationals and residents working in the federal and private sectors, financial support if they lose their job due to employer termination. The insurance will pay monthly compensation equal to 60% of the insured person's basic salary, subject to statutory maximums, for no more than three months from the date of the insured person's unemployment per claim, with a maximum of 12 months' compensation in total during the insured period of service in the UAE.

Housing fee

A 5% housing fee is charged to tenants in Dubai, based on the annual residential rental amount.

About KPMG Lower Gulf

For about 50 years, KPMG Lower Gulf Limited has been providing audit, tax and advisory services to a broad range of domestic and international, public and private sector clients across all major aspects of business and the economy in the United Arab Emirates and in the Sultanate of Oman. We work alongside our clients by building trust, mitigating risks and identifying business opportunities.

KPMG Lower Gulf is part of KPMG International Cooperative's global network of professional member firms. The KPMG network includes approximately 273,000 professionals in over 143 countries. KPMG in the UAE and Oman is well connected with its global member network and combines its local knowledge with international expertise, providing the sector and specialist skills required by our clients.

KPMG is widely represented in the Middle East: along with offices in the UAE and Oman, the firm operates in Saudi Arabia, Bahrain, Kuwait, Qatar, Egypt, Jordan, Lebanon, Palestine and Iraq. Established in 1973, the Lower Gulf firm now employs more than 1,700 people, including over 150 partners and directors across the UAE and Oman.

As we continue to grow, we aim to evolve and progress, striving for the highest levels of public trust in our work. Our values are: **Integrity:** We do what is right; **Excellence**: We never stop learning and improving; **Courage**: We think and act boldly; **Together:** We respect each other and draw strength from our differences; **For Better:** We do what matters.

To meet the changing needs of our clients, we have adopted an approach aligned with our global purpose: Inspiring Confidence, Empowering Change. Our three pillars – **exceptional quality of service, an unwavering commitment to the public interest, and building empowered teams** – are the foundation of our firm.

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Contact us

Joe Pacelli

Partner
Head of Tax
KPMG Lower Gulf
joepacelli@kpmg.com

Keith Donegan

Partner
Indirect Tax
KPMG Lower Gulf
keithdonegan@kpmg.com

Julie Lere Pland

Director
Indirect Taxes – Customs & Excise
KPMG Lower Gulf
jlerepland@kpmg.com

Pranav Shah

Director
People and Regulatory Service
KPMG Lower Gulf
pshah27@kpmg.com

Antonio Tapia

Director
Transfer Pricing
KPMG Lower Gulf
antoniotapia@kpmg.com

Nadia Batiukova

Director
Corporate Tax Advisory
KPMG Lower Gulf
nbatiukova1@kpmg.com

Hassan Fadda

Director
Corporate Tax and ESR Compliance
KPMG Lower Gulf
hfadda@kpmg.com

www.kpmg.com/**ae**

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