



# Doing business in the UAE

A comprehensive guide to  
navigating economic opportunities



# Welcome to the UAE

The United Arab Emirates (UAE) has established itself as a leading international business hub and investment destination. Situated along key global trade and transport routes, the UAE offers strong connectivity to markets across Asia, Africa, and Europe, facilitating access to a combined consumer base of more than two billion people. Coupled with its world-class airports and seaports, the UAE acts as a gateway to regional and global markets.

Supported by a steady flow of business opportunities, investor friendly legislation, a robust financial system, well developed infrastructure for both business and quality of life, and access to skilled human resources, the UAE emerges as an attractive location for a range of business activities, including:

- 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

Several government led initiatives, spanning the near and longer term, intend to further enhance the business environment and promote development within the Emirates. This guide seeks to provide you with introductory, practical information on doing business in the UAE, particularly from the perspective of an inbound investor.

# Recent highlights

## Dubai issues resolution enabling free zone companies to operate on mainland

The Dubai Executive Council has issued Resolution No. (11) of 2025, introducing a regulatory framework that permits free zone companies to conduct business activities outside their specific free zone, i.e. on the mainland, within the Emirate of Dubai. This resolution applies to non-financial entities and aims to enhance operational flexibility while maintaining compliance with existing laws. Under this framework, free zone companies can operate on the mainland by obtaining either a branch license or a temporary permit. Branch licenses—whether for establishing a branch within the emirate or operating from the free zone—are valid for one year and are renewable. Temporary permits allow specific activities for up to six months. The Department of Economy and Tourism (DET) will oversee the licensing process and is expected to issue a list of eligible economic activities in due course.

**JAFZA and DIFC launch framework for dual-zone operations**

On 28 October 2025, Jebel Ali Free Zone Authority (JAFZA) and Dubai International Financial Center (DIFC) announced the signing of a new strategic framework designed to enable dual-zone operations for companies seeking to expand their financial, industrial, and corporate structuring activities within Dubai. The initiative seeks to connect JAFZA's trade and industrial ecosystem with DIFC's advanced legal and financial platform, creating a seamless pathway for businesses to set up, operate, and scale across both jurisdictions. This development aligns with the Dubai Economic Agenda (D33) for the UAE to become a global hub for trade, finance, and innovation.

**Dubai launches Freezone One Passport**

On 22 July 2025, the Dubai Free Zones Council (DFZC) announced the implementation of the Freezone One Passport initiative – a unified licensing framework designed to facilitate seamless business expansion across Dubai's participating free zones. Under this scheme, companies licensed in one Dubai free zone can also operate in others without needing separate trade licenses or a full re-incorporation process. The ease of doing business has become a cornerstone of Dubai's appeal, making it an incubator for both innovation and investment. It also aligns with the Dubai Economic Agenda D33, the emirate's strategic plan to double its GDP by 2033.

**Amendments to the Commercial Companies Law**

In October 2025, the UAE enacted Federal Decree Law No. 20 of 2025, amending the Commercial Companies Law and introducing major structural and governance enhancements for mainland companies. Some of the key changes include the ability for limited liability companies (LLCs) to issue multiple classes of shares, the statutory recognition of drag along and tag along rights, formal legal mechanisms for company migration (redomiciliation) between mainland and free zones, the introduction of non profit companies as a recognized legal form, confirmation that all UAE incorporated companies—including free zone and financial free zone entities—carry UAE nationality. These reforms significantly modernize the legal framework and align the UAE company law with international best practices.

**Introduction of the UAE advance pricing agreement framework**

In December 2025, the UAE Federal Tax Authority (FTA) released its advance pricing agreement (APA) guide, establishing a formal framework for agreeing arm's length pricing methodologies on a prospective basis. The FTA rolled out the program in phases, starting with unilateral APAs (UAPAs) for domestic transactions from December 2025, followed by cross-border UAPAs in 2026 and expansion to bilateral and multilateral APAs over time. This

framework is a significant addition to the UAE's transfer pricing landscape, providing greater pricing certainty and helping mitigate double taxation risks in line with OECD best practices.

**Fostering innovation through R&D tax incentives**

The UAE continues to reinforce its position as a regional and global center for innovation through the introduction of a comprehensive research and development (R&D) tax credit regime. As part of this initiative, the Ministry of Finance has issued Cabinet Decision No. 215 of 2025 and Ministerial Decision No. 24 of 2026, setting out a structured incentive framework aimed at encouraging private sector investment in research activities, the development of new technologies, and the creation of intellectual capital within the UAE.

**BEPS Pillar Two**

In line with the OECD's BEPS Pillar Two rules, the UAE has implemented a domestic minimum top-up tax (DMTT) applicable to financial years commencing on or after 1 January 2025. The rules effectively mean that in-scope companies—broadly, members of multinational enterprise (MNE) groups with consolidated revenues exceeding EUR750 million—are subject to a minimum effective tax rate of 15 percent.

**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 kilometers of land, including islands in the Arabian Gulf, in addition to 27,624.9 square kilometers 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
- Has entered into several GCC-based international free trade agreements and bilateral comprehensive economic partnership agreements (CEPAs) with different countries
- A federal corporate income tax has been introduced, alongside an emirate-based taxation of natural resource sector companies and branches of foreign banks
- Transfer pricing regulations apply as part of the corporate tax regime
- Value-added tax (VAT), excise tax, and customs duty are levied
- There is no personal income tax
- Social security applies to UAE/ GCC nationals only, with an end of service benefits (EOSB) scheme for expats

- There are no foreign exchange control regulations
- The UAE dirham (AED) is pegged to the US dollar (USD 1.00 = AED 3.672513)

**Political system**

The UAE's political system is based on the Constitution, which defines 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.

**International memberships**

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) and the World Customs Organization (WCO).

### 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 (USD1 is equivalent to AED3.672513). There are no exchange controls in the UAE but exchanging cash may require supporting documents.

## At a glance

Ranked first globally in the Global Entrepreneurship Monitor (GEM) 2024/2025, which recognized the UAE as the world's best environment for entrepreneurship and Small Medium Enterprise.

Ranked 15th globally in the UNDP Human Development Index 2025, and the only Arab country in the global top 20, highlighting progress in education, income, and quality of life.

# 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 branches, representative offices and limited liability companies (LLCs):

- 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 amended the Commercial Companies Law, allowing foreign nationals or companies to have 100 percent 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 percent foreign ownership is allowed. However, free zone entities are only permitted to operate within the specific FTZ and outside the UAE.

A dual licensing system has been introduced by certain FTZs to allow entities (engaged in certain sectors) to operate in the mainland UAE without procuring a separate office space.

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)

The main types of entities available in FTZs include branches and free zone companies or LLCs.

Tax matters

Corporate Tax

The UAE introduced its federal corporate tax (CT) regime through the publication of Federal Decree-Law No. 47 of 2022 on 9 December 2022, marking a pivotal step in the UAE’s continued alignment with international tax standards while preserving its longstanding reputation as one of the world’s most competitive and business-friendly environments.

Scope and applicability

The CT regime applies broadly to juridical persons incorporated in the UAE, foreign entities effectively managed and controlled in the UAE, and non-resident persons with a taxable presence or income sourced from the UAE. Natural persons conducting business activities in the UAE are also within scope above a defined revenue threshold.

Tax rates

The UAE CT applies at the following rates:

- **0%** on taxable income up to AED375,000, and on qualifying income of eligible free zone entities
- **9%** on taxable income above AED375,000
- **15%** minimum effective tax rate for large multinationals in scope of the OECD Pillar Two rules.

Exemptions

The CT Law provides for a broad range of exemptions, covering government entities, qualifying investment funds, pension funds, public benefit entities, and certain government-controlled entities, among others. These exemptions reflect the UAE’s commitment to maintaining a targeted and proportionate tax system.

Free zone regime

One of the most attractive features of the UAE CT regime for business is the free zone incentive. Businesses established in one of the UAE’s more than 50 free zones may benefit from a **zero percent CT rate on qualifying income**, provided they maintain genuine substance in the UAE, derive income from qualifying activities, satisfy de-minimis requirements, and comply with transfer pricing and audit obligations.

This makes free zones particularly compelling for regional headquarters, trading, logistics, financial services, and IP-driven businesses.

The zero percent rate is available for the duration of the tax incentive period prescribed under the legislation of the relevant free zone, and may be renewable depending on the applicable free zone regulations. The free zone regime carries strict compliance requirements. Failure to satisfy any of the qualifying conditions at any point during a tax period results in the immediate loss of qualifying free zone person (QFZP) status, not only for that period, but for the four subsequent tax periods as well.

Tax calculation and reliefs

Taxable income is broadly based on accounting profits, subject to certain adjustments. The CT regime provides for a number of important reliefs and features, including:

- Participation exemption on dividends and capital gains from qualifying shareholdings
- Foreign tax credits to prevent double taxation
- Tax loss carry-forward of up to 75 percent of taxable income in any given period
- Group relief allowing tax-efficient transfers within qualifying corporate groups
- Business restructuring relief for qualifying reorganizations

R&D tax credit

Effective from 2026, the UAE has introduced an R&D tax credit regime to incentivize innovation and knowledge-based activities conducted within the UAE. Qualifying R&D expenditure is eligible for a tiered credit of up to approximately 50 percent, offsettable against corporate tax and domestic minimum top up tax (DMTT) liabilities, subject to minimum project thresholds and an annual cap.

The regime requires R&D activities to be conducted in the UAE, with pre-approval and minimum substance and staffing requirements. The credit is non-refundable but can be carried forward, and may be transferred within a group subject to conditions. Taxpayers must

maintain adequate documentation and consider anti-abuse and claw-back provisions, as well as potential Pillar Two implications on the effective tax rate.

### Special regimes

The CT Law accommodates a variety of business structures through tailored regimes, including provisions for unincorporated partnerships, family foundations, and tax groups, allowing businesses to structure their UAE presence in the most efficient and appropriate manner.

### Compliance

The UAE CT compliance framework is straightforward. Businesses are required to register with the Federal Tax Authority, file an annual tax return, and settle any CT liability within nine months of their financial year end. Financial statements must be prepared in accordance with the International Financial Reporting Standards (IFRS), with audited accounts required for larger businesses and free zone entities. Records must be maintained for seven years.

### Anti-abuse

The CT Law includes general anti-abuse rules (GAAR) to ensure that the regime operates as intended, targeting arrangements entered into primarily to obtain a tax advantage without a valid commercial rationale.

## Transfer pricing

### Application of the arm's length principle in the UAE

Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses, issued on 9 December 2022, introduced transfer pricing (TP) provisions, subsequently supplemented by Ministerial Decision No. 97 of 2023 on TP Documentation Requirements (published by the Ministry of Finance on 11 May 2023) and the Transfer Pricing Guide issued by the FTA on 23 October 2023.

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.

While the TP provisions are broadly aligned with Organization for Economic Cooperation and Development (OECD) principles, the requirement around payments/benefits to connected persons being at market value is unique to the UAE.

### TP compliance in the UAE

#### TP disclosure form (TPDF)

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.

- Taxpayers are required to disclose related party transactions exceeding AED40 million in market value or as per the value in the financial statements, with individual disclosures for transactions per category above AED4 million.

- Dividends declared between related parties do not need to be included in the calculation of the above thresholds and are also not required to be disclosed in the related party schedule.
- The FTA mandates separate reporting of gross and arm's length values, with adjustments automatically recorded in the related party transaction schedule. A TP adjustment that reduces taxable income will only be accepted following a successful application to the FTA.
- The schedule for connected persons should be completed only if the aggregate value of transactions exceeds AED500,000. For those connected persons where the aggregate payment or benefits exceeds AED500,000, transactions must be disclosed to confirm adherence to the arm's length standard.

#### Local file and master file

In addition, UAE taxpayers who have turnover above AED200 million or who are members of a multinational group with global turnover above AED3.15 billion need to annually prepare a local file and master file.

However, the TP Guide provides an exemption from maintaining a master file to taxpayers who are part of a UAE headquartered (HQ) group which is not a multinational group (i.e. a group that does not have business establishments outside the UAE).

Under Article 55(4) of the UAE Corporate Tax Law, the FTA can request additional information beyond the local and master file to assess whether related party transactions meet the arm's length standard. This may include supporting documents such as agreements, correspondence, and pricing calculations, and applies to all taxpayers, even those not required to maintain formal local file or 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) that is a tax resident in the UAE and has consolidated revenues equal to or exceeding AED3.15 billion in the preceding financial year.

### Advance pricing agreement in the UAE

In December 2025, the FTA released its advance pricing agreement (APA) guide establishing a formal framework for taxpayers to agree arm's length pricing methodologies with the FTA on a prospective basis. Key features include a phased rollout beginning with unilateral APAs (UAPA) for domestic transactions (cross-border UAPAs

to follow in 2026, with bilateral and multilateral APAs planned thereafter), a materiality threshold of AED100 million per tax period, non-refundable application fees of AED30,000 (renewals: AED15,000), a covered period of three to five tax periods, and a four-stage process spanning pre-filing consultation, formal application, evaluation and negotiation, and conclusion with ongoing annual compliance obligations. Domestic related party transactions (RPTs) are eligible only where the parties are subject to different CT rates or qualifying tax incentives; safe harbor transactions are excluded.

The APA framework represents a significant addition to the UAE's TP landscape, offering multinationals and large domestic groups a structured path to pricing certainty and double taxation risk mitigation, in line with OECD best practices on cooperative compliance.

### Other important TP considerations

One of the conditions for qualifying free zone persons to maintain their zero percent tax position on qualifying income is to satisfy arm's length requirements for all the transactions with related parties and maintain supporting documentation.

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 except in certain specific circumstances.

## Taxation for oil and gas companies

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 the natural resources sector within their own territory. In most of the emirates, taxable income is subject to progressive rates of up to 55 percent 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

Foreign banks operating in the UAE through mainland branches have historically been subject to emirate-level income tax at a rate of 20 percent on taxable income, levied by the respective emirate in which the branch operates. This emirate-level tax predates the federal corporate tax regime and has coexisted alongside it since the introduction of CT in 2023.

With the advent of the federal CT regime, foreign bank branches remain subject to the 20 percent emirate income tax, which is generally creditable against their federal CT liability, effectively meaning that the federal CT does not give rise to an additional tax burden for most foreign bank branches given that the emirate-level rate exceeds the federal 9 percent rate.

## 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.

### BEPS Pillar Two

Applicable for financial years commencing on or after 1 January 2025, the UAE has implemented a Domestic minimum top-up tax (DMTT). In line with the OECD BEPS Pillar Two framework, the rules broadly impact companies, branches and permanent establishments in the UAE, which are members of multinational enterprise (MNE) groups with consolidated revenues in excess of EUR750 million.

The rules effectively ensure that in-scope UAE entities are subject to a minimum effective tax rate of 15 percent.

Unlike UAE CT, there is no exemption from the application of DMTT for companies operating in free zones.

The UAE DMTT rules align closely and are intended to be interpreted consistently with the OECD Global Anti-Base Erosion (GloBE) Model Rules and published administrative guidance and commentary.

The UAE DMTT has been granted conditional status as a qualified DMTT under the Pillar Two framework.

In scope entities are required to register with the FTA, although the timeline for registration is yet to be confirmed. Top up tax returns are required to be filed and any DMTT liability settled within 15 months of the relevant financial year-end, or 18 months in respect of the first transition year.

## 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 UAE is also a signatory to the OECD BEPS Multilateral Instrument (MLI), which modifies a number of its DTTs to incorporate anti-abuse provisions and align with international standards.

The Federal Tax Authority (FTA) issues Tax Residency Certificates (TRCs) to UAE companies on a case-by-case basis. UAE companies are generally required to demonstrate UAE tax residency including adequate economic substance and effective management and control in the UAE along with adequate documentation. 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.

## FATCA and Common Reporting Standards (CRS)

The UAE is fully committed to international tax transparency and the automatic exchange of financial information, in line with global standards developed by the OECD and the G20.

The UAE has implemented both the US Foreign Account Tax Compliance Act (FATCA), through an intergovernmental agreement with the United States, and the OECD's Common Reporting Standard (CRS). Under these frameworks, UAE-based financial institutions are required to identify account holders who are US persons or foreign tax residents, collect relevant financial account information, and report this annually to the relevant authorities, which in turn automatically exchange it with the relevant foreign authorities.

The frameworks apply broadly across the financial sector, covering banks, custodians, investment entities, and certain insurance companies, for both individual and entity account holders.

## Value-added tax (VAT)

The UAE implemented VAT with effect from 1 January 2018, based on the Common VAT Agreement of the GCC States, and it is administered locally by the FTA. The standard VAT rate is 5 percent; however, certain supplies of goods and services may be subject to a zero percent, rate or be exempt from VAT, subject to prescribed conditions.

### Key zero-rated (0%) supplies include the following:

- Exports of goods and services outside the UAE;
- International transportation of passengers and goods and related services;

- Supply, import, and related services in relation to qualifying means of transport (such as aircraft, ships, and certain land transport);
- International transport services for passengers and goods;
- Supply of qualifying means of transport;
- Supply of certain investment precious metals (e.g. gold meeting purity standards);
- The first supply of residential buildings within three years of completion;
- The supply of crude oil and natural gas;
- Certain educational and healthcare services, along with related goods and services provided by qualifying institutions.

### On the other hand, exempt supplies include the following:

- Certain financial services (subject to specific conditions);
- Supply of residential buildings not qualifying for the zero percent rate;
- Supply of bare land;
- Local passenger transport services.

All local entities making taxable supplies or imports of goods or services exceeding AED375,000 (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 AED187,500 and AED375,000 (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 input tax credit for VAT incurred on expenditure, provided that the legal conditions are met. In this regard, input tax attributable to taxable supplies, including zero-rated (0%) supplies, is generally fully recoverable, whereas input tax attributable to exempt supplies is typically subject to restrictions on recoverability.

VAT-registered businesses in the UAE may claim a refund where input VAT exceeds output VAT for a tax period, subject to approval by the Federal Tax Authority. Claims are submitted via the EmaraTax portal with supporting documentation. Alternatively, excess VAT may be carried forward to offset future liabilities.

In addition, non-resident entities that are not registered for VAT in the UAE may claim a refund of local VAT under a special procedure, the Business Visitor Refund Scheme, subject to meeting certain conditions. These include, among others, that the entity is established in a country listed by the Ministry of Finance as having reciprocal arrangements with the UAE in this regard.

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 sector-specific VAT guides. Therefore, it is important for taxpayers to remain up-to-date with the continually evolving VAT legislation.

The FTA may impose administrative penalties for non-compliance, including late registration, late filing, and errors in VAT reporting. Penalties may be fixed and/or percentage based. In addition, late payment penalties are now applied on an incremental basis (with a monthly accrual component), and under-declared tax may attract significant penalties depending on the circumstances.

## Trade and customs

The UAE is part of the GCC Customs Union and frequently acts as the first point of entry of goods into the GCC.

Most goods entering the UAE are subject to a standard duty rate of 5 percent. Some imported goods are subject to a zero percent 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 apply when goods are transferred within the GCC states, if the “Makasa” process is complied with.

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.

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 (Iceland, Liechtenstein, Norway and Switzerland) and Singapore. Furthermore, the UAE has signed a wide network of bilateral comprehensive economic

partnership agreements (CEPAs) with different countries such as India, Indonesia, Turkey, Cambodia, Georgia, Mauritius, Costa Rica, Serbia, Jordan, New Zealand, Malaysia, Australia, Chile, Vietnam, Azerbaijan, among others in progress. These CEPAs also provide preferential duty treatment to originating goods from any of the contracting parties within the relevant CEPA.

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.

## Excise tax

Excise tax, first introduced in the UAE in 2017, is an indirect tax levied on specific categories of goods that are typically considered harmful to human health or the environment. The goods subject to tax are referred to as “excise goods”.

### In the UAE, excise tax is applicable to the following products:

- 100 percent on tobacco and tobacco products
- 100 percent on energy drinks
- 100 percent on electronic smoking devices and tools
- 100 percent on liquids used in such devices and tools

- Sweetened drinks (updated regime effective 1 January 2026)

### Previously, sweetened drinks were subject to a flat excise tax rate of 50 percent. However, with the introduction of Cabinet Decision No. 197 of 2025, the UAE has transitioned to a tiered, sugar-based volumetric model as follows:

- AED0 per liter for drinks containing less than 5g of sugar or sweeteners per 100 ml
- AED0.79 per liter for drinks containing 5g to less than 8g per 100 ml
- AED1.09 per liter for drinks containing 8g or more per 100 ml

This revised framework represents a significant shift from the previous flat-rate approach and requires businesses to assess the sugar or sweetener content at a product (SKU) level.

For the purposes of excise tax, sweetened drinks broadly include beverages to which sugar, artificial sweeteners, or other sweeteners have been added (including concentrates, powders, gels, and extracts). Certain products are excluded, such as beverages containing at least 75 percent milk (or milk substitutes), baby formula, and specific medical or dietary products.

In addition, the revised regime introduces enhanced compliance requirements, including the need to obtain laboratory reports from accredited laboratories to substantiate product classification and applicable tax rates.

### Businesses engaged in the following activities are required to register for excise tax:

- The production of excise goods
- The import of excise goods into the UAE
- The release for consumption of excise goods 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

## E-invoicing

The UAE is in the process of implementing a mandatory electronic invoicing (e-invoicing) regime, led by the Ministry of Finance (MoF), as part of its broader digital transformation and tax compliance strategy. E-invoicing is mandatory for any person conducting business in the UAE, in respect of every business transaction, regardless of whether they are resident or registered for tax in the UAE.

The UAE e-invoicing framework is based on a decentralized “five-corner” Peppol model, whereby invoices are exchanged electronically between suppliers and customers through accredited service providers (ASPs). Under this model, both the supplier and the buyer are required to connect to the network via a single ASP to enable the secure exchange of structured invoice data.

E-invoices must be issued in a structured electronic format (XML) in accordance with the PINT AE (Peppol International Invoice – UAE extension) standard. The framework prescribes approximately 50 mandatory data fields, along with additional conditional fields depending on the nature of the transaction.

**The scope of e-invoicing is expected to cover business-to-business (B2B) and business-to-government (B2G) transactions. The framework also accommodates various transaction types, including exports, deemed supplies, margin scheme transactions, and continuous supplies. Certain transactions are excluded from the UAE e-invoicing regime based on specific criteria set by the Ministry. These include:**

- Sovereign activities carried out by government entities in their non-commercial capacity;
- Certain airline-related services, including international passenger transport where electronic tickets are issued, as well as a temporary exclusion for international cargo transportation (subject to a defined transitional period); and
- Specific financial services that are exempt from VAT.

To participate in the e-invoicing ecosystem, businesses are required to obtain a unique electronic identifier, typically derived from their tax identification number (TIN), and connect to an MoF-accredited ASP. The ASP is responsible for validating, transmitting, and receiving e-invoices through the Peppol network.

The implementation of e-invoicing in the UAE is being introduced in a phased manner, with an initial voluntary adoption period followed by mandatory compliance based on revenue thresholds. Based on the latest guidance, businesses with annual revenues equal or greater than AED50 million are required to appoint an accredited service provider (ASP) by 31 July 2026 and implement the electronic invoicing system by 1 January 2027. Businesses with annual revenues less than AED50 million are required to appoint an ASP by 31 March 2027 and complete implementation by 1 July 2027. Accordingly, businesses should proactively assess their systems, appoint a suitable ASP, and ensure operational readiness well in advance of these deadlines to facilitate a smooth transition to the e-invoicing regime.

From a compliance perspective, e-invoicing introduces enhanced real-time or near real-time reporting, improved data transparency, and increased audit capabilities for tax authorities. As a result, businesses should assess their ERP systems, invoicing processes, and data structures to ensure alignment with the technical and regulatory requirements.

Given the technical complexity and data-driven nature of the regime, early preparation, including system upgrades, data mapping, and process re-engineering, will be critical to ensure a smooth transition and ongoing compliance.

### Property transfer fee

A registration fee is applicable on the transfer of real estate. For example, within the Emirate of Dubai, the fee is 4 percent 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. 27 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

### 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 in the UAE.

### 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 initiatives aim to increase by 10 percent by 2026 the number of Emiratis participating in the job market and their contribution to the economy. Emiratization requirements currently only apply to mainland companies.

### Visa requirements

An employer entity in the UAE must ensure that its employees are duly authorized to work in the country by arranging the required employment visa, residence permit, and Emirates ID. Once residency has been secured, employees may then sponsor eligible family members to reside in the UAE. Expatriates that meet specific requirements are entitled to apply for a long-term residency visa, which is issued for five or 10 years and is 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.

### Tax residence

Following the implementation of corporate tax in the UAE, the local authorities issued cabinet decisions that set out the criteria for determining when an individual is considered a tax resident of the UAE for the purposes of domestic tax law and the application of bilateral tax agreements. These rules have been effective since March 2023. It is further clarified that, where applicable, any definition of tax residence provided under an international tax treaty shall prevail over domestic regulations.

### Social security payments

A company employing a GCC national is required to make social security and pension contributions to the General 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 percent
- Private-sector employer: 12.5 percent (15 percent is applied for the Emirate of Abu Dhabi)
- Employee: 5 percent.

There is no requirement for expatriates or the employer of an expatriate to make social security contributions.

### 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. 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.

### Wage protection system (WPS)

The UAE Ministry of Human Resources and Emiratization mandates the 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.

### 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.
- 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.

### Housing fee

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

# About KPMG Middle East LLP

KPMG Middle East LLP is a part of the KPMG global organization of independent member firms that operate in 143 countries and territories and are affiliated with KPMG International Limited. We provide audit, tax and advisory services to public and private sector clients across Saudi Arabia, United Arab Emirates, Jordan, Lebanon, Oman, and Iraq, contracting through separate legal entities. We have a strong legacy in the region, where we have been established for over 50 years. KPMG Middle East LLP is well-connected with its global member network and combines its local knowledge with international expertise.

KPMG serves the diverse needs of businesses, governments, public-sector agencies, not-for-profit organizations, and the capital markets.

Our commitment to quality and service excellence underpins everything we do. We strive to deliver to the highest standards for our stakeholders, building trust through our actions and behaviors, both professionally and personally. Our values guide our day-to-day behavior, informing how we act, the decisions we make, and how we work with each other, our clients, and all our stakeholders.



**Integrity:**  
We do what is right



**Excellence:**  
We never stop learning and improving



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We think and act boldly



**Together:**  
We respect each other and draw strength from our differences



**For Better:**  
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Our purpose is to inspire confidence and empower change. By inspiring confidence in our people, clients and society, we help empower the change needed to solve the toughest challenges and lead the way forward. KPMG's Impact Plan guides our commitments to serving our clients, people and communities across four categories: Planet, People, Prosperity, and Governance. These four priority areas assist us in defining and managing our environmental, social, economic and governance impacts to create a more sustainable future. We unite the best of KPMG to help our clients fulfil their purpose and deliver against the United Nations Sustainable Development Goals, so all our communities can thrive and prosper.

We are dedicated to helping our clients achieve their goals, and advancing sustainable progress to ensure that all our communities thrive. Empowered by our values, and committed to our purpose, our people are our greatest strength. Together, we are building a values-led organization of the future. For better.

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# Contacts

## Joe Pacelli

### Partner

Head of Tax, Middle East  
joepacelli@kpmg.com

## Keith Donegan

### Partner

Head of Tax, UAE  
keithdonegan@kpmg.com

## Punit Nathwani

### Partner

Head of M&A and International Tax, Middle East  
punitnathwani@kpmg.com

## Abad Dahbache

### Partner

Head of Tax Technology & Transformation,  
Middle East  
adahbache@kpmg.com

## Antonio Tapia

### Partner

Head of Transfer Pricing, UAE & Oman  
antoniotapia@kpmg.com

## Driaan Ruppung

### Partner

Head of Corporate Tax, UAE  
jruppung@kpmg.com

## Estella Dzhantukhanova

### Partner

M&A and International Tax, Middle East  
edzhantukhanova@kpmg.com

## Koen Desloover

### Partner

Corporate Tax, UAE  
kdesloover@kpmg.Com

## Julie Lere Pland

### Principal

Indirect Taxes – VAT, Customs & Excise, UAE  
jlerepland@kpmg.com

## Nadia Batiukova

### Principal

Corporate Tax, UAE  
nbatiukova1@kpmg.com

## Pranav Shah

### Director

People and Regulatory Service, Middle East  
pshah27@kpmg.com

[www.kpmg.com/om](http://www.kpmg.com/om)

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