Thinking Beyond Borders: Management of Extended Business Travelers - United Arab Emirates

February 2023

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Key message

There are currently no personal taxes applicable on individuals in the UAE.

1 Key message

Please note that social security contributions are applicable in the UAE only for UAE nationals, and nationals of the GCC. If UAE or GCC nationals are employed, then both the employer and the employee will be required to make social security contributions. Neither the employer of an expatriate nor the expatriate employee are required to make any social security contributions in the UAE.

02

Income tax

2 Income Tax

2.1 Liability for income tax

There are currently no personal taxes applicable in the UAE.

03

Social Security

3 Social Security

3.1 Liability for social security

Social security contributions are applicable in the UAE only for UAE and GCC nationals. If UAE/ GCC nationals are employed, then both the employer and the employee will be required to make social security contributions to the General Pension and Social Security Authority (GPSSA). A payment of 12.5 percent by the employer (15 percent if the employer is a public entity) and 5 percent by the employee are due for UAE nationals to the GPSSA.

The employers of an expatriate or an expatriate employee are not required to make any social security contributions in the UAE.

04

Compliance obligations

4 Compliance obligations

4.1 Employee compliance obligations

There are no employee compliance obligations with regards to taxes and social security in the UAE.

4.2 Employer reporting and withholding requirements

There are no employer reporting and withholding requirements in the UAE.

05

Immigration

5 Immigration

5.1 Work permit/visa requirements

Employment visas are issued by the immigration of the relevant emirate. In general, a business can recruit either expatriate or local staff, subject to certain requirements. Employers must apply to free trade zone authorities for visas for individual members of staff, working in companies operating in free trade zones. Similarly, for companies operating in mainland UAE, the visa is issued by immigration of the relevant emirate.

06

Other issues

6 Other issues

6.1 Double taxation treaties

The UAE has a wide network of tax treaties, with over 115 treaties signed and in force at this time, with several others in the pipeline.

However, the applicability of the respective tax treaties in the counter jurisdiction lies with the interpretation of the respective tax authorities if they view the UAE as a no-tax or a low-tax jurisdiction.

6.2 Corporate Tax/Permanent establishment implications

The UAE has recently announced the introduction of Corporate Income Taxes on companies with Financial Years starting on or after 1 June 2023. The headline rate of tax is 9% (although a higher tax rate is likely to apply to companies within the scope of BEPS Pillar 2.0. It is now important that companies consider the risk of individuals creating a Permanent Establishment in the UAE.

6.3 Indirect taxes

VAT and customs duty is applicable in the UAE. Majority of the goods imported into the Gulf Cooperation Council (GCC) states attract a uniform customs duty of 5 percent, and this is levied at the point of first entry into the GCC. Further movements of goods within the GCC are free of customs duties.

On 24 October 2016, the President of the UAE issued a decree to set up a new authority, the Federal Tax Authority ("FTA"), responsible for maintaining records on taxpayers and on taxes paid, as well as issuing necessary guidelines and clarifications to taxpayers on matters related to federal taxes and related fines.

The VAT rate as applicable from introduction, is set at 5 percent of the value of the goods and services. VAT was introduced in the UAE from 1 January 2018.

The UAE has introduced a selective excise tax applicable on soft drinks, energy drinks, alcohol and tobacco products. The selective tax regime was introduced in the UAE under a GCC level agreement. The selective tax rate is likely to be 100 percent on energy drinks and tobacco and 50 percent on soft drinks.

6.4 Transfer pricing

As part of the introduction of Corporate Tax in the UAE, there will now be a requirement for justifying that intragroup transactions are being undertaken on an arm's length basis. It is therefore recommended that the transfer pricing methodologies recommended under Organization of Economic Cooperation and Development (OECD) Guidelines are followed.

Further to this, the UAE has introduced country-by-country (CbC) reporting for companies in order to strengthen its international regulations in line with OECD countries/jurisdictions, which will also change the compliance landscape in the country/jurisdiction.

Companies will have to submit their complete financial reports to the UAE Ministry of Finance by 31 December 2019. It is applicable to groups that have subsidiaries in at least two tax jurisdictions. The threshold for consolidated revenues is Dh 3.15 billion.

Economic substance regulations have also been introduced in the UAE, requiring all in-scope UAE entities ("Relevant Entities") that carry on certain activities ("Relevant Activities") to have demonstrable economic substance in the UAE from 30 April 2019.

6.5 Local data privacy requirements

There are no data privacy laws in the UAE.

6.6 Exchange control

There are no exchange control regulations applicable in the UAE.

6.7 Non-deductible costs for assignees

There are no non-deductible costs for assignees in the UAE.

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