

Newsletter



News Highlights

- **UAE free zone-based manufacturing gets 0% corporate tax**
- **UAE unemployment insurance: Deadline extension announced**
- **Corporate Tax: UAE SMEs with under Dh3m in revenues should weigh all options on Small Business Relief**
- **BitOasis: Regulatory actions by VARA**

UAE free zone-based manufacturing gets 0% corporate tax

The UAE Ministry of Finance launched a digital consultation to seek views on elements of the corporate tax framework for the free zone companies.

The focus is on the classification and scope of qualifying activities - and those deemed as excluded. Responses are sought through an online form by August 2. The consultation process is a business-friendly step in approach and guidance. All stakeholders should take the benefit to share feedback and contribute to the process.

workshops and seminars to help businesses understand the new corporate tax regime. The FTA has also issued a number of clarifications on the application of the new rules.

Overall, the corporate tax landscape in the UAE is becoming increasingly complex. However, the FTA is taking steps to help businesses understand the new rules and comply with their tax obligations.

UAE unemployment insurance: Deadline extension announced

Authorities in the UAE extended the deadline for employees to apply for unemployment insurance by three months. The Ministry of Human Resources and Emiratization (MoHRE) announced in a statement that employees have until October 1, 2023, to apply for the unemployment safety net.

“The Ministry has extended the deadline for fines on non-subscribers to the Unemployment Insurance System. Now, you have until 1 October 2023, instead of 1 July, to register and avoid a AED 400 fine,” the UAE government body said. The ministry previously set July 1 as the deadline to apply. Employees in the UAE’s government and private sector were advised to opt

in for an unemployment insurance scheme that came into force in October 2022. In November 2022, the ministry said all UAE employees must apply for the insurance plan by 2023.

The program aims to temporarily guarantee a monthly amount to public and private sector employees in the event of unexpected unemployment. Payment is given out for a maximum of three months. To qualify for the payment, the employee must be insured for a minimum of 12 months. The cost of insurance has been divided into two categories: Employees with a basic salary lower than \$4,350 (AED 16,000) can contribute \$1.3 (AED 5) per month toward the insurance. Monthly compensation for this category will not exceed \$2,720 (AED 10,000). Employees with a basic salary higher than \$4,350 (AED 16,000) can contribute \$2.72 (AED 10) per month toward insurance. Monthly compensation in this category will not exceed \$5,440 (AED 20,000).

The compensation amount upon job loss can be claimed at 60 percent of the basic salary. Employers are not required to bear the cost of subscribing to the unemployment insurance but can choose to do so. The law also excludes “investors (owners of the establishments in which they work), domestic helpers, part-time employees, juveniles under the age of 18, and retirees who receive a retirement pension and have joined a new job,” according to an earlier state-run WAM news agency report.

Permission to reside in Gulf countries like the UAE has traditionally been tied to employment. Under recent reforms, UAE residents whose visa is canceled can remain for up to six months versus 30 days previously. The changes come as part of the UAE’s wider vision to attract and retain talent in the country.

Corporate Tax: UAE SMEs with under Dh3m in revenues should weigh all options on Small Business Relief

The business owners benefiting from having that 3-year cushion to further develop their operations without diverting any of their revenues on tax obligations. But it may not be as straight forward as that. According to Dr. Nabeel Ahmed, Partner at DVS Management Consultancy, “Businesses considering the tax relief should analyze the impact on other corporate tax provisions such as the ‘tax loss relief’ and interest expenditure as these cannot be carried forward to any subsequent tax periods.

A ‘cost benefit analysis’ should be carried in terms of what works best for a business, whether claiming relief would make better business sense. Or if a loss set-off could be a better option, should they anticipate higher revenues – and profits - in the subsequent tax period.

Ahmed is referring to the provisions in the UAE corporate tax laws that allow businesses to split up their payments over multiple years based on their interest expenditure, etc.

These are the decisions that SME owners and their auditors are weighing up, as more businesses in the UAE sign up for corporate tax coverage. Small businesses are mandated under the tax law to register with the Federal Tax Authority, irrespective of whether they opt for the relief package or not.

The relief program for SMEs with a turnover of under Dh3 million is one of the handful of benefits that such entities are entitled to under the tax incentives. What this does is give SMEs the extra flexibility of time to scale up operations. “Ideally, it should be startups and early-stage businesses that should seek the tax relief program,” said a consultant. “They are the ones who will need those additional three years of tax exemptions the most. If these businesses are still in expansion mode say a restaurant operating wanting to add another location – or have

sizeable capital expenditure for the next three years, they can go ahead without worrying about taxes."The period would be from June 1, 2023 to December 31, 2026.

"SMEs that have started operations recently would greatly benefit by the Ministerial Decision on Small Business Relief as it allows the 'resident taxable person' to elect for the relief," said Ahmed. Clearly, SMEs would do well choosing a horse for course strategy on the relief.

BitOasis: Regulatory actions by VARA

BitOasis, one of the largest cryptocurrency platforms in the Middle East, said it is working with Dubai's Virtual Assets Regulatory Authority after the regulator suspended its operational licence.

Vara said BitOasis' minimum viable product operational licence was put on hold as part of its continuing supervisory controls of the virtual assets industry in the emirate.

"BitOasis is under review for not meeting mandated conditions, required to be satisfied within 30-60 day timeframes prior to being permitted to undertake any Vara regulated market activity," it said.BitOasis secured a licence to provide broker-dealer services in Dubai from Vara earlier this year.The platform said it is working closely with the regulator to "remediate all outstanding post-licensing conditions of our operational MVP licence", as well as working towards a full market product (FMP) licence.

"We remain committed to securing a broker-dealer license, and operating a compliant, regulated platform in and from Dubai under Vara's supervision," a company statement said on Tuesday. The updated tax treaty between the UAE and India is a positive development that will help to improve cooperation between the two countries in the fight against tax evasion. It will also help to ensure that both countries are able to collect the taxes that they are owed.

Federal Tax Authority launches campaign to raise awareness on Corporate Tax among businesses

The FTA Director General noted that corporate Tax is a direct tax levied on the tax-adjusted net profit of corporations or other businesses. FTA had previously announced the opening of Corporate Tax registration for Public Joint Stock Companies, Private Shareholding Companies, and other private companies on May 15, 2023, noting that registration for other taxable persons' segments will be available at a later stage. FTA has further conducted a series of corporate tax registration webinars in the past few weeks and is continuing to hold these to showcase the steps to register for Corporate Tax on the Emaratax platform.

The Federal Tax Authority (FTA) launched a comprehensive awareness campaign, that to raise awareness of businesses and companies about the UAE Corporate Tax, providing ongoing support to taxpayers. This is part of FTA's efforts in collaboration with the relevant parties to ensure a seamless implementation of Federal Decree-Law on the Taxation of Corporations and Businesses which entered into effect last month and applies to financial years beginning on or after 1 June 2023.

FTA held the first awareness workshop on 'The General Principles of Taxation of Corporations and Businesses' in Abu Dhabi. The workshop which is a part of a series to be conducted until the end of the year, attracted wide interest and interaction from over 400 participants representing businesses and companies concerned with corporate tax.

The campaign comprises a series of awareness sessions and workshops across all emirates where FTA representatives give presentations of legislations and processes that support self-compliance with the Corporate Tax Law.


The FTA Director General, His Excellency Khalid Ali Al Bustani, said: "This corporate tax campaign reflects FTA's continuous commitment to reaching the relevant business sectors through all possible channels to spread tax awareness and provide information to all business segments proactively, saving them the time and effort in contacting FTA."

The FTA Director General explained that FTA's plan to execute the federal decree law, which aims to cement the UAE's position as a leading global hub for business and investment, includes the launch of corporate tax on the EmraTax digital tax services platform for public and private joint stock companies, resident in the UAE, in addition to launch of a dedicated 'Corporate Tax Virtual Workshops' awareness platform, designed to provide knowledge and support for businesses that are subject to Corporate Tax."

The FTA Director General invited all businesses and individuals subject to Corporate Tax to take part in the awareness workshops on 'The General Principles of Taxation of Corporations and Businesses', asserting that early registration allows companies and businesses enough time to meet all of their legal obligations.

FTA explained that its awareness campaign on 'The General Principles of Taxation of Corporations and Businesses' will include a series of in-person workshops all around the UAE, in addition to an integrated set of virtual workshops that will be launched in the upcoming months through its website. The workshops present content designed to raise awareness about Corporate Tax in both Arabic and English, along with a detailed explanation of the Corporate Tax system's general principles, regulatory decisions, and various tax procedures

**Disclaimer: All the information is sourced from the latest updates of the Ministry of Finance, and media updates*


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