

# Newsletter



## News Highlights

- **Cabinet Decision on Treatment of Natural Persons Undertaking a Business or Business Activities**
- **Corporate Tax: Ministerial Decision Maintaining Transfer Pricing documentation**
- **UAE announces new rules to support companies transition**

# UAE Cabinet Decision on Treatment of Natural Persons Undertaking a Business or Business Activity

The Ministry of Finance announced the issuance of UAE Cabinet Decision No. (49) of 2023 on the treatment of resident and non-resident individuals undertaking a business or business activity, for Corporate Tax Law purposes.

His Excellency Younis Haji Al Khouri, Undersecretary of the Ministry of Finance, said: “The new Cabinet Decision demonstrates the UAE’s commitment to maintaining a clear and competitive tax framework for both local and foreign individual investors. By simplifying the Corporate Tax system, the UAE continues to foster an attractive business environment that supports the growth of small businesses, startups, and the overall economy.”

The decision aims to clarify the application of the Corporate Tax regime for natural persons (‘individuals’ in this context) and ensure that only business or business-related activity income is taxed, whilst clarifying that personal income notably from employment, investments and real-estate (without licensing requirements) is not subject to Corporate tax. Individuals conducting business or business activities will be subject to Corporate Tax and registration requirements only if their combined turnover exceeds AED1 million in a calendar year.

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**UAE: Cabinet Decision on Treatment of Natural Persons Undertaking a Business or Business Activity for Corporate Tax Law purposes.**

The decision also clarifies that personal income notably from employment, investments and real-estate (without licensing requirements) is not subject to Corporate Tax.

Individuals conducting business or business activities will be subject to Corporate Tax and registration requirements only if their combined turnover exceeds AED 1 million in a calendar year.

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For example, if an individual who is a UAE Resident operates an online business and the combined annual turnover from this business exceeds AED1 million, under the new decision, the UAE Resident business income from the online business would be subject to Corporate Tax. However, if the UAE Resident also earns income from a rental property and personal investments, these sources of income would not be subject to Corporate Tax as they fall under the out-of-scope categories.

All Cabinet Decisions and Ministerial Decisions as well as explanatory guides relating to the Corporate Tax Law are available on the Ministry of Finance website:

## **FTA: Notification for Non-Registered Persons**

The Federal Tax Authority (FTA) has started issuing notifications to individuals or businesses who have reached the mandatory registration threshold of AED 375,000 and still not registered for VAT. It is important to note that individuals dealing with commercial properties in the UAE to understand the mandatory VAT registration threshold and register themselves before selling or buying commercial properties. VAT registration is a legal obligation for businesses that exceed the threshold and failure to register can result in penalties and fines.

# UAE updates tax treaty with India. The new treaty will come into effect on June 1, 2023

UAE and India Update Tax Treaty to Facilitate Information Exchange. The United Arab Emirates (UAE) and India have updated their tax treaty to include a provision for the exchange of information between the two countries. The new treaty will come into effect on June 1, 2023.

The updated treaty will allow the UAE and India to exchange information about taxpayers who are residents in one country but have income or assets in the other country. This will help to prevent tax evasion and ensure that both countries are able to collect the taxes that they are owed.

The exchange of information will be done through a variety of channels, including:

- Automatic exchange of information (AEOI): This is a process where countries automatically exchange information about taxpayers who are residents in both countries.
- Spontaneous exchange of information: This is a process where countries can request information from each other about taxpayers who are residents in the other country.
- Request-based exchange of information: This is a process where countries can request information from each other about specific taxpayers.

The updated treaty will also provide for the protection of taxpayer information. This means that the information that is exchanged between the two countries will be kept confidential and will only be used for tax purposes.

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.

# Ministerial Decision on Maintaining Transfer Pricing Documentation

The Ministry of Finance has issued the Ministerial Decision No (97) of 2023 on the Requirements for Maintaining Transfer Pricing Documentation which aims to promote transparency and fairness in the UAE's tax system.

Federal Decree Law No (47) of 2023 on the Taxation of Corporations and Businesses enforces transfer pricing rules and documentation requirements to ensure that the pricing of transactions between related parties and connected persons, such as companies that are part of the same multinational enterprise (MNE) group, are not influenced by their relationships.

His Excellency Younis Haji Al Khouri, Undersecretary of the Ministry of Finance, said: "The transfer pricing documentation requirements aim to ensure taxpayers can prove the arm's length basis for pricing their transactions with related parties and connected persons using standardized files. Additionally, to reduce the compliance burden on taxpayers, the Decision defines the threshold for preparing master files and local files and the exclusions for disclosing certain transactions."

His Excellency added that the transfer pricing documentation requirements will promote transparency and fairness in the UAE's tax system by providing clear guidance and easing

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To ensure that the pricing of transactions between related parties and connected persons, such as companies that are part of the same multinational enterprise (MNE) group, are not influenced by their relationships.

The Decision specifies instances where taxpayers must maintain transfer pricing documentation, specifically a master file and a local file.

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compliance burdens for small and medium-sized businesses to their benefit. The decision reinforces the UAE's commitment to fostering a business-friendly environment that encourages growth, supports economic diversification, and enhances the nation's competitiveness on the global stage.

The Decision specifies instances where taxpayers must maintain transfer pricing documentation, specifically a master file and a local file, including if they have revenues in a relevant tax period of at least AED200 million, or they are part of a MNE group with a total consolidated group revenue of at least AED 3.15 billion in the relevant tax period. Additionally, the Decision outlines the transactions or arrangements that will be included in the local file.

## **UAE announces new corporate tax rules to support companies' transition once law takes effect in June**

Ministry of Finance issues a decision that applies to certain assets and liabilities held by businesses before the law's implementation

The UAE's Ministry of Finance (MoF) on Friday announced a new decision specifying corporate tax rules that aim to ease companies' transition period once the law comes into effect on June 1.

In an advisory, the authority said these 'transitional rules' introduce "adjustments for the opening balance sheet" under the Corporate Tax Law. It also provides "important clarifications" that will allow for businesses' smooth transition before and after the law's implementation.

Under the new decision on Transitional Rules for Corporate Tax, firms can "adjust their tax treatment of assets and liabilities based on specific rules and must decide how to do that when they submit their first tax return". However, the ministry said the choice would be permanent except in special circumstances.



# RVG has been certified as an ACCA Approved Employer Trainee Development inc CAT Certificate

Another milestone in the journey of RVG, is being certified as an ACCA Approved Employer Trainee Development inc CAT Certificate. RVG, a leading provider of accounting and business services, has been certified as an ACCA Approved Employer. This certification recognizes RVG's commitment to providing high-quality training and development opportunities for its employees. This certification will help RVG to attract and retain the best talent in the industry, and it will also help the company to grow and succeed.

## Register Now for your Corporate Tax

Corporate tax registration is a necessary step for any company that wants to operate in the UAE. The corporate tax registration is valid for all companies, regardless of their size or industry. Experts of RVG Chartered accountants can guide you in CT assessment and the necessary procedures to do. Now RVG is providing the best price for registering for Corporate tax in UAE. Get your CT consultation with experts without getting any fines.

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



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