

UAE Corporate Tax & Importance of Accounting

Since the Launch of Corporate Tax in the UAE with effect from 1st June 2023, it has become a mandatory compliance requirement to all businesses in UAE with a valid Trade Licensee to prepare their Books of Accounts as per the Generally Accepted Accounting Principles.

Corporate Tax In UAE

Corporate Tax is a form of direct tax levied on the net income of profit of corporations and other businesses.

On 31st Jan 2022, the UAE Ministry of Finance announced the introduction of a federal corporate tax in the UAE that will be effective for financial Year starting on or after 1st June 2023

Generally, such taxed are computer on the accounting net profit/ income of a business, after making adjustment for certain items which will be specified under the UAE Corporate Law.

Corporate Tax Rate in UAE will be applicable at the following Rates:

UAE Minstry has announced that Corporate Tax shall be levied on taxable income / profit at the following rate:

Income/profit as per Financials	Tax Rate
AED 0 - AED 375,000	0%
Above AED 375,000	9%

For example, if the Company earns a taxable profit of AED 400,000 in a FY, The Corporate Tax liability will be calculated as follows:

- Taxable income of AED 0 – AED 375,000 at 0% = AED 0
- A Portion of taxable income exceeding AED 375,000 {i.e AED 400,000 – AED 375,000 = AED 25,000 at 9 % = AED 2,250
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Will any kind of business be subject to Corporate Tax in UAE?

The tax will be applicable in all businesses including the free zones except the activity for the extraction of natural resources. No Corporate Tax will apply on personal income from employment, real estate, and other investments, or on any other income earned which need not have a commercial license or permit to be under taken in UAE.