9. International tax developments

9.1. This section sets out the proposed approach by the UAE to respond to international tax developments.

9.1 Background

9.2. After announcing the 15 actions that came out of the original Base Erosion and Profits Shifting (BEPS) project in 2015 to address instances of profit shifting and tax avoidance, the OECD and the G20 Inclusive Framework (Inclusive Framework) have continued their efforts to address the remaining BEPS issues and the tax challenges arising from the digitalisation of the economy. This initiative is commonly referred to as BEPS 2.0.

9.3. BEPS 2.0 has two parts or pillars, namely, Pillar One and Pillar Two. Pillar One is focused on the reallocation of (a portion of) the consolidated profit of a multinational enterprise to jurisdictions where sales arise as well as the standardisation of the remuneration of routine marketing and distribution activities. Pillar Two, on the other hand, introduces a global minimum effective tax rate of 15%.

9.4. In October 2021, the UAE and over 130 other countries reached an agreement on BEPS 2.0.

9.5. The introduction of a CT regime in the UAE will provide a basis for the UAE to execute its support of the global minimum effective tax rate as proposed under Pillar Two, and more broadly its commitment to enhancing tax transparency and preventing harmful tax practices.

9.2 How the UAE would reflect its commitment to Pillar Two in its domestic CT regime

9.6. The UAE is working with other members of the Inclusive Framework to implement the Pillar Two proposals.

9.7. As the work is ongoing at the Inclusive Framework level, further announcements on how the Pillar Two rules will be embedded into the UAE CT regime will be made in due course.

9.3 Other international reporting obligations

9.8. One of the actions coming out of the original BEPS project requires all large multinational enterprises to prepare a country-by-country (CbC) report with data on the global allocation of income, profit, taxes paid and economic activity among tax jurisdictions in which it operates.

9.9. In the UAE, CbC reporting requirements were introduced effective from the financial year starting on or after 1 January 2019. The introduction of the UAE CT regime will not impact the existing CbC reporting requirements and relevant regulations.

10. Administration

10.1. This section sets out the proposed compliance requirements under the UAE CT regime.

10.1 Registration and deregistration

10.2. A business subject to CT will need to register with the FTA and obtain a Tax Registration Number within a prescribed period. The FTA can also automatically register a business for CT purposes if the person does not voluntarily do so.

10.3. Where a business ceases to be subject to the CT (e.g., due to cessation or liquidation of the business), it will need to apply to the FTA to be deregistered for CT purposes within three (3) months from the date of cessation.

10.4. The FTA will only deregister a person where the FTA is satisfied that the person has filed CT returns and settled all CT liabilities and penalties (if any) due for all periods up to and including the date of cessation.

10.5. Where a person does not apply for deregistration within the time limits or comply with the payment and filing obligations, the FTA may deregister the person based on available information.

10.2 Filing, payment and refund

10.6. In order to keep the administrative burden on taxpayers to a minimum, a business will only need to prepare and file one tax return and other related supporting schedules with the FTA for each tax period. There will be no requirement for a business to file a provisional CT return and make advance payments of CT.

10.7. Each tax return and related supporting schedules will need to be submitted to the FTA within nine (9) months of the end of the relevant Tax Period. For additional documentary support that may need to be provided to the FTA, please refer to section 10.5.

10.8. Payments to settle a taxpayer's CT liability for a Tax Period will need to be made within nine (9) months of the end of the relevant Tax Period. Where a taxpayer can demonstrate that a CT refund may be due, the taxpayer can apply to the FTA to request a refund.

10.9. The table below illustrates the CT filing and payment deadlines for businesses with financial year ends of 31 March, 30 June and 31 December:

Table [4]: Illustrative timetable for CT filing and payment deadlines			
Financial year end	30 June	31 December	31 March

First Tax Period	1 July 2023 - 30 June 2024	1 January 2024 - 31 December 2024	1 April 2024 - 31 March 2025
CT return must be filed, and CT payment made, within nine (9) months of the tax period			
Filing & payment due date	31 March 2025	30 September 2025	31 December 2025

10.3 Assessment

10.10. The UAE CT regime will be based on a self-assessment principle. This means that a business is responsible for ensuring that the tax return and any supporting schedules submitted to the FTA are correct, complete and comply with the UAE CT law.

10.11. To ensure the integrity of the CT regime, the FTA may review a CT return filed and may issue an assessment within the timeframe prescribed in the Tax Procedures Law.

10.12. A taxpayer may challenge an amended assessment issued by the FTA via the processes and procedures outlined in the Tax Procedures Law.

10.4 Clarifications

10.13. Clarity around how to comply with CT is essential for a well-functioning CT regime. Therefore, where there is uncertainty in relation to a proposed or entered into arrangement or transaction, a business may apply to the FTA for a clarification with regards to the correct or intended CT treatment.

10.14. Provided the facts and circumstances outlined in a clarification continue to apply, a clarification would be binding on the FTA.

10.5 Documentation requirements

10.15. A business will be required to maintain financial and other records that explain the information contained within the CT return and other documents submitted to the FTA. Certain exempted persons will also be required to maintain records to allow the FTA to ascertain the person's exempt status.

10.16. Whether the financial statements of a business are required to be audited by an accredited audit firm is and will continue to be determined by applicable company laws and regulations. However, the UAE CT regime will require a Free Zone Person to have audited financial statements if it wants to benefit from the 0% CT regime.

10.6 Transitional rules

10.17. The UAE CT regime is not intending to require businesses to restate their balance sheet upon entering into the CT regime. Instead, a taxable person's opening balance sheet for CT purposes would generally be their closing balance sheet for financial reporting purposes for the period that ends immediately before their first tax period begins.