FOREWORD

A country's tax regime is always a key factor for any business considering moving into new markets. What is the corporate tax rate? Are there any incentives for overseas businesses? Are there double tax treaties in place? How will foreign source income be taxed?

Since 1994, the PKF network of independent member firms, administered by PKF International Limited, has produced the PKF Worldwide Tax Guide (WWTG) to provide international businesses with the answers to these key tax questions.

As you will appreciate, the production of the WWTG is a huge team effort and we would like to thank all tax experts within PKF member firms who gave up their time to contribute the vital information on their country's taxes that forms the heart of this publication.

The PKF Worldwide Tax Guide 2016/17 (WWTG) is an annual publication that provides an overview of the taxation and business regulation regimes of the world's most significant trading countries. In compiling this publication, member firms of the PKF network have based their summaries on information current on 30 April 2016, while also noting imminent changes where necessary.

On a country-by-country basis, each summary such as this one, addresses the major taxes applicable to business; how taxable income is determined; sundry other related taxation and business issues; and the country's personal tax regime. The final section of each country summary sets out the Double Tax Treaty and Non-Treaty rates of tax withholding relating to the payment of dividends, interest, royalties and other related payments.

While the WWTG should not to be regarded as offering a complete explanation of the taxation issues in each country, we hope readers will use the publication as their first point of reference and then use the services of their local PKF member firm to provide specific information and advice.

Services provided by member firms include:

- Assurance & Advisory;
- Financial Planning / Wealth Management;
- Corporate Finance;
- Management Consultancy;
- IT Consultancy;
- Insolvency - Corporate and Personal;
- Taxation;
- Forensic Accounting; and,
- Hotel Consultancy.

In addition to the printed version of the WWTG, individual country taxation guides such as this are available in PDF format which can be downloaded from the PKF website at www.pkf.com
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STRUCTURE OF COUNTRY DESCRIPTIONS

A. TAXES PAYABLE

FEDERAL TAXES AND LEVIES
DIRECT TAXES

B. INDIRECT TAXES

C. TREATY AND NON-TREATY WITHHOLDING TAX RATES
MEMBER FIRM

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BASIC FACTS

Full name: United Arab Emirates
Capital: Abu Dhabi
Main language: Arabic
Population: 9.35 million (2013 estimate)
Major religion: Islam
Monetary unit: UAE Dirham (AED)
Internet domain: .ae
Int. dialling code: +971

KEY TAX POINTS

- There are no taxes levied by the Federal Government on income or wealth of companies and individuals, however most emirates have issued tax decrees of general application.
- The tax decrees issued by the emirates impose income tax at varying rates on taxable income of ‘bodies corporate, where so ever incorporated’, but the enforcement is generally limited to foreign oil exporting companies and foreign banks.
- There are no withholding taxes on outward remittances, whether of dividends, interest, royalties or fees for technical services etc. from businesses operating in the United Arab Emirates.
- UAE free zones, which permit 100% foreign ownership, grant specific tax exemptions ranging from 15 to 50 years to companies operating in the free zones.
- There are no personal taxes except municipal taxes of 5% on the annual rental of residential property.
- There is a 10% tax on hotel services and entertainment.

A. TAXES PAYABLE

FEDERAL TAXES AND LEVIES

DIRECT TAXES

There are no taxes levied by the Federal Government on income or wealth of companies and individuals. However, most emirates have issued tax decrees of general application. These impose income tax of varying rates on taxable income of 'bodies corporate, where so ever incorporated'. In practice, however, enforcement of the decrees is limited to oil exporting companies and foreign banks. Corporate income tax is imposed on foreign oil companies, i.e. companies dealing in oil or oil exploration rights.

Although the tax rate applicable to oil companies is generally 55% of operating profits, the amount of tax actually paid by the oil companies is calculated on the basis of a rate agreed mutually on the basis of specific individual concessions between the company and the respective Emirate. The tax rate may range between 55% and 85%.

The tax of foreign banks is not enforced in all the emirates. Branches of foreign banks are taxed at 20% of their taxable income in the Emirates of Abu Dhabi, Dubai, Sharjah and Fujairah. The basis of taxation does not differ significantly between the various Emirates. Dubai, Sharjah and Fujairah have issued specific tax legislation for branches of foreign banks, while Abu Dhabi does not have a specific decree. Special arrangements also exist for major government-controlled joint venture companies and some foreign banks. No tax returns are requested or required of other businesses operating in the...
United Arab Emirates (UAE). Further, there are no withholding taxes on outward remittance, whether of dividends, interest, royalties or fees for technical services, etc from the other businesses operating in the UAE.

In view of the above, detailed consideration is not given to the income tax decrees. Companies establishing major ventures in the UAE might, however, be well advised to seek formal tax exemptions from the respective ruler in order to avoid future assessments. Arrangements may also on occasion be made by foreign companies wishing to pay tax (for example, where profits from foreign branches are not subject to home state taxation if foreign taxes are paid) for tax to be paid at less than the tax decree rates. UAE free zones, which permit 100% foreign ownership, grant specific tax exemptions ranging from 15 to 50 years to companies operating in the free zones.

**B. INDIRECT TAXES**

Municipal taxes are charged in some of the Emirates. In Dubai a 10% municipal tax is charged on hotel revenues and entertainment. In all the Emirates, except Abu Dhabi, income from renting commercial premises is taxed at a rate of 10%, and from renting residential premises at a rate of 5%. Abu Dhabi does not levy a municipality tax on rented premises but landlords are required to pay certain annual licence fees. Customs (import) duties are levied generally at a rate of 5% but there are many items which are duty exempt, such as medicines, most food products, capital goods and raw material for industries etc. Imports by free zone companies are also exempted unless products move outside the zone. If the products are moved outside the zone, Customs Duty is levied at 5%.

After the introduction of the new uniform customs tariff on 1 January 2003, all non-Gulf Co-operation Council (GCC) products, except for those exempted, are subject to 5% Customs Duty, while the product of GCC countries shall enter into each other’s markets free of customs duties. Products are considered as originating in a GCC country if the value added to such product in the said country is more than 40% of the value of the product in question and if the factory that manufactured the product is at least 51% owned by GCC nationals.

In the event of re-export to non-GCC countries, a customs deposit has to be made and this will be refunded when proof of re-export is given to the authorities. In the event of re-export to GCC countries, Customs Duty at 5% will be levied at the first point of entry. The provisions of the GCC Customs Union have applied since 1 January 2003. There are no consumption taxes or VAT in the UAE, but individual Emirates may charge levies on certain products such as liquor and cigarettes and on certain services such as those provided in the hospitality industry.

UAE’s Ministry of Finance (MoF) has confirmed that VAT would be introduced across the UAE and the GCC in 2018. It is expected that there would be VAT rate of between 3 and 5 per cent for the various sectors, with the exception of healthcare, education and a number of food items on which there would be no VAT. However, on a more practical note the UAE would need at least two years for the adoption of the law, before fully implementing VAT in 2018.

**C. TREATY AND NON-TREATY WITHHOLDING TAX RATES**

The UAE has entered into avoidance of double taxation treaties with more than 80 countries. UAE has also signed agreements for the Protection and promotion of Investments with more than 40 countries. Tax treaties signed by UAE may have little relevance from the UAE tax perspective as a UAE tax liability is predetermined. The taxes paid in UAE can be claimed as credit in the home country of the foreign company depending on the double taxation avoidance agreements (DTAA) and the domestic laws of that country.

DTAAs for the United Arab Emirates are in force / under negotiation with the following countries:

- Albania
- Algeria
- Armenia
- Austria
- Azerbaijan
- Fiji
- Finland
- France
- Georgia
- Germany
- Malta
- Mauritius
- Mexico
- Mongolia
- Montenegro
- Singapore
- Slovakia
- Slovenia
- South Africa
- Spain
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