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Global Tax Insights

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Building Better
Business Globally

Editorial

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The year 2023 will also be a landmark year in the history of the United Arab Emirates as Corporate Tax (the CT Law) begins its innings in the UAE from June 2023

In February 2023, the OECD released a document on technical guidance for implementation of the global minimum tax to ensure coordinated outcomes and greater certainty for businesses as they plan for implementation of the global minimum corporate tax rules from beginning of 2024. The document issued includes guidance on recognition of the United States minimum tax under the GloBE Rules and also responds to stakeholder feedback on issues such as collection of top-up tax where a jurisdiction has no GloBE income. Under Pillar One, technical work is in progress with the aim to finalise a new multilateral convention by mid-2023 for entry into force in 2024.

The year 2023 will also be a landmark year in the history of the United Arab Emirates as Corporate Tax (the CT Law) begins its innings in the UAE from June 2023. Seen as a tax haven by the international tax authorities, by introducing its Corporate Tax UAE aims to cement its position as a leading global hub for business and investment and reaffirm its commitment to meeting international standards for tax transparency and preventing harmful tax practices. MNEs operating in the UAE will now have to factor in the implications of the CT Law and stringent transfer pricing regulations. The CT law provides for a very interesting 'tax group concept' that is explained in detail in an article in this newsletter.

As I sign off, I would urge each reader to create an 'inner environment of peace'. Once we create that environment in us, it will radiate that peace and have a calming effect on all those who come in contact with us. The positive vibes that you get from a peaceful person can act like a balm which in turn can alleviate pain and suffering. The world needs people to be calm and at peace but, to change the world, you need to change yourself first. Therefore, remember: if you choose to be kind, nobody can make you angry; just as you choose to be happy, nobody can make you unhappy and as you choose to be forgiving nobody can make you revengeful.

Happy reading!

Sachin Vasudeva

Internationally active companies, beware! Tax authorities are given more time to check and correct the tax return

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Belgian tax law sets time limits within which the tax authorities can establish an assessment. Until last year, this examination and assessment period was typically set at three years, unless fraud was suspected, in which case a seven-year period applied. A 10-year examination and assessment period was also possible, but only in rather exceptional circumstances.

With the law of 20 November 2022 containing various tax and financial provisions, the legislator has extended the examination and assessment periods. These new periods apply to corporate income tax, VAT, withholding and property tax and will take effect from assessment year 2023.

The aim of this extension is to give tax authorities more time to examine tax returns. The focus will be on tax returns with an international component, because such declarations have been labelled by the tax legislator as *"very time-consuming in periods of examination"*, since it wishes to *"not interrupt the dialogue with the taxpayer with a view to reaching an agreement"*. Moreover, according to the OECD, an extension of the periods was necessary to bring Belgium closer into line with neighbouring countries.

Below, we summarise the main changes that will apply as of assessment year 2023.

Main changes

New examination and assessment periods

The basic period is maintained at three years. This is the case for tax returns filed on time to which the tax authorities want to make a change (read: a higher tax due).

If an entity fails to file its tax return or files it late, a new examination and assessment period of four years will apply.

Specifically for tax returns with an international component, taxpayers must now allow for a six-year examination and assessment period. The tax legislator refers to *"semi-complex"* tax returns in this context. It includes in this category, among others, tax returns of entities subject to transfer pricing documentation obligations and tax returns that (have to) report payments to tax havens.

Finally, an extended examination and assessment period of 10 years is being introduced. This constitutes the new standard period in cases where fraud is suspected. The tax authorities are no longer required to disclose what has indicated tax evasion to them: it is sufficient for them to communicate their intention to apply the extended period to the assessment year(s) for which a fraud investigation is being launched. In addition, the 10-year period also applies to "complex" tax returns, which the legislator envisages will arise in some more exceptional situations (for example, where there is a legal structure abroad).

If the tax authorities observe other important developments outside the normal period but within the new extended periods, for example a general tax abuse or misuse of a double tax treaty, they are allowed to investigate further and possibly issue an assessment based on this. However, the tax authorities are not allowed to use this additional time to investigate simpler aspects of the tax return. Regarding the latter, the new tax law talks about rectifications of several types of dismissed expense, such as non-deductible car expenses, business gifts, restaurant expenses, social benefits and so on. Investigation of these 'simpler' aspects will always have to be completed within the standard three-year period (four years for late or non-declarations), therefore.

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Period for retaining books and records

The extension of the examination and assessment periods also results in an extension of the period for which books and records must be retained. Taxpayers must now keep books and records for 10 years, rather than the previous seven years.

Objection period

Some good news is that the period within which an objection against an assessment can be filed has also been extended, from six months to one year.

Penalties

If a taxpayer does not cooperate an investigation by the tax authorities, an administrative fine of up to €1,250 could be imposed. Under the new tax law, the tax authorities may ask the court to impose a periodic penalty.

The tax authorities are gaining (too much) power

In essence, Belgian tax law is increasingly easing the rules and the legal framework for tax authorities, and granting them additional time and resources for tax audits. At the same time, Belgian taxpayers are facing ever more difficult and poorly drafted legislation and guidelines, longer lead times for tax procedures and shorter periods to file tax returns (at least for tax advisors).

A word of criticism on this not-so-positive evolution thus seems appropriate.

In our opinion, complexity is insufficient justification for extending the investigation period. In particular, the legislator makes no distinction between taxpayers that do and do not fulfil their obligations (correctly). The tax authorities can subject someone who complies with all their obligations to the same periods as someone who does not, just where international considerations arise.

Moreover, the 'need' to extend the assessment period results from something outside the taxpayer's control. It is, after all, the legislature that makes returns 'complex' by drafting legislation that is more and more complicated.

In addition, the 10-year period now applies to both 'complex' returns and cases of tax fraud. In other words, taxpayers who carry out innocent transactions that fall under the definition of a 'complex' return are placed on the same footing as suspected fraudsters.

Extending the assessment periods also increases legal uncertainty for taxpayers, who will have to wait twice as long (six years) or more than three times as long (10 years) to be sure that their tax affairs are concluded.

Furthermore, the examination and assessment periods are being extended for the tax authorities, but constantly reduced for advisors. By tightening the tax return deadlines the legislator is increasing the risk of errors due to heavier workload.

The only slightly 'positive' element might be the periodic penalty that can be imposed on an uncooperative taxpayer. If a case is brought, an independent court will be able to judge whether the taxpayer is indeed reluctant or whether the tax authority is overstepping its bounds.

Conclusion

The new tax law imposes fewer rules on tax authorities and gives them more time and resources for a tax audit. If a Belgian entity operates internationally, a six-year examination and assessment period will often become the new standard. Consequently, it is very important to ensure that the entity has a well-substantiated transfer pricing policy in place, as the likelihood of time-consuming (transfer pricing) audits will only increase.

> *The 'need' to extend the assessment period results from something outside the taxpayer's control: poorly drafted, more and more complicated legislation*

The impacts of the French electronic invoices reform

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In recent years, several countries around the world have launched approaches to fight VAT fraud. In France, the gap between the amounts of VAT that should have been collected and those actually collected amounts to several billion euros each year. To address this economic and fiscal problem, France has decided to mandate the dematerialisation of invoices through its 2020 Finance Law. Thus, from July 2024 (when the law comes into application), electronic invoicing will be mandatory for B2B transactions. This is a real turning point both for the tax authorities, and for all companies doing business in France, which must comply with this transition to digitalising these processes.

> *In France, the gap between the amounts of VAT that should have been collected and those actually collected amounts to several billion euros each year*

Electronic invoicing reform: which companies will be affected?

Under the 2020 Finance Law, the obligation to receive and issue electronic invoices is being rolled out in stages. As of 2024, all French companies will be obliged to accept electronic invoices. Over time all invoices in B2B transactions and between entities subject to VAT will have to be issued in electronic form. The implementation schedule is as follows:

- July 2024: large companies
- July 2025: medium-sized companies
- July 2026: SME.

Companies will have to issue and accept electronic invoices for all B2B transactions. New information will also be required on these invoices: the seller's SIREN (French identification number), the buyer's SIREN, the option to pay VAT on debits and the nature of the transaction.

What are the impacts of the obligation to digitise accounting invoices?

This legislation will impact on all French companies, but also on foreign companies located in France or trading with France. To submit and receive electronic invoices, companies will have to use platforms: direct transactions between customers and suppliers will no longer be possible. These platforms, even if private and registered as "partner platforms", must always be attached to a public platform to issue invoices in a dematerialised form and transmit e-reporting data to the tax authorities. This reform will therefore have a significant impact on commercial relations between national and international companies.

Preparing for digitisation of invoices

Companies should already start checking all their data to ensure that customers are properly identified and that all data is correctly filled in.

It is also essential to take these changes into account before the law comes into force. Anticipating these changes will allow companies to choose the dematerialisation platform they use, which will depend on the size of the company and the number of invoices issued.

Transfer pricing in the GCC region

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Introduction

In recent years the members of the Gulf Cooperation Council (GCC or "the Council") have seen transfer pricing (TP) regulations rapidly expand their footprint in GCC jurisdictions. Council members such as the Kingdom of Saudi Arabia (KSA), Qatar and the United Arab Emirates (UAE) have introduced TP regulations, with other members of the Council likely to follow suit. The laws introduced by these three countries do not deviate materially from the OECD *TP Guidelines*.[1]

With the advent of TP regulations in the GCC region, close scrutiny of related party transactions and TP audits will gain prominence.

Transfer pricing compliance and recent amendments in regulations

Transfer pricing compliance in the GCC tax jurisdictions involves the following:

Member state	TP disclosure form	Local file	Master file	Country-by-country reporting (CBC)
Qatar				
KSA				
Kuwait				
Bahrain				
Oman				
UAE				

A summary of the TP regulations and recent amendments in Qatar, KSA and the UAE is provided below.

Qatar

Applicability

The TP regulations apply to entities residing in the state and associated with other entities, or to non-resident entities having permanent establishments in the state.

Thresholds

The thresholds for various types of compliance are tabulated below:

Requirement	Threshold	Reporting
Transfer pricing declaration	An entity must submit a Transfer Pricing Declaration if its annual revenue, or the value of its permanent establishment, or the total assets reported for the entity or permanent establishment is QAR 10 million or more in the reporting year.	Inter-company transactions that exceed QAR 200,000 by category must be reported in the Transfer Pricing Declaration.

REFERENCES
1. *Transfer Pricing Guidelines for Multinational Enterprises and Tax Administrations* (Paris: Organisation for Economic Co-operation and Development, 2022)

Requirement	Threshold	Reporting
Master file and local file	An entity must submit both a master file and a local file if its annual revenues or the total assets that appear in its balance sheet are QAR 50 million or more, and one group entity is resident outside Qatar.	Inter-company transactions that exceed QAR 200,000 by category must be reported in the local file.
Country-by-country reporting	A CBC Report must be filed by the ultimate parent entity resident in Qatar if the consolidated revenue of the group is more than QAR 3 billion in the preceding financial year.	No special requirements.

Penalties

Requirement	Penalty
Transfer pricing declaration	QAR 500 per day for each day of delay in filing income tax return, with a maximum penalty of QAR 180,000.
Master file and local file	QAR 500 for each day of delay in submitting master file and local file, with a maximum penalty of QAR 180,000.
Country-by-country reporting	QAR 500,000 for non-submission of CBC Report.

Recent amendments

The Income-tax Law added a new definition of the arm's length principle that further aligns with the OECD definition.

A new range of transactions with foreign associated enterprises will be covered under Article 33 of the Income-tax Law.

Kingdom of Saudi Arabia

Thresholds

The thresholds for various types of compliance are tabulated below:

Type of compliance	Threshold
Transfer pricing disclosure form	All entities required to file income tax returns in KSA must submit, with their annual income tax declaration, a disclosure form containing information related to their controlled transactions.
Master file and local file	A master file and a local file must be prepared and maintained if the arm's length value of controlled transactions in a 12-month period exceeds SAR 6 million.
Country-by-country reporting	A CBC report should be submitted if the consolidated group revenue of an MNE group during the year immediately preceding the current reporting year, as reflected in its consolidated financial statement, exceeds SAR 3.2 billion (approx. €750 million).

Penalties

No specific penalties have been indicated for non-compliance with the TP requirements. However, all penalties and fines under the Saudi Arabia Income tax law apply to all income tax matters, including TP matters.

Recent amendments

A recently released public consultation document proposes to apply TP requirements to Zakat payers having related party transactions.

United Arab Emirates

The Transfer Pricing Regulations of the UAE are set out in the following Articles of the Corporate Tax Law:

- Article 34 – the arm's length principle
- Article 35 – related parties and control
- Article 36 – payments to connected persons
- Article 55 – transfer pricing documentation

Transfer pricing documentation

UAE's Federal Tax Authority (FTA) will notify the threshold(s) at which Transfer Pricing Disclosure Form, local file and master file will be required. It is anticipated that certain small businesses will be exempted from these requirements.

MNE groups headquartered in the UAE with consolidated group revenue exceeding AED 3.15 billion in the previous financial year must submit a CBC Report.

Penalties

The FTA will notify the penalties for failure to maintain transfer pricing documentation (as listed above).

The following penalties can be imposed in relation to CBC Reports:

- AED 100,000 for failure to retain supporting documentation and information
- AED 100,000 for failure to provide the FTA with information it requests
- initial penalty of AED 1 million, plus AED 10,000 per day, to a maximum of AED 250,000, for failure to notify that a CBC Report is due or failure to file CBC Report
- AED 50,000–AED 500,000 for failure to report complete and accurate information.

Except for the two-stage penalty listed under the third bullet point above, total penalties will not exceed AED 1 million.

Looking ahead

Going forward, we can anticipate introduction of advance pricing arrangements (APA) and mutual agreement procedures (MAP) programmes by tax authorities in the GCC region and it is likely that scrutiny and/or audit of TP will increase.

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Reforms to the UK R&D tax credits scheme

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The UK government is bringing in the biggest changes to research & development (R&D) tax credits in over 20 years.

Some of the changes were announced in the 2021 Autumn Budget, while others were more recently announced in the 2022 Autumn Statement.

Changes to the rates of relief were announced for all R&D claims made for expenditure after 5 April 2023, see table below.

These changes have been introduced to help align the two schemes and encourage more claimants to correctly claim in the RDEC scheme. HMRC have revised their interpretation of the RDEC scheme to reflect R&D that is inherent within contracted activity rather than separate from the contract. As such, the R&D has been subcontracted and included in any agreed payments within the contract, thus subsidised and should be claimed in the RDEC scheme, not the SME scheme.

Support from the UK government for R&D tax reliefs

Government support for R&D through tax reliefs continues to increase, from £6.7 billion in 2020/21 to over £9 billion in 2027/28, but will be delivered in a way that guarantees better value for the UK taxpayer. The R&D reliefs will support an estimated £60 billion of business R&D expenditure in 2027/28, nearly 60% up from £38 billion in 2020/21.

The UK government recognises the important role that R&D plays in driving innovation and economic growth as well as the benefits it can bring for society. However, the actual and proposed reforms aim to severely restrict the ability of many companies to access tax relief on loss-making innovative work, taken on to remain competitive.

So what are the drivers for these changes, according to HMRC?

The government maintains that the focus of the changes is to ensure:

1. "the UK remains a competitive location for cutting edge research"
2. "the reliefs continue to be fit for purpose", and
3. "taxpayer money is spent as effectively as possible".

To achieve this, HMRC are taking action to drive out fraudulent claims made by individuals and less scrupulous R&D boutique companies set up to exploit the R&D tax credits scheme.

Claimant	Pre-April 2023 expenditure	Post-April 2023 expenditure
SME – loss-making	Enhanced deduction: 130% R&D credit: 14.5% Benefit: 33.35%	Enhanced deduction: 86% R&D credit: 10% Benefit: 18.6%
SME – profit-making	Enhanced deduction: 130% Corporation tax rate: 19% Benefit: (up to) 24.7%	Enhanced deduction: 86% Corporation tax rate: 25% Benefit: (up to) 21.5%
Research and development expenditure credit (RDEC) – SME/large company	RDEC credit rate: 13% Corporation tax rate: 19% Benefit (after tax): 10.53%	RDEC credit rate: 20% Corporation tax rate: 25% Benefit (after tax): 15%

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> HMRC published an additional review document in January 2023, entitled R&D Tax Reliefs Review, Consultation on a single scheme. The focus of this consultation is to take a step towards a simplified, single relief based on the RDEC scheme

In HMRC's annual report and accounts (2021/22), the estimated level of error and fraud within corporation tax R&D reliefs was £469 million or 4.9% of related expenditure in 2021/22. This was made up of £430 million (7.3%) in the SME scheme and £39 million (1.1%) in the RDEC scheme.

However, besides the huge amounts of error and fraud that HMRC have estimated, it is also my belief that a key driver is the UK leaving the European Union. At present, we have two R&D tax relief schemes in the UK – the SME scheme and the RDEC scheme. The SME scheme was historically funded by the EU when the UK was a member and, since leaving the EU, it has become the responsibility of the UK Treasury. So, while there are many very good reasons for 'reviewing' the various schemes, my opinion is, the real driver is to save money.

The actual changes and proposed changes are summarised below.

Changes coming into effect from 1 April 2023

- Pre-notification of an intention to make a claim
- Digital claim submission – providing HMRC with more detailed information about the nature of a claim
- Naming any tax advisor involved in preparing claims
- Claims should be endorsed by a senior officer of the company.

These changes will tighten up the claim submission process and help prevent fraud. Even now, some clients never see the details of R&D claims made on their behalf and, as such, may inadvertently be committing fraud through unscrupulous agents.

Historically, this has been common practice and HMRC have been seeking to eradicate or at least severely limit the amounts claimed fraudulently in this way.

Further to these changes, HMRC published an additional review document in January 2023, entitled *R&D Tax Reliefs Review, Consultation on a single scheme*. The focus of this consultation is to take a step towards a simplified, single relief based on the RDEC scheme.

Some of the key points put forward for consideration are:

- How could a single scheme be designed and implemented to consolidate the two existing schemes?
- Since any merged scheme must include a Pay As You Earn (PAYE)/National Insurance Contributions (NICs) cap, how do current caps operate, and could simplifications be made within a new scheme to limit the payable credit based on the company's PAYE and NIC liability?
- Is there a case for additional, targeted support, for example for different types of R&D, or for more R&D-intensive companies, within a merged scheme?
- Should there be a minimum R&D threshold as smaller value claims have increased significantly since the original threshold (£10,000) was removed in 2012?

House of Lords Report, February 2023

Most recently, a report from a House of Lords committee highlighted some key points; these are critical of HMRC but also just common sense...

- The proposal to refocus R&D relief on R&D activity in the UK may undermine the UK's competitiveness by causing some UK-based R&D to relocate elsewhere – the committee calls for transitional relief for expenditure on specialised resources not currently available in the UK, especially for R&D being carried out under contracts already entered into

- HMRC and BEIS should improve both guidance and communications, to increase understanding of the scheme – the report criticised the failure to update the BEIS guidelines, stating: "It is not appropriate that a document intended to explain innovation has not been revised since 2010"
- HMRC's "process now, check later" approach must be clear and certain – taxpayers should be warned that relief may subsequently be recovered if later checks find it not to be due
- Has the HMRC sufficient quantity and quality of resources for R&D compliance today, since new legislation may burden this further? HMRC staff dealing with R&D apparently lack expertise, which may be contrary to its charter, and the committee recommends training in several areas alongside obtaining technical expertise from BEIS
- HMRC must be far more transparent and informative about the scheme, to educate taxpayers as to what does/does not qualify and why – the committee are concerned about the complexity of the process, despite HMRC's claims that it's straightforward, and the high number of agents involved in R&D certainly confirms their opinion.

The Lords are in favour of the R&D relief but are surprised that the proposed changes for the reduction of fraud and error focus mainly on fraud alone.

Note: This committee's findings, like those of every other House of Lords committee, take the form of recommendations – it has no power to force change. Although the government of the day may choose to enact as many or as few recommendations as it deems fit, it normally responds to committee reports within two months.

All of the reforms aim to reduce the R&D schemes' openness to fraudulent claims, which is good for the schemes and for those who are claiming correctly.

However, I fear the move to a more strategy-centred R&D scheme will strangle day-to-day innovation, where the baseline technology or science is not yet sufficient to overcome the problems that arise when competent professionals take on challenging work.

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UAE Corporate Tax – advent of a new era

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The United Arab Emirates (UAE) has been always considered a strategic investment destination for businesses, because of its tax-free regime. However, UAE is now moving to better align itself with international tax regimes. With the introduction of Excise Tax in 2017 and Value Added Tax in 2018, UAE has been progressing towards introducing a taxation regime in its jurisdiction. The UAE Ministry of Finance (MoF) released Federal Decree – Law No. 47 of 2022 on 9 December 2022, enacting a Corporate Tax (CT) regime in the Emirates. The MoF has also released a set of Frequently Asked Questions (FAQs) to supplement the law, which provide guidance on it.

Introduction of the CT regime carries the objectives to accelerate development, commit to meet international standards for tax transparency, implement Pillar 2 of the Organisation of Economic Co-operation and Development (OECD) Base Erosion and Profit Shifting (BEPS) project and prevent harmful tax practices. The UAE CT Law is based on internationally accepted principles to ensure efficiency, transparency and predictability. It is thorough, yet precisely drafted: it contains only 70 articles.

Under the law Corporate Tax is applicable to juridical and certain natural persons at a rate of 9% on taxable income exceeding AED 375,000. It provides certain beneficial provisions for group companies. In this article we attempt to provide an overview of two beneficial provisions under the CT Law, termed 'Tax Group' and 'Transfer of Tax Loss'.

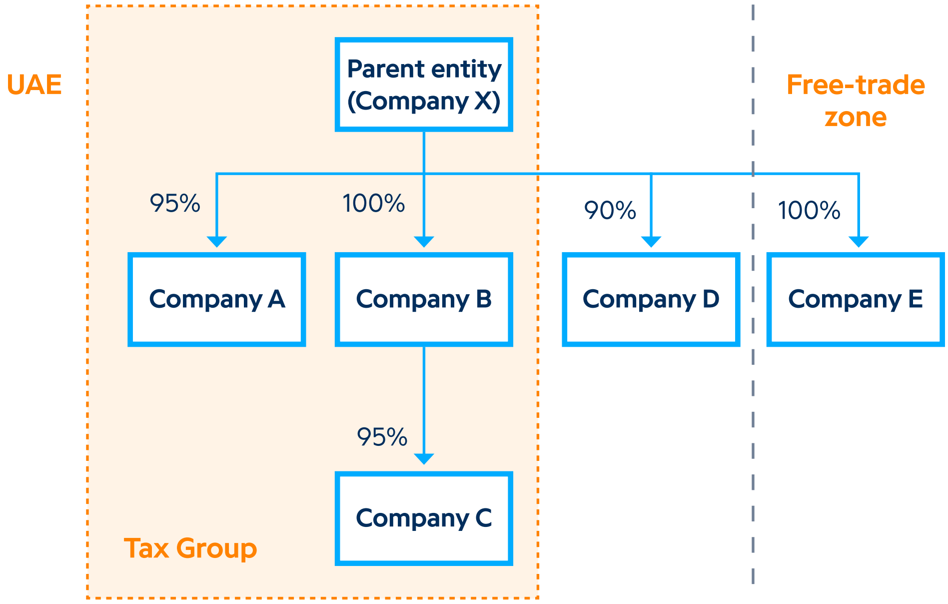
Tax Group

This concept means two or more taxable persons are treated as a single taxable person. Under the arrangement, the entire group will be treated as a single entity for tax purposes, represented by the parent entity. The CT law provides that the parent and other entities can apply to the tax authorities to form a Tax Group.

Article 40 of the CT law lays down specific conditions for forming a Tax Group:

- All entities in the Tax Group must be juridical persons having resident status
- The parent entity must own at least 95% share capital, voting rights and entitlement to profit & net assets of the subsidiaries either directly or indirectly
- No entity in the group may be an exempt entity under the CT law or a qualifying free-zone entity
- All entities must follow the same financial year and prepare their financial statements using the same accounting standards

Example. Parent company X holds 95% of the shares in company A, and 100% of the shares in company B, which in turn holds 95% of the shares in company C, 90% of the shares in company D and 100% of the shares in company E, which is in a free-trade zone. All these companies are in UAE. Company X, and companies A, B and C may apply to be treated as a Tax Group, but may not include companies D and E in their application.



Forming a Tax Group has the following benefits for the parent and all subsidiaries that are part of the group:

- The Tax Group is treated as a single entity, which entails consolidation of the financial statements of all entities in the group, single tax registration, centralised payment of taxes and filing of a single tax return for the group, all of which must be undertaken by the parent; the subsidiaries are not required to prepare separate financial statements or file separate returns of income
- The Tax Group may set off losses within the group against the income of the group, subject to certain conditions
- When consolidating financial statements, inter-group transactions are eliminated and therefore transfer pricing provisions do not apply to the Tax Group.

Apart from administrative convenience, the Tax Group concept has significant tax benefits. Moreover, the CT law contains flexible provisions for joining and leaving the group. It is therefore imperative for group companies based in UAE to evaluate their current business structures and consider whether they are eligible to form a Tax Group, and the advantages of doing so.

Transfer of Tax Loss

Where group companies are not eligible to be taxed as a group, or do not opt for Tax Group treatment, the CT law allows tax losses incurred by one group entity to be set off against the profits of another group entity, where prescribed conditions are met.

Under Article 38 of the CT law the conditions prescribed for setting off losses of one taxable entity against the income of another taxable entity within the group are:

- Both entities must be juridical persons having resident status
- Either entity must own, directly or indirectly, at least 75% of the other entity, or a third person must directly or indirectly own 75% of each entity

- This common ownership must exist from the beginning of the tax period in which loss is incurred till the end of the tax period in which that loss is set off
- None of the entities involved must be an exempt entity or a qualifying free-zone entity
- Both entities must follow the same financial year and prepare their financial statements using the same accounting standards.

Where these conditions are met the tax losses of one entity can be set off against up to 75% of the taxable income of the other entity. Losses not set off can be carried forward indefinitely. Losses incurred before the CT law comes into force may not be set off.

Set-off of tax losses – illustration

Entity A has tax losses of AED 80 million. Entity A owns 80% of Entity B. Entity B has taxable income of AED 95 million. Entity A can transfer AED –71.25 million (75% of AED 95 million) to Entity B to set off against Entity B's taxable income.

Entity B would thus be liable to pay tax on AED 23.75 million (AED 95 million – AED 71.25 million). The remainder of the losses made by Entity A (AED 80 million – AED 71.25 million = AED 8.75 million) may be carried forward indefinitely until set off.

Conclusion

It is pertinent to note that a qualifying free-zone entity has an option to elect to pay CT and renounce its exemption from tax. Businesses in UAE need to assess whether their free-zone entities should make such an election, if inclusion in a Tax Group or set-off facilities would be beneficial. This could have critical implications for the overall structure of the business and the overall tax cost for the group.

Overall, UAE businesses should immediately start to evaluate these provisions and prepare themselves to take advantage of these potential benefits under the CT Law, once it comes into effect. As the adage goes, 'a stitch in time saves nine'.

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The Next Step

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