



UAE TAX FRAMEWORK: A PRACTICAL GUIDE

LONDON | DUBAI

TAX | ACCOUNTING | ADVISORY



A photograph of the Burj Khalifa in Dubai at night, illuminated with lights, set against a clear blue sky. The building is the central focus of the image, with other city lights visible at the base.

ABOUT US

WellTax is a boutique accountancy, advisory, and tax firm with a strong presence in both the UK and the UAE markets. Our integrated team of dedicated professionals brings together a wealth of expertise and experience.

Our firm has cultivated a strong, sustainable, and dynamic environment, where our team is deeply committed to supporting our clients. We take the time to truly understand their unique needs and challenges. By doing so, we are able to provide tailored solutions that empower our clients to make informed decisions about their future with unwavering confidence.

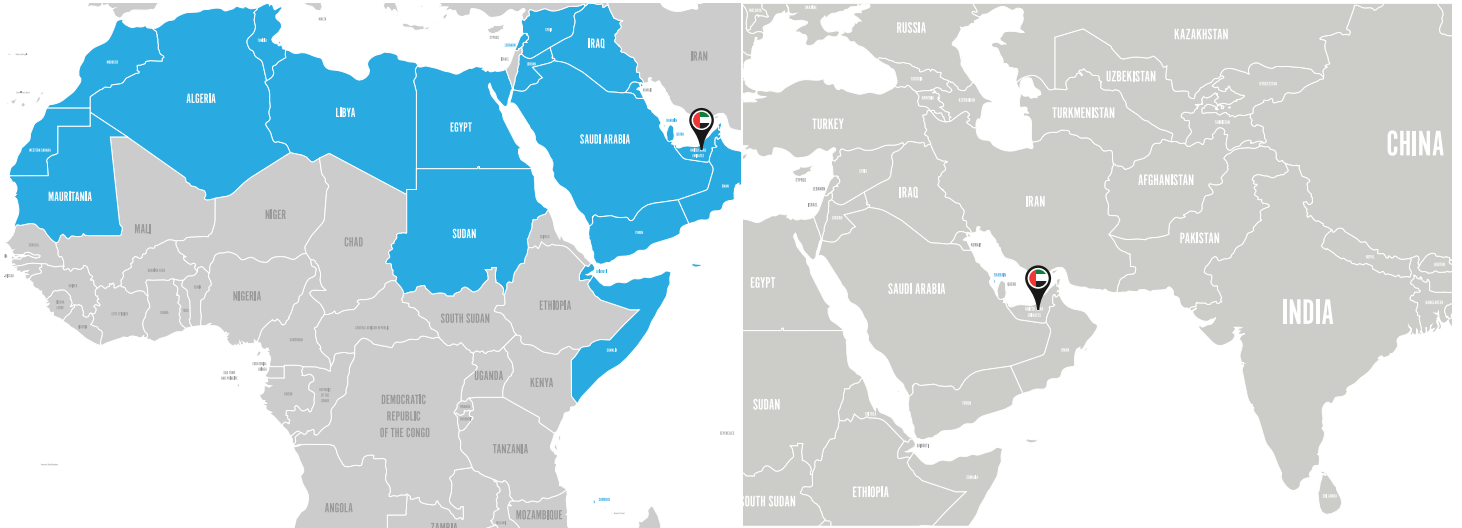
Whether you're a forward-thinking start-up, a growing SME ready to take the next leap, or a large corporation seeking to optimise complex structures, we recognize the value of your time. At WellTax, we are dedicated to maximizing the efficiency of your operations, freeing you to focus on what you excel at. No matter where you are in your business journey, we are here to support you by streamlining processes and empowering you to thrive.

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UAE – KEY ASPECTS



Real GDP 2025: approx. 505 billion EUR (+4.9%)



Non-oil sector = 77% of GDP (+4%)

Real estate prices in Dubai have increased by ~20%
(~16% adjusted for inflation)



Direct access to 2/3 of the world's population in less than 8 hours

Abu Dhabi was recognized as the safest city in the world, with Dubai ranking 6th



Net influx of millionaires in 2025: 9,800 approx.

ADVANTAGES FOR INVESTORS



0% Personal Income Tax
9% Corporate Tax



100% Foreign Ownership
Allowed in Most Sectors



Ranked 1st in the region for
logistics and transportation



Ranked 16th in the Ease of
Doing Business index
(World Bank)



CORPORATE TAX

**MANDATORY
REGISTRATION**

WITHIN 3 MONTHS
OF COMPANY
INCORPORATION

**RETURN FILING
DEADLINE**

WITHIN 9
MONTHS OF
FISCAL YEAR

TAXABLE PERSONS	0%	9%
Natural Persons and Juridical Persons	On Taxable Income up to and including AED 375,000 (from all Business Activities of a Taxable Person)	On Taxable Income exceeding AED 375,000 (from all Business Activities of a Taxable Person)
Qualifying Free Zone Persons	On Qualifying Income	On Non-Qualifying Income
Non-Residents with a PE or Nexus in the UAE	On Taxable Income up to and including AED 375,000	On Taxable Income exceeding AED 375,000
Non-Residents - Deriving UAE Sourced Income	Withholding Tax of 0% on UAE sourced income not attributable to a PE in the UAE	NA

QUALIFYING FREE ZONE PERSON (QFZP)

A UAE Free Zone juridical person which meets specific eligibility criteria to benefit from **0% Corporate Tax on Qualifying Income**

CONSIDERATIONS

Holds adequate substance in a Freezone	Derives Qualifying Income
Meets the De Minimis requirement	Presents audited financial statements
Complies with Transfer Pricing rules and documentation	Not eligible to benefit from other reliefs (e.g. Small Business Relief or Tax Grouping Relief)

QUALIFYING INCOME

CATEGORIES

- Income from transactions with other FZPs, excluding exempt activities
- Income derived from transactions with any Persons but only in respect of Qualifying Activities that are not Excluded Activities
- Other Non Qualifying income where the de minimis requirement is met

QUALIFYING & EXCLUDED ACTIVITIES

QUALIFYING ACTIVITIES

- Manufacturing and processing of goods or materials
- Holding of shares and securities
- Ownership, management and operation of ships
- Reinsurance, fund management and wealth and investment management
- Headquarter, treasury and financing services to Related Parties
- Financing and leasing of Aircraft
- Distribution of goods or materials in or from a Designated Zone to a customer that resells, processes or alters such goods or materials or parts thereof for the purposes of sale or resale
- Logistics services
- Ancillary activities to the above activities

EXCLUDED ACTIVITIES

- Any transactions with natural persons except transactions in relation to certain Qualifying Activities
- Banking activities, insurance and leasing activities
- Ownership or exploitation of immovable property other than commercial property located in Free Zone
- Ownership or exploitation of intellectual property
- Ancillary activities to the above activities

DE MINIMIS THRESHOLD

A QFZP remains eligible for the 0% Corporate Tax rate if its **Non-Qualifying Income** does not exceed either:

5% OF TOTAL REVENUE

or

AED 5,000,000

NON-QUALIFYING INCOME

→ Excluded Activities

→ Activities that are not Qualifying Activities where the other party to the transaction is a Non-Free Zone Person

→ Transactions with a Free Zone Person where such Free Zone Person is not the beneficial Recipient of the relevant services or Goods



NATURAL PERSON RELIEF

- Natural persons who do not engage in business activity in the UAE
- Natural persons who engage in business activity in the UAE generating a turnover not exceeding AED 1 million within the calendar year

ACTIVITIES NOT CONSIDERED AS A BUSINESS OR BUSINESS ACTIVITY

WAGES	PERSONAL INVESTMENT INCOME	REAL ESTATE INVESTMENT INCOME
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WHEN CONDITIONS ARE MET, CORPORATE TAX REGISTRATION IS NOT REQUIRED, AND **NO CORPORATE TAX WILL BE PAYABLE**

SMALL BUSINESS RELIEF

CONSIDERATIONS

Resident Person (Natural or Juridical)	Election reviewed at each Tax Period
Revenue equal or less than AED 3,000,000 in current and all previous Tax Periods	No transfer pricing documents required, but must follow arm's length principle
Treated as not having any Taxable Income in the tax period	Valid until 2026 included

NOT ELIGIBLE

QUALIFYING FREE ZONE PERSON	MULTINATIONAL GROUP MEMBER WITH REVENUE OVER AED 3.15 BILLION
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PARTICIPATION EXEMPTION

Allows certain types of income (e.g. dividends, capital gains) to be **excluded from Corporate Tax** if a taxable person maintains a significant long-term ownership interest in a company.

CONDITIONS TO QUALIFY

Hold at least 5% of shares or invest a minimum of AED 4 million

Shares must be held for at least 12 months or with the intention to do so

Ownership must entitle at least 5% of profits, unless investment exceeds AED 4 million

The company must be in a jurisdiction with a corporate tax rate of at least 9%

For Holding Companies which are Related Parties, 50% of total assets should be investments rather than operational costs

Both Resident and Non-Resident taxable persons can benefit from the Participation Exemption if all conditions are met

Not Covered:

- Management fees
- Interest or royalty income from UAE or foreign subsidiaries

Automatic Application:

- If all conditions are met, the Participation Exemption applies automatically, providing tax relief on qualifying income

VAT

Overview

- The standard VAT rate is 5%, applying to most goods and services, while some qualify for 0% VAT or exemptions (subject to specific conditions)

Registration Criteria

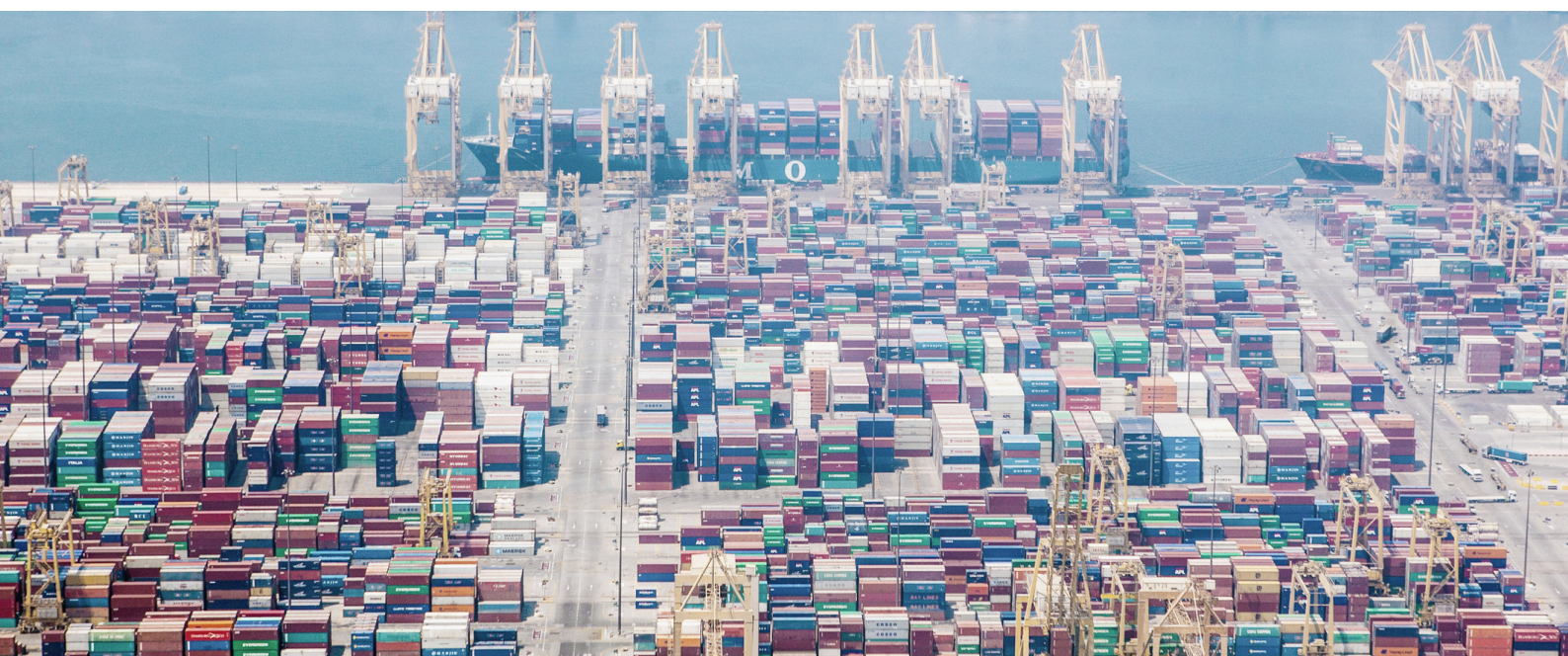
- UAE businesses must register for VAT if taxable supplies and imports exceed AED 375,000 in the last 12 months
- Non-UAE businesses must register for VAT when making taxable supplies in the UAE, with no minimum threshold
- Voluntary registration is allowed when taxable supplies, imports, or expenses exceed AED 187,500

Impact on Individuals

- VAT applies broadly with limited exemptions, potentially increasing living costs
- Business must clearly communicate VAT charges to customers

Impact on Businesses

- Must charge VAT on taxable supplies and can reclaim VAT on business expenses
- Need to maintain records for government review
- Regularly report VAT collected and paid to the government online
- Pay the government if collected VAT exceeds paid VAT; reclaim if the opposite occurs



TRANSFER PRICING

Businesses looking to invest in the UAE by establishing a **subsidiary**, and engaging in transactions exceeding a specified threshold within the group, must submit a **Disclosure Form** to the **Federal Tax Authority (FTA)** along with their annual **Tax Return**.

These transactions must follow the **Arm's Length Principle**, ensuring prices align with market rates that independent third parties would apply.

RELATED PARTIES

The form must be completed if transactions with Related Parties exceed:

**AED 40 MILLION IN
TOTAL AGGREGATE VALUE**

or

**AED 4 MILLION PER
TRANSACTION CATEGORY**

CATEGORIES OF TRANSACTIONS TO BE REPORTED

Goods	Services	Intellectual Property	Interest	Assets and Liabilities	OTHER
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INFORMATION TO BE REPORTED

Related Party Name and Tax Reference Number	Related Party Country of Residence
Gross income received or expenses incurred	Transfer Pricing method used
Arm's Length value of the transaction	Any applicable Tax Adjustments

CONNECTED PERSONS

A **Connected Person** is anyone who directly or indirectly owns, controls, or holds an interest in the taxable person, including **directors, officers, partners in an unincorporated partnership, and related parties of any of the above**.

The form must be completed only if the Total Aggregate Value of transactions with Connected Persons (including Related Parties) **exceeds AED 500,000**.

CONNECTED PERSON'S COMPENSATION

TAX TREATMENT

Payments or benefits provided by a taxable person to a **Connected Person** must reflect **market value**. Payments (including salaries and bonuses) must be reasonable, necessary, and aligned with market benchmarks to prevent tax avoidance.

- Remuneration exceeding standard market rates for directors, owners, or related parties is **not deductible**
- Remuneration within the standard market rate is considered **deductible**
- Management fees paid to a parent company or related party must align with the **Arm's Length price**

CONSIDERATIONS

A correct remuneration is determined based on genuine business needs, ensuring alignment with the company's goals and strategic objectives, while also reflecting industry benchmarks and market practices

THE IMPORTANCE OF A DETAILED ANALYSIS

The analysis benchmarks salaries against **industry standards**, company size, profitability, and director responsibilities to ensure compliance with UAE tax regulations.

EXAMPLE: IF A DIRECTOR'S REMUNERATION EXCEEDS AED 500,000 IT MUST BE DISCLOSED IN THE COMPANY'S FINANCIAL STATEMENTS

WITHHOLDING TAX

A **0% withholding tax** applies to certain UAE-sourced income for non-residents, except when linked to a Permanent Establishment (PE) in the UAE.

CREDIT FOR WITHHOLDING TAX PAID IN THE UAE

If a person has a withholding tax credit, it may be deducted at the time of tax payment, provided they are a taxable person in the UAE

NO REGISTRATION OR REPORTING IS REQUIRED

The maximum Withholding Tax is the lesser of:

→ The amount of Withholding Tax taken

→ The Corporate Tax due

ANY EXCESS WITHHOLDING TAX CAN BE REFUNDED TO THE TAXABLE PERSON



REGISTERED TAX AGENT IN THE UAE

WHY IS IT CRUCIAL ?

REGULATORY COMPLIANCE

The UAE's tax landscape is continuously evolving, with regular updates to VAT laws, corporate tax regulations, and economic substance requirements. WellTax ensures that businesses stay compliant with the latest legal changes, avoiding unintentional breaches and helping navigate complex rules seamlessly.

REPRESENTATION BEFORE THE FTA

In case of audits, disputes, or clarifications, a registered tax agent can directly liaise with the FTA on behalf of the business. Their expertise and formal representation rights allow for smoother communication with tax authorities, ensuring the business's interests are professionally defended.

PREVENTION OF FINES

Errors in tax filings or late submissions can result in hefty fines from the Federal Tax Authority (FTA). Tax agents ensure accuracy and timeliness, maintaining proper records and double-checking all filings to mitigate the risk of penalties and safeguard the company's reputation.

OPTIMISATION OF TAX LIABILITIES

A tax agent does not just ensure compliance — but also helps minimise tax liabilities through smart corporate structuring and planning. This can include advising on legal deductions, structuring cross-border transactions, and ensuring businesses leverage all available benefits under UAE's tax laws and double tax treaties.

REDUCTION OF ADMINISTRATIVE BURDEN

Managing tax-related tasks — from preparing returns to maintaining records — can be time-consuming. WellTax will take on this burden, allowing business owners and management to concentrate on strategic initiatives, innovation, and scaling their operations without being bogged down by paperwork.

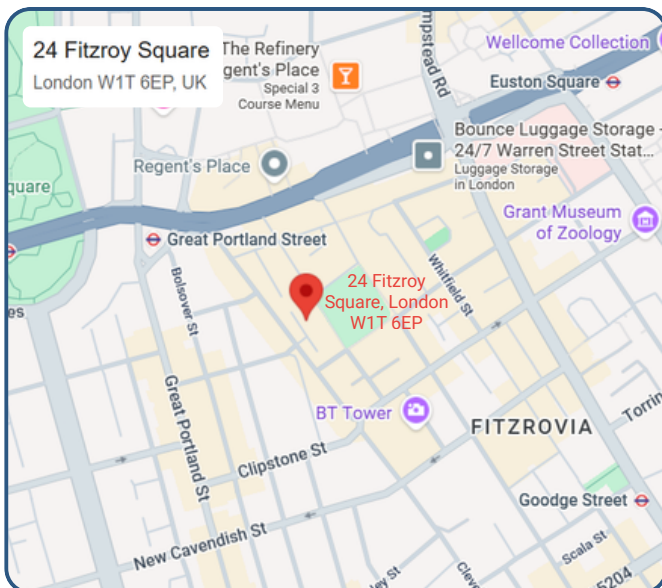
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