

Overview of the **Corporate Tax Returns Guide No. CTGTXR1**

The Guide can be accessed [here](#)



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- ✓ The Corporate Tax return is required to be submitted within 9 months of the end of its Tax Period.
- ✓ Not all sections/fields of the return will be applicable to each taxpayer.
- ✓ Some schedules are yet to be published.
- ✓ Many fields will be pre-populated based on the taxpayer's EmaraTax account.





Pre-populated information:

- Taxable Person name, TRN, address details;
- Tax Period;
- Primary Business;
- Type of Taxable Persons;
- Business activities;
- Place of registration (mainland or a free zone).

The taxpayer will need to indicate:

- Whether it is part of MNE Group;
- Its total/aggregate gross revenue from all sources (before any expenses or reliefs);
- Whether it is incorporated/established or registered in a Free Zone;
- Whether it makes an election to not be subject to 0% rate applicable to a QFZP;
- Whether it meets the requirements of a QFZP.



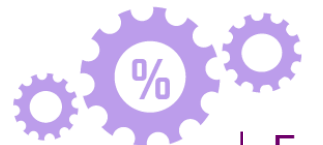



Most tax elections should be made in the taxpayer's first tax period (depending on the taxpayer's activities).

Once the election is made, it is final and there will be no confirmation from the FTA. If an election applies to future tax periods, it will automatically be reflected in future CT returns.

<i>Election</i>	<i>Applicability</i>	<i>Recoverability</i>
<i>Realisation basis</i>	Chosen once in the 1 st tax period, applies to all future periods	Irrevocable (except in exceptional cases)
<i>Transitional Rules</i>	Chosen once in the 1 st tax period	
<i>Small Business Relief</i>	For the relevant period	n/a
<i>Transfers within a Qualifying Group</i>	For the relevant period and all future periods	Irrevocable (except in exceptional cases)
<i>Business Restructuring Relief</i>	For each applicable Business restructuring, does not apply to future transactions	n/a n/a
<i>Foreign PE exemption</i>	For the relevant period	


- ✓ This part does not affect the computation of Taxable income, the information provided is for disclosure purposes only.
- ✓ The schedule comprises 4 parts (on a standalone basis):
 - Income statement
 - Statement of other comprehensive income,
 - Statement of financial position
 - Audit.
- ✓ Any amounts should be rounded to the nearest dirham. Amounts in foreign currency should be converted to AED at the rate set by the UAE Central Bank.
- ✓ The taxpayer will need to provide information on the audit of financial statements, the name of the auditor and the auditor's opinion.

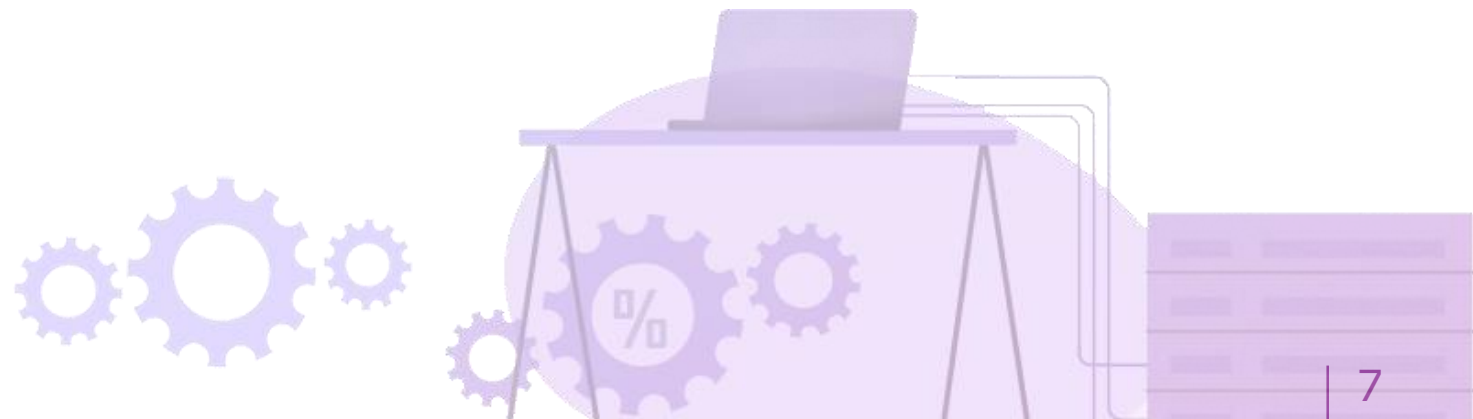



- ✓  The taxpayer will need to state its Accounting Income as per its Financial Statements.
- ✓ For a QFZP – Accounting Income must be split between Qualifying Income and other income (relevant income less expenditure incurred in deriving such income).

The split must be determined before completing the Tax Return.

- ✓ Accounting adjustments:
 - Realisation basis adjustments (if the realization basis election is chosen);
 - Transitional rules adjustments (may be required even if the relevant election has not been chosen);
 - Share of profits/losses relating to investments accounted for under the Equity Method of Accounting (if applicable);
 - Income/losses which will not be subsequently be reported in the income statement' Schedule (if applicable).

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- Exempt Income:
- Dividends/profits distributions from UAE Resident Persons;
 - Income/losses from Participating Interests (under the participation Exemption);
 - Foreign PE exemption (if the relevant election is chosen);
 - International aircraft/shipping income (relevant for Non-Resident Persons);



- ✓  Transfers within a Qualifying Group:
 - applies if the relevant election was chosen by the taxpayer;
 - the transferor and transferee will be required to complete this section, including in the case when the 2 year claw back provision is triggered in the current tax period.
 - Information is provided for each transfer separately (name of the counterparty, TRN, proceeds arising from the transfer, net book value of the asset/liability and date of the transfer – for the Transferor, market value of the asset/liability – in the case of a claw back).
- ✓ Business Restructuring Relief:
 - applies if the relevant election was chosen by the taxpayer;
 - the transferor and transferee will be required to complete this section, including in the case when the 2 year claw back provision is triggered in the current tax period.
 - Information is provided for each transfer separately (similar to the transfer within a Qualifying Group).

- ✓ This part applies to all Taxable persons.
- ✓ Other adjustments include:
 - Non-deductible entertainment expenditure;
 - Non-deductible person contributions;
 - Charitable donations made to not Qualifying Public benefit Entities;
 - Expenditure incurred in deriving Exempt Income (excl. interest expenditure);
 - Dividends/profit distributions/benefits to the owner;
 - Expenses not wholly and exclusively incurred for the purposes of Business;
 - Other non-deductible expenditure (fines, penalties, bribes, Corporate Tax, etc.);
 - Adjustments for Interest Expenditure;
 - Adjustments for income/expenditure derived from a Qualifying Investment Fund;
 - Transfer Pricing adjustments.



Transfer Pricing adjustments:

- The Guide sets materiality thresholds for transactions with Related Parties and Connected Persons.
- For the transactions with Related Parties:
 - 1) Aggregate value of all transactions with Related Parties (as per financial statements or at market value) - AED 40 million threshold is set.

Dividends between Related Parties do not need to be disclosed and should not be considered in determining the AED 40m or AED 4m thresholds.
 - 2) Transactions with Related Parties are exempt from disclosure if the aggregate transaction value per category (goods, services, IP, interest, assets, liabilities, or other) does not exceed AED 4 million.
- For Connected Persons (together with their Related Persons):
 - 1) Aggregate transaction value - threshold of AED 500,000 for transactions with all Connected Persons (together with their Related Persons).
 - 2) If this threshold is exceeded, disclosure is required only for those Connected Persons with whom the aggregate payment or benefit exceeds AED 500,000 per person.




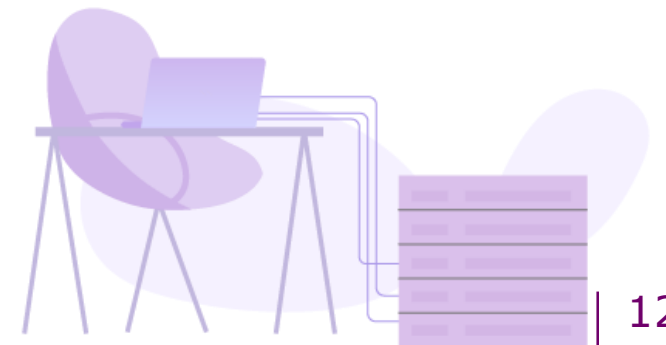
Transfer Pricing adjustments:


- The Guide provides information on all required fields in the Related Party and Connected Person transactions, in particular:

<i>Related Party transaction schedule</i>
Name of the Related Party
Transaction type (goods, services, IP, interest, assets, liabilities, other)
Tax residence of the Related Party, TRN (if available)
Gross income/expense
Transfer Pricing Method applied
Arm's length value
Tax adjustment

<i>Connected Persons schedule</i>
Name of the Connected Person, TRN (if available)
Payment or benefit
Description of the service provided by the Connected Person
Value of the payment/benefit provided to the Connected Person
Market value of the service/benefit provided by the Connected Person
Tax adjustment

- ✓  Part G and H apply to all Taxable persons.
- ✓ Tax losses:
 - Two separate schedules in relation to tax losses: one for tax standalone taxpayers and another for tax groups.
 - Most of the information will be pre-populated, but however, certain information will require manual inputs in case tax losses were received as part of Business Restructuring Relief or where the tax losses were limited due to the change in ownership and change in Business Activity.
- ✓ Tax calculation:
 - Taxable Income and Corporate Tax liability is calculated automatically.
 - Upon the completion, the person responsible for filing the return must make the appropriate confirmation, provide its name and capacity and sign the return.



- ✓  The Guide list 20 schedules, which assist with relevant calculations and pre-populating relevant fields in the Tax Return, e.g.:
 - Free Zone Schedule;
 - Free Zone income from Intellectual Property Schedule;
 - Related Party Transaction Schedule;
 - Connected Persons Schedule;
 - Participation Exemption Schedule;
 - Etc.
- ✓ The taxpayer will be directed to only those schedules which are relevant to it.

Part I – Schedules (2) Free Zone Schedule



It must be completed by a taxpayer who is a QFZP. The schedule contains the following sections/fields:

<i>Revenue Schedule</i>	Calculation of Revenue for de minimis purposes
<i>Non-qualifying Revenue</i>	Calculation of non-qualifying Revenue for de minimis purposes
<i>De minimis calculation</i>	Calculated automatically based on the above sections. If the de minimis requirement is not met, the taxpayer is not a QFZP and it is reflected automatically in the return
<i>Qualifying Revenue</i>	Revenue from Free Zone Persons, which are not Beneficial Recipients, but from Qualifying Activities is considered Qualifying Revenue
<i>Substance</i>	Information on the total average number of employees, and of those located in a Free Zone, total operating and capital expenditure incurred in deriving Qualifying Income, information on the outsourcing providers (if any), confirmation on the supervision of the outsourcing provider (if applicable)
<i>Free Zone confirmations</i>	Confirmations that an adequate amount of assets held, adequate number of employees located, and adequate amount of operating expenditure incurred in a Free Zone, any Related party transactions were in line with the arm's length principle and TP documentation was prepared, audited financial statements were prepared.

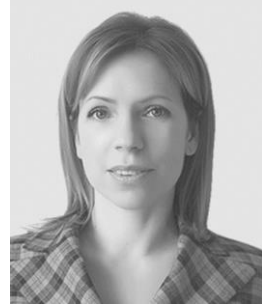
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