



Tax Governance and Risk Management in the New UAE Tax Era

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Speakers



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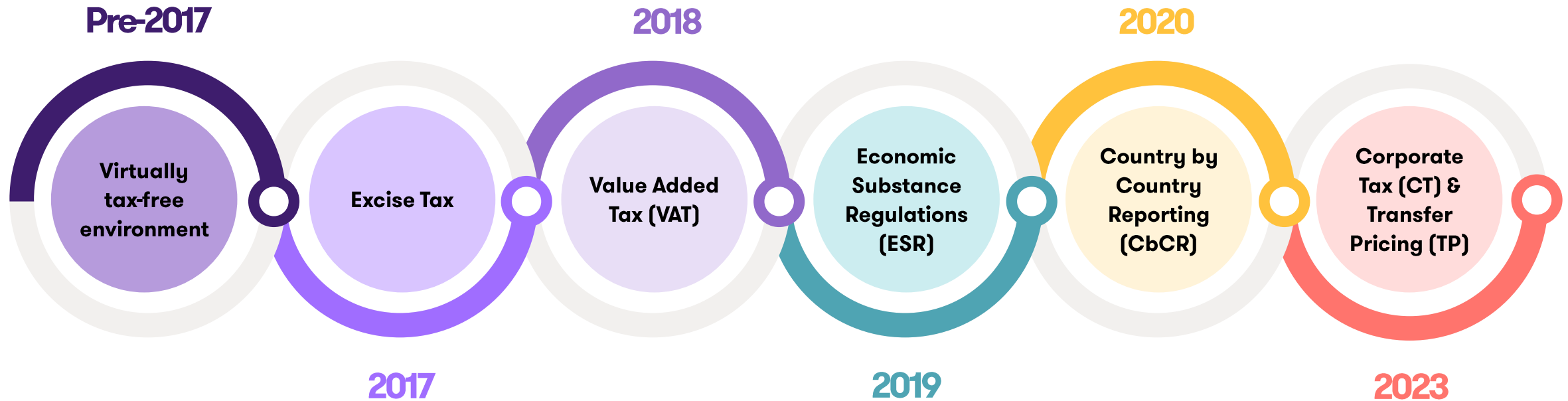
Agenda

- Welcome and Introduction
- Tax Governance and Risk Management
- Tax Policy and Procedures – Highlights:
 - Corporate Tax
 - Transfer Pricing
 - Value Added Tax
- Q&A Session

Tax Governance & Risk Management

Speaker: Anuj Kapoor

UAE Evolving Tax Framework



Tax Governance – Key principles

A **strong tax governance framework** ensures that a company manages its complex tax obligations efficiently complies with regulations and minimizes risks related to tax compliance.

Key principles:

Clear Tax
Strategy &
Policy

Senior
Leadership
Oversight &
Accountability

Transparency &
Stakeholders
communication

Risk
Management &
Internal Controls

Compliance
with Laws &
Regulations

Tax Planning
with Legal
Ethical
Boundaries

Technology &
Data
Management

Training &
Awareness

Engagement
with Tax
Authorities

Continuous
Review &
Improvement

Tax Policies & Procedures

Corporate Tax

Speaker: Isabel Strassburger

Tax Governance – Key Documents

A strong tax governance framework requires well-documented policies and procedures to ensure that tax management, compliance, and risk are effectively addressed.

Key Documents:

Tax Strategy
Document & Tax
Policy

Tax Risk
Management
Framework

Transfer Pricing
Policy &
Documentation

Tax Compliance
Calendar

Roles &
Responsibilities
Matrix

Tax Control
Framework

Engagement
Protocols with
Tax Authorities

Tax and
Reporting
Disclosures

Training &
Awareness
Program

Tax Audit and
Review
Procedures

UAE Tax Compliance – Key requirements

Tax Registration

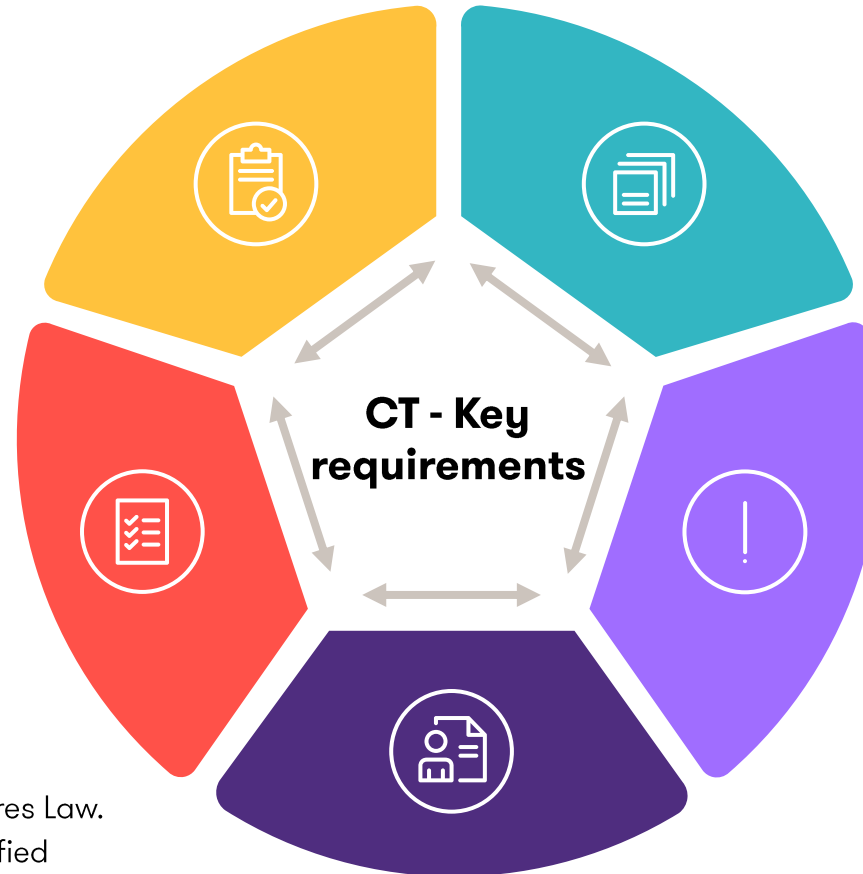
- Obtain a Tax Registration Number (TRN)
- FTA has issued a timeline specified for registration of taxable persons for CT.

Tax Filing

- The CT return must be filed within nine (9) months from the end of the relevant Tax Period.
- The Corporate Tax due must also be paid within this period.

Tax audits

- A taxable person may be subject to a UAE CT assessment in accordance with the Tax Procedures Law. In case a non-compliance to the CT Law is identified during the assessment, penalties and fines determined per the Tax Procedures Law could be imposed.



Record-keeping

- Maintain records and documentation that support the information provided in a Tax Return or in any other document to be submitted to the FTA
- Taxable Persons and Exempt Persons must retain records and documents for seven years following the end of the Tax Period to which they relate to.

Penalties

- Administrative monetary penalties, can be imposed upon the Person by the Authority for breaching the provisions of the Tax Procedures Law, the Corporate Tax Law or decisions issued by the Cabinet for execution thereof.

Tax Governance interaction with UAE Corporate Tax

With the introduction of UAE Corporate Tax, companies operating in UAE need to adapt their tax governance frameworks to ensure compliance with the new regime.

Critical points:



Scope & Applicability

- Eligibility
- Exemptions
- Preferential tax treatments
- Thresholds



Alignment of Tax Strategy with UAE CT Law

- Tax policies account for UAE Corporate Tax
- Board level involvement to understand impact of:
 - Profitability
 - Cash flow
 - Strategic decisions



Risk Management & Internal Controls

- Risk associated with UAE Corporate Tax
 - Accurate Tax computation
 - Reporting (IFRS / accounting ledgers)
 - Timely compliance
 - Substance
 - Interaction with VAT



Tax compliance & changes in law

- Tax filing deadlines
- Financial Statements before submission of Tax Return
- Engagement with Tax Authorities
- Audit readiness
- Monitor changes in CT Law



Corporate Structuring & Tax Planning

- Reassess corporate structure
- International tax planning (tax residency, DTT)
- Incentives and tax reliefs (foreign tax credits, exemptions)
- Tax compliance overseas (different criteria)

Tax Policies & Procedures

Transfer Pricing

Speaker: Anna Nikolayko

Transfer Pricing Policy – Key Principles

Arm's length Principle (ALP)

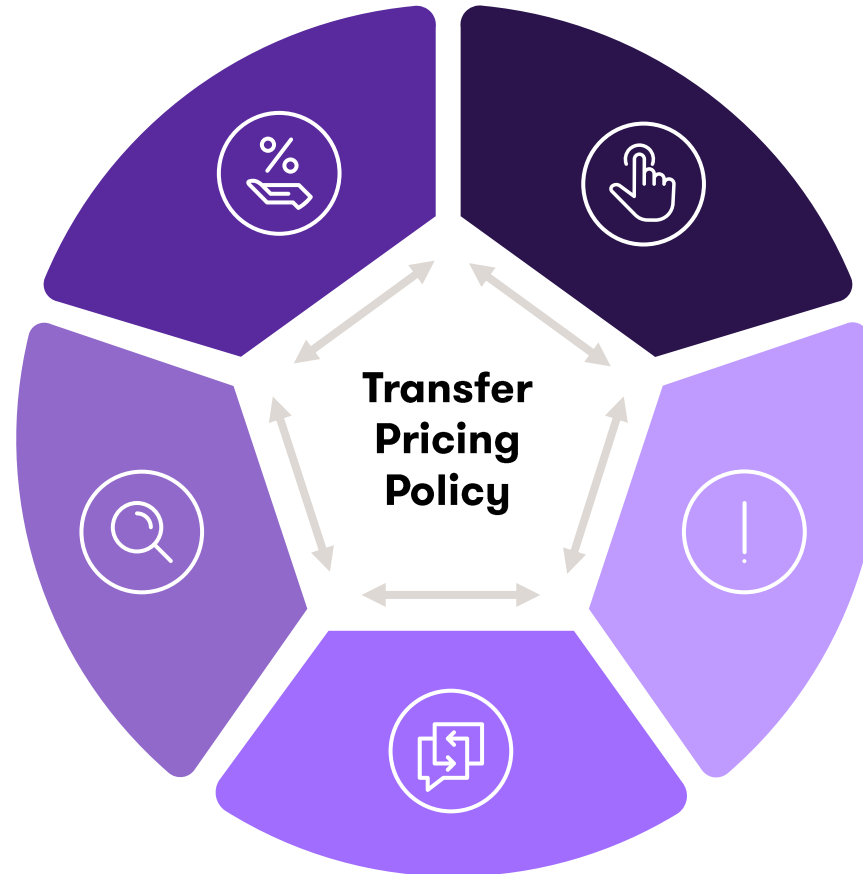
The price of the goods and services between related parties should be same as if the transaction had occurred between unrelated parties under similar circumstances

Identification of Controlled Transactions

Transfer Pricing (TP) rules in the UAE apply to both cross border transactions and **domestic transactions** with related parties and connected persons

Comparability analysis

Accurate delineation to be performed by analyzing the functions performed, risks assumed, and assets used by each party to the transaction, as well as other comparability factors



Selection of the most appropriate TP method

Application of an appropriate TP methodology (5 internationally accepted TP methods) to justify the Controlled Transactions are conducted at ALP

Other methods could be used when the five recognized TP methods cannot be reasonably applied

A combination of TP methods can be used in cases where the application of one of the TP methods proves inconclusive Adequate supporting documentation explaining the reasons for selecting the method should be provided

Economic analysis, safe harbor rule

Identification of the tested party based on the selection of the most appropriate TP method, selection of PLI

Selection of internal vs external comparables and sources of information, determination of arm's length range (benchmarking study)

Certain low value-adding intra-group services may be charged out at a cost-plus 5% mark-up without the need for a detailed benchmarking analysis

**One of the conditions for a Qualifying Free Zone Person is to comply with the arm's length principles to avail the benefits of 0% corporate tax rate*

Transfer Pricing Documentation



Transfer Pricing Disclosure Form

(at an Entity Level)

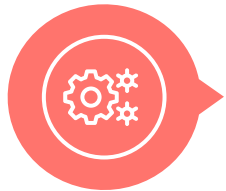
- **Materiality threshold:** will be provided by FTA in due course
- **Reporting deadline:** should be submitted within 9 months from the end of the relevant Tax Period



Master File

(at an MNE Group Level)

- **Materiality threshold:** same as for LF
- **Reporting deadline:** same as for LF
- Part of a UAE headquartered group which does not have business establishments outside UAE is not required to maintain a Master File, but Local File is still applicable



Local File

(at an Entity Level)

- **Materiality threshold:** taxable person is part of an MNE Group with consolidated group revenue of **AED 3.15 billion** or more in the relevant Tax Period, **or** Taxable person's revenue in the relevant Tax Period is **AED 200 million** or more*
- **Reporting deadline:** to be submitted to FTA within 30 days upon being requested.
- Should be maintained on contemporaneous basis and ready by the time the Taxable Person submits its Tax Return for the relevant Tax Period



Country by Country Report

(at an MNE Group Level)

- **Materiality threshold:** MNE Group headquartered in the UAE with consolidated group revenue of **AED 3.15 billion** or more during the FY immediately preceding the reporting FY
- **Reporting deadline:** to be filed within 12 months from the last day of reporting FY of the MNE Group in UAE
- The notification for reporting entity needs to be submitted by the last day of the FY

*A Taxable Person not meeting either of the financial thresholds is still required to maintain reasonable records to support the arm's length nature of the transactions or arrangements.

Transfer pricing audits and other considerations



Substance over form

- all transactions should be evaluated based on their actual terms, even where the contractual terms differ or there is no formal agreement in place
- incorrect comparability/functional analysis may lead to a wrong economic analysis, hence can be challenged by FTA -> align contractual terms with actual circumstances, document in TP policy



Commercial rational

- all controlled transactions must have a commercial purpose, and respective documentation to substantiate this economic rationality to prove the arrangement was not solely motivated by tax advantages
- failure to prove FTA may adjust or disregard the Controlled Transaction and replace it with an alternative transaction



TP adjustments

- self-adjustments - made by the taxpayer to adjust the taxable profits to achieve ALP
- adjustments made by the FTA to the taxable profits of the taxpayer to achieve ALP
- corresponding adjustments are allowed when TP adjustment made by a foreign competent authority (under the applicable provisions of the relevant DTT)



Advance Pricing Agreement (APA)

- APA is an agreement between a taxable person and the FTA to establish an appropriate TP methodology for specific transactions over a predetermined period
- assists in reducing potential TP risks by ensuring that future profit levels are deemed reasonable and acceptable by FTA

Key take aways from TP perspective

The burden of proof falls on the Taxable Person, i. e. **on you**

Step 01

Identify controlled transactions (both local and overseas) with related parties and connected persons

Step 02

Ensure a proper TP policy is in place (FAR and comparability / benchmarking analysis has been undertaken and documented) to determine/support ALP

Step 03

Make appropriate adjustments before the year end (where needed) to meet ALP
OR
Apply for a private clarification / APA in case of complex matters/transactions

Step 04

Adhere compliance with UAE TP regulation: prepare, maintain and file TP documentation, ensure appropriate reporting in financial statements

Tax Policies & Procedures

Value Added Tax

Speaker: Imran Mushtaq

VAT in the UAE

VAT in the UAE is almost 7 years old - “the older brother to Corporate Tax and Transfer Pricing”.

The evolution of VAT in the UAE can serve as a guide to what we can expect, and are already seeing, in CT / TP.

**Taxpayer
Guides**

**Public &
Private
Clarifications**

**Changes to
Legislation**

**FTA practice &
interpretation**

FTA Audits

Penalty Regime

**Documentation
requirements**

Compliance

The experiences, challenges and lesson learned from VAT implementation and administration can help businesses to enhance and develop robust tax governance frameworks as the UAE tax landscape develops.

VAT Risk Management

- The self-assessed nature of VAT and frequency of VAT return filing can quickly compound risks and errors.
- The penalty regime remains largely “black and white” – with limited room for mitigation and reductions.

Documentation / Record Keeping

- Highly prescriptive - FAF
- Invoice formats / retention periods
- Document VAT positions

Compliance with legislation

- “Letter of the Law”
- Revisit implementation treatment
- VAT clarifications / Admin. exceptions

Internal Controls

- Clearly defined roles and responsibilities
- Head of Tax / CFO sign-off on high risk / high value transactions
- Inhouse / 3rd party verification of VAT policies and procedures



Tax Strategy

- VAT to be proactively considered in business decisions
- VAT awareness needs to be embedded in procurement, sales and legal teams
- VAT exposure and risks should be understood and align with the business risk appetite

Tax Automation / Training

- VAT training across AP, AR, finance & sales teams – highlighting key risks
- VAT code determination to manage complex / cross border transactions
- Automation of compliance tasks / outsourcing

VAT Executive Regulations - Amendments

- Cabinet Decision 100 of 2024 – 30+ amendments to take effect from 15 November 2024

Key changes:



Digital Assets & Cryptocurrency

- Digital Assets defined and brought within the scope of Financial Services
- "Digital representation of value that can be traded or transferred digitally..."
- Transfer ownership & converting digital assets - VAT exempt
- Retrospective effect from 1 Jan 2018

CONSIDERATIONS

- Review of VAT treatment to date
- Input tax recovery
- Previous periods – error correction (?)



Investment fund management

- Investment fund management services - included in definition of Financial Services – and specifically VAT Exempt
- "Services provided independently for a consideration to funds licensed by a competent authority..."
- Services include: Managing operations & investments and monitoring / improving performance of a fund

CONSIDERATIONS

- Input tax recovery / recharges
- Deregistration / VAT group impact



Input tax recovery

Partial Exemption standard method

- FTA may approve the use of a specified recovery percentage based on the preceding year
- Where tax year is less than 12 months – prorate the AED 250K 'actual use' threshold

CONSIDERATIONS

- Approval (!)
- Welcome reduced compliance burden
- Mechanics and pro's / con's
- Special method (?)

VAT Executive Regulations - Amendments

- Cabinet Decision 100 of 2024 – 30+ amendments to take effect from 15 November 2024

Key changes:



Export documentation

- Clarification of evidence to support zero rating
- Customs declaration and commercial evidence – eg. bill of lading, airway bill
- Shipping certificate (where commercial evidence unavailable) and official evidence – eg. export / clearance certificate

CONSIDERATIONS

- Administrative relief – many taxpayers struggle to obtain exit certificates in a timely manner
- Widening of the concept of 'alternative evidence' (?)



Services – Zero rating

- Export of services can be ZR subject to meeting certain conditions.
 - Specific exclusions for services under the special place of supply rules – i.e. those used / enjoyed / consumed in the UAE
 - Includes - Catering, cultural, sporting, real estate related, education, transport
-
- Clarification on the ZR of services in connection with international transport
 - Clarification of services eligible for ZR for the purposes of operating, repairing, maintaining or converting a means of transport



Government Entities

- Supplies of real estate between Government entities – not a supply for VAT purposes.
- The grant or right to use / exploit real estate assets from 1 Jan 2023 – not a supply for VAT purposes.
- Deemed supply exception for supplies up to AED 250k / 12-month period.

CONSIDERATIONS

- Significant for Govt owned RE / Govt landbank owners.
- 1 Jan 23 – retrospective considerations
- Welcome relief for charitable entities

VAT Executive Regulations - Amendments

- Cabinet Decision 100 of 2024 – 30+ amendments to take effect from 15 November 2024

Key changes:



Health Insurance - input VAT

- Art.53 amended to allow recovery of input VAT on health insurance, for employees and dependents - spouse + 3 children.

CONSIDERATIONS

- Welcome and significant relief for businesses to recover VAT on an essential contractual benefit.
- Ensure AP teams are updated on the new rules and have the proper documentation to support recovery.



Tax invoices

- Tax invoice must be issued on the date of supply for simplified invoices (<AED 10k, B2C)
- Summary tax invoices (ie. an invoice for multiple supplies to the same recipient in the same tax period) can be issued by the 14th day of the following month.

CONSIDERATIONS

- Tax invoicing compliance has been routinely policed during FTA audits; compliance with the new rules should be maintained to mitigate the risk of potential penalties.



Other notable amendments

- **Composite supply** – VAT treatment determined by the overall nature of the supply – where no main component.
- **Capital Assets** – first tax year for a self-developed capital asset is the year it is first used.
- **Residential buildings** – hotel apartments and serviced apartments excluded.
- **Voluntary registration** – may only register if carrying on a business in the UAE and has the intention to make taxable supplies.
- Significant 'clean up' of definitions to avoid duplication with the UAE VAT law.

Takeaways

Tax Governance Improvement / Establishment

How an entity can improve/establish its tax governance



Visit our website



Q&A



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