AMERELLER TAX

NAVIGATING TAX CHALLENGES IN THE MIDDLE EAST

Practical Insights

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/ Our Firm

FOUNDED IN
1999

MORE THAN
70
LAWYERS

18
PARTNERS

WE ADVISE CLIENTS FROM OVER
40
COUNTRIES

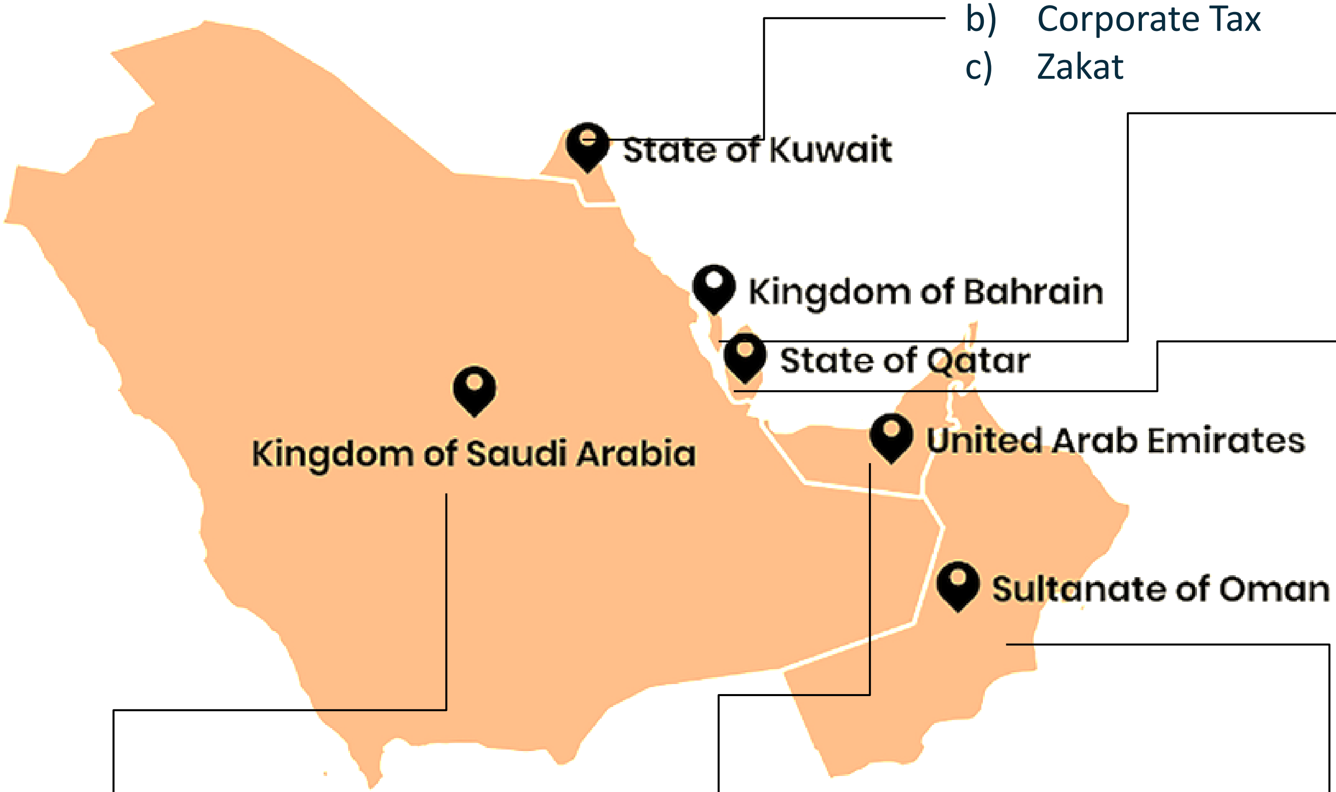
10 OFFICES

ACROSS THE MIDDLE EAST,
NORTH AFRICA AND EUROPE

1. Baghdad
2. Basra
3. Berlin
4. Cairo
5. Dubai
6. Erbil
7. Munich
8. Rabat
9. Ras Al Khaimah
10. Tripoli

JURISDICTIONS WITH A DEDICATED PRACTICE*
- Francophone North Africa
- Jordan
- Yemen

/ Taxes in the GCC – Introduction



a) Retention Tax
b) Corporate Tax
c) Zakat

a) Value Added Tax
b) Excise Duty

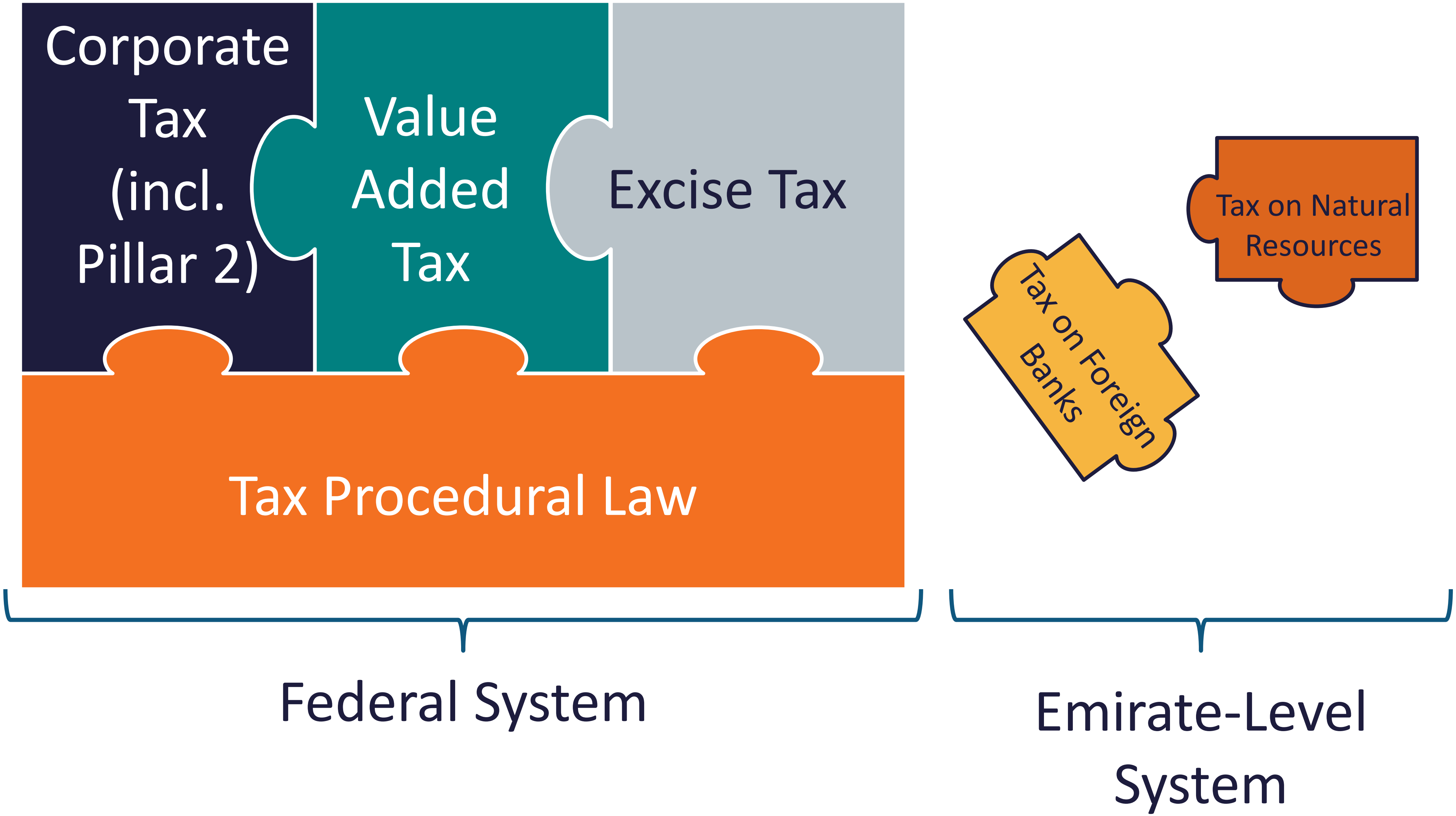
a) Corporate Tax
b) Excise Duty
c) Withholding Tax

a) Zakat / Corporate Tax
b) Value Added Tax
c) Excise Duty
d) Real Estate Transaction Tax
e) Withholding Tax

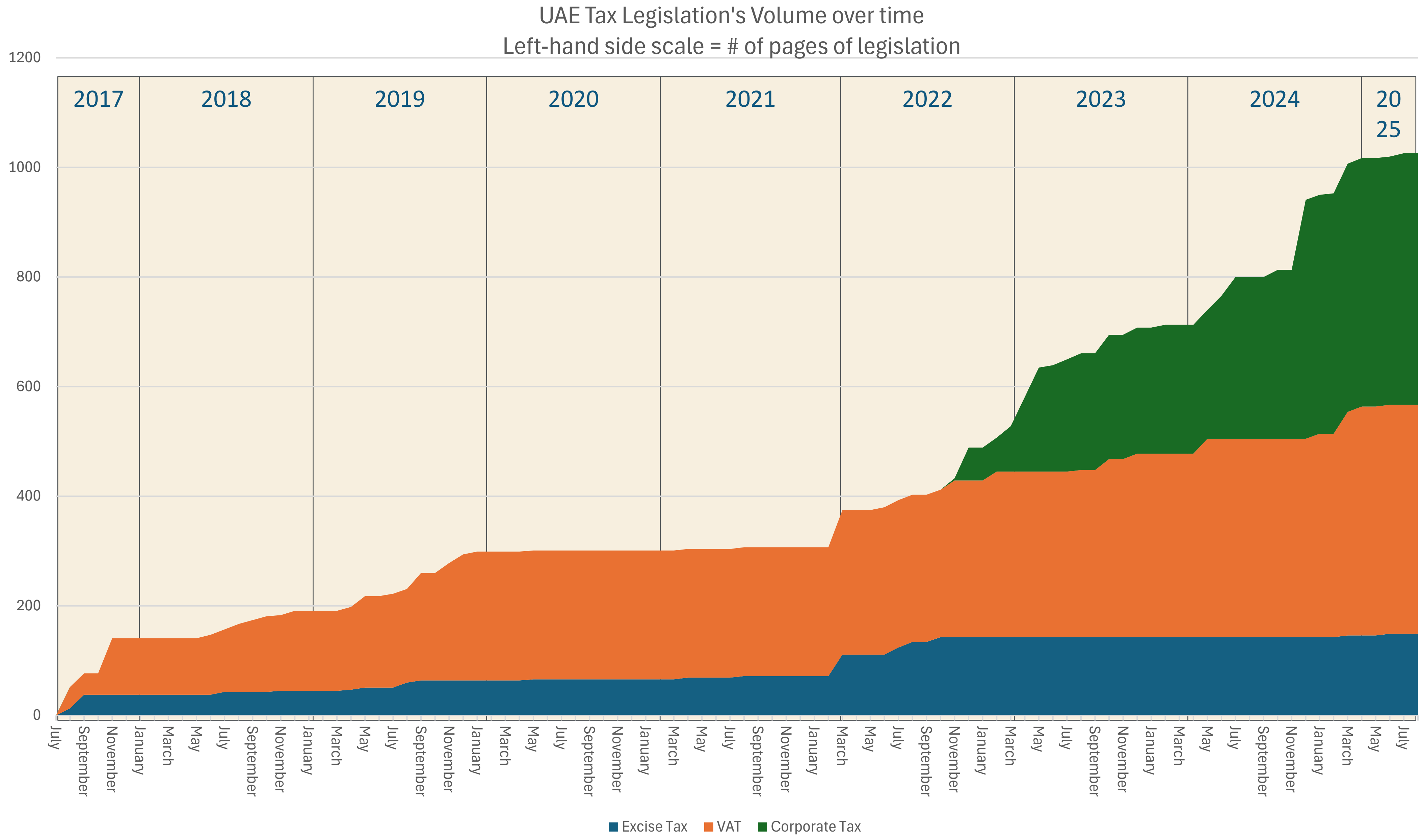
a) Corporate Tax
b) Value Added Tax
c) Excise Duty
d) Withholding Tax

a) Corporate Tax
b) Value Added Tax
c) Excise Duty
d) Withholding Tax

Tax System in the UAE – Building Blocks



Evolution of complexity of the tax system



/ Basis of the FTA's decisions / assessments / proceedings

- Federal Decree-Law
- Cabinet Decisions
- Ministerial Decisions
- FTA Decisions
- Public Clarifications
- FTA Guides

Not the source of law

All Guides issued so far for Corporate Tax alone have over **2000 pages**

/ Federal Tax Authority – route to maturity

	United Kingdom	Australia	Netherlands	UAE
# of taxpayers	Over 37.4M (including personal tax)	Around 14M (including personal tax)	Around 10M (including personal tax)	Around 1M (including excise)
# of tax officers	Approx. 66,000	Approx. 21,600	Approx. 28,000	Approx. 600
Taxpayer/officer ratio	567.6 taxpayers per officer	648.1 taxpayers per officer	357.1 taxpayers per officer	**1,666.67 taxpayers per officer**

FTA has over 600 employees

Extensive trainings + AI

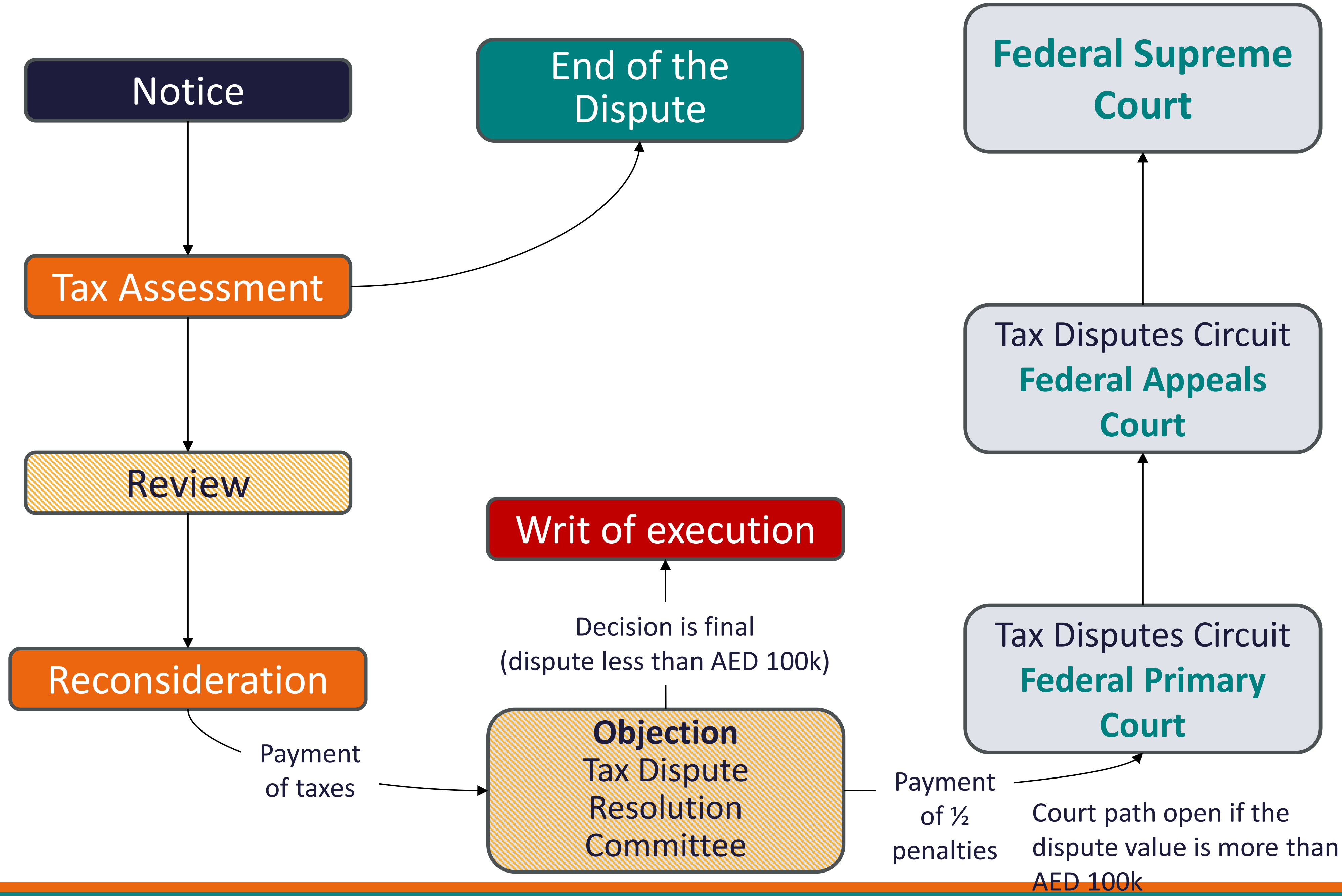
Number of Taxpayers

Corporate Tax	Approx. 520,000
VAT	Approx. 470,000

/ Understanding Interpretation Gaps

- Majority of the FTA's workforce have limited practical experience in applying the tax law
- Less experience = greater reliance on handouts prepared by the Authority's leadership
- Handout will never cover all business situations
- No clear guidance in the handout = higher likelihood of the outcome to be unfavorable for the taxpayer
- Certain stances taken by the FTA have limited basis in the legislation
- **"Use soft words and hard arguments"**

Life Cycle of a Tax Dispute



Corporate Tax in the Free Zone

- The CT Act introduced a separate tax regime for the companies operating in the Free Zones that meet additional criteria set by the lawmaker – the Qualifying Free Zone Persons
- Introduced to ensure previous promises of a "tax-free" environment in the Free Zones are honoured

CONDITIONS TO BE RECOGNIZED AS THE QUALIFYING FREE ZONE PERSON

Adequate substance in the FZ	Qualifying Income	No election made to be a regular Taxpayer
Arm's length principle applied and TP documentation maintained	Audited financial statements	De minimis threshold observed

MAIN CONSEQUENCES OF BEING A QUALIFYING FREE ZONE PERSON

Corporate Tax applied at 0% to the Qualifying Income

BUT

Inability to benefit from certain reliefs and simplifications

Potential Investments – tax efficiencies and pitfalls

Real Estate

- Different categories of real estate: commercial vs residential (“hotel apartment”)
- Treatment is based on who owns the property
- Utilisation of a family foundation or foundations outside the UAE (limitations)
- Taxation of the gain (available reliefs)
- Potential VAT consequences (linking of the systems)

Drop-Shipment via UAECo

- Setting up a UAE entity in one of the Designated Zones can lead to 0% tax
- Goods can be sent via UAECo. as an intermediary (drop-shipment), leading to tax savings
- Goods do not need to enter the UAE, but can be sent directly from A to C

/ Key Takeaways

- The Tax Landscape of the Middle East is changing – serious plans for changes in Kuwait, Iraq, Qatar
- Tax becomes an important part of the conversation
- UAE regime is new = lack of practice, precedence, “dual” role of tax authorities
- Limited protection for a taxpayer in front of tax authorities = need for a dialogue, rather than a clash
- How will GAAR be applied in practice?
- The market is saturated with accountants, but opportunity for law firms to demonstrate expertise and added value

Key Contact

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