



Our Expertise, Your Advantage

Dr. Peter's thoughts from Irish Business Network's annual seminar

September 2023

UAE Corporate Income Tax Concessions:

Today, I attended the Irish Business Network's annual seminar and was very impressed with Dr. Noah Raford, EMIR Chief Futurist's presentation on possible business and industry changes in the GCC over the next 20 or 30 years.

Noah stated that vast changes must be made to achieve a safe landing for the 20th century's transition into the 21st century. He also said that it is normal for Governments to assist industry and commerce through significant transitions such as these.

This got me thinking about whether the UAE Government has provided any assistance to UAE industry and commerce intended to soften the bumpy ride as the passage is made through this vortex. I expected there would be signs of assistance because the UAE has done a fantastic job positioning itself as a smart country.

I took out a sheet of paper and my pen to list the tax concessions already made available by the National or Emirate Governments or national or regional regulators to encourage this transition.

UAE Corporate Income Tax Concessions:

I also re-read the VAT Act, the Corporate Income Tax law (CITL) and the Cabinet Decisions and Ministerial Statements. I also re-read the VAT and Corporate Income Tax Procedures. To my surprise, I could not identify a single tax concession which, to my mind, encouraged industries and commerce to invest in new technologies. For those who may say the 9% main tax rate is a concession by itself, I believe this misses the point.

So then, what does this mean? Does it mean the UAE does not intend to provide any tax concessions? I think that outcome is highly unlikely as the UAE has done a fantastic job in building the economy.

Does it mean we should expect tax concessions in the short to midterm? I believe that is reasonable, especially since the UAE's participation in the BRICS and the proposed India Silk Road will both require additional capital investment, and the pool of available capital is not bottomless.

A quick further review of the CITL does not contain any obvious articles into which the new concessions could be built, and if this conclusion is correct, maybe the Ministry of Finance will soon amend the CITL to include a raft of concessions to be fleshed out in further Cabinet and Ministerial Statements.

UAE Corporate Income Tax Concessions:

Our complex tax system with a low rate would become even more complex, possibly giving rise to the need for an AI engine to navigate the maze!

If there are to be concessions, then what subject matters might the concessions take? Any easy one to implement would be enhanced deductions or concessional income from intellectual property BUT in a fashion compatible with the OECD policy.

Another would be removing the difficult-to-justify High-Risk IP provisions in the Economic Substance Rules. Perhaps another would be an enhanced deduction for costs incurred in closing polluting industries. A further might be encouraging UAE universities to establish research centres for the new industries by providing tax concessions for the profits when the newly created technology is sold.

Another could be including the use of such technology in the definition of qualifying activities for Free Zone purposes.

Whichever approach or combination the Ministry of Finance settles on as its policy, we should look forward to more pages to read, digest and explain to clients.