

# ALPHA MANAGEMENT LIMITED

Corporate Advisors, Consultants and Administrators for Offshore Companies, Trusts and Free-Zones

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## UAE Tax Rates

The United Arab Emirates is a federation of seven emirates with autonomous Emirate and local governments. There is no federal tax legislation in the UAE. Instead, each Emirate has issued its own corporate tax decrees, but in practice corporate taxes are only imposed on oil and gas-producing companies and on branches of foreign banks at rates set out in specific tax decrees or fixed rate agreements with the rulers of the Emirate in which the branches operate.

### Rates of Tax\* applicable in the UAE are:

Corporation Tax:	0%	Personal Income Tax:	0%
Capital Gains Tax:	0%	Death Tax:	0%
Withholding Tax:	0%	Value Added Tax:	0%

\*No taxes are imposed by the federal government of the United Arab Emirates.

### Corporation Tax

Although no federal corporate tax currently exists in the UAE, each Emirate has issued corporate tax decrees that theoretically apply to all businesses with rates of tax up to 55%. However, in practice these laws have never been applied except for:

- Foreign banks are taxed up to 20% on their taxable income in Abu Dhabi, Dubai and Sharjah which is applicable to taxable income earned in that particular Emirate only.
- Oil Companies (which include any chargeable person that deals in oil or rights to oil, both off-shore and on-shore) pay tax up to 55% on their taxable income in Dubai and 50% in the other Emirates. In addition, they pay royalties on oil production.
- Municipal taxes are levied in most Emirates on annual rental paid at 5% for residential premises and 10% for commercial premises.
- Municipal taxes are imposed on hotel services and cinema screenings.

Several Emirates have Free Zones which offer tax and business incentives aimed at making the UAE a global financial and commercial center. The incentives usually include tax exemptions for a guaranteed period (Federal and Emirate level), 100% foreign ownership, absence of customs duty within the Free Zone, no restrictions on repatriation of profits and a "one-stop shop" for administrative services. Free Zone companies are also entitled to sponsor their shareholders, investors and employees for residency visas. The DIFC Free Zone also has its own common law legal system whilst all other Courts in the UAE practice civil law.

### Real Estate & Purchase Fee

In Dubai, a sale registration fee of 2% of the value of the sale is imposed on the seller and at the same time a purchase registration fee of 2% of the value of the purchase is payable by the buyer of the property to the Dubai Land Department. In practice the 4% total charge is usually paid by the purchaser. Each Emirate imposes similar fees.

### Customs Duties

The UAE is a member of the Gulf Cooperation Council (GCC), together with Bahrain, Kuwait, Oman, Qatar and Saudi Arabia. All GCC member states have approved regulations for the implementation of the GCC Customs Law, which unifies customs procedures and establishes a unified GCC customs union. However, the practical implementation of the law is not completely consistent. Under the GCC Customs Law, most foreign imports are subject to customs duty of 5% of the Cost, Insurance and Freight (CIF) invoice value of the imported goods and levied at the first point of entry to the GCC. No export duty is imposed on goods leaving the GCC. In general, goods do not incur customs duty on import into a UAE Free Zone and no export duty is imposed on goods removed from a UAE Free Zone. However if goods leave the Free Zone for a destination within the GCC, customs duty is levied on the import at the first point of entry into the GCC.

### Foreign-Exchange Controls

Neither the federal government of the UAE nor the individual Emirates impose foreign-exchange controls. The local currency is freely convertible and pegged to the US Dollar.

### Double Tax Avoidance Treaties

The UAE has more than 55 tax treaties currently in force with the following countries:- Algeria, Armenia, Austria, Azerbaijan, Belarus, Belgium, Bosnia-Herzegovina, Bulgaria, Canada, China, Czech Republic, Egypt, Estonia, Finland, France, Georgia, Germany, India, Indonesia, Ireland, Italy, South Korea, Latvia, Lebanon, Luxembourg, Malaysia, Malta, Mauritius, Morocco, Mozambique, Netherlands, New Zealand, Pakistan, Philippines, Poland, Portugal, Romania, the Russian Federation (limited), Serbia, Seychelles, Singapore, Spain, Sri Lanka, Sudan, Switzerland, Syria, Tajikistan, Thailand, Tunisia, Turkey, Turkmenistan, Ukraine, Venezuela, Vietnam and Yemen.

In addition, treaties with the following countries are in various stages of negotiation, renegotiation, signature, ratification, translation or entry into force:- Bangladesh, Cyprus, Fiji, Greece, Guinea, Hong King, Hungary, Japan, Jordan, Kazakhstan, Kenya, Lithuania, Mexico, Mongolia, Palestine Authority, Panama, Peru, Slovenia and Uzbekistan.