

## inBrief



## The Ministry of Finance publishes an Explanatory Guide on the Corporate Tax Law

By Shahram Safai and Mevan Bandara | 15 May 2023

Last Friday, on 12 May 2023, the UAE Ministry of Finance (Ministry) published an Explanatory Guide which provides an explanation of the meaning and intended effect of each article of the Corporate Tax (CT) Law. The Explanatory Guide may be accessed [here](#).

The Introduction to the Explanatory Guide states that the Explanatory Guide may be used in interpreting the CT Law and how particular provisions of the CT Law may need to be applied, and that it must be read in conjunction with the CT Law and the relevant decisions issued by the Cabinet, the Ministry and the Federal Tax Authority. The Introduction also makes it clear that the Explanatory Guide is not meant to be a comprehensive description of the CT Law and its implementing decisions.

Some highlights of the Explanatory Guide include:

- For CT purposes, a civil company (which under the UAE Civil Code enjoys the status of a separate legal person) will not be treated as a separate legal person and be treated as the natural person or persons owning them because of their direct relationship and control over the Business and their unlimited liability for the debts and other obligations of the Business;
- Certain qualifying activities conducted by free zone persons are eligible for the zero percent CT benefit;
- Tax residency for CT purposes is not dependent on legal residency;
- No time limitation for carry forward of tax losses;
- Details transfer pricing documentation requirements and thresholds for maintaining master file and local file;
- Scope of 'Qualifying Income' for free zone establishments remain undefined; and
- Acknowledgement that taxpayers are permitted to optimize their tax position in a manner consistent with the CT Law.

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Mevan is a litigator and practices in the firm's dispute resolution practice. He advises and represents clients in arbitration, DIFC Court litigation and on-shore litigation matters. In addition to advising client on regular commercial/contractual disputes, Mevan regularly acts for clients in high-value construction disputes and also advises on bankruptcy and restructure, maritime and shipping, insurance, employment, banking disputes and investment disputes. Mevan also assists clients in structuring joint ventures, franchises, distributorship and registered agencies. Mevan is a Legal500 recognised practitioner.

The Afridi & Angell Tax Team is closely reviewing the 106-page Explanatory Guide and will continue to provide more details in the coming days. ■

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