



A Simplified Guide: Non-Resident Persons for Corporate Tax in the UAE

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Parker Russell UAE

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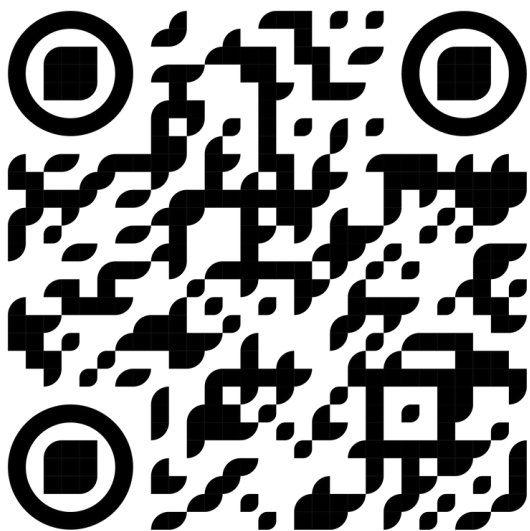


Table of Contents

Understanding Non-Resident and Resident Person Status	3
Under What Circumstances Is a Non-Resident Person Required to Register	3
What Income is Subject to Corporate Tax	3
Commercial Activities Conducted by Non-Resident Individuals	4
State Sourced Income	4
Conclusion	4

Understanding Non-Resident and Resident Person Status

The Corporate Tax Law defines a non-resident person as an individual or legal entity that is not a resident person. As a result, it is necessary to first determine whether an individual or legal entity is a resident person.

An individual is considered a *Resident Person*, if: A resident person is an individual or legal entity that conducts business in the UAE or is incorporated or otherwise established in the UAE. It can also be an entity that is incorporated or otherwise established outside the UAE but is effectively managed and controlled in the UAE.

A *Non-Resident Person* is an individual who is not a resident person of the UAE but either: Has a permanent establishment in the UAE and has a turnover attributable to their permanent establishment that exceeds AED 1,000,000 within a Gregorian calendar year; or derives state-sourced income, which is income that accrues in or is derived from the UAE.

Not all non-residents are subject to corporate tax in the UAE, but the Corporate Tax Law defines a “non-resident person” as a taxable non-resident person. Therefore, throughout this guide, the term “non-resident person” refers to a non-resident person who is subject to corporate tax in the UAE unless otherwise specified.

Under What Circumstances Is a Non-Resident Person Required to Register

Non-resident legal entities that are subject to corporate tax in the UAE must register for corporate tax purposes and obtain a Tax Registration Number (TRN). This is required if the non-resident legal entity has: a *permanent establishment* in the UAE; or a *connection* to the UAE.

Once a person determines that their activities will create a permanent establishment in the UAE or that they have a connection to the UAE, they are considered a non-resident person for corporate tax purposes under the Corporate Tax Law. They should register with the Federal Tax Authority for corporate tax purposes to avoid any compliance delays and potential administrative penalties.

What Income is Subject to Corporate Tax

Non-resident businesses with a permanent presence in the UAE must pay corporate tax on their profits. The corporate tax rate for non-resident businesses is the same as the rate for resident businesses, which is 0% on the first AED 375,000 of profits and 9% on profits above AED 375,000. Non-resident businesses operating in free zones pay corporate tax at the following rates:

- 0% on qualifying income
- 9% on income that is not qualifying income

Commercial Activities Conducted by Non-Resident Individuals

Non-resident individuals will only be subjected to corporate tax in the UAE if their turnover from business or business activities in the UAE exceeds AED 1 million in a Gregorian calendar year. The following are not considered businesses or business activities for natural persons and therefore not subject to corporate tax:

- Salaries and wages received from an employer under an employment contract.
- Income from personal investments that are not made through a license from a licensing authority and are not considered commercial businesses under the UAE Commercial Transactions Law.
- Income from real estate investments that are not conducted through a license from a licensing authority

State Sourced Income

Income is considered State Sourced Income in any of the following instances:

1. Where it is derived from a Resident Person

This means that any income that is earned from a person who lives in the UAE is considered state-sourced income, regardless of where the income is actually earned.

2. Where it is derived from a Non-Resident Person and the income is paid or accrued in connection with, and attributable to, a Permanent Establishment of that Non-Resident Person in the UAE

A person who does not live in the UAE but has a permanent establishment in the UAE is considered state-sourced income, if the income is paid or related to that permanent establishment.

3. Where it is otherwise accrued in or derived from activities performed, assets located, capital invested, rights used, services performed or benefitted from in the UAE

Income accrued in or derived from activities performed, assets located, capital invested, rights used, services performed, or benefits received in the UAE.

In simpler terms, state-sourced income is any income that is earned in the UAE, regardless of who earns it or where they live.

Conclusion

Non-resident businesses with a permanent presence in the UAE or who earn income from the UAE must pay corporate tax. The corporate tax rate for non-resident businesses is the same as the rate for resident businesses. Non-resident businesses operating in free zones pay corporate tax at a lower rate.

If you are a non-resident business operating in the UAE, it is important to register for corporate tax purposes and obtain a Tax Registration Number (TRN). You should also consult with one of our tax advisor at Parker Russell UAE to ensure that you are complying with all applicable tax laws and regulations.

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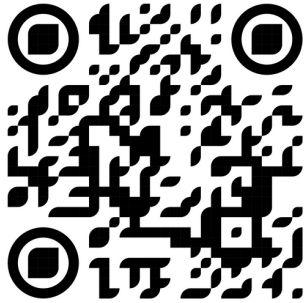
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Through our professional and best practices we have extended our services into more areas. In UAE, we have offices in Dubai, Abu Dhabi and Al Ain. Our staff strength is around 50+, which include Accountants, Auditors, Tax Consultants, Management Consultants, and ERP Consultants. Our present client strength is around 550 of varying discipline and sizes.

It is operating and is placed in one of the leading audit firms in Dubai with its branches in Dubai and Abu Dhabi. Parker Russell is incorporated in the year 1998, with the ideology of highly qualified, experienced, and capable chartered accountants and accounting executives, with much dedication and passion in providing high-quality financial services to any corporation or individual that is in need and imparting professional financial insights without compromising excellence.