



# A SNIPPET OF PAIN POINTS THAT MAYBE ROADBLOCKS IN THE CORPORATE TAX IMPLEMENTATION JOURNEY

It has been more than 120 days since Corporate Tax came into effect in the UAE and this newly introduced tax regime requires businesses to turn the spotlight on ensuring corporate tax law implementation is seamless & effective. In order to hit the ground running, it is essential businesses have a ringside view into some of the pain points that could be potential roadblocks in their compliant corporate tax journey, resolving and securing prudent solutions would be key for correct compliances

Sharing below few of the pain points that may find resonance with your business:

- Availing Qualifying Freezone Person (QFZP) 0% benefit requires complying with adequate substance as one of the conditions but how to fulfil the substance for the entities having 3rd port shipments, HQ Business in particular, when it must align with place of effective management (POEM).
- Defining nature of services shall be covered under qualified activities for Free Zone (FZ) tax regime
- Whether interest on shareholders current account can be claimed, considering the General Anti-Abuse Rules (GAAR provisions) and interest limitation rules
- What should be the supporting documents for the payment/ commission expenses paid to individuals
- Whether provisions made in the financial statements shall be allowed as deductible expenses
- How to determine remuneration to connected persons and its deductibility
- Whether all the income from personal investments will be out of scope, considering the Commercial Business Law No. 50 of 2022
- How to document when internal /external comparable supports are available, considering the methodology generally accepted by tax authorities
- Taking decisions on forming tax group vs separate taxable person considering the volume and nature of intra group business transactions and administration cost of having separate accounts and compliances.
- What changes need to be done during accounting process and how to create deferred tax assets or liability (DTA and DTL)
- Tax impact of related party balance standing at the beginning of first tax period with respect to transition provisions highlighting application of Arm's length principle

With less than 90 days left for 2023 to an end, it is vital for businesses to stay on top of their corporate tax game to address and avoid compliance gaps. For an aligned perspective on the diverse aspects within corporate tax, you can reach out to our team at [info@uhy-ae.com](mailto:info@uhy-ae.com)