

# CONNECT

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## Food for thought; CEO's message

### Greetings

The year has literally and figuratively flown by and in the blink of an eye we will be reading the Chapter of 2023 backwards. With a little more than 3 months left to sign off this year I believe we have a positive economic momentum to rely on and plan the way forward for 2024.

The International Monetary Fund (IMF), World Bank and the Central Bank of UAE forecasts reinforce the UAE's economic resilience through the headwinds and the country's bold strides in technological advancement and innovation. As per IMF's projections UAE is set to achieve 3.6% increase in its GDP in 2023 marked by strong domestic activity. The World Bank, on the other hand, projected the real GDP of UAE is likely to surge 2.8% in 2023, as the non-oil sector is estimated to record 4.8% growth. Heightened domestic demand especially in the realm of tourism, real estate, construction, transportation and manufacturing will drive solid growth in the UAE economy. Closer home the Central Bank of UAE reported continued growth through Q1 2023 reiterating the robust momentum in the non-oil sector.

Key factors in the UAE economy I would be keeping a close watch on would be the following:

- Policy initiatives that are investor friendly & entrepreneurship-centred can wield immense potential in steering the economy to a new paradigm.
- Food prices have eased and Dubai's inflation rate slowed to 2.05% annually in June 2023.
- Labour market participation rates have improved significantly with unemployment declining from 4.3% in 2020 to 3.3% in 2022.
- Abu Dhabi saw 363% growth in Foreign Direct Investment (FDI) in the real estate sector during the first half of 2023.

There is no doubt about the fact that the progress of UAE will be measured by the impact of economic diversification efforts in the future. I am uninhibitedly positive about the possibilities and opportunities that lie ahead and as service providers to businesses in this dynamic economy, we are excited about the new chapters that will be added to this country's glorious growth story.

Warm Regards

**James Mathew**



## Revealing hidden value: The significance and strategies of purchase price allocation

Purchase price allocation (PPA) is a critical step in the dynamic world of mergers and acquisitions. This financial acumen holds the key to uncovering hidden value and increasing the deal's potential. Companies can improve their financial reporting, tax consequences, and strategic decision making by assigning the acquisition price to certain assets and liabilities. PPA's relevance becomes obvious when one looks beyond the curtain; it's not limited to crunching numbers but also involves comprehending the elemental value of every piece of the puzzle. Consider it like dissecting a complex organism, where each organ adds something unique to the total.

So, how does one go about performing this magic trick?

There are numerous approaches available, but three stand out: the income approach, the market approach, and the cost approach. To evaluate the value of intangible assets, the income approach looks at future cash flows, discount rates, and risk considerations while the market approach allows market interactions to determine value. On the other hand, the cost approach considers the cost of acquiring or constructing comparable assets in the present market. This method is frequently used for tangible assets such as real estate, plants, and machinery. It calculates fair value by accounting the cost of acquiring identical assets and compensating for depreciation and obsolescence. Comparable businesses and transactions serve as guiding lights.

However, much like a symphony, a successful PPA requires harmony. The importance of collaboration across finance, accounting, legal, and operational teams cannot be overstated. Their pooled knowledge assures accuracy and a complete picture of the acquired entity's value however PPA is more than just allocating a purchase price to the company's assets and liabilities. It all comes down to strategy. Companies are enabled to make educated judgments about merging assets, optimizing tax structures and future when they have precise assessments. It's not only about the here and now; it's about constructing a stronger, more efficient entity over time.

A purchase price allocation is made up of the following components: net identified assets, write up, and goodwill. The net identifiable assets represent the fair value of the acquired company's assets on its balance sheet. These distinguishable assets are those that can be identified and quantified. Furthermore, a write-up amount can be determined when a business valuation specialist evaluates the fair market value of an acquired company's assets. The final component is goodwill/bargain purchase, which can be determined by subtracting the purchase price from the total fair market value of the acquired company's assets and liabilities.

Finally, purchase price allocation is the backstage pass to the mergers and acquisitions show. It turns a seemingly random number into a road map for discovering hidden potential. As companies continue to spin their stories of growth and expansion, PPA plays an important role in ensuring that value is not just gained, but properly understood and achieved. Our team of corporate finance experts are well poised to guide businesses through Purchase Price Allocation to steer them in the direction of clarity and growth.

- This article has been authored by Aditya Gupta and the UHY James Corporate Finance team.



**Aditya Gupta**  
Assistant Manager  
Corporate Finance



## Re-domiciliation of companies: A closer look at the UAE as an attractive jurisdiction

### Introduction

In an increasingly globalized business landscape, companies often seek new opportunities and favourable jurisdictions to enhance their competitiveness and growth potential. One way to achieve this is through the process of re-domiciliation, which allows companies to transfer their corporate domicile from one country to another. The United Arab Emirates (UAE) has emerged as a sought-after destination for re-domiciliation owing to its business-friendly environment, strategic location, and numerous incentives.

### What is Re-domiciliation

Re-domiciliation also known as corporate migration or company relocation is a process that involves transferring a company's registration, assets, and liabilities from one jurisdiction to another without affecting its legal existence. While traditional methods of business expansion require forming subsidiaries or branches in foreign countries; re-domiciliation enables a seamless transition without the need to dissolve and re-establish the company. This process allows businesses to access favourable regulatory environments, tax benefits, and improved market access.

### Benefits of Re-domiciliation



#### Favourable Legal and Regulatory Environment:

Some jurisdictions offer better legal frameworks and regulations that cater to specific industries or business types. Re-domiciliation allows companies to take advantage of these favorable environments.



#### Tax Efficiency:

Certain jurisdictions may offer lower corporate tax rates, exemptions, or incentives, making it financially beneficial for companies to move their domicile.



#### Enhanced Market Access:

Re-domiciliation allows businesses to enter new markets and tap into regional or international customer bases, expanding their market reach.

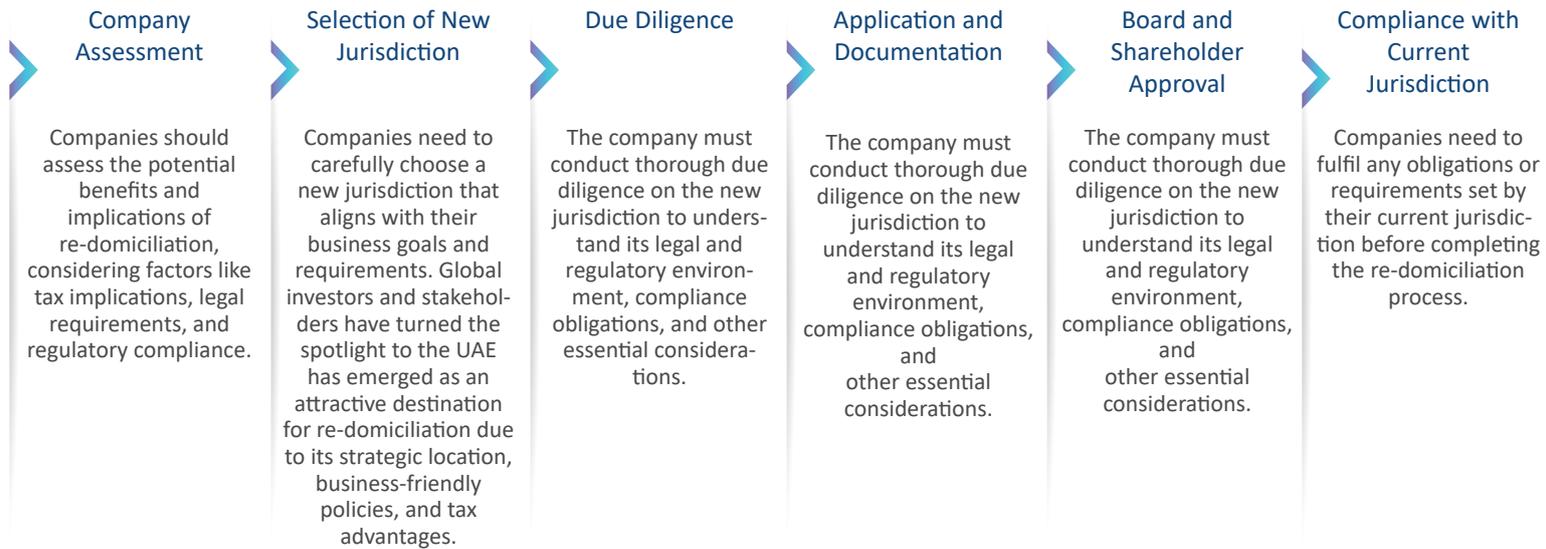


#### Improved Reputation:

Moving to a reputable and business-friendly jurisdiction can enhance a company's image and credibility, attracting investors and partners.

## The Re-domiciliation Process

While specific re-domiciliation procedures may vary from one jurisdiction to another, the general steps involved are as follows:



## Advantages of Re- domiciliation in the UAE

The UAE has gained prominence as a preferred destination for re-domiciliation due to several advantages it offers to businesses:

- **Tax Benefits:** The UAE follows a territorial tax system, which means companies are taxed only on income generated within the country, and there is only 9% corporate income tax and no personal income tax.
- **Favourable Legal and Regulatory Framework:** The UAE boasts a well-established legal system that protects investors and businesses. Its regulatory environment is designed to facilitate business operations, providing a robust foundation for companies to grow and thrive.
- **Strategic Location:** Positioned at the crossroads of Asia, Europe, and Africa, the UAE provides easy access to a vast consumer base and numerous business opportunities.
- **Business-Friendly Environment:** The UAE government actively encourages foreign investment and provides various incentives and initiatives to support business growth.
- **World-Class Infrastructure:** The UAE boasts state-of-the-art infrastructure, efficient logistics, and a stable economy, providing a conducive environment for businesses to thrive.
- **Economic Stability:** The UAE's diversified economy, backed by its vast oil reserves and commitment to non-oil sectors, ensures stability even during global economic fluctuations. This economic resilience provides companies with a secure foundation for long-term growth.
- **Ease of Doing Business:** The UAE consistently ranks high in global indices for ease of doing business. Streamlined bureaucratic processes, efficient government services, and transparent regulations create a conducive environment for business growth.

## The Re-domiciliation Process in the UAE

The UAE introduced provisions for re-domiciliation through the enactment of the Federal Decree-Law No. 19 of 2018. This legislation enables foreign companies to transfer their domicile to the UAE while preserving their legal identity. The process typically involves the following steps:

- **Eligibility Assessment:** Companies must meet specific criteria set by the UAE authorities to be eligible for re-domiciliation. This evaluation includes compliance with legal and financial requirements, among others.
- **Application Submission:** Once eligibility is confirmed, the company applies for re-domiciliation to the relevant UAE regulatory authority.
- **Due Diligence and Approval:** UAE authorities conduct a thorough review of the company's documents, financial records, and compliance history. Upon successful completion of due diligence, the authorities grant approval for the re-domiciliation.
- **Transfer of Domicile:** After receiving approval, the company finalizes the transfer of domicile, effectively becoming a UAE-registered entity.

## Conclusion

Re-domiciliation presents an attractive option for companies seeking to optimize their operations and capitalize on favourable business environments. The UAE, with its robust economic ecosystem, tax benefits, and strategic location, stands out as an alluring destination for businesses considering relocation. As the country continues to enhance its business ecosystem, the trend of re-domiciliation to the UAE is expected to grow, solidifying its position as a global business hub. However, businesses contemplating re-domiciliation should conduct thorough research, seek legal advice, and carefully weigh the pros and cons before making a well-informed decision.

Our team at UHY UAE has a thorough understanding of the regulatory provisions for re-domiciliation in the UAE and provides end to end advice and support to the client for the re-domiciliation process.

- This article has been authored by Priyesh Kapadia and the UHY James Advisory team.



**Priyesh Kapadia**  
Partner  
Advisory Services



## How the offshore companies may fall under the provision of UAE corporate tax

In UAE, the offshore companies were incorporated with the objective to manage investment in securities and/or real estate. Earlier in the absence of Tax Law, the taxability of income (dividend, capital gain, rentals or even business income in certain cases) was never questioned however after introduction of corporate tax, the tax provision defining the taxable person and their taxability has clarified the taxation position for such entities.

As per Clause 4 of Article 11, defining taxable person specifies that Non-Resident Persons (Company which is not a resident) carries on business activities through a Permanent Establishment (PE) in the UAE or that earn UAE sourced income are covered within the scope of Corporate Tax. The PE arises when a Non-Resident Person has a fixed place of Business in UAE in the form of office, land, building & other real estate property and others (as one of the conditions) and accordingly, the rental income generated from property in UAE and/or generate the investment or business income shall fall within the ambit of corporate tax through PE provisions or UAE sourced income.

Further, Clause 3(b) of Article 11 provides that the juridical persons that are incorporated, or otherwise established or recognised under the laws of a foreign jurisdiction (outside UAE), but that are effectively managed and controlled in the

UAE, will be treated as Resident Persons and shall be liable for corporate tax compliances.

Accordingly, the non-resident taxable person should evaluate above provisions of the law carefully to understand their tax positions on the business transactions undertaken. Income earned by offshore entity from UAE Mainland/freezone/outside UAE should be evaluated and reported to tax authorities accordingly.

Our team of tax experts and advisors wield years of solid experience in the realm of taxation and are well poised to guide businesses on the path of effective compliance measures.

- This article has been authored by Amit Mehta and the UHY James Corporate Tax team.



**Amit Mehta**  
Associate Partner  
Tax Advisory



## Next level networking: beyond borders

Networking is fundamental in driving growth of a business and CEO & Managing Partner of UHY James – James Mathew had the opportunity to join Fact Finding Missions organised by the Swiss Global Enterprise as a delegate in three countries - Kuwait, Switzerland, and Saudi Arabia – over the last few months.

Part of a 30-member strong Swiss business delegation, James had the opportunity to interact with stakeholders and changemakers in Kuwait to discuss areas of promoting trade and investment. The delegation engaged in enriching conversations with members of the Kuwait Chamber of Commerce and Industry, Kuwait Direct Investment Promotion Authority, and the Kuwait Institute for Scientific Research to explore economic opportunities in areas of - digital transformation, food security, construction, cybersecurity, and the realm of education.

In June 2023, James Mathew was one of the Oman – Switzerland Friendship Association (OSFA) delegates who visited many companies in Switzerland and gained key insights into areas of urban design, cable car manufacturing and cutting-edge technologies in diverse business sectors. The OSFA Business Forum served as a gateway to strengthen ties between Switzerland and the Middle East.

In a world that is increasingly becoming glocal, exploring the business landscape of a new country up, close, and personal adds immensely to our individual and collective learning curve. Recently James was one among the delegates headed to Saudi Arabia as part of the Fact-Finding Mission with Swiss Business Council – Middle East. With Saudi Arabia strengthening its economic momentum, the delegates were part of key insightful expos and events like the Saudi Swiss Clean Tech Forum and the Saudi Infrastructure Expo which led to meaningful discussions and collaborations that will drive the infrastructure sector in the region forward.

Kuwait



Saudi Arabia





## The rising need for a cyber security strategy in the corporate sector

- Almost 800,000 cyberattacks are estimated to take place during a year.
  - Every 39 seconds a hacker attack takes place.
  - 92% malware was delivered via email.
- &
- 49 days is the average time taken to identify a ransomware attack.

And yet cybersecurity safety measures in the corporate sector are still an exception and not the norm!

As an audit, advisory, consulting and tax firm having a ringside view of the changing dynamics of the business landscape - we decipher the critical part played by cybersecurity services in strengthening the IT framework of a business entity.

we had the wonderful opportunity to have Mr. Premchand Kurup, CEO – Paramount Computer Systems visit our Dubai office for an insightful discussion with our team of 6 Partners on the need for business entities to step-up their game and reduce potential IT risks which could cause financial / operational / and even reputational damage.

Being in the business of providing professional services to entities ranging from diverse sectors, we believe insightful discussions with industry experts go a long way in helping us keep pace with evolving trends and developments. Leveraging our network with industry experts helps in honing the team's skills and understanding of varied aspects of different services, which eventually gets translated into long-term benefits for our clients.



## UHY James Onam celebration



Onam the harvest festival of Kerala is much awaited by team UHY James as the occasion calls for celebrating traditions and togetherness. During Onam 2023 celebrations our office was decked in hues of gold, ivory, orange and yellow. An air of celebration and festivity dawned upon our office as everyone dressed in their best Indian finery to usher in the annual Onam celebrations. Our team of more than 125 professionals showed up in vibrant colours and the best part was that it was not just Indians who were in Indian attire, but people from different countries too.

We emphatically believe moments of joy and celebration must be shared and were honoured to have had

- **Mr. Ahmed Saeed Al Raqbani** – Chairman, Fujairah Building Industries PJSC (Group), Managing Director, East Coast Group, Board Member of National Bank of Fujairah, and Al Taif Investment and is a member of the Board of Trustees of the University of Fujairah.
- **Mr. Manoj Chawla** – Chief Risk Officer, Emirates NBD
- **Dr. Vajahat Hussain** – CEO, Amity Education (Middle East)
- **Mr. Sundeep Mehta** - EVP, Head Syndications & Co-Lending FI, Emirates Development Bank (EDB)

join us for a delicious 'Onasadya' served the traditional way on a banana leaf. Feasting is a big part of Onam festivities and the 'sadya' is the highlight of the day. Our team thoroughly enjoyed every part of the festivities planned – starting from conceptualising and designing the 'pookalam' to participating in the organising of the traditional 'sadya' during lunch. The icing on the cake however was that we had a small 'Thiruvathirakali' dance performance by some of the talented women in our office and it was indeed a sight to behold. The music, the grace and the flow of the performance ensured everyone got to see a slice of Kerala and the glory of its Onam celebrations here in the UAE.



<https://www.khaleejtimes.com/supplements/forging-stronger-ties>

## Forging Stronger Ties

UAE and India's expansive economic diplomacy is rooted in synergy and symbiosis



James Mathew, CEO and Managing Partner, UHY James

### NEW DEVELOPMENTS DRIVING TRADE DYNAMICS BETWEEN INDIA AND THE UAE



<https://www.khaleejtimes.com/business/tax-talk-clears-issues-on-uae-corporate-tax>

HOME / BUSINESS

## 'Tax Talk' clears issues on UAE corporate tax

Session in Dubai organised by ICAI

Further adding to the topic on TP, Sheetal Sapra, senior manager with UHY James, took a more pragmatic approach on the topic of UAE taxes and its implementation. She said that UAE's decision to adopt a more competitive rate of tax compared to the rest of the GCC was in line with the intention to remain a global business and investment hub, without introducing the payroll tax till date. Sheetal also stated that more clarity is expected in TP documentation requirements in terms of possible threshold for disclosure forms and most importantly, qualifying free zone persons.

<https://gulfnews.com/business/banking/loans-credit-cards-how-banks-deal-with-us-fed-rate-hikes-for-uae-businesses-consumers-1.1695266676910>

### Loans, credit cards: How banks deal with US Fed rate hikes for UAE businesses, consumers

For many mortgage takers, rents from properties no longer cover their EMIs

Published: September 21, 2023 07:17 Last updated: September 21, 2023 09:17

**"If businesses do not take that route, they risk losing clients to competitors waiting to capture their share of the pie. Hence, businesses that give credit in the market end up requiring more working capital."**



- James Mathew of UHY Chartered Accountants



Priyesh Kapadia, Partner of Advisory Services was invited to the JBN Pioneer Chapter Meeting in Ahmedabad as a Chief Guest and he leveraged the opportunity to unlock the idea of seizing growth beyond borders by exploring investment opportunities in the UAE.

With tax related matters gaining rapid momentum in the UAE, our Associate Partner for Tax Advisory Amit Mehta was a speaker at a tax event organized by JITO Incubation & Innovation Foundation and JITO Business Network-JBN in Dubai.



# Our Services



## Audit & Assurance

- Financial Statement Audits
- Information System Audits
- RERA Regulatory & Compliance Audits
- Retail Sales Audit



## Internal Audit

- Risk Assurance
- Forensic Audits
- Standard Operating procedures
- Business Efficiency Reviews



## Corporate Finance

- Financial Due Diligence
- Valuation and Pricing
- Purchase Price Allocation
- Business Modelling
- Fund Raising



## Technology & Cybersecurity

- Information Security Audit
- Cybersecurity Assessment
- Data Protection
- Automation
- ERP Consulting



## Strategy & Transformation

- Strategic Consulting
- Profitability Enhancement
- Organizational Transformation



## Company Incorporation

- Business Setup
- Company Liquidations
- Tax Residency Certificate
- Trademark Registration
- Visa Assistance



## Direct Tax

- Corporate Tax Advisory and Compliances
- Transfer Pricing Advisory and Compliances
- ESR Advisory



## Indirect Tax

- VAT Advisory and Compliances
- Tax Audit Assistance
- Excise Tax Advisory and Compliances



## Accounting & Bookkeeping

- IFRS Review & Implementation
- Payroll Processing
- Virtual CFO Services
- Independent Director & Secretarial Services



## Intellectual Property-Trademark (TM)

- TM Search
- TM Registration
- TM Renewal
- TM Recordal Licensing



## Anti-Money Laundering Services

- Establishment of AML program/framework
- Annual AML compliance review
- AML Compliance Training



# Our Leadership team brings forth 200+ years of global experience & industry expertise for your business!



## 30+ yrs exp.

One of the most recognized financial practitioners in the audit, accounting & advisory space in the UAE James is known for sustaining excellent client relationships, and exhibiting a strong adversity quotient. James has built immense credibility & has played key roles at various professional organizations and international forums.

**James Mathew**  
FCA, CPA  
CEO & Managing Partner



## 35+ yrs exp.

- Internal Auditing
- Corporate Governance
- Risk Management
- SOP Development
- Operational Due Diligence
- Quality Assessment Reviews
- Forensic Audits & Investigation

**Adil Buhariwalla**  
Senior Partner  
Internal Audit & Risk Consulting



## 35+ yrs exp.

- Business Advisory
- Independent Director
- CFO Services
- Business Process Re-engineering
- Enterprise Resource Planning
- Outsourcing
- Accounting, Bookkeeping & Payroll management

**S. Unnikrishnan**  
Senior Partner  
Business Consulting & Advisory



## 20+ yrs exp.

- Expert in Audit & Assurance services
- International Financial Reporting Standards Implementation
- Highly experienced in FMCG, Real Estate & Hospitality sectors
- Internal Financial Controls

**Tushar Jesrani**  
Partner  
Audit & Assurance



## 25+ yrs exp.

- Expert in corporate finance/valuation/-financial feasibility studies/financial due diligence/PPA
- Strategic insight in cross border transactions/engagements across India, Middle East and abroad
- Experienced in advising on setup of business entities globally

**Priyesh Kapadia**  
Partner  
Advisory Services



## 15+ yrs exp.

- Diverse experience in direct and indirect taxation services covering Corporate Tax and VAT across wide range of industries
- ICV Certification and improvement plan advisory
- Adept at strategic planning, operational management and on the technical advisory front

**Amit Mehta**  
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*Committed  
to your  
growth story*