



re/think

OPTIMIZING YOUR SPV/ PRESCO'S TAX POSITION

Roadmap

SPRING 2025

Introduction

To whom does Corporate Tax (CT) apply?



- **All legal entities (incl. Family Foundations) are subject to CT**
- Natural persons (individuals) engaged in a business or business activity in the UAE

When does it apply?



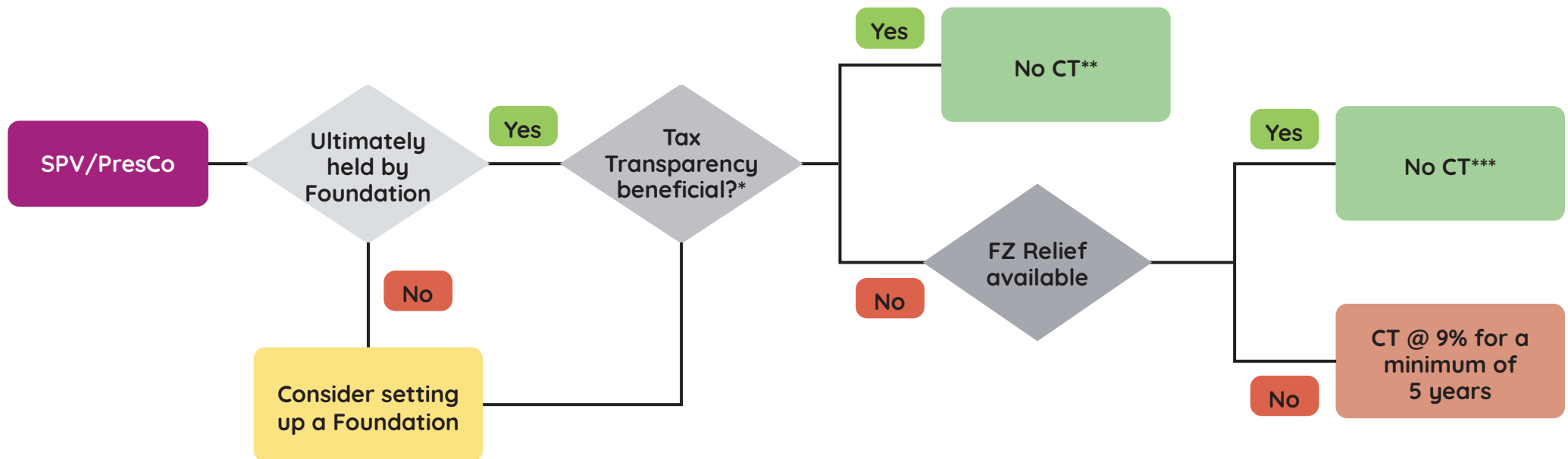
- Effective for financial year starting 1 June 2023
- Businesses with standard (Jan - Dec) financial year subject to UAE **CT starting January 2024**

Ongoing Obligations



- Register for CT (once)
- Maintain accounting records (IFRS standards)
- Ensure all transactions with related parties/connected persons are at arm's length
- Prepare transfer pricing documentation/benchmark studies
- Submit tax returns (annually, 9 months from end of Tax Period)
- Submit country-by-country Notification/Report (if applicable)

Optimizing your SPV/PresCo's Corporate Tax Position



* Apply for FZ Relief for years prior to approval of Tax Transparency

** Subject to approval of FTA

*** Subject to meeting FZ relief conditions

High-level Corporate Tax Reliefs/Exemption – SPV/PresCo ⁽¹⁾

Tax Transparency

If the SPV/PresCo is wholly owned – either directly or indirectly – by a Foundation that qualifies for Tax Transparency, it can apply to be treated as an unincorporated partnership, thereby acquiring **"tax transparency"** status.

Where the beneficiaries are individuals, they may be eligible for specific tax exemptions that make the Tax Transparency Application advantageous. For example, returns on personal investments and rental income from UAE real estate are exempt from CT in the hands of natural persons.

If tax transparency status is applied, only individuals generating business revenues > AED 1 million are subject to CT. Business revenues at the individual level do not include salaries, revenue from UAE real estate investments and personal investments.

Transfer of SPV/PresCo's shares to a Foundation will earn tax transparency for the PresCo/SPV prospectively only.

- Conditions for Tax Transparency
 - Foundation must be established **for the benefit of identified or identifiable natural persons**, or for the benefit of a public benefit entity, or both
 - The principal activity of the Foundation is to **receive, hold, invest, disburse, or otherwise manage assets or funds associated with savings and investments**
 - **Foundation must not be established to conduct Business or Business activity.**
 - **Does not conduct any activity that would constitute a Business or Business Activity** where such activity is undertaken or its assets held directly by its founder, settlor, or any of its beneficiaries
 - Not have a principal purpose of avoiding CT, and must meet any other conditions as may be prescribed by Minister

"If planned and executed correctly, an SPV/PresCo is unlikely to pay any CT"

High-level Corporate Tax Reliefs/Exemption – SPV/PresCo (2)

Participation Exemption

In many cases, **SPV/PresCos will act as holding entities**, with **dividends** and occasional **capital gains** as common sources of income. These income streams can benefit from the **participation exemption** rules.

“**Domestic**” dividends distributed by UAE subsidiaries are exempt unconditionally. **Dividends from foreign subsidiaries and capital gains (foreign and domestic)** are exempt if the following **conditions are met**:

- At least **5% of ownership** interest and economic rights
- **Held** (or has the intention) for an uninterrupted period of **12 months**
- **Subject to CT** (or equivalent) at a rate of **at least 9% in foreign jurisdiction**
- Not more than 50% of the direct and indirect assets consist of ownership interests or entitlements that would not have qualified for an exemption if held directly by the UAE shareholder
- Any other conditions as may be prescribed by the Minister

Free Zone Relief

Passive holding entities may benefit from 0% tax under the Free Zone relief, subject to fulfilling the conditions of a Qualifying Free Zone Person.

Specifically:

- Maintaining **adequate substance**
- **Non-Qualifying Income is < AED 5 million or 5% of Total Income**, whichever lower
- **Not elected to be taxed at standard 9% CT rate**
- **Complying with Transfer Pricing rules** and documentation
- **Maintaining audited financial statements**

Prior to Tax Transparency being granted, an SPV/PresCo should comply with Free Zone Relief requirements to benefit from 0% CT

Small Business Relief

Small businesses with total revenue **< AED 3 Million** in the relevant and previous Tax Period may **elect** to be treated as **not having derived any Taxable Income**.

This relief could be availed **if the entity is not eligible for Free Zone relief**.

Meet the Experts



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Core Focus

- Finance Modelling
- Investment & Due Diligence (Assessments for M&A)
- Strategic Advisory & Partnerships



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Core Focus

- UAE Tax Advisory and compliance
- Tax Planning and Optimization
- Substance Advisory and Compliance
- Tax Audit Support



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Core Focus

- CFO Services
- Accounting
- UAE Tax
- Finance Function transformation
- Support in Fund raising, Rescheduling and Re-financing
- Business expansion, Reorientation and Recovery support
- M&A support
- NED/Resident support



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