



# TAX UPDATE

---

## TAX ALERT – LAW NO.: (1) OF 2024 ON TAXATION OF FOREIGN BANKS OPERATING IN DUBAI

---

The Government of Dubai published the law on taxation of foreign banks operating in the Emirates of Dubai (UAE) - “Law No.: (1) of 2024 on taxation of foreign banks operating in Dubai” (‘The new banking law’).

The new banking law specifies the principles governing the calculation of taxable income, tax filing and payments, inter-play of the new banking law with UAE Corporate Tax Law, procedures for the audit of tax filing, penalties, voluntary disclosure, procedures related to tax auditing, etc.

### UPDATE HIGHLIGHTS

**Overview of law on taxation of foreign banks operating in the Emirates of Dubai (UAE)**

**Key aspects of the new banking law**

**Andersen Takeaway**



## Key aspects of the new banking law

---

Some of the key aspects/highlights of the new banking law are discussed below:

### 1 - Coverage

- ▶ The new banking law shall be applicable to all foreign banks operating in Dubai (including special development zones and free zones) except for foreign banks licensed to operate in the Dubai International Financial Center (DIFC) on the income earned from business within or through the DIFC.

### 2 - Effective Date

- ▶ The new banking law shall be applicable from the date of its publication in the Official Gazette, i.e., March 8, 2024 (issue date is March 1, 2024)

### 3 - Tax Rates

- ▶ The new banking law imposes an annual tax of 20% on foreign banks on 'taxable income' derived from operations in Dubai.
- ▶ Furthermore, this percentage shall be deducted/reduced by the percentage at which Corporate Tax as per Federal Decree Law No.: (47) of 2022 (UAE CT Law) is levied on the income of the foreign bank.

### 4 - Taxable Income

For calculating taxable income, the taxpayer would have to follow and apply –

- ▶ a) the rules and regulations approved by the Director General of the Department of Finance regarding the calculation of joint revenue and expenses, headquarter and regional expenses, unrealized losses and gains, profit not included in taxable income etc.; and
- ▶ b) UAE CT Law provisions and decisions for cases other than those covered in the rules and regulations mentioned above.

## 5 - Tax Period

- ▶ The new banking law directs Banks to refer to the provisions, rules, conditions, and procedures of UAE CT Law for determining the Tax Period.
- ▶ Accordingly, the tax period is a financial year for which a tax return is required to be filed.
  - Financial year is the Gregorian calendar year or the 12-month period for which the taxable person prepares financial statements

## 6 - Tax Return and Tax Payment

- ▶ The new banking law provides a list of documents to be submitted before the Department of Finance as an annual compliance – Tax return form (approved by the Department of Finance), audited Financial Statements, proof of calculation of tax amount due under this law, and lastly, tax percentage imposed and tax paid in accordance with UAE CT Law.

## 7 - Transitional Provisions

- ▶ This Law applies to the tax period beginning after the implementation/entry into force of its provisions.
- ▶ For tax periods beginning before this law came into force, the rules, procedures, and periods stipulated in Regulation No. (2) of 1996 shall be applied.

## 8 - Interplay with UAE CT Law

- ▶ Without prejudice to this Law, the Rules, conditions, and procedures stipulated in the UAE CT Law and the decisions issued pursuant thereto relating to the Tax Period and any other matter not stipulated in Dubai Banking Tax Law (and future decisions) shall be applicable on the Foreign Banks.

## 9 - Record Keeping

- ▶ All relevant documents should be maintained for 7 years after the end of a tax period for the Department of Finance to refer, in case required.

## Other Provisions

---

- **Penalty and Fines** – The new banking law contains provisions for imposing penalties for tax evasion which would be equal to or twice the amount of tax evaded. There is also a fine of AED 500,000 for administrative violations which can go up to AED 1mn, in case of repetitive violations. Furthermore, in case of late payment of taxes, there is a fine of 2% on the value of the unpaid tax or fine for each month or part of the month.
- **Voluntary Disclosures** – The new banking law also has provisions for foreign banks to make voluntary disclosures in case of any incorrect declaration made.
- **Tax Audit** – The Department of Finance can conduct an audit of the tax returns, financial statements, clarifications, data, information, documents, and voluntary declarations submitted by foreign banks, to ensure their accuracy.





# ANDERSEN TAKEAWAY

From plain reading of the new banking law, if a Gregorian calendar is followed as a tax year, then this new Dubai banking law may be applicable from January 2025 onwards. This means that there may not be any credit available for the tax paid under UAE CT Law for the period January 2024 to December 2024. It is advisable for Banks to wait for further clarity on this point as it is unclear as to whether this is the real intention of the new banking law.


Furthermore, the credit for tax paid under the UAE CT Law appears to be a reduction on the percentage payable under the new banking law i.e. 20% reduced to 11%. This is a different mechanism to how usually tax credits work and it needs to be seen if a clarification is released on this aspect.

Lastly, the changes to the computation of taxable income are significant. Going forward, apart from the familiar adjustments that were made by foreign banks while computing their taxable income for the application of banking tax, there can potentially be additional adjustments as per the UAE CT Law. Thus, a foreign bank will have to assess and carry out an analysis to evaluate what other items can impact their taxable income from a UAE CT Law perspective.






## UAE Office Locations

 402 Arenco Tower, Dubai  
Media City, Dubai

 103 Sama Tower, Electra Street,  
Madinat Zayed, Abu Dhabi

---

## Get in touch

 +971 4 243 5666

 [info@ae.andersen.com](mailto:info@ae.andersen.com)

### DISCLAIMER:

This update cannot be considered as our recommendation and contains information in summary form. This is therefore intended for general guidance only. It is not intended to be a substitute for detailed research or the exercise of professional judgement. Neither Andersen in the UAE nor any member firm can accept any responsibility for loss occasioned by any person acting or refraining from action as a result of any material in this presentation. On any specific matter, reference should be made to the appropriate advisor.