

SOME DIFFERENCES BETWEEN ENGLISH AND ARABIC VERSION ON UAE CORPORATE TAX LAW

Swipe 

BACKGROUND



The Federal Decree-Law No. (47) of 2022 on the Taxation of Corporations and Businesses was issued by the United Arab Emirates (“UAE”), on 09 December 2022.



While reading the English version comparing with Arabic version, we noticed some differences that we can highlight some of them in this file.



These differences can create misunderstanding with Arabic readers, and most importantly if a decision needs to be taken based on some of these law provisions.



Also, Arabic language is the official language in the country, and when it comes to appeals or Litigation, Arabic language will be used.



We are sharing our view and happy to discuss in detail if you find something can create misunderstandings or need more clarity.



Article No	English version	Arabic Version	Difference	Dhruva opinion
Article (1): Definitions	Family Foundation: Any foundation, trust or similar entity that meets the conditions of Article 17 of this Decree-Law	المؤسسة العائلية: أي مؤسسة أو عهدة أو كيان مماثل يستوفي الشروط المنصوص عليها في المادة (17) من هذا المرسوم بقانون	The Arabic version uses the word "عهدة", which means "Custody" and which is not used in the English version.	By using this Arabic word, the understanding of family foundation will not cover trust as it's not used in Arabic version, and taxpayers might make important decisions by missing this form of entity which can impact their tax assessment.
Article (1): Definitions	Foreign Permanent Establishment: A place of Business or other form of presence outside the State of a Resident Person that is determined in accordance with the criteria prescribed in Article 14 of this Decree-Law.	المنشأة الدائمة الاجنبية: المكان الذي تمارس فيه الاعمال أو شكل آخر من أشكال الوجود خارج الدولة للشخص المقيم والذي يتم تحديده وفقا للمعايير المنصوص عليها في المادة (14) من هذا المرسوم بقانون	The Arabic version uses the word "أشكال الوجود" which means "Existence forms" and which is not used in the English version.	The meaning of Arabic word is different from the one used in the English version, as the translation of Arabic word of "Existence" will not mean the same as "presence". Hence, taxpayer can have a presence, but they will not be aware of this and can face a risk in the future.
Article (3): Corporate Tax Rate	2. Corporate Tax shall be imposed on a Qualifying Free Zone Person at the following rates: a. 0% (zero percent) on Qualifying Income. b. 9% (nine percent) on Taxable Income that is not Qualifying Income under Article 18 of this Decree-Law and any decision issued by the Cabinet at the suggestion of the Minister in respect thereof.	تفرض ضريبة الشركات على الشخص المؤهل القائم في المنطقة الحرة بالنسب الآتية:	The Arabic version uses the word of "الشخص المؤهل القائم" which is not used in English version, and the word of "القائم" can be translated to "standee" or another similar word. None of such possible translations are used in English version.	Using Arabic word which is not mentioned in the English version may lead to different understandings between taxpayers. The taxpayers who use Arabic version would comply with this additional condition while taxpayers who use the English version would not be aware of it.
Article (4): Exempt Person	The following Persons shall be exempt from Corporate Tax: a. A Government Entity. b. A Government Controlled Entity	تعفى الاشخاص التالية من ضريبة الشركات: أ. الجهة الحكومية ب- الجهة التابعة للحكومة	The Arabic version uses the word of "الجهة التابعة" which can be translated into English as "Subsidiary", and which would give a different meaning that is not mentioned or covered in English version.	This can be understood that it is not necessary that the entity has to be controlled by the government but need only to be a subsidiary to be exempted from CT.
Article (11): Taxable Person	3. A Resident Person is any of the following Persons: a. A juridical person that is incorporated or otherwise established or recognised under the applicable legislation of the State, including a Free Zone Person.	3. يكون الشخص المقيم أيًا من الأشخاص الآتية: أ. الشخص الاعتباري الذي تم تأسيسه أو أنشأه أو الاعتراف به بأي شكل اخر بموجب التشريعات السارية في الدولة بما في ذلك الشخص القائم في المنطقة الحرة	In section 3.A, the Arabic version uses the word of "الشخص المؤهل القائم" which can be translated as "standee person" and this is not covered or mentioned in the English version.	Using Arabic word which is not mentioned in the English version may lead to different understandings between taxpayers. The taxpayers who use Arabic version would comply with this additional condition while taxpayers who use the English version would not be aware of it.



Article No	English version	Arabic Version	Difference	Dhruva opinion
Article (16): Partners in an Unincorporated Partnership	Partners in an Unincorporated Partnership	الشركاء في ائتلاف مشترك	The Arabic version uses “ <u>الشركاء في ائتلاف</u> ” <u>مشترك</u> ” which give different meaning from English version.	It is difficult to understand the meaning of Arabic wording used in this Article and this can mislead some taxpayers about the definition of “Unincorporated Partnership”. This may lead to incorrect interpretation and errors. We believe it would be better to use “الشركاء ذات الصفة “ غير الاعترافية” instead.
Article (17): Family foundation	A Family Foundation can make an application to the Authority to be treated as an Unincorporated Partnership for the purposes of this Decree-Law where all of the following conditions are met:	الفقرة الاولى: يجوز لاي مؤسسة عائلية أن تتقدم بطلب الي الهيئة لمعاملتها كائتلاف مشترك	The Arabic version uses “ <u>الشركاء في ائتلاف</u> ” <u>مشترك</u> ” which give different meaning from English version.	It is difficult to understand the meaning of Arabic wording used in the Article and this can mislead some taxpayers about the definition of “Unincorporated Partnership”. This may lead to incorrect interpretation and errors. In addition, due to this uncertainty with the Arabic definition, taxpayer may end up not approaching FTA to file the application due to mistaken belief that they are not subject to this provision.
Article (19): Election to be Subject to Corporate Tax	A Qualifying Free Zone Person can make an election to be subject to Corporate Tax at the rates specified under Clause 1 of Article 3 of this Decree-Law.	يحق للشخص المؤهل القائم في المنطقة الحرة أن يختار الخضوع لضريبة الشركات بالنسب المنصوص عليها في البند (1) من المادة (3) من هذا المرسوم بقانون	The English version uses “A Qualifying free zone person ...”. But in Arabic version uses “الشخص المؤهل القائم” which also not mentioned in English version.	Using Arabic word which is not mentioned in the English version may lead to different understandings between taxpayers. The taxpayers who use Arabic version would comply with this additional condition while taxpayers who use the English version would not be aware of it. Further, we consider it would be better to use the word “المؤهل” only, which would mean “Qualifying” in English.
Article (20): General Rules for Determining Taxable Income	A. all assets and liabilities that are subject to fair value or impairment accounting under the applicable accounting standards; or أ. كافة الاصول والالتزامات التي تكون خاضعة للمحاسبة بالقيمة العادلة أو بانخفاض القيمة وفقا للمعايير المحاسبية المعمول بها. ب. كافة	The English version section 3.A uses ... “Or” but In Arabic version it is not mentioned “أو”, and moved from “A” to “B” directly which will give very different meaning as “And” not “Or”	The Arabic version can lead to understanding that all conditions must to be met together. On the other hand, the English version implies that only one condition can be met.



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Article (23) : Participation Exemption	Income from a Participating Interest shall be exempt from Corporate Tax, subject to the conditions of this Article.	يعفي من ضريبة الشركات الدخل الذي يتم تحقيقه من حصص المشاركة وذلك مع مراعاة الشروط المنصوص عليها في هذه المادة	The English version uses in Section (1) "participating interest", but the Arabic version uses "حصص المشاركة" which give different meaning as word "حصص" can be translated as "Stocks" or "Shares."	Despite the word for "Interest" is similar to Arabic word حصص, readers are used to the word "Interest" being translated as "فائدة" which relates to interest in respect of money or loans, and this may mislead the readers during the implementation. We believe it will be much better to use same translation as for "Shares".
Article (27) :Business Restructuring Relief	No gain or loss needs to be taken into account in determining Taxable Income in any of the following circumstances:	عند تحديد الدخل الخاضع للضريبة يجوز عدم الاخذ بالاعتبار أي مكاسب أو خسائر في أي من الحالات الآتية:.....	The English version uses "No gain or loss needs to be taken ..." but the Arabic version uses "يجوز عدم الاخذ" which can be translated as "May not".	There is a big difference between "may" and "need". Taxpayers may interpret "may" as giving them the option of considering the circumstances of this provision rather than requiring to follow them.
Article (30): General Interest Deduction Limitation Rule	A Taxable Person's Net Interest Expenditure shall be deductible up to 30% (thirty percent) of the Taxable Person's accounting earnings before the deduction of interest, tax, depreciation and amortisation (EBITDA) for the relevant Tax Period, excluding any Exempt Income under Article 22 of this Decree-Law	تكون نفقات الفائدة الصافية الخاضع للضريبة قابلة للخصم بنسبة لا تزيد عن (30%) ثلاثين بالمائة من أرباحة المحاسبية قبل خصم الفائدة والضريبة والاستهلاك والاطفاء العائد من الفترة الضريبية المعنية مع استبعاد أي دخل معفى بموجب المادة (22) من هذا المرسوم بقانون	The English version uses "Amortization" but in In Arabic version uses the word "الاطفاء" which can be translated as "Firefighting" or "Extinguishing"	Taxpayers can miss this calculation by not considering the amortization as it is not translated clearly in Arabic version. This can lead to wrong interest deduction calculations and, accordingly, lead to wrong CT calculations.
Article (36) :Payments to Connected Persons	Payments to Connected Persons	الدفعات للأشخاص المتصلين	The Arabic version uses the term of "الدفعات للأشخاص المرتبطين" which can be translated as "settlement" or "Installments", rather than "payments".	The word used in the Arabic version can lead to interpretation that this Article will cover only installments or settlements, and not necessarily the payments.
Article (38) :Transfer of Tax Loss	Transfer of Tax Loss	نقل تسهيلات الخسارة الضريبية	The Arabic version uses "نقل تسهيلات الخسارة" "الضريبية" which not used in English version. The word of "تسهيلات" can be translated as "Facilities" and is not in the English version.	Arabic wording indicates that "facilities" need to be met for transferring the tax losses; however, this wording is not in the English version. This can lead to incorrect implementation of the law by taxpayers.

CONTACT US



WTS Dhruva Consultants

207, Emaar Square, Building 4, PO Box
127165, Dubai, UAE



corporatetax@dhruvaadvisors.com



Website

<https://www.wts-dhruva.com>

OUR TEAM

Nimish Goel

K Venkatachalam

Hany Elnaggar

Kapil Bhatnagar