



# Taxation of international executives: United Arab Emirates



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**01**

# **Overview and Introduction**

# 1 Overview and Introduction

There is no personal income tax applicable in the UAE.

Social Security:

- not imposed on expatriates except Gulf Cooperation Council (GCC) nationals
- an employer of a UAE or GCC national must make monthly social security and pension contributions

	2020	2021	2022
Private Employer's Contribution	12.5% of basic salary and allowances	12.5% of basic salary and allowances	12.5% of basic salary and allowances
Public Employer's Contribution	15% of basic salary and allowances	15% of basic salary and allowances	15% of basic salary and allowances
Employee's Contribution	5% of basic salary and allowances	5% of basic salary and allowances	5% of basic salary and allowances

Social security contribution may not be relevant to non-UAE/non-GCC International assignees travelling to the UAE. The official currency of the United Arab Emirates (UAE) is the UAE Dirham (AED).

**02**

# **Other taxes and levies**

## 2 Other taxes and levies

Are there additional taxes in the United Arab Emirates (UAE) that may be relevant to the general assignee? For example, customs tax, excise tax, stamp tax, and so on.

### 2.1 Local taxes

The zakat (an Islamic tax on property and income) is not officially levied in the UAE. There are municipal taxes on rentals which are levied by few of the individual emirates which are discussed below. A 5 percent tax is also imposed on hotel services and entertainment and there are sundry small taxes, such as carrier tax, on cinema tickets, and so on.

### 2.2 VAT/Sales/Excise tax

VAT and customs duty is applicable in the UAE. Majority of the goods imported into the Gulf Cooperation Council (GCC) states attract a uniform customs duty of 5 percent, and this is levied at the point of first entry into the GCC. Further movements of goods within the GCC are free of customs duties.

On 24 October 2016, the President of the UAE issued a decree to set up a new authority, the Federal Tax Authority (“FTA”), responsible for maintaining records on taxpayers and on taxes paid, as well as issuing necessary guidelines and clarifications to taxpayers on matters related to federal taxes and related fines.

The VAT rate as applicable from introduction, is set at 5 percent of the value of the goods and services. VAT was introduced in the UAE from 1 January 2018.

The UAE had introduced and expanded the scope of excise tax applicable on soft drinks, energy drinks, alcohol and tobacco products (including electronic smoking devices and tools, as well as liquids used in electronic smoking devices. The selective tax regime was introduced in the UAE under a GCC level agreement.

The applicable rates are as follows:

- 100% on tobacco and tobacco products, electronic smoking devices and tools, liquids used in electronic smoking devices and energy drinks
- 50% on carbonated drinks and sweetened drinks

### 2.3 Customs duty

With effect from 1 January 2003, the countries of the Gulf Cooperation Council (GCC) formed the GCC Customs Union which uniformly imposed 5 percent duty on the majority of goods entering the GCC.

This duty is charged at the first point of entry into the GCC and the goods on which the duty has been paid may then move freely between member states without payment of any further duty.

The GCC countries include the UAE, Saudi Arabia, Kuwait, Qatar, Oman and Bahrain.

### 2.4 Municipal taxes

Some of the emirates levy municipal taxes on rentals and on hotel services. Various municipal taxes are listed below:

Municipal tax on Rentals

With regard to municipal fee in the UAE, the authorities charge a flat 5 percent charge [residential rentals] on the annual actual rentals payable by the tenant (the percentage may differ slightly based on the emirate and also on the type of property).

The fee is applicable to all tenants irrespective of the nationality and is payable to the municipality of the emirate. The fee is either collected at the time of registration of the tenancy contracts with the respective municipality of each emirate or collected in equal monthly installments via utility bills.

Municipal tax and service charge on Hotels

- It should be noted that there is certain municipality fee and service charge that is charged for accommodation in hotels based in the UAE. These charges vary for each of the Emirates (i.e. Dubai, Abu Dhabi, Ras Al Khaimah, Ajman, Sharjah, Fujairah and Umm al Quwain).
- A Municipality fee is charged on the hotel establishment for their sales and the tax rate in the emirate of Sharjah and Dubai is 10 percent which is paid by the customer.
- A service charge of 10 percent is also applicable in the emirate of Dubai and Sharjah.
- In addition, a nominal fee called as “tourism dirhams” is charged per occupied room per night (e.g. around AED20 per occupied room per night for five-star hotels)
- For Abu Dhabi, the Service charge and 6 percent Tourism Tax is applicable on the total billing for hotel accommodation.

## 2.5 Wage protection system

The UAE Ministry of Labour (MOL) has introduced a system for payment of wages by companies registered with them. The system known as Wage Protection System (WPS), allows MOL to create a database that records wage payments in the private sector to guarantee timely and full payment of wages. All the companies in the UAE are mandated to implement the WPS except for companies located in the Free Trade Zones in the UAE.

Under the WPS, all salaries and wages for employees must only be paid from a local bank account and in the local currency such as UAE Dirham (AED). The companies that default from adhering to WPS will not be eligible for new work permits.

## 2.6 Foreign Financial Assets

**Is there a requirement to declare/report offshore assets (e.g. foreign financial accounts, securities) to the country/jurisdiction’s fiscal or banking authorities?**

N/A.

**03**

# **Immigration**

# 3 Immigration

**Following is an overview of the concept of the United Arab Emirates' (UAE) immigration system for skilled labor.**

(E.g. which steps are required, authorities involved, in-country/jurisdiction and foreign consular processes, review/draft flow chart illustrating the process)

The United Arab Emirates ("UAE") has operated on an immigration and employment model of corporate sponsorship, with foreign nationals typically being permitted to reside and work in the country through a locally licensed and registered entity for UAE employment residency permit purposes. Last year marked a significant shift in this model with the granting of special long-term visas for select professionals and exceptional students.

This new regime came into effect in early 2019 with a number of professionals having secured and availed of the new long-term visas.

The "Investors Visa" is a 5-year visa issued for investors in property worth AED5 million or more. Also, there are higher investment parameters basis which, investors visa may be availed for a period of 10 years (and renewable).

The "Entrepreneurs Visa" is a 5-year multi-entry visa issued for entrepreneurs having a previous project with a minimum of AED500,000 or having the approval of an accredited business incubator in the country.

The "Specialized talent Visa" is a 10-year visa for doctors and scientists fulfilling certain conditions and also having a valid employment contract in specialized fields of priority for the UAE.

The "Exceptional students' visa" is a 5-year visa for those with a grade of at least 95 percent in secondary school level and a distinction of at least 3.75 GPA upon graduation from universities within and outside the country. The long-term visa will extend to include families of the exceptional students.

## 3.1 International Business Travel/Short-Term Assignments

**Describe (a) which nationalities may enter UAE as non-visa national, (b) which activities they may perform and (c) the maximum length of stay.**

Citizens of GCC countries do not require a visa or permit or to be sponsored by a national or resident in the UAE. They need to produce their GCC country passport or national ID card at the point of entry into the UAE.

Indian nationals holding a normal passport and a visit visa, or a green card issued by the USA, or a UK or EU residence, can obtain a visa on arrival for a maximum stay of 14 days. Further, they can apply to extend their stay for additional 14 days. The entry permit to UAE will cost AED100, renewable for only one time at a cost of AED250.

Citizens of the following countries can get a 30-day visit visa on arrival, free of charge and renewable for similar period:

- 1 Andorra
- 2 Australia
- 3 Brunei
- 4 Canada

- 5 Hong Kong (SAR)
- 6 Ireland
- 7 Japan
- 8 Kazakhstan
- 9 Malaysia
- 10 Monaco
- 11 New Zealand
- 12 People's Republic of China
- 13 Russian Federation
- 14 San Marino
- 15 Singapore
- 16 South Korea
- 17 Ukraine
- 18 United Kingdom
- 19 United States of America
- 20 Vatican City

Citizens of the following countries can get a 90-day multiple entry visit visa, free of charge and valid for 6 months from the date of issue for a stay of 90 days:

1. Austria	21. Italy
2. Barbados	22. Latvia
3. Brazil	23. Liechtenstein
4. Belgium	24. Lithuania
5. Bulgaria	25. Luxembourg
6. Chile	26. Malta
7. Costa Rica	27. Montenegro
8. Croatia	28. Netherlands
9. Cyprus	29. Norway
10. Czech Republic	30. Poland
11. Denmark	31. Portugal
12. Estonia	32. Romania
13. Finland	33. Seychelles

14. France	34. Slovakia
15. Germany	35. Slovenia
16. Greece	36. Spain
17. Grenada	37. Sweden
18. Hungary	38. Switzerland
19. Honduras	39. Ukraine
20. Iceland	40. Uruguay

Anyone who does not fall into any of the above categories will require an entry permit prior to arrival into the UAE and someone to sponsor it. The entry permit you need depends on the purpose of your visit. It could be for tourism, visit, transit, or work.

**Describe (a) the regulatory framework for business travelers being visa nationals (especially the applicable visa type), (b) which activities they may perform under this visa type and the (c) maximum length of stay.**

An employment visa, also known as a work permit, is issued by the Ministry of Human Resources and Emiratization. The residence visa is generally valid for a period of 2 years, after which it can be renewed.

Outline the process for obtaining the visa type(s) named above and describe (a) the required documents (including any legalization or translation requirements), (b) process steps, (c) processing time and (d) location of application.

The requirements for an entry permit are (a) a sponsor to apply for your entry permit. The sponsor could be an Emirati citizen, an expatriate resident with valid residency permit in the UAE, a UAE- based airline, a UAE-based hotel or tour agent, a government entity, companies in the private sector or free zones. (b) Prospective visitors seeking entry permits are required to have a genuine passport, valid for at least 6 months. (c) A visa ban prohibits a person from entering the country or taking up a new job. Prospective visitors must not have been deported or be banned from entering the UAE in which case, they need to obtain special permission to re-enter. (d) Visitors who come to the UAE with an entry permit to work in the UAE are required to undergo medical tests at government approved health centers in the UAE. They will be tested for communicable diseases such as HIV and tuberculosis (TB). Those found to be HIV positive or having TB will be deported.

If the sponsor is a national, they should present a recent photo of the sponsored individual, a copy of the passport of the sponsored, proof of health insurance of the sponsored from a company operating in the UAE, and a refundable financial guarantee of AED1,000 for entry permit.

On the other hand, If the sponsor is an expatriate resident in the UAE, they should present a recent photo of the sponsored individual, a copy of valid passport of the sponsored, proof of health insurance of the sponsored from a company operating in the UAE, a refundable financial guarantee of AED1,000 for entry permit, their salary certificate, their employment contract, their attested lease contract, a recent electricity bill for their accommodation and their attested marriage contract, in case entry permit is for their spouse.

One can apply for entry permits or visas through the website of Federal Authority for Identity and Citizenship- ICA (the eChannel for residency and citizenship), or the General Directorate of Residency and Foreigners Affairs (GDRFA) which works under the ministry. While ICA offers only online channels, GDRFA offers both online and offline channels.

Below are links to the local GDRFA offices where an entry permit is issued.

- GDRFA - Abu Dhabi
- GDRFA - Dubai
- GDRFA - Sharjah
- GDRFA - Ajman
- GDRFA - Ras Al Khaimah
- GDFRA - Fujairah

**Are there any visa waiver programs or specific visa categories for technical support staff on short-term assignments?**

N/A

## 3.2 Long-Term Assignments

**What are the main work permit categories for long-term assignments to UAE? In this context please outline whether a local employment contract is required for the specific permit type.**

Long term employee assignments in UAE require a work permit (also known as a Labour Card), and there are multiple detailed rules that have to be followed. Some of these steps will take place prior to the employee entering the UAE, while others can be taken after arrival. Once finalized, a work permit is typically valid for 2 years.

For employment outside the free zones, there is no need to secure a work permit prior to traveling, but an entry visa on arrival must be obtained. When the worker lands in UAE, an Employment Entry Visa is collected from a desk prior to the immigration checkpoint, which is valid for 60 days while the work permit is being processed.

The first step towards getting the Entry Visa (and work permit) is to get visa quota approval from the Ministry of Labour (MOL), and the employer will apply for this on behalf of the employee. If the visa is for application in any of the free zones, quota approval must be granted before the employee enters the UAE. (3 working days to get approved)

The next step is sending the job offer contract for the employee's signature and having them return it to the employer. It must be in both English and Arabic, as well as the employee's native language (if that is different). This confirms that the employee is arriving for a valid work position, and the offer letter will be reviewed by the MOL. (2 working days)

Before the Entry Visa is issued, the work permit application must be approved. During this approval process, the Ministry of Labour usually bases its decision on whether there are no unemployed UAE citizens who could perform the job, and that the sponsor is a registered UAE corporate entity. Otherwise, the approval should be granted. (3 to 5 days)

Upon receipt of work permit approval, the Ministry issues an Employment Entry Visa (also known as a pink visa) which allows applicants to legally enter the UAE. This permit is valid for 2 months from the date of issue and allows the holder to remain in the UAE for a period of 30 days, extendable twice while the formal work permit is being approved. (3 days)

There are two options to enter the country and begin the work permit process. If the Entry Visa was ready prior to arrival, then the employee picks it up on arrival at the airport. If the employee was already in the UAE on another type of visa, they will have to apply for a visa 'change of status' after the entry visa is issued (or they can leave and re-enter the country with the Entry Visa).

Once the employee enters the country, they have 60 days in which to complete all the formalities required to get a work permit and residence visa. It is advisable to get these procedures done as soon as possible rather than waiting till the last moment.

The UAE requires all foreigners to go through a medical screening before the work permit can be issued. The medical screening results have to be obtained and included in the application. The employee then needs to go to the Emirates ID service center after getting the relevant form typed up at any typing center. An original valid passport and employment entry permit are required to apply for an ID and have the biometrics done.

A signed labor contract must also be submitted as part of the work permit application. There is a new deadline for the contract, and it must be sent to the MOL within 14 days following the issuance of medical results. The labor contract can be uploaded to the MOL website.

Because health insurance is now mandatory in UAE, all employers must provide coverage for expat workers (or they have to buy it on their own). The work permit cannot be issued or renewed without a valid insurance card.

All expat workers and their family members will need a residence visa to legally live in UAE. The visa is required to open bank accounts, register a car and open a PO Box.

In addition to the work permit, the employee will receive an Emirates ID card, which is useful for everyday identification purposes.

#### **Provide a general process overview to obtain a work and residence permit for long-term assignments (including processing times and maximum validation of the permit).**

As above

#### **Is there a minimum salary requirement to obtain a long-term work and residence permit for assignments? Can allowances be taken into account for the salary?**

There is no minimum salary stipulated in the UAE Labour Law, however it broadly mentions that salaries must cover basic needs of the employees.

Article 63 of the Labour law mentions that the minimum wage and cost of living index is determined either in general or for a particular area or a particular profession by virtue of a decree and consent of the Cabinet.

#### **Is there a fast-track process which could expedite the visa/ work permit?**

Depending on the location of the employing entity (Mainland vs Free Zones), visa/work permit may be expedited. However, overall processing times are fairly quick.

#### **At what stage is the employee permitted to start working when applying for a long-term work and residence permit (assignees/ local hire)?**

From a strict immigration compliance perspective, employees must not start work until the final ERP (the primary form of work authorization in the UAE) has been endorsed.

#### **Can a short-term permit/ business visa be transferred to a long-term permit in UAE?**

The service is provided by the Directorate of Entry Permits and Residency to change the status of individuals in UAE without the need to leave the country.

<http://www.adnrd.ae/newArticle.action?id=9168&h=481257204&lang=2>

#### **Is it possible to renew work and residence permits?**

Once your residence visa is expired, your sponsor must soon renew it, if you wish to continue living legally in the UAE without any fines or legal consequences. The relevant General Directorate of Residency and Foreigners Affairs (GDRFA) gives residents 30 days grace period to stay on after the visa expiration. So, it is advised to go ahead with visa renewal in advance.

Work permit renewal – Ministry of Human Resources & Emiratization (MOHRE).

#### **Is there a quota or system or a labor market test in place?**

There is a quota system in place to sponsor foreign individuals to enter the UAE for employment purposes. For entities based in mainland UAE, the sponsoring entity must first seek the approval of the MOHRE to employ the individual in question. The MOHRE has specific undisclosed criteria for adjudicating such requests, which include analyzing the market for qualified UAE nationals, analyzing the firm's office space, analyzing the nature of the business and the job title requested, etc.

Certain industries (and locations) may also be subject to Emiratization and the authorities may not issue quotas for sponsoring foreign nationals if this is not adhered to.

### **3.3 General Immigration Related Questions**

#### **Would it be possible to bring family members to UAE?**

Both employers and employees, may sponsor their families in the UAE provided they have a valid residency permit.

Male residents who are employed in the UAE can sponsor their immediate family members, such as wife and children, subject to conditions which include minimum salary of AED4,000 or AED3,000 plus accommodation.

Since March 2019, the type of profession is no longer a condition for an expatriate worker to be able to sponsor their family visas. The UAE government amended its previous provision under which only listed professions could apply for family sponsorship visa.

A resident sponsor has 60 days to apply for their dependents' residence visa after they enter the UAE and modify their status from an entry permit holder to a resident visa holder.

Family members are issued visas for 1, 2 or 3 years depending on the nature of the work and labor contract of the sponsoring member and their capacity as an employee or employer.

#### **Is it possible to obtain a permanent residence permit?**

On 21 May 2019, the UAE Government announced the introduction of a new "Golden Visa" permanent residency scheme which is intended to provide foreign nationals the ability to obtain permanent residency security in the UAE - untied to the historic immigration model - subject to certain and specific qualifying conditions. Those eligible for the Golden Visa will be investors and exceptionally competent individuals in the fields of medicine, engineering, science, and the arts. There is a precise eligibility criterion, including scope, terms and other requirements, which can be referred to determine eligibility.

#### **What if circumstances change after the Work and Residence application process?**

Depending on the precise change of circumstance, an update can be made.

#### **How long can a permit holder leave UAE without their permit becoming invalid?**

In the UAE, the maximum period of time the residents are allowed to remain away from the country is 180 days.

An exception to the 180-day rule exists and foreign nationals with a residency visa for investors can benefit from stays of up to 360 days away from the UAE. They can simply fly back every 12 months, as

long as their visa has not expired. But not all the investors can enjoy the same privileges. In the UAE, investors can obtain their visas through a business established in one of the free zones or onshore (mainland). They also have an option to invest in a real estate market and get a property- based residency visa.

#### **Must immigration permissions be cancelled by the end of the assignment/employment?**

The employment residence permit must be formally cancelled at the end of the employment engagement. Movement within the same entity (e.g. a promotion) does not require the work permit to be cancelled. Failure to formally cancel ERPs can result in penalties for both the employee and the employer. Dependent residence permits must be cancelled prior to cancellation of the principal's residency.

#### **Are there any penalties for individuals and/or companies in place for non-compliance with immigration law?**

Non-compliance with UAE immigration and labor policies can result in the imposition of fines and other sanctions including restrictions on future sponsorship privileges. In instances of extreme non- compliance, trade license managers of such companies can also be held accountable and be subject to fines or imprisonment, or both. Foreign national employees can also be fined, imprisoned, have their residence permits cancelled or be deported from the country. They can also be subject to immigration and labor bans.

### **3.4 Other Important Items**

**List any other important items to note, or common obstacles faced, in UAE when it comes to the immigration processes.**

N/A

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