

Administrative Resolution No. (107) of 2024
Concerning the
Application of Tax to Foreign Banks Operating in the Emirate of Dubai¹

The Director General of the Department of Finance,

After perusal of:

Law No. (5) of 1995 Establishing the Department of Finance;

Law No. (4) of 2018 Establishing the Financial Audit Authority and its amendments; and

Law No. (1) of 2024 Concerning Tax on Foreign Banks Operating in the Emirate of Dubai,

Does hereby issue this Resolution.

Definitions
Article (1)

The words and expressions mentioned in this Resolution will have the same meaning assigned to them in the above-mentioned Law No. (1) of 2024. For purposes of this Resolution, the following words, and expressions, wherever mentioned in this Resolution, will have the meaning indicated opposite each of them unless the context implies otherwise:

Financial Year:	The year commencing on 1 January and ending on 31 December of the same year.
Capital Expenditure:	Expenses of a capital nature, as opposed to operating expenses, that provide benefits to a Foreign Bank during subsequent Financial Years.
Centralised Management Expenses:	The supervisory expenses incurred by the head office in managing international branches, including the Taxable Person.

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¹Every effort has been made to produce an accurate and complete English version of this legislation. However, for the purpose of its interpretation and application, reference must be made to the original Arabic text. In case of conflict, the Arabic text will prevail.

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Regional Management Expenses:	The supervisory expenses incurred by the regional management in overseeing the Taxable Person and other branches operating within and outside of the UAE.
Shared Expenses:	The shared operating expenses of all branches of a Foreign Bank operating within and outside of the Emirate.
Shared Revenues:	The revenues generated from the shared investments and activities of the branches of a Foreign Bank operating within and outside of the Emirate.
Interest in Suspense	Interest which is due on slow-moving and doubtful debts, and which is set aside from the revenues account.
Assets:	The total Assets of a Foreign Bank before deducting the allowance for doubtful debts, Interest in Suspense related to these debts, and any other allowances.

Determining the Tax Period Article (2)

- a. The Tax Period, in respect of which a Taxable Person must submit a Tax Return and calculate the relevant due Tax, is the Financial Year of the relevant Foreign Bank.
- b. Notwithstanding the provisions of paragraph (a) of this Article, the Department of Finance may, upon the request of the Foreign Bank, amend its Tax Period, in accordance with the relevant conditions approved by the Department of Finance.
- c. The first Tax Period for the purpose of calculating the Tax prescribed by the above-mentioned Law No. (1) of 2024 commences on 1 January 2024.

Tax Amount Calculation Article (3)

- a. The Tax due on the Taxable Income will be calculated using the following formula:

$$(20\% \times \text{Taxable Income}) - (\text{the equivalent amount of the Corporate Tax paid under the Corporate Tax Law})$$
- b. For the purpose of calculating the Tax deduction in accordance with paragraph (a) of this Article, the Taxable Person must provide documentation evidencing payment of the Corporate Tax due under the Corporate Tax Law. This documentation must also

include the amount of the Taxable Person's share of this Tax in cases where Corporate Tax applies to the branches of the Foreign Bank operating within the UAE.

Calculating Shared Revenue and Shared Expenses Article (4)

a. For purposes of determining Taxable Income, Shared Revenue will be calculated as follows:

1. The Taxable Person's share of the net Shared Revenue related to treasury department operations after deducting the Centralised Expenses will be calculated using the following formula:

(Net Centralised Revenue from treasury department operations) × (Monthly average of liquidity transferred by the Taxable Person ÷ Monthly average of liquidity transferred to the centralised treasury from the branches of the Foreign Bank operating within or outside of the UAE)

2. The Taxable Person's share of the other net Shared Revenue will be calculated using the following formula:

$$\text{Net Shared Revenue} \times \frac{\text{Monthly Average of Taxable Person's Assets}}{\text{Monthly Average of Branches Assets within and outside of the UAE}}$$

b. For the purpose of determining Taxable Income, Shared Expenses will be calculated based on the Taxable Person's share of these expenses, using the following formula:

$$\text{Total Shared Expenses} \times \frac{\text{Monthly Average of Taxable Person's Assets}}{\text{Monthly Average of Branches Assets within and outside of the UAE}}$$

c. The results of the calculations for Shared Revenue and Shared Expenses referred to in paragraphs (a) and (b) of this Article must be audited by a certified external auditor for the Foreign Bank. These results must be recorded in the notes accompanying the financial statements, which the Taxable Person must provide to the Department of Finance and the Financial Audit Authority.

Calculating Regional Management Expenses Article (5)

Regional Management Expenses charged to the Taxable Person will be calculated as follows:

1. The Foreign Bank's regional management must calculate the percentage of the supervisory Regional Management Expenses that will be charged to the regional branches. This calculation must be based on the total interest revenue recorded by the regional branches during the Financial Year, using the following formula:

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(Total Regional Expenses ÷ Total interest revenue of regional branches)

2. The Taxable Person must calculate the percentage of Regional Management Expenses charged to it based on the total interest revenue recorded during the Financial Year, using the following formula:

(Regional Management Expenses charged to the Taxable Person ÷ Total interest revenue of the Taxable Person)

3. The amount of Regional Management Expenses charged to the Taxable Person will be deductible if the percentage calculated using the formula in paragraph (2) of this Article is equal to or less than the percentage determined by the formula in paragraph (1) of this Article. If the percentage exceeds that of paragraph (1), the excess amount will be disallowed.
4. The Taxable Person must provide a statement certified by the regional management's auditor. The statement must state the following:
 - a. the total amount and nature of Regional Management Expenses charged to the Taxable Person;
 - b. the basis upon which the Regional Management Expenses have been allocated to the branches; and
 - c. evidence of the audit conducted on the formula stated in sub-paragraph (1) of this Article.

Calculating Centralised Management Expenses Article (6)

Centralised Management Expenses charged to the Taxable Person will be calculated as follows:

1. The head office of a Foreign Bank must calculate the proportion of Centralised Management Expenses to be charged to its international branches, based on the total interest revenue recorded by those branches during the Financial Year, using the following formula:

(Centralised Management Expenses charged to international branches ÷ Total interest revenue of international branches)

2. The Taxable Person must calculate the proportion of expenses charged to it by the head office based on the total interest revenue recorded by the Taxable Person during the Financial Year, using the following formula:

(Centralised Management Expenses charged to the Taxable Person ÷ Total interest revenue of the Taxable Person)

3. The amount of Centralised Management Expenses charged to the Taxable Person will be deductible if the percentage determined from the formula in sub-paragraph (2) of this Article is equal to or less than the percentage calculated using the formula in sub-paragraph (1) of this Article. If the percentage exceeds that of paragraph (1), the excess amount will be disallowed.
4. The Taxable Person must submit a certified statement from the auditor of the head office, stating the following:
 - a. the total amount and nature of the Centralised Management Expenses charged to the Taxable Person;
 - b. the basis upon which Centralised Management Expenses have been allocated to international branches; and
 - c. evidence of the audit conducted on the formula stated in sub-paragraph (1) of this Article.

Calculating Unrealised Gains, Losses, and Profits Article (7)

- a. Tax may not be calculated on unrealised gains or profits recorded in the financial statements of the Taxable Person until such gains or profits are realised.
- b. The Taxable Person may not deduct from the Tax Base any unrealised losses recorded in the financial statements of the Taxable Person until such losses are realised.

Calculating Expected Credit Losses During Stages One and Two Article (8)

Expected credit losses during Stage 1 and Stage 2, as defined in International Financial Reporting Standard 9 (IFRS9), are not deductible from the Taxable Income until the balance of these losses is reduced.

Calculating Credit Losses During Stage 3 Article (9)

Allowances for doubtful debts and Interest in Suspense during Stage 3, as defined in International Financial Reporting Standard 9 (IFRS9), whether related to loans granted to natural or legal persons, will be calculated as follows:

I. Loans Granted to Natural Persons:

- a. Allowances for doubtful debts and Interest in Suspense may not be deducted if there is any evidence or indication that the debt amount or Interest in Suspense is recoverable.
- b. The Taxable Person may deduct allowances for doubtful debts and Interest in Suspense, for which Tax was paid in previous Tax Periods, from subsequent Tax Returns if the debt or Interest in Suspense is proven to be written off, whether wholly or partially.

II. Loans Granted to Legal Persons:

- a. Allowances for doubtful debts and Interest in Suspense may not be deducted if any of the following conditions apply:
 1. A settlement agreement, debt rescheduling arrangement, and/or Interest in Suspense arrangement exists between the Taxable Person and the legal person.
 2. Any type or form of security or guarantee exists that ensures the repayment of doubtful debts or Interest in Suspense.
 3. The Taxable Person has not taken the necessary legal and judicial action to recover the doubtful debt and/or Interest in Suspense.
 4. Significant credit movements are recorded in the accounts of the defaulting legal person, pertaining to the doubtful debt and/or Interest in Suspense.
- b. The Taxable Person may deduct allowances for doubtful debts and Interest in Suspense from subsequent Tax Returns, in respect of which Tax was paid in previous Tax Periods, where it is proven that the debt or Interest in Suspense has been written off, whether wholly or partially.

Calculating Other Allowances Article (10)

The Taxable Person may deduct from the Tax Base any other allowance amounts that are unrelated to the allowances stipulated in this Resolution. These may include allowances

for employee bonuses or for amounts payable by the Taxable Person under a judgment, provided that it is proven that the Taxable Person has utilised these allowances.

Calculating Interest and Commissions Article (11)

- a. For Tax purposes, interest from banking transactions between the Taxable Person and its head office, regional management, or other branches within or outside of the Emirate will be calculated as follows:
 1. Where a current account is maintained for such transactions, interest revenue and expenses will be calculated using the following formula:

(Annual average daily balance of the current account × Annual average of the one-day reference rates)
 2. Where lending and borrowing transactions occur over multiple periods, interest on such transactions will be calculated based on the reference rate applicable to each transaction as of the date of the transaction and for the corresponding loan period.
- b. The net difference in the calculated interest under sub-paragraphs (a)(1) and (a)(2) of this Article will be added to the Tax Base. In any event, calculating the interest due on banking transactions between the Taxable Person and the head office, regional management, or other branches must not result in a reduction of the Tax Base.
- c. Commissions on banking transactions will be calculated based on prevailing banking practices.

Calculating Depreciation and Amortisation for Capital Expenditures Article (12)

- a. The full value of Capital Expenditures may not be deducted in the same year in which the Assets, for which such expenditures are allocated, were purchased.
- b. Depreciation or Amortisation of Capital Expenditures may be deducted in accordance with International Financial Reporting Standards 9 (IFRS9), subject to the following rates:
 1. three (3) years for computers, similar equipment, and peripherals;
 2. five (5) years for vehicles;
 3. seven (7) years for furniture and decoration works;

4. twenty-five (25) years for buildings;
5. fifteen (15) years for substantial improvements to buildings; and
6. fifteen (15) years for intangible assets, which are Assets that lack physical substance but have a determinable value.

**Calculation of Accrued Expenses
Article (13)**

The Taxable Person must add the amount of accrued expenses to the Tax Base if such expenses are not paid or reversed as part of Other Revenues within nine (9) months from the end of the Financial Year. These accrued expenses must be substantiated by relevant documents.

**Register of Deferred Tax Assets
Article (14)**

The Taxable Person must maintain a dedicated register for Deferred Tax Assets, in accordance with the form approved by the Department of Finance. This register must be provided to the Department of Finance and the Financial Audit Authority during a Tax Audit, and must be certified by the officer in charge at the Foreign Bank.

**Financial Transactions with the Foreign Bank Branches
Operating in the Dubai International Financial Centre
Article (15)**

Interest revenues generated from financial transactions between the Taxable Person and the Foreign Bank branch operating in the Dubai International Financial Centre will be treated as Loan Transactions. These transactions will be subject to the prevailing market interest rate applicable to the Loan term.

**Tax Audit Results
Article (16)**

- a. The Taxable Person must pay the amount determined by the Tax Audit within twenty (20) days from the date of being notified of the Tax Audit results.
- b. If the Tax Audit results indicate an amount less than the Tax amount paid by the Taxable Person, the Taxable Person may request a refund of the excess or apply the difference as a deduction from subsequent Tax Audit results.

Deadlines for Submission of Tax Returns and Payment of Taxes
Article (17)

- a. The Taxable Person must pay to the Department of Finance the amount of Tax due calculated in accordance with the Tax rules and procedures stipulated in Law No. (1) of 2024 and this Resolution. The Tax amount must be paid within three (3) months from the end of the Tax Period, assuming that the Tax is paid under the Corporate Tax Law.
- b. The Taxable Person must submit the Tax Return, Tax Forms, and supporting documents as specified in the list attached hereto, within nine (9) months from the end of the Tax Period. The Tax Return must be certified by the officer in charge at the Taxable Person and by an external auditor.
- c. The Taxable Person is responsible for the accuracy of the data set forth in the Tax Return, Tax Forms, and supporting documents specified in the list attached hereto.

Publication and Commencement
Article (18)

This Resolution will be published in the Official Gazette and will come into force on the day on which it is published.

Abdulahman Saleh Al Saleh
Director General
Department of Finance

Issued on 4 December 2024

List of Financial Data, Financial Documents, and Tax Forms

1	Audited Tax Return of the Taxable Person, including the Tax rate applicable to the Taxable Person and the amount of Tax paid under the Corporate Tax Law
2	Audited financial statements and disclosures of the Taxable Person
3	Certified statement of the Taxable Person's share of Centralised Management Expenses and/or Regional Management Expenses, audited by the external auditor of the head office
4	Voluntary Disclosure
5	Form No. 1 - Centralised Management Expenses
6	Form No. 2 - Regional Management Expenses
7	Form No. 3 - Shared Expenses
8	Form No. 4 - Shared Revenues
9	Form No. 5 - Allowances for Retail Loans and Interest in Suspense
10	Form No. 6 - Allowances for Corporate Loans
11	Form No. 7 - Interest in Suspense on Corporate Loans
12	Form No. 8 - General Allowances
13	Form No. 9 - Other Allowances
14	Form No. 10 - Capital Expenditures, Depreciation and Amortisation Allowances
15	Form No. 11 - Interests and Commissions from Current Accounts of Branches
16	Form No. 12 - Interests and Commissions from Transactions with the Head Office and Other Branches
17	Form No. 13 - Lending and Deposit Transactions with the Foreign Bank Branch Operating in the Dubai International Financial Centre
18	Form No. 14 - Transactions with Related Parties
19	Form No. 15 - Accrued Expenses
20	Form No. 16 - Disallowed Expenses
21	Form No. 17 - Violations and Penalties
22	Form No. 18 - Register of Deferred Tax Assets