

# United Arab Emirates

## Taxation

HEDGE FUNDS 2009

### Hedge fund managers/advisors

#### Taxation

##### Tax rates applying to hedge fund managers/advisors

There is currently no corporate tax legislation at the Federal UAE level. Corporate tax legislation has been enacted in some of the Emirates through their own decrees but is currently only enforced on foreign oil companies and branches of foreign banks. Therefore, although theoretically all corporate entities are liable to corporate income tax, as corporate tax is currently not being enforced in the UAE the tax rate is zero. There is no legislation that is specific to hedge funds.

##### The effective tax rate usually suffered by hedge fund managers/advisors

As corporate tax is currently not being enforced in the UAE, the effective tax rate suffered by hedge funds is zero.

##### Tax concessions, allowances, or exemptions specifically available to hedge fund managers/advisors

There are no tax concessions, allowances, or exemptions that are specifically available to hedge fund managers/advisors in the UAE.

##### Details of anti-avoidance tax rules that could bring the profits of an offshore hedge fund into tax

There are no anti-avoidance tax rules that might bring the profits of an offshore hedge fund into tax in the UAE.

### Requirements to charge VAT (or equivalent sales tax) and the rate

There is currently no VAT on any goods or services except for alcohol. However the UAE, in conjunction with the other countries in the Gulf Cooperation Council (GCC) states is now actively considering the introduction of VAT. Dubai Customs with assistance from the International Monetary Fund (IMF) has conducted a study on behalf of the GCC states to assess the viability of the introduction of VAT in the UAE and the rest of the GCC. However, no date has been given as to if or when VAT will be introduced.

The details as to whether the fund manager will be required to charge VAT on the services provided to the fund, at what rate, and whether the fund manager/advisor can reclaim input tax can only be answered once the UAE has VAT legislation in place.

### Hedge fund structures

#### Taxation

##### Tax rates applying to the fund

The fund is not subject to taxation.

##### Access to double tax treaties

Hedge funds established in the UAE will have access to double tax treaties entered into by the government of the UAE. However, there are instances where other countries have questioned as to whether double tax treaties signed with the UAE are applicable to entities established in special tax regimes such as UAE free trade zones.

##### Value-added tax registration and charging requirements

The UAE currently has no VAT legislation in place.

##### Withholding tax on dividends or interest payments

There are no withholding taxes applicable in the UAE. Hence, there are no withholding tax requirements for the fund on dividend, interest, or other payments made by the fund.

##### Tax return requirements

As taxes are currently not being enforced in the UAE (except for oil companies and branches of foreign banks), there are no requirements for filing of any tax returns.

## Investors

### Taxation

#### Specific anti-avoidance tax legislation applying to an investor in an onshore fund

There is no anti-avoidance tax legislation applying to investors resident in the UAE.

#### Specific anti-avoidance tax legislation applying to an investor in an offshore fund

There is no anti-avoidance tax legislation applying to investors resident in the UAE where the hedge fund is resident offshore.

#### Tax information needs of investors

An Irish tax resident should only require details of distributions, acquisitions and disposals in respect of the offshore fund. Details are not normally required for tax purposes in relation to the income, gains, loss, etc. within the offshore fund.

The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavor to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act upon such information without appropriate professional advice after a thorough examination of the particular situation.