



THIRUVANANTHAPURAM BRANCH
OF SIRC OF
THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA
(SET UP BY AN ACT OF PARLIAMENT)

E-NEWSLETTER



ICAI
BHAWAN

CHAIRMAN'S COMMUNIQUE.



With humbleness and profound sense of responsibilities I take over the baton of the Thiruvananthapuram Branch of SIRC of ICAI with a deep sense of gratitude and greet you warmly through my first address as the Chairman of the Best Branch of SIRC in the medium-level category.

Now I take over this position with a pledge that, I will strive hard with the full support of my young, vibrant and dynamic, brilliant team consisting of my immediate predecessor CA. Cherianji Samuel, the Captain who brought the laurels, Vice Chairperson CA. Rema Sarma, Secretary CA. Julie G Varghese, Treasurer CA. Nikhil R Kumar and SICASA Chairperson, the most crucial post, CA. Sreevidya C, to better the best efforts put in the preceding year. The experienced seasoned staff will be a great strength. This is the 52nd year of existence of our Thiruvananthapuram Branch. This branch was formed in 1972 when I was 11 years old.

I am proud now to stand before you to say that it is because of our founding Chairman CA. Venkatachalam Aiyer, I entered this profession. It is he who put me to his partner CA. R. Krishnan, under whom I did the articleship and became my GURU. What I am today is because of my GURU Late CA. R. Krishnan.

I pay my heartfelt homage to the doyens of our profession CA. K Venkitachalam Aiyer and CA. R. Krishnan on this solemn occasion with the utmost respect, love and gratitude. My entire life both as a Student and member CA has been associated with this Thiruvananthapuram Branch, I owe everything to this profession. Really feel proud privileged and obliged to have qualified in this great and Nobel profession.

Our Institute is all set to enter into the 75th year of its existence –a long rich legacy of supremacy and partner in Nation building. It is heartening to note that our new president CA. Aniket Talati is the second youngest President of ICAI. I assure you all that at the Branch level, I and my team will carry on its functions in sync with the Action Plans and theme set up by our president, CA. Aniket Talati and vice-president CA. Ranjeetkumar Agarwal. I also hope to represent the problems, ideas and innovation of today’s young Chartered Accountants who will take our profession in future to greater heights. At Last, I conclude with these beautiful lines “A leader is someone willing to give his/her strength to others so that they may have the strength to stand on their own” –Beth Revis. Today I am daring to stand on my own and take this leadership because of the exemplary proven leadership provided by the galaxy of Past Chairmen of this illustrious Branch of Lord Anantha Padmanabha, starting from CA. K. Venkatachalam Aiyer to CA. Cherianji Samuel.

Jai ICAI Jai Hind

Loka Samastha Sukino Bhavantu

CA. Ramakrishnan H
Chairman

OUR PRESIDENT & VICE PRESIDENT FOR THE YEAR 2023-24



CA. Aniket Sunil Talati
President, ICAI (2023-24)



CA. Ranjeet Kumar Agarwal
Vice-President, ICAI (2023-24)

MANAGING COMMITTEE MEMBERS 2023-24



CA. Rema Sarma N.
Vice-Chairperson



CA. Ramakrishnan H.
Chairman



CA. Julie G. Varghese
Secretary



CA. Nikhil R. Kumar
Treasurer



CA. Sreevidya C.
SICASA Chairperson



CA. Cherianji Samuel
Member
Professional Development



CA. Satheesan P
Ex-officio Member

UNITED ARAB EMIRATES (UAE) CORPORATE TAX LAW



CA PADMANABHAN S
FCA, ICMA, DISA(ICAI)

INTRODUCTION

- The Federal Decree-Law No. (47) of 2022 on the Taxation of Corporations and Businesses (hereinafter referred to as the “**Corporate Tax Law**”) was issued by the United Arab Emirates (“UAE”), on 09 December 2022.
- The Corporate Tax Law provides the legislative basis for the introduction and implementation of a Federal Corporate Tax (“**Corporate Tax**”) in the UAE.
- Effective for financial years starting on or after 1 June 2023.

EFFECTIVE DATE

- The Corporate Tax Law will become effective for the financial years starting on or after 1st June 2023.
- A business that has a financial year starting on 1 July 2023 and ending on 30 June 2024 will become subject to UAE CT from 1 July 2023 (which is the beginning of the first financial year that starts on or after 1 June 2023).



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BASIS OF TAXATION

- Corporate Tax Law taxes income on both a residence and source basis.
- The applicable basis of taxation depends on the classification of the Taxable Person:
- A “Resident Person” is taxed on income derived from both domestic and foreign sources (i.e. a residence basis). Worldwide income.
- A “Non-Resident Person” will be taxed only on income derived from sources within the UAE (i.e. a source basis). Taxed on income attributable to PE, nexus or connection



WHO IS SUBJECT TO CORPORATE TAX IN UAE

Corporate Tax Applies to the following Taxable Persons:

- UAE companies and other juridical persons that are incorporated or effectively managed and controlled in the UAE;
- Natural persons (individuals) who conduct a Business or Business Activity in the UAE as specified in a Cabinet Decision to be issued in due course; and

- Non-resident juridical persons (foreign legal entities) that have a Permanent Establishment in the UAE
- Juridical persons established in a UAE Free Zone.
- The UAE CT is a Federal tax and will therefore apply across all the Emirates.

WHO ARE EXEMPT FROM CORPORATE TAX IN UAE

Following persons are exempt from UAE Corporate Tax:

- Government Entities
- Government Controlled Entities that are specified in Cabinet Decision.
- Exempt by virtue of notification from Ministry of Finance – (Extractive business and Non extractive Natural Resources Business)
- Qualified Public entities listed through Cabinet Decision.
- Exempted through application and approval by Federal Tax Authority

WHO IS A RESIDENT PERSON

- Companies and other juridical persons that are incorporated or otherwise formed or recognized under the laws of the UAE.
- Foreign companies and other juridical persons where they are effectively managed and controlled in the UAE. (Depends on where key management and commercial decisions are in substance made)
- Natural persons will be subject to Corporate Tax as a “Resident Person” on income from both domestic and foreign sources, but only insofar as such income is derived from a Business or Business Activity conducted by the natural person in the UAE

WHO IS A Non-RESIDENT PERSON

Non-Resident Persons are juridical persons who are not Resident Persons and:

have a Permanent Establishment in the UAE; or
derive State Sourced Income

- Non-Resident Persons will be subject to Corporate Tax on Taxable Income that is attributable to their Permanent Establishment.
- Certain UAE-sourced income of a Non-Resident Person that is not attributable to a Permanent Establishment in the UAE will be subject to Withholding Tax at the rate of 0%.

WHAT IS A PERMANENT ESTABLISHMENT - PE

Fixed or permanent place in the State through which the Business of the Non- Resident Person, or any part thereof, is conducted.

A Person has and habitually exercises an authority to conduct a Business or Business Activity in the State on behalf of the Non-Resident Person.

It has any other form of nexus in the State as specified in a decision issued by the Cabinet at the suggestion of the Minister.

And includes branch, office, factory, workshop, land and buildings and other real property, installation or structure for the exploration of renewable or non- renewable natural resources, mine, oil or gas well, building site, construction site, place of assembly or installation

WHAT IS CORPORATE TAX IMPOSED ON

Corporate Tax is imposed on Taxable Income earned by a Taxable Person in a Tax Period.

The starting point for calculating Taxable Income is the Taxable Person's accounting income as per the financial statements.

EXEMPT INCOME

Dividends and other profit distributions received from a juridical person.

Dividends and other profit distributions received from a Participating Interest in a foreign juridical person.

Any other income from a Participating Interest.

Income of a Foreign Permanent Establishment.

Income derived by a Non-Resident Person from operating aircraft or ships in international transportation.



TAX PERIOD

1. A Taxable Person's Tax Period is the Financial Year or part thereof for which a Tax Return is required to be filed.

2. For the purposes of this Decree- Law, the Financial Year of a Taxable Person shall be the Gregorian calendar year, or the (12) twelve- month period for which the Taxable Person prepares financial statements.

SMALL BUSINESS RELIEF

A Taxable Person that is a Resident Person may elect to be treated as not having derived any Taxable Income for a Tax Period where:

a) the Revenue of the Taxable Person for the relevant Tax Period and previous Tax Periods does not exceed a threshold to be set by the Minister; and

b) the Taxable Person meets all other conditions prescribed by the Minister.

CORPORATE TAX RATE

Corporate Tax shall be imposed on the Taxable Income at the following rates:

- a) 0% (zero percent) on the portion of the Taxable Income not exceeding the amount specified in a decision issued by the Cabinet at the suggestion of the Minister. (Taxable Income not exceeding AED 375,000)
- b) 9% (nine percent) on Taxable Income that exceeds the amount specified in a decision issued by the Cabinet at the suggestion of the Minister. (Taxable Income exceeding AED 375,000)
- c) Qualified Free Zones - 0%

WITHHOLDING TAX RATE

A 0% withholding tax may apply to certain types of UAE sourced income paid to non-residents.

Withholding tax does not apply to transactions between UAE resident persons.

CONCEPT OF TAX GROUP

Two or more Taxable Persons who meet certain conditions (see below) can apply to form a “Tax Group” and be treated as a single Taxable Person for Corporate Tax purposes.

To form a Tax Group, both the parent company and its subsidiaries must be resident juridical persons, have the same Financial Year and prepare their financial statements using the same accounting standards.

Additionally, to form a Tax Group, the parent company must:

- own at least 95% of the share capital of the subsidiary;
- hold at least 95% of the voting rights in the subsidiary; and
- is entitled to at least 95% of the subsidiary’s profits and net assets.
- The ownership, rights and entitlement can be held either directly or indirectly through subsidiaries, but a Tax Group cannot include an Exempt Person or Qualifying Free Zone Person.

DEDUCTIONS

Expenditure incurred wholly and exclusively for the purposes of the Taxable Person's Business that is not capital in nature shall be deductible in the Tax Period in which it is incurred.

No deduction is allowed for the following:

- a) Expenditure not incurred for the purposes of the Taxable Person's Business.
- b) Expenditure incurred in deriving Exempt Income.
- c) Losses not connected with or arising out of the Taxable Person's Business.
- d) Such other expenditure as may be specified in a decision issued by the Cabinet at the suggestion of the Minister.

Deduction is allowed on the basis of part or proportion of expenditure if the expenditure is incurred for more than one purpose.

INTEREST EXPENDITURE AND LIMITS

Notwithstanding paragraph (b) of Clause 2 of Article 28 of this Decree- Law, Interest expenditure shall be deductible in the Tax Period in which it is incurred, subject to the other provisions of Article 28 and Articles 30 and 31 of this Decree-Law.

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 amortization (EBITDA) for the relevant Tax Period, excluding any Exempt Income under Article 22 of this Decree-Law.

A Taxable Person's Net Interest Expenditure for a Tax Period is the amount by which the Interest expenditure incurred during the Tax Period, including the amount of any Net Interest Expenditure carried forward under Clause 4 of this Article, exceeds the taxable Interest income derived during that same period.

The limitation under Clause 1 of this Article shall not apply where the Net Interest Expenditure of the Taxable Person for the relevant Tax Period does not exceed an amount specified by the Minister.

The amount of Net Interest Expenditure disallowed under Clause 1 of this Article may be carried forward and deducted in the subsequent (10) ten Tax Periods in the order in which the amount was incurred, subject to Clauses 1 and 2 of this Article.

Interest expenditure disallowed under any other provision of this Decree-Law shall be excluded from the calculation of Net Interest Expenditure under Clause 2 of this Article.

Clauses 1 to 5 of this Article shall not apply to the following Persons:

- a) A Bank.
- b) An Insurance Provider.
- c) A natural person undertaking a Business or Business Activity in the State.
- d) Any other Person as may be determined by the Minister.

SPECIFIC INTEREST DEDUCTION LIMITATION RULE

No deduction shall be allowed for Interest expenditure incurred on a loan obtained, directly or indirectly, from a Related Party in respect of any of the following transactions:

- a) A dividend or profit distribution to a Related Party.
- b) A redemption, repurchase, reduction or return of share capital to a Related Party.
- c) A capital contribution to a Related Party.
- d) The acquisition of an ownership interest in a Person who is or becomes a Related Party following the acquisition.

ENTERTAINMENT EXPENDITURE

A Taxable Person shall be allowed to deduct 50% (fifty percent) of any entertainment, amusement, or recreation expenditure incurred during a Tax Period.



EXPENDITURES NOT DEDUCTIBLE

Donations, grants or gifts made to an entity that is not a Qualifying Public Benefit Entity.

Fines and penalties, other than amounts awarded as compensation for damages or breach of contract.

Bribes or other illicit payments.

Dividends, profit distributions or benefits of a similar nature paid to an owner of the Taxable Person

Amounts withdrawn from the Business by a natural person or a partner in an Unincorporated Partnership

Corporate Tax, Input Value Added Tax, Tax on income imposed on the Taxable Person outside the State.

RELATED PARTY TRANSACTIONS

In determining Taxable Income, transactions and arrangements between Related Parties must meet the arm's length standard.

Related Parties: - When a legal entity or individual has more than 50% of direct or indirect ownership or control over a taxable person. Transaction between domestic related parties as well as between mainland and free zone entities are all covered within the scope of related party transactions.

A non-resident person, through a PE in the UAE would also be subject to UAE Transfer Pricing provisions and hence required to maintain and submit relevant TP documentation.

The provision like Transfer Pricing methods, documentation, corresponding TP adjustments, Advanced Pricing Agreements (APAs), GAAR are also covered in the Decree Law.

TAX LOSS RELIEF

A Tax Loss can be offset against the Taxable Income of subsequent Tax Periods to arrive at the Taxable Income for those subsequent Tax Periods.

The amount of Tax Loss used to reduce the Taxable Income for any subsequent Tax Period cannot exceed 75%.

A Taxable Person cannot claim Tax Loss relief for:

- a) Losses incurred before the date of commencement of Corporate Tax.
- b) Losses incurred before a Person becomes a Taxable Person under this Decree-Law.
- c) Losses incurred from an asset or activity the income of which is exempt, or otherwise not taken into account under this Decree-Law

TAXATION OF TRUSTS AND FAMILY FOUNDATIONS

A Family Foundation (as defined in the UAE Corporate Tax Law) is a foundation, trust or similar entity used to protect and manage the assets and wealth of an individual or family.

The principal activity of a Family Foundation would generally be to receive, hold, invest, disburse, or otherwise manage funds and assets associated with savings or investment for the interest of individual beneficiaries or to achieve a charitable purpose.

Such activities would typically not constitute a “business” or “business activity” for UAE CT purposes if they were undertaken directly by the founder, beneficiary or any other individual.

FOREIGN TAX CREDIT

Corporate Tax due under Article 3 of this Decree-Law can be reduced by the amount of Foreign Tax Credit for the relevant Tax Period.

The Foreign Tax Credit under this Decree-Law cannot exceed the amount of Corporate Tax due on the relevant income.

Any unutilized Foreign Tax Credit as a result of Clause 2 of this Article cannot be carried forward or carried back.

A Taxable Person shall maintain all necessary records for the purposes of claiming a Foreign Tax Credit.

Corporate Tax due under Article 3 of this Decree-Law can be reduced by the amount of Foreign Tax Credit for the relevant Tax Period.

The Foreign Tax Credit under this Decree-Law cannot exceed the amount of Corporate Tax due on the relevant income.

Any unutilized Foreign Tax Credit as a result of Clause 2 of this Article cannot be carried forward or carried back.

A Taxable Person shall maintain all necessary records for the purposes of claiming a Foreign Tax Credit.



TAX RETURNS AND ASSESSMENT

A Taxable Person must file a Tax Return, as applicable, to the Authority in the form and manner prescribed by the Authority no later than (9) nine months from the end of the relevant Tax Period, or by such other date as directed by the Authority.

A Person may be subject to a Corporate Tax assessment in accordance with the Tax Procedures Law and the decisions issued in the implementation of its provisions.

The Institute of Chartered Accountants of India (ICAI) will implement its new course structure from May 2024, a statement from ICAI said on Tuesday.

The statement quoting newly elected national president of ICAI, Aniket Talati, said that the institute has also signed 16 memorandums of understanding with various international organizations including the Institute of Chartered Accountants in England and Wales (ICAEW).

Under the New Education Policy, students studying in the CA foundation course will have four question papers while those in intermediate and final courses will have six question papers compared to eight papers earlier.

Earlier, CA students had to undertake articleship for a three-year period which has now been reduced to two.

The statement said that the new structure has been sent for approval to the Union government and will be implemented from May 2024.

The agreement with ICAEW, which has been approved by the Union government, will allow members of ICAI to be eligible for membership of ICAEW in the UK once they take two examinations, the statement said.

The institute also entered into an agreement with the Institute of Singapore Chartered Accountants (ISCA) under which ICAI members re-siding in Singapore for a minimum duration of six months will get the ISCA membership.

The statement said that ICAI has set up the Institute of Social Auditors of India (ISM) under SEBI's amendment in regulations. The ISAI will prepare social auditors.

Talati said that from April 1, 2023, CA firms auditing banking and insurance firms will have to get their audit quality checked by ICAI-appointed reviewers.

The ICAI will also set up career counselling centres and reading facilities in 700 districts across the country to guide students.

GLIMPSES OF INSTALLATION CEREMONY 2023-24



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SNAPS OF FEBRUARY EVENTS



EVENTS ON MARCH 2023

SI No	Date	Day	Events	Chief Guest / Speakers
1	10 th March	Friday	S. Vaidyanath Aiyar Memorial Lecture	Adv. K. Vaitheeswaran
2	16 th March	Thursday	Women's Day	Dr. Sandhya B., IPS
3	21 th March	Tuesday	Bank Audit Seminar	CA. S Ramesh CA. R Sundararajan CA. Niranjan Joshi

BIRTHDAY CELEBRANTS OF MARCH-2023

2 MAR	VINAYAKRISHNAN K
2 MAR	SASI KUMAR D
3 MAR	VELAYUDHAN NAIR
4 MAR	SOYA K
6 MAR	RAMAKRISHNAN H
7 MAR	HARI J.S.
7 MAR	UNNIKRISHNAN S
9 MAR	V SUNITHA REBECCA RAJ
10 MAR	C.D.ISAAC
12 MAR	ATHUL S
13 MAR	V.KRISHNAKUMAR
13 MAR	NISHANTH GEORGE EARNEST
13 MAR	LEKSHMY M B
15 MAR	JIM CYRIAC
15 MAR	SRIPRIYA R
17 MAR	AJITH G
17 MAR	RAGHESH N S
18 MAR	SANGEETHA AJITH
18 MAR	BITTU ABRAHAM SAMUEL
18 MAR	GIRI M S
19 MAR	SELASTIN A
21 MAR	THAMPY MATHEW
21 MAR	SREEHARI G
23 MAR	GEETHA VENUGOPAL
26 MAR	SUSMI MATHAI
26 MAR	KOSHY K I
31 MAR	RAMASUBRAMONIYA IYER S
31 MAR	VENKATA SUBRAMANIAN R

Articles / Writeups are hereby invited from members on any key topics to be published in the upcoming e-Newsletter. Members may kindly send their articles to trivandrum@icai.org with cc to icaitvm@gmail.com with the subject line “Article for Newsletter” on or before the 05th of the following month along with mentioned details:

1. Name
2. Membership Number
3. Contact Number
4. E-mail id
5. Photo
6. Article in docx format

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