BUSINESS FUTURE
For Auditing Accounting, Tax & Advisory

Tax and Regulation (TR) exam: study notes and practice questions

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This exam is compulsory for everyone, even holders of ACCA or a CPA. It covers UAE taxes and the laws an auditor works under. Our team analysed past question styles; here are the areas that come up most.

What the exam covers

1 Corporate Tax (Federal Decree-Law No. 47 of 2022)

Applies to financial years starting on or after 1 June 2023.

- Rates: 0% on taxable income up to AED 375,000 and 9% above it.
- Qualifying free zone persons: 0% on qualifying income only.
- Small Business Relief: resident persons with revenue up to AED 3 million, for tax periods ending by 31 December 2026.
- Exempt persons include government entities, qualifying public benefit entities and qualifying investment and pension funds.
- Returns and payment are due within 9 months of the end of the tax period.

2 Deductions, losses and groups

- Net interest expense: deductible up to 30% of EBITDA, with an AED 12 million safe harbour.
- Entertainment: 50% of client entertainment is disallowed.
- Losses: carried forward and offset against up to 75% of taxable income.
- Tax groups: the parent must hold at least 95%.
- Participation exemption: dividends and gains on holdings of at least 5% held for 12 months.

3 Transfer pricing, BEPS and the minimum tax

Transactions with related parties and connected persons must be at arm's length. A master file and local file are needed for revenue of AED 200 million or more, or for a group with AED 3.15 billion or more. BEPS has 15 actions, four of them minimum standards: 5, 6, 13 and 14. Pillar Two sets a 15% minimum tax for groups with revenue of €750 million or more. The UAE applies a Domestic Minimum Top-up Tax from 1 January 2025. Economic Substance Regulations no longer apply to periods starting after 31 December 2022.

4 VAT and customs (Federal Decree-Law No. 8 of 2017)

- Rate: 5%.
- Registration: mandatory above AED 375,000 of taxable supplies and imports; voluntary from AED 187,500.
- Zero-rated: exports and international transport, among others.
- Exempt: some financial services, residential property after its first supply, bare land and local passenger transport.

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- Tax invoices: within 14 days.
- Returns: usually quarterly, filed within 28 days.

Imports of services use the reverse charge. GCC customs duty is generally 5% of the CIF value.

5 Exchange of information: FATCA and CRS

The UAE has a FATCA agreement with the United States and applies the OECD Common Reporting Standard. Financial institutions identify account holders' tax residence and report to the authorities, who exchange the data. An entity is classified as active or passive, and its controlling persons are reported for passive entities.

6 Anti-money laundering

Federal Decree-Law No. 10 of 2025 replaced the 2018 law from 14 October 2025. It covers money laundering, terrorist financing and proliferation financing, and makes tax evasion a predicate offence. Accountants and auditors are designated non-financial businesses and professions. They must do customer due diligence and report suspicious transactions to the Financial Intelligence Unit through goAML, without tipping off the client.

7 Companies, beneficial owners and the audit profession

Federal Decree-Law No. 32 of 2021 on Commercial Companies sets the company forms and the auditor's appointment by the general assembly. It also allows full foreign ownership for many activities. Cabinet Decision No. 109 of 2023 requires a register of beneficial owners: 25% or more of ownership or voting rights, or control. Federal Law No. 12 of 2014 and Ministerial Resolution No. 111-2 of 2022 govern licensing, the fellowship and CPE.

8 The federation and tax procedures

- The federation: seven emirates. The Federal Supreme Council of the seven Rulers is the highest authority. The Federal National Council has 40 members.
- Tax procedures follow Federal Decree-Law No. 28 of 2022: tax agents, voluntary disclosure, tax audits with prior notice, and penalties set by Cabinet decisions.
- Records: kept for 5 years for VAT and 7 years for Corporate Tax.

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Practice questions

1 **What Corporate Tax rate applies to taxable income above AED 375,000?**

A) 5%
B) 9%
C) 15%
D) 0%

2 **Small Business Relief is available to a resident person whose revenue in the tax period does not exceed:**

A) AED 375,000
B) AED 1 million
C) AED 3 million
D) AED 5 million

3 **Net interest expense is deductible up to which limit?**

A) 30% of EBITDA, with an AED 12 million safe harbour
B) 50% of EBITDA
C) 100% always
D) 10% of revenue

4 **Tax losses carried forward can be offset against what share of taxable income in a later period?**

A) 50%
B) 75%
C) 100%
D) 25%

5 **What minimum ownership does a parent need to form a tax group?**

A) 51%
B) 75%
C) 95%
D) 100%

6 **When are the Corporate Tax return and payment due?**

A) 3 months after the period end
B) 6 months after
C) 9 months after
D) 12 months after

7 **Select all that apply: which BEPS actions are minimum standards?**

A) Action 5 (harmful tax practices)
B) Action 6 (treaty abuse)
C) Action 13 (country-by-country reporting)
D) Action 1 (digital economy)

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8 **What is the mandatory VAT registration threshold?**

A) AED 187,500
B) AED 375,000
C) AED 1 million
D) AED 3 million

9 **An accountant suspects a client's transactions are linked to money laundering. What should they do?**

A) Warn the client first
B) Report it to the Financial Intelligence Unit through goAML without tipping off the client
C) Do nothing without proof
D) Resign and say nothing

10 **True or false: every free zone company pays 0% Corporate Tax on all its income.**

A) True
B) False

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Answer — Practice questions

1. Answer (B): 0% up to AED 375,000 and 9% above it.
2. Answer (C): AED 3 million, for tax periods ending by 31 December 2026.
3. Answer (A): The general interest deduction limitation rule.
4. Answer (B): Losses can reduce taxable income by up to 75% in any period.
5. Answer (C): At least 95% of share capital, voting rights and profit entitlement.
6. Answer (C): Within 9 months of the end of the tax period.
7. Answer (A, B, C): The four minimum standards are Actions 5, 6, 13 and 14. Action 1 is not one of them.
8. Answer (B): Taxable supplies and imports above AED 375,000 in the last 12 months, or expected in the next 30 days. AED 187,500 is the voluntary threshold.
9. Answer (B): A suspicious transaction report is required and tipping off is prohibited.
10. Answer (B): Only a qualifying free zone person meeting all the conditions gets 0%, and only on qualifying income; other income is taxed at 9%.

This guide is general study material. It is not legal or tax advice, and it does not replace the ACCA course. Laws and standards change: always check the current text.

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