

Administrative Decision No. (22) of 2024

Regarding the Rules and Regulations for Applying Tax on Foreign Banks Operating in the Emirate of Ajman

Head of the Department of Finance

- Having reviewed Amiri Decree No. (15) of 2012 concerning the Department of Finance in Ajman and its amendments,
- And Amiri Decree No. (5) of 2017 concerning the Financial Audit Authority in Ajman,
- And Law No. (3) of 2024 concerning the Tax on Foreign Banks Operating in the Emirate of Ajman,

We have decided the following:

Article (1) Definitions

The words and phrases mentioned in this Decision shall have the same meanings assigned to them in the aforementioned Law No. (3) of 2024. For the purposes of this Decision, the following words and phrases shall have the meanings indicated next to each, unless the context indicates otherwise:

Fiscal Year: The year that begins on the first day of January and ends on the thirty-first day of December of each year.

Capital Expenditures: Expenditures of a capital nature that are not operational, which benefit the foreign bank during subsequent fiscal years.

Head Office Expenses: Supervisory expenses of the head office management over the international branches of the foreign bank, including the taxable branch.

Regional Office Expenses: Supervisory expenses of the regional management over the taxpayer and branches located inside and outside the country.

Common Expenses: Common operational expenses that serve all branches of the foreign bank operating in the Emirate and abroad.

Common Revenues: Revenues resulting from joint investments and activities of the foreign bank's branches operating in the Emirate and abroad.

Suspended Interest: Accrued interest related to slow-moving, doubtful debts, which is set aside from the revenue account.

Assets: The total assets of the foreign bank without deducting the provision for doubtful debts, suspended interest on these debts, and any other provisions.

Article (2)

Tax Period

- a- The tax period for which the taxpayer must file the tax return and calculate the due tax is the fiscal year of the foreign bank.
- b- Notwithstanding what is stated in paragraph (a) of this Article, the Department may, upon the request of the foreign bank, amend its tax period.
- c- The first tax period for calculating the tax imposed under the aforementioned Law No. (3) of 2024 shall commence from January 1, 2025.

Article (3)

Amount of Tax

- a- The amount of tax on taxable income shall be calculated according to the following formula: (Taxable Income x 20% - the equivalent of the tax paid according to the Corporate Tax Law)
- b- For the purpose of deducting tax as shown in paragraph (a) of this Article, the taxpayer must provide documents proving the payment of the tax stipulated under the Corporate Tax Law and its share of this tax in case the corporate tax covers the foreign bank's branches in the country.

Article (4)

Common Revenues and Expenses

a- Common revenues for the purpose of determining taxable income shall be calculated as follows:

1. The taxpayer's share of the net common revenues related to treasury management activities, after deducting central expenses, shall be determined according to the following formula: $\text{Net Central Treasury Revenues} \times (\text{Monthly Average of Liquidity Transferred from the Taxpayer} \div \text{Monthly Average of Liquidity Transferred to the Central Treasury from the foreign bank's branches located inside or outside the country})$.
2. The taxpayer's share of other net common revenues shall be determined according to the following formula: $\text{Net Common Revenues} \times (\text{Monthly Average of the Taxpayer's Assets} \div \text{Monthly Average of the Assets of Branches inside and outside the country})$.

b- Common expenses for the purpose of determining taxable income shall be calculated based on determining the taxpayer's share of these expenses, according to the following formula: $\text{Total Common Expenses} \times (\text{Monthly Average of the Taxpayer's Assets} \div \text{Monthly Average of the Assets of Branches inside and outside the country})$.

c- The results of the formulas for calculating common revenues and common expenses mentioned in paragraphs (a) and (b) of this Article must be certified by the foreign bank's external auditor according to the forms specified in the attached list, which the taxpayer must provide to the Department and the Authority.

Article (5)

Regional Office Expenses

Regional office expenses charged to the taxpayer shall be calculated as follows:

1. The taxpayer shall calculate the percentage of expenses charged to it by the regional office in relation to the total interest income recorded by it during the year, according to the following formula: $(\text{Regional Expenses charged to the Taxpayer} \div \text{Total Interest Income of the Taxpayer})$.

2. The amount of regional office expenses charged to the taxpayer shall be deducted if the percentage resulting from the formula in clause (1) of this Article is equal to or less than the percentage resulting from the following formula: (Total Regional Expenses ÷ Total Interest Income of Regional Branches). If this percentage is higher, the excess shall be disallowed.

3. The taxpayer must provide a certificate certified by the regional office's auditor, clarifying the following:

a- The total amount and nature of the regional office expenses charged to the taxpayer.

b- The basis on which the regional office expenses were allocated to the branches.

c- A statement confirming the audit of the formula mentioned in clause (1) of this Article.

Article (6)

Head Office Expenses

Head office expenses charged to the taxpayer shall be calculated as follows:

1. The taxpayer shall calculate the percentage of expenses charged to it by the head office in relation to the total interest income recorded by it during the year, according to the following formula: (Head Office Expenses charged to the Taxpayer ÷ Total Interest Income of the Taxpayer).

2. The amount of head office expenses charged to the taxpayer shall be deducted if the percentage resulting from the formula in clause (1) of this Article is equal to or less than the percentage resulting from the following formula: (Head Office Expenses charged to International Branches ÷ Total Interest Income of International Branches). If this percentage is higher, this excess shall be disallowed.

3. The taxpayer must provide a certificate certified by the head office's auditor, clarifying the following:

a- The total amount and nature of the head office expenses charged to the taxpayer.

b- The basis on which the head office expenses were allocated to the international branches.

c- A statement confirming the audit of the formula mentioned in clause (1) of this Article.

Article (7)

Unrealized Losses, Gains, and Profits

a- Unrealized gains and profits recorded in the taxpayer's financial records shall not be included in the taxable income until they are realized.

b- The taxpayer may not deduct unrealized losses recorded in its financial records from the taxable income until they are actually realized.

Article (8)

Expected Credit Losses during the First and Second Stages specified in IFRS 9

Expected credit losses during the first and second stages specified in the International Financial Reporting Standard (IFRS 9) may not be deducted from taxable income.

Article (9)

Credit Losses during the Third Stage specified in IFRS 9

Provisions for doubtful debts and suspended interest, during the third stage specified in the International Financial Reporting Standard (IFRS 9), whether related to loans to natural persons or legal persons, shall be calculated as follows:

First: Loans to Natural Persons:

a- Provisions for doubtful debts and suspended interest may not be deducted from taxable income if there is any evidence or indication of the possibility of collecting the debt amount or suspended interest.

b- The taxpayer may deduct provisions for debts and suspended interest for which tax was paid in previous tax periods from subsequent tax returns, if the debt or suspended interest is proven to be fully or partially written off.

Second: Loans to Legal Persons:

a- Provisions for doubtful debts and suspended interest may not be deducted from taxable income if any of the following cases exist:

1. Existence of a settlement or rescheduling agreement for the debt or suspended interest between the taxpayer and the legal person.
2. Existence of securities or guarantees of any kind or form, ensuring the repayment of the doubtful debts or suspended interest.
3. Failure of the taxpayer to take the necessary legal and judicial procedures to collect the doubtful debts or suspended interest.
4. Existence of credit movements of relative importance on the accounts of the legal person in default of repaying the debts or suspended interest.

b- The taxpayer may deduct provisions for debts and suspended interest for which tax was paid in previous tax periods from subsequent tax returns if the debt or suspended interest is proven to be fully or partially written off.

Article (10)

Other Provisions

The taxpayer may deduct any other amounts, other than the provisions mentioned in this Decision, from taxable income, such as a provision for employee bonuses, and a provision for amounts ruled against it, provided it is proven that the taxpayer has used these provisions.

Article (11)

Calculation of Interest and Commissions

a- Interest on banking transactions between the taxpayer and the head office, regional office, or other branches inside and outside the Emirate for tax purposes shall be calculated as follows:

1. If there is a current account for these transactions, the amount of interest income and expense shall be calculated according to the following formula: (Annual Average of the Daily Balance of the Current Account X Annual Average of the Reference Rates for a one-day period).

2. If there are lending and borrowing operations for multiple periods, the interest on lending and borrowing operations shall be calculated based on the reference rates for each operation on the date of that operation and for the same loan period.

b- The net difference in the value of the interest calculated according to clauses (1) and (2) of paragraph (a) of this Article shall be added to the taxable income. In all cases, the calculation of interest due on banking transactions between the taxpayer and the head office, regional office, or other branches inside or outside the Emirate must not result in a reduction of the taxable income.

c- Commissions shall be calculated based on the prevailing system in banking transactions.

Article (12)

Depreciation and Amortization of Capital Expenditures

a- The full value of capital expenditures may not be deducted in the same year the assets for which those expenditures were allocated were purchased.

b- The depreciation or amortization rate of capital expenditures may be deducted, in accordance with International Accounting Standards, and within the following rates:

1. (3) three years for computers and the like, and their accessories.

2. (5) five years for vehicles.

3. (7) seven years for furniture and decoration works.

4. (25) twenty-five years for buildings.

5. (15) fifteen years for substantial improvements to buildings.

6. (15) fifteen years for intangible assets, which are assets that lack physical existence but have a certain value.

Article (13)

Accrued Expenses

The taxpayer must add the amount of accrued expenses to the taxable income if they are not paid or reversed under other revenues within (9) nine months from the end of the fiscal year, provided that the accrued expenses are supported by documentary evidence.

Article (14)

Statement of Deferred Tax Assets and Liabilities

The taxpayer must prepare a special statement of deferred tax assets and liabilities and provide it to the Authority during the tax audit, after it has been approved by the taxpayer.

Article (15)

Tax Audit Results

- a- The taxpayer must pay the amount resulting from the tax audit works within (20) twenty days from the date of being notified of the audit results.
- b- If the results of the tax audit are less than the amount paid by the taxpayer, it may request a refund of this excess or be allowed to deduct the difference from the tax audit results in subsequent years.

Article (16)

Deadlines for Filing Tax Return and Paying Tax

- a- The taxpayer must file the tax return, tax forms, and supporting documents as specified in the list attached to this Decision, and pay the amount of due tax to the Department within (9) nine months from the end of the tax period in accordance with the tax rules and procedures stipulated in the aforementioned Law No. (3) of 2024 and this Decision, assuming it has paid the tax stipulated under the Corporate Tax Law.
- b- The return mentioned in paragraph (a) above must be certified by the responsible official at the taxpayer and the external auditor.

c- The taxpayer is responsible for the accuracy of the data contained in the tax return and the supporting forms and documents specified in the list attached to this Decision.

Article (17)

Publication and Entry into Force

This Decision shall be effective from 01/01/2025, and shall be published in the Official Gazette.

Issued on 27 / 12 / 2024

Ahmed bin Humaid Al Nuaimi
Head of the Department of Finance

List of Financial Data, Documents, and Tax Forms Supporting the Tax

Return to be Submitted by the Taxpayer, Attached to Decision No. (22) of 2024

1	The audited tax return of the taxpayer, which must include the tax rate imposed on it and the amount of tax paid in accordance with the Corporate Tax Law.
2	The audited financial statements and notes of the taxpayer.
3	A certified certificate of the taxpayer's share of head office expenses and regional office expenses, audited by the external auditor of the head office.
4	Voluntary Disclosure.
5	Form No. 1 - Head Office Expenses.
6	Form No. 2 - Regional Office Expenses.
7	Form No. 3 - Common Expenses.
8	Form No. 4 - Common Revenues.
9	Form No. 5 - Provisions for Individual Loans and Suspended Interest.
10	Form No. 6 - Provisions for Corporate Loans.

11	Form No. 7 - Suspended Interest on Corporate Loans.
12	Form No. 8 - General Provisions.
13	Form No. 9 - Other Provisions.
14	Form No. 10 - Capital Expenditures and Provisions for Depreciation and Amortization.
15	Form No. 11 - Interest and Commissions Resulting from the Current Account of Branches.
16	Form No. 12 - Interest and Commissions Resulting from Transactions with the Head Office and Other Branches.
17	Form No. 14 - Transactions with Related Parties.
18	Form No. 15 - Accrued Expenses.
19	Form No. 16 - Disallowed Expenses.
20	Form No. 17 - Violations and Fines.
21	Form No. 18 - Statement of Deferred Tax Assets and Liabilities.