



Corporate Taxation in the UAE and Its Effects: A Systematic Literature Review

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Abstract

Background: Corporations are considered dominant players that have profound influence on the economy. Till the implementation of federal corporate tax, UAE didn't levy taxes on the profits of corporations, except in some sectors including foreign bank branches and oil companies. The country replaced its non-tax policy to a 9% corporate tax imposed on taxable income above AED 375000 in order to diversify its government revenue and adhere to the global tax regime.

Objective: To synthesize the major findings of peer-reviewed journal articles, policy documents, and observational studies to study the impacts of corporate tax implementation in the UAE.

Method: The present study is based on systematic literature review methodology, where literature on corporate taxation in the UAE and its effects are analyzed comprehensively. The present systematic literature review has included six secondary researches and one primary research. The researcher retrieved 646 studies from online research databases [Google scholar (257), Web of Science (198), Scopus (118), and ProQuest (73)]. The review conforms to the Preferred Reporting items for Systematic Reviews and Meta-Analysis (PRISMA) guidelines.

Results: Studies have found that the corporate tax structure in the UAE is business friendly. One of the major factors that make the UAE's corporate tax structure less complicated is its tax rate. There is a negative association between corporate tax and inflation in the UAE economy. The corporate tax reduces Foreign Direct Investments (FDIs) and Gross Domestic Product (GDP) in the UAE economy. In the UAE, with the implementation of corporate taxation, one of the significant changes that occurred is the diversification of government's revenue sources.

Conclusion: The implementation of corporate tax in the UAE is regarded as a land mark in its economy. One of the major advantages of implementing corporate tax in the UAE is that the country can comply with international tax standards. A 9% corporate tax rate enabled the UAE to develop a business-friendly tax structure.

Keywords: Corporate tax, the UAE, effects of corporate tax, effects.

1. Introduction

Corporations are considered dominant players that have profound influence on the economy. Corporate tax, a tax levied on the profits of corporations, has become a main focus in the global economic framework serving as an instrument for enhancing government revenue, fostering investments, creating job opportunities and promoting business growth (Fuest & Neumeier, 2023). In the United Arab Emirates (UAE), federal corporate income tax system came into effect on 1st June 2023. Till the implementation of federal corporate tax, UAE didn't levy taxes on the profits of corporations, except in some sectors including foreign bank branches and oil companies. The country replaced its non-tax policy to a 9% corporate tax imposed on taxable income above AED 375000 in order to diversify its government revenue and adhere to the global tax regime (Pragya, 2024) [9]. The UAE has attracted foreign investments, promoted entrepreneurship, and fostered business investments through its tax-free business environment. Even though the UAE attempted to

make the corporate tax regime fairer and remain globally competitive, its effects on the UAE economy, foreign investments, business growth and adherence to tax laws raise concerns (Leclerc, 2024) [12].

In the UAE, corporate taxation was introduced in accordance with the Federal Decree Law No. 60 of 2023. The UAE's corporate taxation complies with the OECD Base Erosion and Profit Sharing (BEPS) inclusive framework. The UAE's corporate taxation laws focus on protecting taxpayer's against double taxation and helping them in availing tax benefits they deserve. Transfer pricing provisions and Country-By Country Reporting rules are two other peculiarities of UAE's corporation tax laws that add compliance requirements (Elshqirat, 2024) [14]. These compliance requirements are expected to raise many challenges for businesses. They may be required to invest in additional resources including financial resource, technology and human resources to ensure their tax compliance and avoid penalties. Therefore, the

challenges that businesses newly face due to corporate taxation system may impact the country in several ways.

To evaluate how corporate taxation affects the UAE economy, its business, foreign investments and the government and to provide an evidence-based understanding of corporate taxation and its effects in the UAE, a systematic review of existing literature is conducted. The present systematic literature review aims to synthesize the major findings of peer-reviewed journal articles, policy documents, and observational studies to study the impacts of corporate tax implementation in the UAE. This is expected to underscore the corporate tax compliance requirements and challenges to businesses.

2. Materials and Methods

2.1. Study Design

The present study is based on systematic literature review methodology, where literature on corporate taxation in the UAE and its effects are analyzed comprehensively. To make the review transparent, the review conforms to the Preferred Reporting items for Systematic Reviews and Meta-Analysis (PRISMA) guidelines (Snyder, 2019).

2.2. Search Strategy

Initially, the researcher carried out a broad search of literature on corporate taxation in the UAE and its effects to rationalize the purpose of the research. The initial review of literature was carried out across various online research databases including Google scholar, Web of Science, ProQuest, and Scopus. The same research databases, together with UAE official reports and documents on corporate taxation were utilized in the final search to analyze the corporate taxation in the UAE and its effects. The search keywords are determined on the basis of SPIDER tool (Sample, Population of Interest, Design, Evaluation and Research type).

Table 1: SPIDER search tool

S-Sample	Business organizations in the UAE, foreign investors, tax authorities
P-Population of Interest	Corporate taxation system, policies and laws in the UAE, and the effects of corporate taxation on economic conditions such as employment opportunities, government revenue, tax compliance requirements for business, and foreign investments
D-Design	Questionnaire, Survey, Focus Group Discussions, interview, policy analysis, case study, document analysis, stakeholder analysis.
E-Evaluation	Tax compliance burden for business, government revenue enhancement, inflow and outflow investments, employment opportunities, firm entry, firm exit, foreign direct investment.
R-Research Type	Qualitative, quantitative and mixed-methods

Table 2: The Boolean operators including AND, NOT and OR are used for precise search in this study, the search terms used include corporate taxation, UAE and effects.

Concept	Search terms	Boolean logic
UAE	UAE, United Arab Emirates, Arab Gulf state	UAE OR United Arab Emirates OR Arab Gulf state
Corporate taxation	Corporate tax, business tax, company tax	Corporate tax OR company tax OR business tax
Effects	Effects, impacts consequences	Effects OR impacts OR consequences
Corporate tax OR company tax OR business tax" AND "effects OR impacts OR consequences" AND "UAE OR United Arab Emirates OR Arab Gulf state".		

2.3. Screening and Selection of Studies

The researcher retrieved 646 studies from online research databases [Google scholar (257), Web of Science (198), Scopus (118), and ProQuest (73)]. The researcher removed 386 duplicate articles. 136 irrelevant articles were removed from 260 records identified and abstracts screened by the researcher. Based on the exclusion criteria, 111 articles were excluded, and 13 were retained for critical appraisal. Following the critical appraisal of 13 studies, 6 were eliminated and 7 were selected for final review. Figure 1 depicts the process of screening and selection of articles.

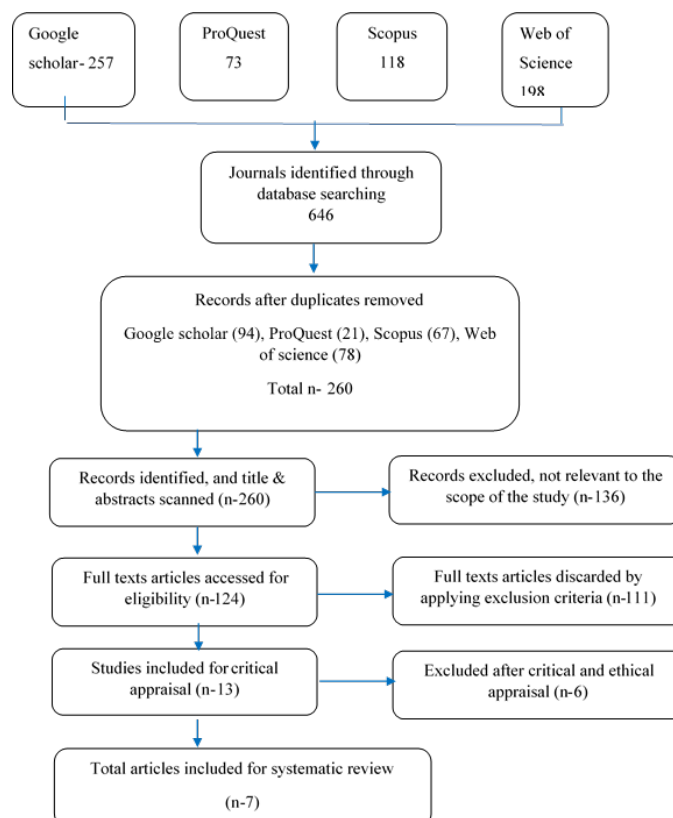


Fig 1: PRISMA Chart

Table 3 presents the inclusion and exclusion criteria developed to screen and select the articles for final review.

Table 3: Inclusion and exclusion criteria

Inclusion	Exclusion
Studies addressing corporate taxation in the UAE	Studies addressing taxation other than corporate tax in the UAE.
Studies conducted in the UAE.	Studies conducted in countries other than the UAE.
Studies addressing the effects of corporate taxation in the UAE.	Studies addressing the effects of non-corporate taxation in the UAE.
Studies published between 2022-2025	Studies published before 2022
Studies in English language	Studies in languages other than English
Quantitative studies Qualitative studies Mixed method studies Studies based on both primary and secondary studies	Editorial Commentaries Opinion papers

2.4. Data Extraction

A data extraction table was prepared to present the research design, research aim, methodology, major findings and limitations of the included studies. (See table. 5).

2.5. Data Analysis

The researcher utilized Microsoft Excel for arranging and analysing data. The present systematic literature review employed a textual narrative synthesis method to analyse the data, as it included 7 diverse studies with different interventions, styles, and approaches (Popay *et al*, 2006).

2.6. Critical Appraisal

The researcher adopted the CASP Critical Appraisal and Skills Programme) tool to critically evaluate the quality of the selected studies with respect to their credibility, validity and value of findings (Long *et al*, 2020). As a result, 6 were discarded and 7 were selected for final review. The results of critical appraisal of 13 studies are provided in table 4.

2.7. Ethical Statement

The study is free from bias and ensures that ethical soundness. Furthermore, all the studies included are also ethically sound and comply with ethical standards.

Table: 4: CASP tool for critical and ethical appraisal of 13 studies

References	Was there a clear statement of aims & objectives?	Methodology appropriate?	Was the res. Design appropriate?	Was the Data Collected in a way that addressed the research Issue?	Relationship between Researcher and Participants Been Adequately Considered?	Have Ethical Issues been Taken into Consideration?	Was the Data Analysis Scientifically Rigorous?	Is There a Clear Statement of Findings?	How Valuable is Research?
Pragya, 2024 ^[9]	+	+	+	+	+	+	+	+	+
Kolsi <i>et al</i> , 2024 ^[16]	+	-	-	+	+/-	+/-	-	-	+/-
Antony <i>et al</i> , 2022 ^[10]	+	+	+	+	+	+	+	+	+
Baum <i>et al</i> , 2025 ^[17]	+	-	-	+	+/-	+/-	-	-	+/-
Shahwan, 2024 ^[14]	+	+	+	+	+	+	+	+	+
Abubakr <i>et al</i> , 2025 ^[18]	+	-	-	+	+/-	+/-	-	-	+/-
None <i>et al</i> , 2025 ^[11]	+	+	+	+/-	+	+	+	+	+
Giannarou <i>et al</i> , 2025 ^[20]	+	-	-	+	+/-	+/-	-	-	+/-
Rabboua <i>et al</i> , 2025 ^[13]	+	+	+	+	+	+	+	+	+
Al-shawabkeh <i>et al</i> , 2025 ^[15]	+	-	-	+	+/-	+/-	-	-	+/-
Ditta <i>et al</i> , 2025 ^[19]	+	-	-	+	+/-	+/-	-	-	+/-
Leclercq, 2023 ^[12]	+	+	+	+/-	+	+	+	+	+
Elshqirat, 2024 ^[14]	+	+	+	+	+	+	+	+	+

Criteria: (+) refers to item adequately addressed, (-) refers to item not adequately addressed, (+/-) refers to item partially addressed

3. Results

3.1. Characteristics of Included Studies

Of the seven studies selected, one presented a comparative analysis of corporate taxation in the UAE, Oman and Saudi Arabia, while another one evaluated evaluate the potential impacts of corporate taxation in the UAE in relation its foreign direct investment and GDP. Two studies examined the corporate tax compliance requirements corporate tax regime in free zones of the UAE, respectively. One of the studies analysed the benefits of transfer pricing practices on the financial performance of MNCs in the UAE. In addition, two other studies explored related areas: one assessed the effects of taxation on inflation; while the other examined the impact of tax avoidance on corporate sustainability.

3.2. Study Design

The present systematic literature review has included six secondary researches and one primary research. Out of these six studies, three employed a qualitative design and remaining three adopted a quantitative design. One primary research is a quantitative explanatory research.

3.3. Sources of Information

Sources of information include survey participants, corporate tax laws and policies, government publications, tax authority reports, World Bank Open database financial statements of companies and company websites.

Table 4: Table for data extraction for the review of 7 articles with summary details

References	Study Design & Method	Sample size	Aims/objectives clearly specified	Aim of the study	study specific to corporate taxation and its effects in the UAE	Sources of information	Key findings	Limitations
Pragya, 2024 ^[9]	Qualitative secondary research.	NA	Yes	To present a comparative analysis of corporate taxation in the UAE, Oman and Saudi Arabia.	Yes	Corporate tax laws and policies, government publications, and tax authority reports	* In comparison to Oman and Saudi Arabia, the UAE imposes relatively a lower corporate tax rate. * Although the UAE, Oman, and Saudi Arabia have similar tax structure, the UAE and Oman tax structures are relatively less complicated and pose fewer challenges for businesses.	The study is highly descriptive.
Antony <i>et al</i> , 2022 ^[10]	Quantitative secondary research	NA	Yes	To evaluate the potential impacts of corporate taxation in the UAE in relation its foreign direct investment and GDP.	Yes	Previous studies, official reports and documents, World Bank Open database	*With implementation of corporate tax, the UAE is anticipated to experience a reduction Foreign Direct Investments (FDI). *Corporate taxation in the UAE may negatively impact the economy by reducing GDP.	The study relies entirely on secondary data; therefore the findings are only as reliable as the source of information.
None <i>et al</i> , 2025 ^[11]	Qualitative descriptive secondary research	NA	Yes	To provide a comprehensive overview of corporate tax compliance requirements in the UAE.	Yes	Previous studies, international tax guidelines, government reports and documents, policy statements, news.	*Corporate taxation in the UAE is a land mark in fiscal policy, making it more sustainable. *UAE's corporate tax structure is business-friendly. *Corporate taxation enhances non-oil revenue in the UAE. * Corporate taxation enables the UAE to comply with international tax standards	Highly descriptive in nature, thus lacks critical evaluation
Leclercq, 2023 ^[12]	A legal analytical review based on secondary data.	NA	Yes	To evaluate corporate tax regime in free zones of the UAE.	Yes	Corporate tax laws and policies in the UAE, government reports and documents.	In the free zones of the UAE, qualifying income is taxed at 0%, and non-qualifying income is taxed at 9%.	In legal analytical, the researcher may be biased while interpreting the laws.
Elshqirat, 2024 ^[14]	Quantitative explanatory secondary research.	NA	Yes	To analyze the effect of taxes on inflation rate	Yes	Previous studies, international tax guidelines, government reports and documents, policy	*Corporate tax in the UAE is predicted to have a negative effect on inflation. * In the UAE, oil revenue is the significant factor influencing	Limited generalizability and a higher chance of bias.

						statements	inflation.	
Rabboua <i>et al</i> , 2025 ^[13]	Quantitative explanatory research	103 corporate accountants.	Yes	To explore the effects of tax avoidance and National-in Country Value certification on corporate sustainability in the UAE market.	Yes	Survey participants.	* There is no association between tax avoidance and corporate sustainability in the UAE. * As corporate taxation is new in the UAE, tax avoidance does not have either a positive or a negative impact of corporate sustainability. * Strict tax laws lead companies to avoid tax, whereas soft laws prevent companies from avoiding tax. * There is a positive association between National-in Country Value certification and corporate sustainability in the UAE market.	Limited generalizability of findings due to inadequate sample size.
Shahwan, 2024 ^[14]	Cross-sectional and ex-post facto-Secondary research	12 international corporations	Yes	To examine the benefits of transfer pricing practices on the financial performance of MNCs in the UAE.	Yes	Financial statements and websites of 12MNCs.	There is no statistically significant association between transfer pricing practices and financial performance of MNCs in the UAE.	The study considered only three aspects of transfer pricing.

Themes Identified

3.4. Effects of Corporate Taxation on Businesses

Studies have found that the corporate tax structure in the UAE is business friendly. One of the major factors that makes the UAE's corporate tax structure less complicated is its tax rate. In the UAE, corporate tax is imposed at 9% on income above AED 375000. Income below AED 375000, Qualifying Free Zone Persons (QFZPs), dividends, and certain shipping income are exempt from corporate tax in the UAE. Compared with Oman (15%) and Saudi Arabia (20%), the UAE has a lower corporate tax rate and offers many tax incentives. The corporate tax law in the UAE requires companies with taxable income above AED 375,000 to file tax returns within nine months after the end of the financial year. Moreover, the books of accounts must be audited for tax purposes. Large scale businesses and free zone entities are required to conduct external audit. In contrast to Oman and Saudi Arabia, companies in the UAE are allowed to keep their books of accounts in other currencies, even though the final tax payments must be made in UAE Dirham (AED), which is mandatory. The UAE Corporate tax regime is considered business-friendly and does not create significant challenges for businesses in terms of financial, administrative or compliance burden (Leclercq, 2023 ; Pragma, 2024) ^[12, 9]. None *et al* (2025) ^[11], while agreeing with Pragma (2024) ^[9] that the UAE corporate tax structure is business friendly, argued that tax registration, return filling, and maintenance of

financial records increase both the administrative responsibilities and financial burden of companies. According to None *et al* (2025) ^[11], SMEs in the UAE struggle more than large businesses and MNCs, as they are required to acquire new technology, and human resources to comply with tax laws and meet tax obligations on time. One of the positive impacts of corporate tax on businesses is that it improved their accounting practices and promoted financial discipline among them. The compliance costs and fines imposed additional financial burden on business entities. However, tax compliance requirements encouraged companies to plan tax effectively and act lawfully.

When None *et al* (2025) ^[11] highlighted the challenges faced by SMEs in complying with new corporate tax laws in the UAE, Shahwan (2024) ^[14] underscored the issues encountered by MNCs in the UAE in adhering to the transfer pricing practices, which are the methods they employ for pricing goods and services when these are transferred to their subsidiaries in other countries. Transfer pricing practices aim to prevent the shifting of profits to countries where low tax rates exist. In addition to this, these practices ensure fair pricing of goods and services and taxation. Even though transfer pricing practices help MNCs in being transparent in their operations, complying with tax laws and enhancing their reputation, their documentation requirements often create difficulties. In their research, Shahwan (2024) ^[14] in their research analysed that transfer pricing practices such as tax

expenses, tunneling incentives, and bonus mechanisms didn't improve the financial performance of MNCs. However, even though the association is statistically insignificant, the study showed a slight positive association between tunneling incentives and financial performance of MNCs.

In their study, None *et al* (2025) ^[11] argued that corporate taxation led to better corporate governance in companies. Rabboua *et al* (2025) ^[13] evidenced that there is no association between corporate tax avoidance and corporate sustainability. Tax avoidance is the process by which taxpayers legally reduce their tax burden. The study participants stated that, as corporate tax is a relatively new concept in the UAE, its long-term effects on businesses are unknown. However, the study affirmed that hard tax laws encourage taxpayers to avoid tax, while soft laws reduce tax avoidance practices.

3.5. Effects of Corporate Taxation on the Economy

As far as an economy is considered, fiscal policy plays a key role. It is through fiscal policy that the government manages public expenditure, public debt, taxation, public income, and public works to control inflation, reduce unemployment, and accelerate economic growth. In the UAE economy, which was previously a tax-free economy, the implementation of corporate tax is a milestone. Since corporate tax in the UAE came into effect in 2023, studying its long-term impacts on the economy is challenging. However, Elshqirat (2024) ^[14] and Antony *et al* (2022) ^[10], by analysing the impacts of corporate tax on the economies of other nations including Oman, Saudi Arabia and Qatar which had implemented corporate tax before the UAE, explored the potential impacts of corporate tax on the UAE economy.

In their study, Elshqirat (2024) ^[14] by using GDP-deflator-based model predicted a negative association between corporate tax and inflation in the UAE economy. According to Elshqirat (2024) ^[14], corporate tax reduces inflation in the UAE economy and oil price determines the inflation rate. The study argued that the corporate tax can stabilize overall price within the economy and, thus negatively influence inflation. Through this prediction, the study implied that corporate taxation positively impacts the UAE economy. By reducing inflation, UAE corporate tax policy can influence people's purchasing power, accelerate more investments and boost the economy and result in economic growth.

In contrast to Elshqirat (2024) ^[14], Antony *et al* (2022) ^[10] predicted a negative impact of corporate tax on the UAE economy. In their study, Antony *et al* (2022) ^[10] argued that corporate tax reduces Foreign Direct Investments (FDIs) and Gross Domestic Product (GDP) in the UAE economy. One of the prominent features that attract world countries to invest in the UAE is its no-tax policy. With the implementation of corporate taxation, foreigners who invest in the UAE have to pay tax on the profits they generate. Tax compliance requirements may increase their cost of doing business and reduce their net profits; thus foreigners are anticipated to stop investing in the UAE and seek other nations with lower corporate tax rate. Such a reduction in FDIs is one of the significant reasons leading to slower GDP growth in the UAE. Corporate tax liability negatively impacts business operations in the UAE. Tax compliance requirements and increased cost of doing business reduce their business activities including production, recruitment, expansion etc. All these are likely to adversely affect the economy and reduce GDP. However, the study recommends that the UAE should carefully formulate corporate tax policies in a way that provides business-friendly tax structure and encourages foreign direct investments.

According to the study, a reduction in FDIs and slower GDP growth rate are only predictions based other nations; therefore, the UAE has the opportunity to eliminate these situations through sound policies.

3.6. Effects of Corporate Taxation on the Government

As a member state of the Gulf Cooperation Council (GCC), the UAE's major source of income was oil revenue. Therefore, the economies of GCC countries were highly impacted by the fluctuations in oil prices. The major aim of implementing taxes in the GCC countries is to diversify government's source of income. In the UAE, with the implementation of corporate taxation, one of the significant changes that occurred is the diversification of government's revenue sources. Studies have evidenced that a reduction in government's reliance on oil revenue is the major effect of corporate taxation on the government (Pragya, 2024; Elshqirat, 2024) ^[9, 14]. In their study, None *et al.* (2025) ^[11] listed the increase in non-oil revenue in the UAE as one of the major effects of corporate tax policies.

Another change in the government that resulted from the implementation of corporate tax policy in the UAE is the adoption of new fiscal system. The government is required to set up a tax administration system that monitors corporates and ensures their compliance with corporate tax laws. Even though the government was able to find a stable source of income, its duties, roles and responsibilities increased. The conversion from a tax-free economy to taxable economy imposed many requirements and commitments on the government. These requirements and commitments include establishment of tax authorities, development of policies, tax compliance assurance and tax collection. Studies have provided evidence that the corporate taxation regime in the UAE adhere to the OECD Base Erosion and Profit Sharing (BEPS) inclusive framework. Therefore, it is sure that through the implementation of corporate taxation, the UAE was able to comply with international tax standards (None *et al*, 2025; Pragya, 2024) ^[11, 9].

4. Discussion

One of the most important factors that affect a country's business environment is its tax policy. As far as a government is concerned, its tax policy must simultaneously enhance its revenue, and promote business growth. A country's tax structure becomes business friendly when it provides tax incentives for the growth and development of businesses. A less complicated tax structure not only offers a low tax rate but also supports businesses through various tax incentives (Reva, 2015) ^[8]. The UAE's corporate tax structure can be considered business-friendly as it offers low tax rate, provides tax incentives for free zones, and ensures a stable source of income for the government by increasing non-oil revenue (Leclercq, 2023 ^[12]; Pragya, 2024^[9]; None *et al*, 2025) ^[11]. Pragya (2024) ^[9], in her study, stated that along with low tax rate, the absence of Personal Income Taxation (PIC) makes the UAE's business environment less complicated. While analysing the corporate tax structures of GCC countries, including Saudi Arabia, Oman and the UAE, Pragya (2024) ^[9] found that Oman and the UAE employ similar business-friendly tax structures, and that the absence of personal Income taxation makes the UAE's more business-friendly than Oman's.

For businesses, additional administrative responsibilities and compliance burden are significant challenges they face in relation to new tax policies (Pilkington, 2017) ^[7]. In the UAE,

tax administration and compliance requirements pose greater challenges to SMEs than to large scale businesses. These findings imply that the UAE's corporate tax structure is fairer to large business firms than to SMEs. A tax structure can be said to be business-friendly when it poses fewer challenges for businesses. Moreover, a sound tax regime must ensure equity in its compliance framework. The UAE's corporate tax laws and policies are recommended to be revised to add provisions that support every business, irrespective of their size to comply with tax laws.

According to Klassen *et al* (2017) ^[6], companies use transfer pricing practices mainly for two purposes: either to minimize taxes or to ensure tax compliance and avoid disputes with tax authorities. The study provides evidence that by minimizing tax liability, companies can save their money and increase their profit after tax. Furthermore, the study analyzes that by paying more taxes; companies can ensure compliance and reduce their risk of non-compliance. In contrast to the findings of Shahwan (2024) ^[14], Klassen *et al.* (2017) ^[6] stated that transfer pricing practices and companies' financial performance are associated. However, tax minimization through transfer pricing practices increases companies' uncertainty and risk.

There is a negative association between the corporate tax rate and Foreign Direct Investments (FDIs). When the corporate tax rate reduces, foreign direct investments increase. An increase in countries' corporate tax rate adversely affects their FDI inflows. Tax advantage in a country is a key factor that attracts foreign direct investments to that country. Countries seek to invest in other countries where they can reduce their tax burden and help them earn more profits (Abdioğlu *et al*, 2016) ^[5]. The prediction that the implementation of corporate taxation in the UAE will reduce its FDI inflows is more likely to be true.

In their study, Gechert and Heimberger, (2022) ^[4] found that there is no significant association between corporate tax and economic growth. They argued that reduction in corporate tax doesn't create any positive impacts on the economic growth. Economic conditions remain the same even after reducing the corporate tax rate. These findings suggest that corporate taxation has no impact on a country's economic growth. Therefore, this study raises doubts about the prediction that the GDP growth rate of the UAE will decline with the implementation of corporate tax. However, the prediction was based on trends observed in other GCC countries where the corporate tax had implemented corporate tax prior to the UAE. In agreement with Antony *et al* (2022) ^[10], Adefolake and Omodero (2022) ^[2] found that corporate income tax causes decline in GDP and negative impact on the economy. The shift from a tax-free economy to a tax-based economy is expected to negatively impact the economy by causing a decline in production, reduction in investments, and an increase in government administrative expenses.

In opposition to Elshqirat (2024) ^[14], Cloyne *et al* (2023) ^[3] argued that inflation and corporate tax are not negatively associated. According to Cloyne *et al* (2023) ^[3] corporate taxation doesn't reduce inflation because corporate taxation mainly influences supply rather than demand. The study argued that personal income tax is negatively associated with inflation, as it affects demand. The UAE does not impose personal income tax on its citizens. Studies consider it as one of the reasons that makes the overall tax regime of the UAE business-friendly. In their study, Elshqirat (2024) ^[14] proposed that the implementation of corporate tax in the UAE would reduce inflation and have a significant positive impact on the

economy. Elshqirat's findings are only predictions; future studies based on firsthand information are required to validate them.

The primary objective of tax enforcement in any states is to increase revenue. The government has numerous responsibilities and duties to effectively implement the tax laws. A fair, reliable efficient tax system reaches people effectively and fulfills its objectives. Therefore, the government should exercise caution in formulating tax policies to ensure that they are fair and reliable. Even though the tax system is well-structured through effective planning, government may encounter challenges in administering it due to political uncertainty, public resistance, non-compliance through loop-holes and related factors. The government must balance domestic equity with compliance to international tax standards (Stewart, 2022) ^[1].

5. Conclusion

The implementation of corporate tax in the UAE is regarded as a land mark in its economy. One of the major advantages of implementing corporate tax in the UAE is that the country can comply with international tax standards. A 9% corporate tax rate enabled the UAE to develop a business-friendly tax structure. Tax exemption in free zones also contributed to making the corporate tax regime in the UAE more business-friendly. However, the implementation of corporate tax is predicted to negatively impact the economy by slowing GDP growth and reducing Foreign Direct Investments. The adoption of corporate tax enables the government to diversify its sources of revenue.

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