
SHARJAH INCOME TAX DECREE 1968

ARTICLE 1

There shall be imposed upon the taxable income of every chargeable person for each income tax year ending after the date of this Decree tax at the rates hereinafter specified.

ARTICLE 1

In this Decree unless the subject or context otherwise requires:

- (1) "the Ruler" means the Sheikh of Sharjah and its dependencies;
- (2) "the Sheikhdom" means all the territories within the jurisdiction of the Ruler and includes the territorial waters appurtenant thereto and the area of the sea bed and sub soil, lying beneath the high seas of the Arabia Gulf and Oman Gulf contiguous to the territorial waters over which the Ruler exercises jurisdiction and control;
- (3) "chargeable person" means a body corporate wheresoever incorporated, or each and every branch thereof, carrying on trade or business at any time during an income tax year through a permanent establishment situated in the Sheikhdom whether directly or through the agency of another body corporate, and not entitled under an Agreement with the Ruler to exemption from liability to income tax; two or more such branches of a body

corporate so carrying on trade shall each be treated as separate chargeable persons; the fact that a body corporate has a secondary body corporate carrying on trade or business through a permanent establishment in the Sheikhdom shall not of itself constitute that parent body corporate as a chargeable person;

- (4) "carrying on trade or business" means
 - (a) the selling in the Sheikhdom of goods or rights thereto.
 - (b) the operating of any other manufacturing industrial or commercial enterprise in the Sheikhdom.
 - (c) the letting of any property located in the Sheikhdom,
 - (d) the rendering of services in the Sheikhdom,but does not include the mere purchasing in the Sheikhdom of goods, or rights thereto.
- (5) "taxable income" means the net income of a chargeable person arising in the Sheikhdom and derived from carrying on trade or business after the deductions allowed by this Decree have been made;
- (6) "income tax year" means the year commencing on 1st January 1968 and each subsequent year commencing on the First day of January;
- (7) "Director" means the Director of Income Tax who shall be appointed as provided in Article 3 of this Decree;
- (8) "personnel of the Director" means the official and other persons which shall be appointed in Article 3 of this

Decree employed in the carrying out of the duties of the office of the Director;

- (9) The words "year", "annual" and "month" shall respectively be construed as referring to the Gregorian Calendar and not any other;
- (10) "permanent establishment" in relation to a body corporate means a branch, management or other fixed place of business and does not include an agency unless the agent has and habitually exercises authority to conclude contracts on behalf of such body corporate;
- (11) "physical asset" means any tangible asset purchased or created by capital expenditure other than petroleum exploration, petroleum producing and other wells;
- (12) "intangible asset" means
 - (a) any expenditure wherever incurred by a chargeable person before the commencement of carrying on trade or business for the purpose of such trade or business, other than expenditure in respect of physical assets qualifying for allowance, under Article 6 (1) (c) and (d), and
 - (b) any capital expenditure wherever incurred by a chargeable person, after the commencement of carrying on trade or business, other than expenditure in respect of physical assets and any expenditure referred to in Article 6 (2) (a) (i) of this Decree.

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- (13) "oil" means crude petroleum or other natural hydrocarbons, produced within the Sheikhdom and exported therefrom;
- (14) "producing company" means a body corporate which has rights to produce oil under an agreement with the Ruler and produces oil or on whose behalf oil is produced. And reference to "oil of a producing company" shall be construed as references to oil produced by or on behalf of such producing company;
- (15) "dealing in oil" means dealing by any chargeable person in oil or in rights to oil, reference to dealings shall be construed accordingly;
- (16) "oil dealt in" means that quantity of oil of a producing company dealings in which gave rise to taxable income for an income tax year;
- (17) "duties" to be included in the "Credit Aggregate" include all duties except (a) duties payable in respect of imports for the personal use of individuals and (b) duties payable in respect of imports for the purposes of a producing company if such duties are payable pursuant to the terms of an agreement with the Ruler by virtue of which such producing company carries on trade or business in the Sheikhdom or any agreement supplementary thereto;
- (18) "credit aggregate" means in relation to oil of a producing company the aggregate value of all royalties, other than royalties on crude petroleum equal to one-eighth of the

value, at the applicable, posted price in the Sheikhdum, of crude petroleum production in the Sheikhdum and exported therefrom, and rentals, and of all taxes (other than the tax imposed by this Decree), duties, imposts and other exactions of a like nature and of any payments in lieu of any tax which accrue from or are paid by whomsoever to the Ruler or to any State, governmental or other public authority in the Sheikhdum (whether central or local) in respect of the relevant income tax year in connection with the production, transportation, sale, shipment or export of such oil;

- (19) "the credit aggregate of oil dealt in" means so much of the credit aggregate as accrues or is paid in respect of the relevant income tax year in connection with the production, transportation, sale, shipment or export of oil dealt in: provided that if such oil dealt in has been produced by a producing company which is not a chargeable person so much of the credit aggregate as aforesaid shall be reduced by an amount equal to 50% of the income of that producing company for such income tax year derived from such oil dealt in, such income being calculated on of a chargeable person dealing in oil as if such producing company were a chargeable person dealing in oil for such income tax year.

ARTICLE 3

- (1) For the due administration of the Decree and Ruler will appoint a Director of Income Tax and such other officials and persons as may be necessary.

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- (2) The Director shall be responsible for the assessment and collection of income tax, and shall exercise the powers vested in him by this Decree.
- (3) The Director shall pay promptly to the Ruler all such collected in respect of income tax.

ARTICLE 4

- (1) Subject to the provisions of paragraph (2) of this Article 4 there shall be chargeable for each income tax year upon the taxable income of every chargeable person tax at the rates hereinafter set forth:

<i>Taxable income</i>	<i>Rate of tax per cent</i>
Upon every Qatar Dubai Riyals of the first QDRS 1,000,000	Nil
Upon every Qatar Dubai Riyals of the next QDRS 1,000,000	10
Upon every Qatar Dubai Riyals of the next QDRS 1,000,000	20
Upon every Qatar Dubai Riyals of the next QDRS 1,000,000	30
Upon every Qatar Dubai Riyals of the next QDRS 1,000,000	40
Upon every Qatar Dubai Riyals of the remaining taxable income	50

- (2) Every chargeable person deriving income from dealing in oil shall, notwithstanding the provisions of paragraph (1) of this Article 4, be chargeable to tax upon so much of its taxable income for an income tax year as is so derived at the rate of 50% of every Qatar Dubai Riyal or, where the books and accounts are maintained in Sterling, every pound Sterling thereof; provided that the tax so charged

shall be reduced by the credit aggregate of oil dealt in for that income tax year and provided also that the total of reductions allowable to all such chargeable persons for that income tax year shall not exceed the credit aggregate of oil dealt in for that income tax year.

ARTICLE 5

- (1) Taxable income shall be computed as provided by this Decree and in accordance with the method of commercial accounting regularly employed by the chargeable person in keeping the records and such records shall contain all items of incomings and expenditure. If the method of commercial accounting so employed does not fairly reflect the chargeable person's taxable income, the computation shall be made in accordance with such method as does fairly reflect the same. Both the accrual method and the cash receipts and disbursements method of commercial accounting shall be considered fairly to reflect taxable income.
- (2) If taxable income is computed on the accrual method of commercial accounting, all items of incomings, costs, and expenses shall be taken into account for the income tax year in which the right or liabilities thereto accrue to or against the chargeable person, while if taxable income is computed on the cash receipts and disbursements method of commercial accounting all items of comings shall be taken into account for the income tax year in which they are received and all items of costs and expenses shall be deducted for the income tax year in which they are paid by

the chargeable person.

- (3) A chargeable person shall be entitled to use the methods regularly followed in its records for converting one currency to another if such method is generally recognised in commercial accounting.

ARTICLE 6

- (1) For the purpose of computing the taxable income of any chargeable person for an income tax year there shall be deducted from its income for that year, subject as hereinafter provided, all costs and expenses wherever incurred by such chargeable person in the production of that income which costs and expenses shall include
- (a) the cost to the chargeable person of goods sold or of services rendered by the chargeable person in connection with carrying on trade or business;
 - (b) costs and expenses incurred by the chargeable person for the purpose of carrying on trade or business (exclusive of any amounts deductible under sub-paragraph (a) of this Article 6(1) of income tax payable by virtue of this Decree and of expenditure in respect of physical or intangible assets) including, without in any way limiting the generality or the foregoing administrative, overhead and establishment expenses, contributions and remunerations or rewards for services rendered by others, whether they accrue or are paid directly to the persons rendering the services or to the other persons in respect of insurance, pension, or other

plans established for the benefit of the persons rendering the services.;

- (c)(i) an annual allowance for each income tax year in respect of the depreciation, obsolescence, exhaustion or amortisation of physical assets and of intangible assets belonging to the chargeable person at the end of that income tax year calculated as a reasonable percentage of the original cost to the chargeable person of such assets and any additions thereto. In respect of the assets specified in the sub-joined table, the reasonable percentage shall, in the absence of proof to the contrary, be the percentage specified in such table.

	<i>Per cent</i>
Banking such as offices, dwellings, stores, hospitals and clubs	4
Roads and bridges	4
Tanks, pipe-lines, jetties and wharves	5
Office furniture and equipment	15
Plant, machinery and equipment other than that indicated below	10
Motor cars and motor cycles... ..	33 ^{1/}
²	
Lorries and trailers	25
Marine Craft	
7 ^{1/2}	
Aeroplanes	25
Drilling and clean out tools	33 ^{1/}
²	
Service replacement plant (including construction and road-making equipment, workshops and equipment, handling equipment and sundry other)	25
Service station buildings and driveways	10
Servicing, greasing and other service station equipment	15
Carts	20
Refining plants pipe-lines (within refinery) and small tanks	10

Intangible assets	10
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- (ii) No amount shall be deducted under this sub-paragraph (c) if and to the extent that the same has been included in any amount deducted under sub-paragraph (a) of this Article 6 (1).
- (iii) The total of the deductions allowed in any income tax year under this sub-paragraph (c) and under sub-paragraph (d) of this Article 6(1) in respect of any asset shall not, when added to the total of the deductions allowed in respect of that asset in previous income tax years, exceed the actual cost to the chargeable person of such asset.
- (d) Losses sustained by the chargeable person in connection with carrying on trade or business and not compensated for by insurance or otherwise, including, without in any way limiting the generality of the foregoing, bad debts, losses arising out of claims for damages against the chargeable person, losses resulting from damage to or destruction or loss of stock in trade or losses arising from damage to or destructions, abandonment, scrapping or sale of physical assets belong to the chargeable person. The value of any physical asset for the purpose of computing the amount of deduction for losses shall be the original cost of the asset to the chargeable person decreased by the aggregate of the amounts previously deducted pursuant to sub-paragraph (c) of this Article 6(1). The amount of the loss shall be the excess of the said value over any proceeds realised. Any proceeds realised on the sale or disposition of

that asset to the extent that they exceed the said value and do not exceed the original cost of such asset to the chargeable person shall be regarded as taxable income.

- (e) The amount of any net operating loss (being the amount by which total deductible costs, expenses, allowances and losses for any income tax year exceeds the income for such year) incurred by such chargeable person in carrying on trade or business in any previous income tax year which has not been allowed against such chargeable person's income of any previous income tax year.
- (2) For the purpose of computing the taxable income of a chargeable person dealing in oil
- (a) Without prejudice to the generality of the provisions of sub-paragraph (b) of Article 6(1).
 - (i) There shall be included in any deductions under that paragraph costs and expenses of exploration for and development of petroleum or other hydrocarbon properties whether by drilling exploration, producing or other wells or by any means whatsoever incurred after the commencement of trade or business;
 - (ii) There shall be included in any deductions under that paragraph royalties paid on crude petroleum dealt in by that chargeable person equal to one-eighth of the value at the applicable posted price in the Sheikhdum of such crude petroleum;
 - (iii) there shall be excluded from any deductions under that paragraph any sums which are included in credit aggregate;

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- (iv) there shall be excluded from any deduction under that paragraph any payment made to the Ruler in satisfaction of any undertaking in any agreement with the Ruler to make up the Ruler's share of profits on oil produced thereunder to the total of such share therein specified, provided that any sum or the aggregate of any sums received by such chargeable person of the purpose of discharging any such payment shall not form part of the income of that chargeable person.
- (b) Notwithstanding the provisions of sub-paragraph (c) of Article 6(1) where any agreement with the Ruler under which such chargeable person is carrying on trade or business in the Sheikhdome prescribes a basis or percentage for the calculation of such an annual allowance as is referred to in the said sub-paragraph (c) then unless such agreement otherwise specifies the annual allowance, arrived at on such basis or by reference to such percentage shall be deemed to be the annual allowance for the purpose of the said sub-paragraph (c).
- (c) Where such oil dealt in has been produced by a producing, company which is not a chargeable person, the total of the deductions allowable under this Article to such chargeable person in any income tax year shall be deemed to be increased by the amount of any net operating loss of that producing company for that income tax year calculated on the basis set out in this Decree for computation of the taxable income of a chargeable person dealing in oil as if that producing company were a chargeable

person dealing in oil as if that producing company were a chargeable person dealing in oil for such income tax year; provided that the resulting increase shall in the case of each such chargeable person dealing in oil be limited to such part of such net operating loss as that producing company certifies as being attributable to the goods or rights sold to such chargeable person in that income tax year, and provided further that the total of all such increases so certified by that producing company shall not exceed its net operating loss.

ARTICLE 7

Every chargeable person shall keep its records on the basis of the Gregorian Calendar year ending on the 31st day of December, unless the Director, upon the chargeable person's request, has authorised the chargeable person to keep its records on the basis of a different annual accounting period.

ARTICLE 8

- (1) On or before the last day of the third month following the end of every income tax year every chargeable person shall file with the Director at his office in Sharjah a provisional income tax declaration for that income tax year; provided that a chargeable person having taxable income for any income tax year of less than QDRS 1,000,000 shall not be required to file an income tax declaration unless directed by the Director so to do.

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- (2) (a) Every chargeable person required to file a declaration as aforesaid shall pay to the Director in Pounds sterling or QDRS the amount of income tax shown thereon in four equal installments. The installments shall be due, respectively on the last day of the third, sixth, ninth and twelfth months following the end of the income tax year.
- (b) On or before the last day of the ninth month following the end of the income tax year every such chargeable person shall file with the Director at his office in Sharjah a final income tax declaration for the income tax year. If the amount of the income tax shown on the final declaration exceeds the amount shown on the provisional declaration, the installment due under the foregoing provisions of this paragraph on the last day of the twelfth month following the end of the income tax year shall be increased by the amount of the excess and if the amount of income tax shown on the final declaration is less than the amount shown on the provisional declaration, the said installment shall be reduced as far as may be by the amount of the deficiency and any tax overpaid for the income tax year shall be repaid by the director within 28 days after the filing of such final declaration or after the determination of any dispute as to the amount of tax overpaid.
- (3) The Director may grant reasonable extensions of time for filing the declaration required and paying the income tax imposed by this Decree, when the chargeable person

shows that such extensions are justifiable. In case of failure to file the declaration or to pay the amount of income tax due in accordance with the provisions of this Article 8, except where such failure is due to reasonable cause, there shall be added to the amount due a fine calculated at the rate of one per centum (1 per cent) for each thirty days or fraction thereof during which such failure continues.

- (4) The Director shall deliver to the chargeable person a receipt for each payment of income tax certifying the amount paid and the year or years for which the payment was made.

ARTICLE 9

The chargeable person shall file its final declaration on the basis of records which are kept in accordance with Article 5 of this Decree and on a basis which fairly reflects its taxable income. If any internationally recognised firm of accountants approved by the Director (which approval shall not be unreasonably withheld) certifies that the records for any income tax year are correct and fairly reflect the chargeable person's taxable income for that income tax year and that the final declaration is in conformity with such records, such declaration shall in the absence of evidence to the contrary be accepted as correct for all the purposes of this Decree, and the income tax shown by such declaration shall be taken to be finally determined. In default of the certification for which provision is made in this Article 9, the Director may accept the chargeable person's final declaration as correct, or may decide

that it is necessary to adjust the amount of income tax stated in such declaration. In no event shall the amount stated in the final declaration be increased unless the chargeable person so agrees or unless and to the extent that any award or adjudication under Article 13 so requires.

ARTICLE 10

- (1) Declarations shall be confidential and shall not be opened to examination or inspection by any person other than the Director and personnel of the Director. It shall be unlawful for them to divulge or make known in any manner whatsoever to any person or persons other than themselves the amount in any declaration or in any chargeable person's records and books, or to permit any declaration or copy thereof or any record or book containing any abstract or any particulars thereof to be seen or examined by any person or persons other than themselves.
- (2) Any offence against the provisions of paragraph (1) of this Article 10 shall be punishable by a fine not exceeding QDRS 1,500.

ARTICLE 11

Every chargeable person's relevant records and books shall upon request of the Director be made available for inspection by the Director and the personnel of the Director when necessary for the purpose of carrying out the provisions of this Decree.

ARTICLE 12

Any person who knowingly (a) falsifies any chargeable person's records or (b) makes any false statement affecting any declaration or certificate required for the purposes of this Decree shall be guilty of an offence against this Decree and on conviction shall be liable to imprisonment for a period not exceeding two years or to a fine not exceeding QDRS 10,000 or to both such imprisonment and fine. If the records of any chargeable person have been so falsified or if any false statement has been so made affecting the declaration or certificate of such chargeable person by any person for whose conduct such chargeable person is locally responsible, then such chargeable person shall be guilty of an offence against this Decree and on conviction shall be liable to a fine not exceeding QDRS 50,000.

ARTICLE 13

(1) Subject to paragraph (2) of this Article 13 any dispute between the Director and a chargeable person as to any matter arising out of the provisions of this Decree may be referred by either party to the Courts for adjudication unless the Director and the chargeable person have agreed to submit the dispute to arbitration in which case it shall be resolved in accordance with the manner agreed.

(2) Any dispute as to any matter arising out of the provisions of this Decree between the Director and any chargeable

person dealing in oil produced pursuant to any agreement between the Ruler and a producing company shall be resolved in the manner provided in such an agreement.

Promulgated by this day the Seventh day of September 1968, corresponding to the Fourteenth day of Jamadia Al-Thani 1388 in Sharjah.

SHAIKH KHALID BIN MUHAMMAD AL QASSIMI
Ruler of Sharjah and its Dependencies.