UAE CORPORATE TAX

COMPILATION OF ALL OFFICIAL PUBLICATIONS (CABINET DECISIONS AND MINISTERIAL DECISIONS)

INDEX TABLE

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Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses

His Highness Sheikh Mohamed bin Zayed Al Nahyan, President of the United Arab Emirates, has issued the following Decree-Law:

- Having reviewed the Constitution,
- Federal Law No. 1 of 1972 on the Competencies of Ministries and Powers of the Ministers, and its amendments,
- Federal Law No. 26 of 1981 on the Commercial Maritime Law, and its amendments,
- Federal Law No. 5 of 1985 promulgating the Civil Transactions Law, and its amendments,
- Federal Law No. 18 of 1993 promulgating the Commercial Transactions Law, and its amendments,
- Federal Law No. 4 of 2000 on the Emirates Securities and Commodities Authority and Market, and its amendments,
- Federal Law No. 8 of 2004 on the Financial Free Zones,
- Federal Law No. 6 of 2007 on the Regulation of Insurance Operations, and its amendments,
- Federal Law No. 2 of 2008 on the National Societies and Associations of Public Welfare, and its amendments,
- Federal Law No. 8 of 2011 on the Reorganisation of the State Audit Institution,
- Federal Law No. 4 of 2012 on the Regulation of Competition,
- Federal Law No. 2 of 2014 on Small and Medium Enterprises,
- Federal Law No. 12 of 2014 on the Organisation of the Auditing Profession, and its amendments,
- Federal Decree-Law No. 9 of 2016 on Bankruptcy, and its amendments,
- Federal Decree-Law No. 13 of 2016 on the Establishment of the Federal Tax Authority, and its amendments,
- Federal Law No. 7 of 2017 on Excise Tax, and its amendments,
- Federal Decree-Law No. 7 of 2017 on Tax Procedures, and its amendments,
- Federal Decree-Law No. 8 of 2017 on Value Added Tax, and its amendments,
- Federal Decree-Law No. 14 of 2018 on the Central Bank and Organisation of Financial Institutions and Activities, and its amendments,
- Federal Decree-Law No. 15 of 2018 on the Collection of Public Revenue and Funds,
- Federal Decree-Law No. 26 of 2019 on Public Finance,
- Federal Decree-Law No. 19 of 2020 on Trust,
- Federal Decree-Law No. 31 of 2021 promulgating the Crimes and Penalties Law, and its amendments,
- Federal Decree-Law No. 32 of 2021 on Commercial Companies,
- Federal Decree-Law No. 37 of 2021 on Commercial Registry,
- Federal Decree-Law No. 46 of 2021 on Electronic Transactions and Trust Services,

- Federal Decree-Law No. 35 of 2022 promulgating the Law of Evidence in Civil and Commercial Transactions,
- Pursuant to what was presented by the Minister of Finance and approved by the Cabinet,

Chapter One – General provisions
Article 1 – Definitions

In the application of the provisions of this Decree-Law, the following words and expressions shall have the meanings assigned against each, unless the context otherwise requires:

State	:	United Arab Emirates.
Federal Government	:	The government of the United Arab Emirates.
Local Government	:	Any of the governments of the Member Emirates of the Federation.
Ministry	:	Ministry of Finance.
Minister	:	Minister of Finance.
Authority	:	Federal Tax Authority.
Corporate Tax	:	The tax imposed by this Decree-Law on juridical persons and Business income.
Business	:	Any activity conducted regularly, on an ongoing and independent basis by any Person and in any location, such as industrial, commercial, agricultural, vocational, professional, service or excavation activities or any other activity related to the use of tangible or intangible properties.
Qualifying Income	:	Any income derived by a Qualifying Free Zone Person that is subject to Corporate Tax at the rate specified in paragraph (a) of Clause 2 of Article 3 of this Decree-Law.
Government Entity	:	The Federal Government, Local Governments, ministries, government departments, government agencies, authorities and public institutions of the Federal Government or Local Governments.
Government Controlled Entity	:	Any juridical person, directly or indirectly wholly owned and controlled by a Government Entity, as specified in a decision issued by the Cabinet at the suggestion of the Minister.
Person	:	Any natural person or juridical person.
Business Activity	:	Any transaction or activity, or series of transactions or series of activities conducted by a Person in the course of its Business.
Mandated Activity	:	Any activity conducted by a Government Controlled Entity in accordance with the legal instrument establishing or

		regulating the entity, that is specified in a decision issued by the Cabinet at the suggestion of the Minister.
State's Territory	:	The State's lands, territorial sea and airspace above it.
Natural Resources	:	Water, oil, gas, coal, naturally formed minerals, and other non-renewable, non-living natural resources that may be extracted from the State's Territory.
Extractive Business	:	The Business or Business Activity of exploring, extracting, removing, or otherwise producing and exploiting the Natural Resources of the State or any interest therein as determined by the Minister.
Non-Extractive Natural Resource Business	:	The Business or Business Activity of separating, treating, refining, processing, storing, transporting, marketing or distributing the Natural Resources of the State.
Qualifying Public Benefit Entity	:	Any entity that meets the conditions set out in Article 9 of this Decree-Law and that is listed in a decision issued by the Cabinet at the suggestion of the Minister.
Qualifying Investment Fund	:	Any entity whose principal activity is the issuing of investment interests to raise funds or pool investor funds or establish a joint investment fund with the aim of enabling the holder of such an investment interest to benefit from the profits or gains from the entity's acquisition, holding, management or disposal of investments, in accordance with the applicable legislation and when it meets the conditions set out in Article 10 of this Decree-Law.
Exempt Person	:	A Person exempt from Corporate Tax under Article 4 of this Decree-Law.
Taxable Person	:	A Person subject to Corporate Tax in the State under this Decree-Law.
Licensing Authority	:	The competent authority concerned with licensing or authorising a Business or Business Activity in the State.
Licence	:	A document issued by a Licensing Authority under which a Business or Business Activity is conducted in the State.
Taxable Income	:	The income that is subject to Corporate Tax under this Decree-Law.
Financial Year	:	The period specified in Article 57 of this Decree-Law.
Tax Return	:	Information filed with the Authority for Corporate Tax purposes in the form and manner as prescribed by the Authority, including any schedule or attachment thereto, and any amendment thereof.
Tax Period	:	The period for which a Tax Return is required to be filed.
Related Party	:	Any Person associated with a Taxable Person as

		determined in Clause 1 of Article 35 of this Decree-Law.
Revenue	:	The gross amount of income derived during a Tax Period.
Recognised Stock Exchange	:	Any stock exchange established in the State that is licensed and regulated by the relevant competent authority, or any stock exchange established outside the State of equal standing.
Resident Person	:	The Taxable Person specified in Clause 3 of Article 11 of this Decree-Law.
Non-Resident Person	:	The Taxable Person specified in Clause 4 of Article 11 of this Decree-Law.
Free Zone	:	A designated and defined geographic area within the State that is specified in a decision issued by the Cabinet at the suggestion of the Minister.
Free Zone Person	:	A juridical person incorporated, established or otherwise registered in a Free Zone, including a branch of a Non-Resident Person registered in a Free Zone.
Unincorporated Partnership	:	A relationship established by contract between two Persons or more, such as a partnership or trust or any other similar association of Persons, in accordance with the applicable legislation of the State.
Permanent Establishment	:	A place of Business or other form of presence in the State of a Non-Resident Person in accordance with Article 14 of this Decree-Law.
State Sourced Income	:	Income accruing in, or derived from, the State as specified in Article 13 of this Decree-Law.
Qualifying Free Zone Person	:	A Free Zone Person that meets the conditions of Article 18 of this Decree-Law and is subject to Corporate Tax under Clause 2 of Article 3 of this Decree-Law.
Investment Manager	:	A Person who provides brokerage or investment management services that is subject to the regulatory oversight of the competent authority in the State.
Corporate Tax Payable	:	Corporate Tax that has or will become due for payment to the Authority in respect of one or more Tax Periods.
Foreign Partnership	:	A relationship established by contract between two Persons or more, such as a partnership or trust or any other similar association of Persons, in accordance with laws of a foreign jurisdiction.
Foreign Tax Credit	:	Tax paid under the laws of a foreign jurisdiction on income or profits that may be deducted from the Corporate Tax due, in accordance with the conditions of Clause 2 of Article 47 of this Decree-Law.
Family Foundation	:	Any foundation, trust or similar entity that meets the

		conditions of Article 17 of this Decree-Law.
Interest	:	Any amount accrued or paid for the use of money or credit, including discounts, premiums and profit paid in respect of an Islamic financial instrument and other payments economically equivalent to interest, and any other amounts incurred in connection with the raising of finance, excluding payments of the principal amount.
Accounting Income	:	The accounting net profit or loss for the relevant Tax Period as per the financial statements prepared in accordance with the provisions of Article 20 of this Decree-Law.
Exempt Income	:	Any income exempt from Corporate Tax under this Decree-Law.
Connected Person	:	Any Person affiliated with a Taxable Person as determined in Clause 2 of Article 36 of this Decree-Law.
Tax Loss	:	Any negative Taxable Income as calculated under this Decree-Law for a given Tax Period.
Qualifying Business Activity	:	Any activity that is specified in a decision issued by the Cabinet at the suggestion of the Minister.
Foreign Permanent Establishment	:	A place of Business or other form of presence outside the State of a Resident Person that is determined in accordance with the criteria prescribed in Article 14 of this Decree-Law.
Market Value	:	The price which could be agreed in an arm's-length free market transaction between Persons who are not Related Parties or Connected Persons in similar circumstances.
Qualifying Group	:	Two or more Taxable Persons that meet the conditions of Clause 2 of Article 26 of this Decree-Law.
Net Interest Expenditure	:	The Interest expenditure amount that is in excess of the Interest income amount as determined in accordance with the provisions of this Decree-Law.
Bank	:	A Person licensed in the State as a bank or finance institution or an equivalent licensed activity that allows the taking of deposits and the granting of credits as defined in the applicable legislation of the State.
Insurance Provider	:	A Person licensed in the State as an insurance provider that accepts risks by entering into or carrying out contracts of insurance, in both the life and non-life sectors, including contracts of reinsurance and captive insurance, as defined in the applicable legislation of the State.
Control	:	The direction and influence over one Person by another Person in accordance with the conditions of Clause 2 of Article 35 of this Decree-Law.

Tax Group	:	Two or more Taxable Persons treated as a single Taxable Person according to the conditions of Article 40 of this Decree-Law.
Withholding Tax Credit	:	The Corporate Tax amount that can be deducted from the Corporate Tax due in accordance with the conditions of Clause 2 of Article 46 of this Decree-Law.
Withholding Tax	:	Corporate Tax to be withheld from State Sourced Income in accordance with Article 45 of this Decree-Law.
Tax Registration	:	A procedure under which a Person registers for Corporate Tax purposes with the Authority.
Tax Registration Number	:	A unique number issued by the Authority to each Person who is registered for Corporate Tax purposes in the State.
Tax Deregistration	:	A procedure under which a Person is deregistered for Corporate Tax purposes with the Authority.
Tax Procedures Law	:	The federal law that governs tax procedures in the State.
Administrative Penalties	:	Amounts imposed and collected under this Decree-Law or the Tax Procedures Law.

Chapter Two – Imposition of Corporate Tax and Applicable Rates

Article 2 – Imposition of Corporate Tax

Corporate Tax shall be imposed on Taxable Income, at the rates determined under this Decree-Law, and payable to the Authority under this Decree-Law and the Tax Procedures Law.

Article 3 – Corporate Tax Rate

1. 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.

    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.

2. Corporate Tax shall be imposed on a Qualifying Free Zone Person at the following rates:

    a) 0% (zero percent) on Qualifying Income.

    b) 9% (nine percent) on Taxable Income that is not Qualifying Income under Article 18 of this Decree-Law and any decision issued by the Cabinet at the suggestion of the Minister in respect thereof.

Chapter Three – Exempt Person

Article 4 – Exempt Person

1. The following Persons shall be exempt from Corporate Tax:

    a) A Government Entity.

    b) A Government Controlled Entity.

    c) A Person engaged in an Extractive Business, that meets the conditions of Article 7 of this Decree-Law.

    d) A Person engaged in a Non-Extractive Natural Resource Business, that meets the conditions of Article 8 of this Decree-Law.

    e) A Qualifying Public Benefit Entity under Article 9 of this Decree-Law.

    f) A Qualifying Investment Fund under Article 10 of this Decree-Law.

    g) A public pension or social security fund, or a private pension or social security fund that is subject to regulatory oversight of the competent authority in the State and that meets any other conditions that may be prescribed by the Minister.

    h) A juridical person incorporated in the State that is wholly owned and controlled by an Exempt Person specified in paragraphs (a), (b), (f) and (g) of Clause 1 of this Article and conducts any of the following:

        1. Undertakes part or whole of the activity of the Exempt Person.

        2. Is engaged exclusively in holding assets or investing funds for the benefit of the Exempt Person.

        3. Only carries out activities that are ancillary to those carried out by the Exempt Person.

    i) Any other Person as may be determined in a decision issued by the Cabinet at the suggestion of the Minister.

2. A Person under paragraphs (a), (b), (c) and (d) of Clause 1 of this Article that is a Taxable Person insofar as it relates to any Business or Business Activity under Articles 5, 6, 7 or 8 of this Decree-Law, respectively, shall be treated as an Exempt Person for the purposes of Articles 26, 27, 38 and 40 of this Decree-Law.

3. Persons specified in paragraphs (f), (g), (h) and (i) of Clause 1 of this Article, as applicable, are required to apply to the Authority to be exempt from Corporate Tax in the form and manner and within the timeline prescribed by the Authority in this regard.

4. The exemption from Corporate Tax under paragraphs (f), (g), (h) and (i) of Clause 1 of this Article, as applicable, shall be effective from the beginning of the Tax Period specified in the application, or any other date determined by the Authority.

5. In the event that the Exempt Person failed to meet any of the conditions under the relevant provisions of this Decree-Law at any particular time during a Tax Period, such Person shall cease to be an Exempt Person for the purposes of this Decree-Law from the beginning of that Tax Period.

6. For the purposes of Clause 5 of this Article, the Minister may prescribe the conditions under which a Person may continue to be an Exempt Person, or cease to be an Exempt Person from a different date, in any of the following instances:

    a) Failure to meet the conditions is the result of the liquidation or termination of the Person.

    b) Failure to meet the conditions is of a temporary nature and will be promptly rectified, and appropriate procedures are in place to monitor the compliance with the relevant conditions of this Decree-Law.

    c) Any other instances as may be prescribed by the Minister.

Article 5 – Government Entity

1. A Government Entity shall be exempt from Corporate Tax and the provisions of this Decree-Law shall not apply to it.

2. Notwithstanding Clause 1 of this Article, a Government Entity shall be subject to the provisions of this Decree-Law if it conducts a Business or Business Activity under a Licence issued by a Licensing Authority.

3. Any Business or Business Activity conducted by a Government Entity under a Licence issued by a Licensing Authority shall be treated as an independent Business, and the Government Entity shall keep financial statements for this Business separately from the Government Entity's other activities.

4. The Government Entity shall calculate the Taxable Income for its Business or Business Activity specified in Clause 2 of this Article independently for each Tax Period, in accordance with the provisions of this Decree-Law.

5. Transactions between the Business or Business Activity specified under Clause 2 of this Article and the other activities of the Government Entity shall be considered Related Party transactions subject to the provisions of Article 34 of this Decree-Law.

6. A Government Entity may apply to the Authority for all its Businesses and Business Activities to be treated as a single Taxable Person for the purposes of this Decree-Law subject to meeting the conditions to be prescribed by the Minister.

Article 6 – Government Controlled Entity

1. A Government Controlled Entity shall be exempt from Corporate Tax and the provisions of this Decree-Law shall not apply to it.

2. Notwithstanding Clause 1 of this Article, a Government Controlled Entity shall be subject to the provisions of this Decree-Law if it conducts a Business or Business Activity that is not its Mandated Activities.

3. Any Business or Business Activity conducted by a Government Controlled Entity that is not its Mandated Activity shall be treated as an independent Business, and the Government Controlled Entity shall keep financial statements for this Business separately from its Mandated Activity.

4. The Government Controlled Entity shall calculate the Taxable Income for its Business or Business Activity that is not its Mandated Activity independently for each Tax Period, in accordance with the provisions of this Decree-Law.

5. Transactions between the Business or Business Activity specified in Clause 2 of this Article and the Mandated Activity of the Government Controlled Entity shall be considered Related Party transactions subject to the provisions of Article 34 of this Decree-Law.

Article 7 – Extractive Business

1. A Person shall be exempt from Corporate tax and the provisions of this Decree-Law shall not apply to its Extractive Business where all of the following conditions are met:

    a) The Person directly or indirectly holds or has an interest in a right, concession or Licence issued by a Local Government to undertake its Extractive Business.

    b) The Person is effectively subject to tax under the applicable legislation of an Emirate in accordance with the provisions of Clause 6 of this Article.

    c) The Person has made a notification to the Ministry in the form and manner agreed with the Local Government.

2. If a Person that meets the conditions of Clause 1 of this Article derives income from both an Extractive Business and any other Business that is within the scope of this Decree-Law, the following shall apply:

    a) The income derived from the Extractive Business shall be calculated and taxed according to the applicable legislation of the Emirate.

    b) The income derived from the other Business shall be subject to the provisions of this Decree-Law, unless that other Business meets the conditions to be exempt from Corporate Tax under Article 8 of this Decree-Law.

3. For the purposes of Clause 2 of this Article, a Person shall not be considered to derive income from any other Business where such other Business is ancillary or incidental to that Person's Extractive Business and the Revenue of such other Business in a Tax Period does not exceed 5% (five percent) of the total Revenue of that Person in the same Tax Period.

4. For the purposes of calculating the Taxable Income of the Person's other Business, the following shall apply:

    a) The other Business shall be treated as an independent Business, and financial statements shall be kept for this Business separately from the Extractive Business.

    b) Any common expenditure shared between the Extractive Business and the other Business of the Person shall be apportioned in proportion to their Revenue in the Tax Period, unless such expenditure is taken into account in different proportions for the purposes of calculating the tax payable by the Person under the applicable legislation of the relevant Emirate in respect of its Extractive Business, in which case the expenditure will be apportioned in the latter proportion.

    c) The Person shall calculate the Taxable Income for its other Business independently for each Tax Period in accordance with the provisions of this Decree-Law.

5. Transactions between the Extractive Business and the other Business of the same Person shall be considered Related Party transactions subject to the provisions of Article 34 of this Decree-Law, unless such other Business is exempt from Corporate Tax under Article 8 of this Decree-Law.

6. A Person shall be considered effectively subject to tax under the applicable legislation of the Emirate for the purposes of this Article if the Local Government imposes a tax on income or profits, a royalty or revenue tax, or any other form of tax, charge or levy in respect of such Person's Extractive Business.

7. The exemption under this Article shall not apply to contractors, subcontractors, suppliers or any other Person used or contemplated to be used in any part of the performance of the Extractive Business that does not in its own right meet the conditions to be exempt from Corporate Tax under this Article or Article 8 of this Decree-Law.

Article 8 – Non-Extractive Natural Resource Business

1. A Person shall be exempt from Corporate tax and the provisions of this Decree-Law shall not apply to its Non-Extractive Natural Resource Business where all of the following conditions are met:

    a) The Person directly or indirectly holds or has an interest in a right, concession or Licence issued by a Local Government to undertake its Non-Extractive Natural Resource Business in the State.

    b) The Person's income from its Non-Extractive Natural Resource Business is derived solely from Persons that undertake a Business or Business Activity.

    c) The Person is effectively subject to tax under the applicable legislation of an Emirate in accordance with the provisions of Clause 6 of this Article.

    d) The Person has made a notification to the Ministry in the form and manner agreed with the Local Government.

2. If a Person that meets the conditions of Clause 1 of this Article derives income from both a Non-Extractive Natural Resource Business and any other Business that is within the scope of this Decree-Law, the following shall apply:

    a) The income derived from the Non-Extractive Natural Resource Business shall be calculated and taxed according to the applicable legislation of the Emirate.

    b) The income derived from the other Business shall be subject to this Decree-Law, unless that other Business meets the conditions to be exempt from Corporate Tax under Article 7 of this Decree-Law.

3. For the purposes of Clause 2 of this Article, a Person shall not be considered to derive income from any other Business where such other Business is ancillary or incidental to that Person's Non-Extractive Natural Resource Business and the Revenue of such other Business in a Tax Period does not exceed 5% (five percent) of the total Revenue of that Person in the same Tax Period.

4. For the purposes of calculating the Taxable Income of the Person's other Business, the following shall apply:

a) The other Business shall be treated as an independent Business, and financial statements shall be kept for this Business separately from the Non-Extractive Natural Resource Business.

b) Any common expenditure shared between the Non-Extractive Natural Resource Business and other Business of the Person shall be apportioned in proportion to their Revenue in a Tax Period, unless such expenditure is taken into account in a different proportion for the purposes of calculating the tax payable by the Person under the applicable legislation of the relevant Emirate in respect of its Non-Extractive Natural Resource Business, in which case the expenditure will be apportioned in the latter proportion.

c) The Person shall calculate the Taxable Income for the other Business independently for each Tax Period in accordance with the provisions of this Decree-Law.

5. Transactions between the Non-Extractive Natural Resource Business and any other Business of the same Person shall be considered Related Party transactions subject to the provisions of Article 34 of this Decree-Law, unless such other Business is exempt from Corporate Tax under Article 7 of this Decree-Law.

6. A Person shall be considered effectively subject to tax under the applicable legislation of the Emirate, for the purposes of this Article if the Local Government imposes a tax on income or profits, a royalty or revenue tax, or any other form of tax, charge or levy in respect of such Person's Non-Extractive Natural Resource Business.

7. The exemption under this Article shall not apply to contractors, subcontractors, suppliers or any other Person used or contemplated to be used in any part of the performance of the Non-Extractive Natural Resource Business that does not in its own right meets the conditions to be exempt from Corporate Tax under this Article or Article 7 of this Decree-Law.

Article 9 – Qualifying Public Benefit Entity

1. A Qualifying Public Benefit Entity shall be exempt from Corporate Tax where all of the following conditions are met:

a) It is established and operated for any of the following:

1. Exclusively for religious, charitable, scientific, artistic, cultural, athletic, educational, healthcare, environmental, humanitarian, animal protection or other similar purposes.

2. As a professional entity, chamber of commerce, or a similar entity operated

exclusively for the promotion of social welfare or public benefit.

b) It does not conduct a Business or Business Activity, except for such activities that directly relate to or are aimed at fulfilling the purpose for which the entity was established.

c) Its income or assets are used exclusively in the furtherance of the purpose for which it was established, or for the payment of any associated necessary and reasonable expenditure incurred.

d) No part of its income or assets is payable to, or otherwise available, for the personal benefit of any shareholder, member, trustee, founder or settlor that is not itself a Qualifying Public Benefit Entity, Government Entity or Government Controlled Entity.

e) Any other conditions as may be prescribed in a decision issued by the Cabinet at the suggestion of the Minister.

2. The exemption under Clause 1 of this Article shall be effective from the beginning of the Tax Period in which the Qualifying Public Benefit Entity is listed in the Cabinet decision issued at the suggestion of the Minister or any other date determined by the Minister.

3. For the purposes of monitoring the continued compliance by a Qualifying Public Benefit Entity with the conditions of Clause 1 of this Article, the Authority may request any relevant information or records from the Qualifying Public Benefit Entity within the timeline specified by the Authority.

Article 10 – Qualifying Investment Fund

1. An investment fund may apply to the Authority to be exempt from Corporate Tax as a Qualifying Investment Fund where all of the following conditions are met:

a) The investment fund or the investment fund's manager is subject to the regulatory oversight of a competent authority in the State, or a foreign competent authority recognised for the purposes of this Article.

b) Interests in the investment fund are traded on a Recognised Stock Exchange, or are marketed and made available sufficiently widely to investors.

c) The main or principal purpose of the investment fund is not to avoid Corporate Tax.

d) Any other conditions as may be prescribed in a decision issued by Cabinet at the suggestion of the Minister.

2. For the purposes of monitoring the continued compliance by a Qualifying Investment Fund with the conditions of Clause 1 of this Article, the Authority may request any relevant information or records within the timeline prescribed by the Authority.

Chapter Four – Taxable Person and Corporate Tax Base

Article 11 – Taxable Person

1. Corporate Tax shall be imposed on a Taxable Person at the rates determined under this Decree-Law.

2. For the purposes of this Decree-Law, a Taxable Person shall be either a Resident Person or a Non-Resident Person.

3. A Resident Person is any of the following Persons:

    a) A juridical person that is incorporated or otherwise established or recognised under the applicable legislation of the State, including a Free Zone Person.

    b) A juridical person that is incorporated or otherwise established or recognised under the applicable legislation of a foreign jurisdiction that is effectively managed and controlled in the State.

    c) A natural person who conducts a Business or Business Activity in the State.

    d) Any other Person as may be determined in a decision issued by the Cabinet at the suggestion of the Minister.

4. A Non-Resident Person is a Person who is not considered a Resident Person under Clause 3 of this Article and that either:

    a) Has a Permanent Establishment in the State as under Article 14 of this Decree-Law.

    b) Derives State Sourced Income as under Article 13 of this Decree-Law.

    c) Has a nexus in the State as specified in a decision issued by the Cabinet at the suggestion of the Minister.

5. A branch in the State of a Person referred to in Clause 3 of this Article, shall be treated as one and the same Taxable Person.

6. The Cabinet shall, upon a suggestion of the Minister and in coordination with the relevant competent authorities, issue a decision specifying the categories of Business or Business Activity conducted by a resident or non-resident natural person that are subject to

Corporate Tax under this Decree-Law.

Article 12 – Corporate Tax Base

1. A Resident Person, which is a juridical person, is subject to Corporate Tax on its Taxable Income derived from the State or from outside the State, in accordance with the provisions of this Decree-Law.

2. The Taxable Income of a Resident Person, which is a natural person, is the income derived from the State or from outside the State insofar as it relates to the Business or Business Activity conducted by the natural person in the State as set out in Clause 6 of Article 11 of this Decree-Law.

3. A Non-Resident Person is subject to Corporate Tax on the following:

    a) The Taxable Income that is attributable to the Permanent Establishment of the Non-Resident Person in the State.

    b) State Sourced Income that is not attributable to a Permanent Establishment of the Non-Resident Person in the State.

    c) The Taxable Income that is attributable to the nexus of the Non-Resident Person in the State as determined in a decision issued by the Cabinet pursuant to paragraph (c) of Clause 4 of Article 11 of this Decree-Law.

Article 13 – State Sourced Income

1. Income shall be considered State Sourced Income in any of the following instances:

    a) Where it is derived from a Resident Person.

    b) Where it is derived from a Non-Resident Person and the income received has been paid or accrued in connection with, and attributable to, a Permanent Establishment of that Non-Resident Person in the State.

    c) Where it is otherwise accrued in or derived from activities performed, assets located, capital invested, rights used, or services performed or benefitted from in the State.

2. Subject to any conditions and limitations that the Minister may determine, State Sourced Income shall include, without limitation:

    a) Income from the sale of goods in the State.

b) Income from the provision of services that are rendered or utilised or benefitted from in the State.

c) Income from a contract insofar as it has been wholly or partly performed or benefitted from in the State.

d) Income from movable or immovable property in the State.

e) Income from the disposal of shares or capital of a Resident Person.

f) Income from the use or right to use in the State, or the grant of permission to use in the State, any intellectual or intangible property.

g) Interest that meets any of the following conditions:

    1. The loan is secured by movable or immovable property located in the State.

    2. The borrower is a Resident Person.

    3. The borrower is a Government Entity.

h) Insurance or reinsurance premiums in any of the following instances:

    1. The insured asset is located in the State.

    2. The insured Person is a Resident Person.

    3. The insured activity is conducted in the State.

Article 14 – Permanent Establishment

1. A Non-Resident Person has a Permanent Establishment in the State in any of the following instances:

    a) Where it has a fixed or permanent place in the State through which the Business of the Non-Resident Person, or any part thereof, is conducted.

    b) Where 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.

    c) Where 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.

2. For the purposes of paragraph (a) of Clause 1 of this Article, a fixed or permanent place in the State includes:

a) A place of management where management and commercial decisions that are necessary for the conduct of the Business are, in substance, made.

b) A branch.

c) An office.

d) A factory.

e) A workshop.

f) Land, buildings and other real property.

g) An installation or structure for the exploration of renewable or non-renewable natural resources.

h) A mine, an oil or gas well, a quarry or any other place of extraction of natural resources, including vessels and structures used for the extraction of such resources.

i) A building site, a construction project, or place of assembly or installation, or supervisory activities in connection therewith, but only if such site, project or activities, whether separately or together with other sites, projects or activities, last more than (6) six months, including connected activities that are conducted at the site or project by one or more Related Parties of the Non-Resident Person.

3. Notwithstanding Clauses 1 and 2 of this Article, a fixed or permanent place in the State shall not be considered a Permanent Establishment of a Non-Resident Person if it is used solely for any of the following purposes:

a) Storing, displaying or delivering of goods or merchandise belonging to that Person.

b) Keeping a stock of goods or merchandise belonging to that Person for the sole purpose of processing by another Person.

c) Purchasing goods or merchandise or collecting information for the Non-Resident Person.

d) Conducting any other activity of a preparatory or auxiliary nature for the Non-Resident Person.

e) Conducting any combination of activities mentioned in paragraphs (a), (b), (c) and (d) of Clause 3 of this Article, provided that the overall activity is of a preparatory or auxiliary nature.

4. Clause 3 of this Article shall not apply to a fixed or permanent place in the State that is used or maintained by a Non-Resident Person if the same Non-Resident Person or its Related Party carries on a Business or Business Activity at the same place or at another place in the State where all of the following conditions are met:

    a) Where the same place or the other place constitutes a Permanent Establishment of the Non-Resident Person or its Related Party.

    b) The overall activity resulting from the combination of the activities carried out by the Non-Resident Person and its Related Party at the same place or at the two places is not of a preparatory or auxiliary nature and together would form a cohesive Business operation, had the activities not been fragmented.

5. For the purposes of paragraph (b) of Clause 1 of this Article, a Person shall be considered as having and habitually exercising an authority to conduct a Business or Business Activity in the State on behalf of a Non-Resident Person if any of the following conditions are met:

    a) The Person habitually concludes contracts on behalf of the Non-Resident Person.

    b) The Person habitually negotiates contracts that are concluded by the Non-Resident Person without the need for material modification by the Non-Resident Person.

6. The provisions of Paragraph (b) of Clause 1 of this Article shall not apply where the Person conducts a Business or Business Activity in the State as an independent agent and acts for the Non-Resident Person in the ordinary course of that Business or Business Activity, unless the Person acts exclusively or almost exclusively on behalf of the Non-Resident Person, or where that Person cannot be considered legally or economically independent from the Non-Resident Person.

7. For the purposes of Clause 3 of this Article, the Minister may prescribe the conditions under which the mere presence of a natural person in the State does not create a Permanent Establishment for a Non-Resident Person in any of the following instances:

    a) Where such presence is a consequence of a temporary and exceptional situation.

    b) Where the natural person is employed by the Non-Resident Person, and all of the following conditions are met:

        1. The activities being conducted in the State by the natural person are not part of the core income-generating activities of the Non-Resident Person or its Related Parties.

        2. The Non-Resident Person does not derive State Sourced Income.

Article 15 – Investment Manager Exemption

1. For the purposes of Clause 6 of Article 14 of this Decree-Law, an Investment Manager shall be considered an independent agent when acting on behalf of a Non-Resident Person, where all of the following conditions are met:

    a) The Investment Manager is engaged in the business of providing investment management or brokerage services.

    b) The Investment Manager is subject to the regulatory oversight of the competent authority in the State.

    c) The transactions are carried out in the ordinary course of the Investment Manager's Business.

    d) The Investment Manager acts in relation to the transactions in an independent capacity.

    e) The Investment Manager transacts on an arm's length basis with the Non-Resident Person and receives due compensation for the provision of services.

    f) The Investment Manager is not the Non-Resident Person's representative in the State in relation to any other income or transaction that is subject to Corporate Tax for the same Tax Period.

    g) Any such other conditions as may be prescribed in a decision issued by the Cabinet at the suggestion of the Minister.

2. For the purposes of Clause 1 of this Article, "transactions" means any of the following:

    a) Transactions in commodities, real property, bonds, shares, derivatives or securities of any other description.

    b) Transactions of buying or selling any foreign currency or placement of funds at interest.

    c) Such other transactions permissible to be carried out by the Investment Manager on behalf of a Non-Resident Person under the applicable legislation of the State.

Article 16 – Partners in an Unincorporated Partnership

1. Unless an application is made under Clause 8 of this Article, and subject to any conditions the Minister may prescribe, an Unincorporated Partnership shall not be considered a Taxable Person in its own right, and Persons conducting a Business as an Unincorporated

Partnership shall be treated as individual Taxable Persons for the purposes of this Decree-Law.

2. Where Clause 1 of this Article applies, a Person who is a partner in an Unincorporated Partnership shall be treated as:

    a) Conducting the Business of the Unincorporated Partnership.

    b) Having a status, intention, and purpose of the Unincorporated Partnership.

    c) Holding assets that the Unincorporated Partnership holds.

    d) Being party to any arrangement to which the Unincorporated Partnership is a party.

3. For the purposes of Clause 1 of this Article, the assets, liabilities, income and expenditure of the Unincorporated Partnership shall be allocated to each partner in proportion to their distributive share in that Unincorporated Partnership, or in the manner prescribed by the Authority where the distributive share of a partner cannot be identified.

4. The Taxable Income of a partner in an Unincorporated Partnership shall take into account the following:

    a) Expenditure incurred directly by the partner in conducting the Business of the Unincorporated Partnership.

    b) Interest expenditure incurred by the partner in relation to contributions made to the capital account of the Unincorporated Partnership.

5. Interest paid by an Unincorporated Partnership to a partner on their capital account shall be treated as an allocation of income to the partner and is therefore not a deductible expenditure for calculating the Taxable Income of the partner in the Unincorporated Partnership.

6. For the purposes of calculating and settling the Corporate Tax Payable of a partner in an Unincorporated Partnership under Chapter Thirteen of this Decree-Law, any foreign tax incurred by the Unincorporated Partnership shall be allocated as a Foreign Tax Credit to each partner in proportion to their distributive share in the Unincorporated Partnership.

7. A Foreign Partnership shall be treated as an Unincorporated Partnership for the purposes of this Decree-Law where all of the following conditions are met:

    a) The Foreign Partnership is not subject to tax under the laws of the foreign jurisdiction.

b) Each partner in the Foreign Partnership is individually subject to tax with regards to their distributive share of any income of the Foreign Partnership as and when the income is received by or accrued to the Foreign Partnership.

c) Any other conditions as may be prescribed by the Minister.

8. The partners in an Unincorporated Partnership can make an application to the Authority for the Unincorporated Partnership to be treated as a Taxable Person.

9. Where an application under Clause 8 of this Article is approved:

a) The provisions of Clauses 1 to 6 of this Article shall no longer apply to the partners in the Unincorporated Partnership in respect of the Business conducted by the Unincorporated Partnership.

b) Each partner in the Unincorporated Partnership shall remain jointly and severally liable for the Corporate Tax Payable by the Unincorporated Partnership for those Tax Periods when they are partners in the Unincorporated Partnership.

c) One partner in the Unincorporated Partnership shall be appointed as the partner responsible for any obligations and proceedings in relation to this Decree-Law on behalf of the Unincorporated Partnership.

10. Where the application under Clause 8 of this Article is approved, the Unincorporated Partnership shall be treated as a Taxable Person effective from the commencement of the Tax Period in which the application is made, or from the commencement of a future Tax Period, or any other date determined by the Authority.

Article 17 – Family Foundation

1. A Family Foundation can make an application to the Authority to be treated as an Unincorporated Partnership for the purposes of this Decree-Law where all of the following conditions are met:

a) The Family Foundation was established for the benefit of identified or identifiable natural persons, or for the benefit of a public benefit entity, or both.

b) The principal activity of the Family Foundation is to receive, hold, invest, disburse, or otherwise manage assets or funds associated with savings or investment.

c) The Family Foundation does not conduct any activity that would have constituted a Business or Business Activity under Clause 6 of Article 11 of this Decree-Law had the activity been undertaken, or its assets been held, directly by its founder, settlor,

or any of its beneficiaries.

d) The main or principal purpose of the Family Foundation is not the avoidance of Corporate Tax.

e) Any other conditions as may be prescribed by the Minister.

2. Where the application under Clause 1 of this Article is approved, the Family Foundation shall be treated as an Unincorporated Partnership effective from the commencement of the Tax Period in which the application is made, or from the commencement of a future Tax Period, or any other date determined by the Authority.

3. For the purposes of monitoring the continued compliance by a Family Foundation with the conditions of Clause 1 of this Article, the Authority may request any relevant information or records from the Family Foundation within the timeline specified by the Authority.

Chapter Five – Free Zone Person

Article 18 – Qualifying Free Zone Person

1. A Qualifying Free Zone Person is a Free Zone Person that meets all of the following conditions:

   a) Maintains adequate substance in the State.

   b) Derives Qualifying Income as specified in a decision issued by the Cabinet at the suggestion of the Minister.

   c) Has not elected to be subject to Corporate Tax under Article 19 of this Decree-Law.

   d) Complies with Articles 34 and 55 of this Decree-Law.

   e) Meets any other conditions as may be prescribed by the Minister.

2. A Qualifying Free Zone Person that fails to meet any of the conditions under Clause 1 of this Article at any particular time during a Tax Period shall cease to be a Qualifying Free Zone Person from the beginning of that Tax Period.

3. Notwithstanding Clause 2 of this Article, the Minister may prescribe the conditions or circumstances under which a Person may continue to be a Qualifying Free Zone Person, or cease to be a Qualifying Free Zone Person from a different date.

4. The application of paragraph (a) of Clause 2 of Article 3 of this Decree-Law to a Qualifying

Free Zone Person shall apply for the remainder of the tax incentive period stipulated in the applicable legislation of the Free Zone in which the Qualifying Free Zone Person is registered, which period may be extended in accordance with any conditions as may be determined in a decision issued by the Cabinet at the suggestion of the Minister, but any one period shall not exceed (50) fifty years.

Article 19 – Election to be Subject to Corporate Tax

1. A Qualifying Free Zone Person can make an election to be subject to Corporate Tax at the rates specified under Clause 1 of Article 3 of this Decree-Law.

2. The election under Clause 1 of this Article shall be effective from either of:

    a) The commencement of the Tax Period in which the election is made.

    b) The commencement of the Tax Period following the Tax Period in which the election was made.

Chapter Six – Calculating Taxable Income

Article 20 – General Rules for Determining Taxable Income

1. The Taxable Income of each Taxable Person shall be determined separately, on the basis of adequate, standalone financial statements prepared for financial reporting purposes in accordance with accounting standards accepted in the State.

2. The Taxable Income for a Tax Period shall be the Accounting Income for that period, and to the extent applicable, adjusted for the following:

    a) Any unrealised gain or loss under Clause 3 of this Article.

    b) Exempt Income as specified in Chapter Seven of this Decree-Law.

    c) Reliefs as specified in Chapter Eight of this Decree-Law.

    d) Deductions as specified in Chapter Nine of this Decree-Law.

    e) Transactions with Related Parties and Connected Persons as specified in Chapter Ten of this Decree-Law.

    f) Tax Loss relief as specified in Chapter Eleven of this Decree-Law.

    g) Any incentives or special reliefs for a Qualifying Business Activity as specified in a decision issued by the Cabinet at the suggestion of the Minister.

h) Any income or expenditure that has not otherwise been taken into account in determining the Taxable Income under the provisions of this Decree-Law as may be specified in a decision issued by the Cabinet at the suggestion of the Minister.

i) Any other adjustments as may be specified by the Minister.

3. For the purposes of calculating the Taxable Income for the relevant Tax Period, and subject to any conditions that the Minister may prescribe, a Taxable Person that prepares financial statements on an accrual basis may elect to take into account gains and losses on a realisation basis in relation to:

a) all assets and liabilities that are subject to fair value or impairment accounting under the applicable accounting standards; or

b) all assets and liabilities held on capital account at the end of a Tax Period, whilst taking into account any unrealised gain or loss that arises in connection with assets and liabilities held on revenue account at the end of that period.

4. For the purposes of paragraph (b) of Clause 3 of this Article:

a) "Assets held on capital account" refers to assets that the Person does not trade, assets that are eligible for depreciation, or assets treated under applicable accounting standards as property, plant and equipment, investment property, intangible assets, or other non-current assets.

b) "Liabilities held on capital account" refers to liabilities, the incurring of which does not give rise to deductible expenditure under Chapter Nine of this Decree-Law, or liabilities treated under applicable accounting standards as non-current liabilities.

c) "Assets and liabilities held on revenue account" refers to assets and liabilities other than those held on a capital account.

d) An "unrealised gain or loss" includes an unrealised foreign exchange gain or loss.

5. Notwithstanding Clauses 1 and 3 of this Article, the Minister may prescribe any of the following for the purposes of this Decree-Law:

a) The circumstances and conditions under which a Person may prepare financial statements using the cash basis of accounting.

b) Any adjustments to the accounting standards to be applied for the purposes of determining the Taxable Income for a Tax Period.

c) A different basis for determining the Taxable Income of a Qualifying Business

Activity.

6. Subject to any conditions prescribed under Clause 5 of this Article, a Taxable Person can make an application to the Authority to change its method of accounting from cash basis to accrual basis from the commencement of the Tax Period in which the application is made or from the commencement of a future Tax Period.

7. In the case of any conflict between the provisions of this Decree-Law and the applicable accounting standards, the provisions of this Decree-Law shall prevail to that extent.

Article 21 – Small Business Relief

1. 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.

2. Where Clause 1 of this Article applies to a Taxable Person, the following provisions of this Decree-Law shall not apply:

   a) Exempt Income as specified in Chapter Seven of this Decree-Law.

   b) Reliefs as specified in Chapter Eight of this Decree-Law.

   c) Deductions as specified in Chapter Nine of this Decree-Law.

   d) Tax Loss relief as specified in Chapter Eleven of this Decree-Law.

   e) Article 55 of this Decree-Law.

3. The Authority may take the necessary measures to verify the compliance with the conditions of Clause 1 of this Article, and may request any relevant information or records from the Taxable Person within the timeline prescribed by the Authority.

Chapter Seven – Exempt Income

Article 22 – Exempt Income

The following income and related expenditure shall not be taken into account in determining the Taxable Income:

1. Dividends and other profit distributions received from a juridical person that is a Resident

Person.

2. Dividends and other profit distributions received from a Participating Interest in a foreign juridical person as specified in Article 23 of this Decree-Law.

3. Any other income from a Participating Interest as specified in Article 23 of this Decree-Law.

4. Income of a Foreign Permanent Establishment that meets the condition of Article 24 of this Decree-Law.

5. Income derived by a Non-Resident Person from operating aircraft or ships in international transportation that meets the conditions of Article 25 of this Decree-Law.

Article 23 – Participation Exemption

1. Income from a Participating Interest shall be exempt from Corporate Tax, subject to the conditions of this Article.

2. A Participating Interest means, a 5% (five percent) or greater ownership interest in the shares or capital of a juridical person, referred to as a "Participation" for the purposes of this Chapter where all of the following conditions are met:

    a) The Taxable Person has held, or has the intention to hold, the Participating Interest for an uninterrupted period of at least (12) twelve months.

    b) The Participation is subject to Corporate Tax or any other tax imposed under the applicable legislation of the country or territory in which the juridical person is resident which is of a similar character to Corporate Tax at a rate not less than the rate specified in paragraph (b) of Clause 1 of Article 3 of this Decree-Law.

    c) The ownership interest in the Participation entitles the Taxable Person to receive not less than 5% (five percent) of the profits available for distribution by the Participation, and not less than 5% (five percent) of the liquidation proceeds on cessation of the Participation.

    d) Not more than 50% (fifty percent) of the direct and indirect assets of the Participation consist of ownership interests or entitlements that would not have qualified for an exemption from Corporate Tax under this Article if held directly by the Taxable Person, subject to any conditions that may be prescribed under paragraph (e) of this Clause.

    e) Any other conditions as may be prescribed by the Minister.

3. A Participation shall be treated as having met the condition under paragraph (b) of Clause 2 of this Article where all of the following conditions are met:

    a) The principal objective and activity of the Participation is the acquisition and holding of shares or equitable interests that meet the conditions of Clause 2 of this Article.

    b) The income of the Participation derived during the relevant Tax Period or Tax Periods substantially consists of income from Participating Interests.

4. A Participation in a Qualifying Free Zone Person or an Exempt Person shall be treated as having met the condition under paragraph (b) of Clause 2 of this Article, subject to any conditions that may be prescribed by the Minister.

5. Where the conditions of Clause 2 of this Article continue to be met, the following income shall not be taken into account in determining Taxable Income:

    a) Dividends and other profit distributions received from a foreign Participation that is not a Resident Person under paragraph (b) of Clause 3 of Article 11 of this Decree-Law.

    b) Gains or losses on the transfer, sale, or other disposition of a Participating Interest (or part thereof) derived after expiry of the time period specified in paragraph (a) of Clause 2 or Clause 9 of this Article.

    c) Foreign exchange gains or losses in relation to a Participating Interest.

    d) Impairment gains or losses in relation to a Participating Interest.

6. The exemption under this Article shall not apply to income derived by the Taxable Person from a Participating Interest insofar as:

    a) the Participation can claim a deduction for the dividend or other distributions made to the Taxable Person under the applicable tax legislation;

    b) the Taxable Person has recognised a deductible impairment loss in respect of the Participating Interest prior to the Participating Interest meeting the conditions of Clause 2 of this Article;

    c) the Taxable Person or its Related Party who is subject to Corporate Tax under this Decree-Law has recognised a deductible impairment loss in respect of a loan receivable from the Participation.

7. Where the impairment loss referred to in paragraph (c) of Clause 6 of this Article is

reversed in a subsequent Tax Period, the associated income of the Taxable Person shall be exempt from Corporate Tax in that Tax Period up to the amount of income from the Participating Interest that was not exempted under paragraph (c) of Clause 6 of this Article.

8. The exemption under this Article does not apply to a loss realised on the liquidation of a Participation.

9. The exemption under this Article shall not apply for a period of (2) two years where a Participation was acquired in exchange for the transfer of an ownership interest that did not meet the conditions of Clause 2 of this Article or a transfer that was exempted under Article 26 or 27 of this Decree-Law.

10. Where a Taxable Person fails to hold a 5% (five percent) or greater ownership interest in the Participation for an uninterrupted period of at least (12) twelve months, any income previously not taken into account under this Article shall be included in the calculation of the Taxable Income in the Tax Period in which the ownership interest in the Participation falls below 5% (five percent).

11. The Minister may prescribe that an ownership interest in the shares or capital of a juridical person meets the minimum ownership requirement under Clause 2 of this Article where the acquisition cost of that ownership interest exceeds a threshold specified by the Minister.

Article 24 – Foreign Permanent Establishment Exemption

1. A Resident Person can make an election to not take into account the income, and associated expenditure, of its Foreign Permanent Establishments in determining its Taxable Income.

2. Where Clause 1 of this Article applies, a Resident Person shall not take into account the following in determining its Taxable Income or Corporate Tax Payable for a Tax Period:

    a) losses in any of its Foreign Permanent Establishments, calculated as if the relevant Foreign Permanent Establishments were a Resident Person under this Decree-Law;

    b) positive income and associated expenditure in any of its Foreign Permanent Establishments, calculated as if the relevant Foreign Permanent Establishments were a Resident Person under this Decree-Law; and

    c) any Foreign Tax Credit that would have been available under Article 47 of this Decree-Law had the election under Clause 1 of this Article not been made.

3. For the purposes of this Article, "income and associated expenditure" of a Taxable Person's Foreign Permanent Establishments for a Tax Period is the aggregate of the income and associated expenditure in each of the relevant foreign jurisdictions.

4. In determining the income and associated expenditure of a Foreign Permanent Establishment, a Resident Person and each of its Foreign Permanent Establishments shall be treated as separate and independent Persons.

5. For the purposes of Clause 4 of this Article, a transfer of assets or liabilities between a Resident Person and its Foreign Permanent Establishment shall be treated as having taken place at Market Value at the date of the transfer for the purposes of determining the Taxable Income of that Resident Person.

6. The exemption under Clause 1 of this Article shall apply to all Foreign Permanent Establishments of the Resident Person that meet the condition specified in Clause 7 of this Article.

7. The exemption under Clause 1 of this Article shall only apply to a Foreign Permanent Establishment that is subject to Corporate Tax or a tax of a similar character under the applicable legislation of the relevant foreign jurisdiction at a rate not less than the rate specified in paragraph (b) of Clause 1 of Article 3 of this Decree-Law.

Article 25 – Non-Resident Person Operating Aircraft or Ships in International Transportation

Income derived by a Non-Resident Person from the operation of aircraft or ships in international transportation shall not be subject to Corporate Tax where all of the following conditions are met:

1. The Non-Resident Person is in the Business of any of the following:

    a) International transport of passengers, livestock, mail, parcels, merchandise or goods by air or by sea.

    b) Leasing or chartering aircrafts or ships used in international transportation.

    c) Leasing of equipment which are integral to the seaworthiness of ships or the airworthiness of aircrafts used in international transportation.

2. A Resident Person that performs any of the activities under Clause 1 of this Article would be exempt, or not be subject to tax that is of a similar character to Corporate Tax, under the applicable legislation of the country or territory in which the Non-Resident Person is resident.

Chapter Eight – Reliefs

Article 26 – Transfers Within a Qualifying Group

1. No gain or loss needs to be taken into account in determining the Taxable Income in relation to the transfer of one or more assets or liabilities between two Taxable Persons that are members of the same Qualifying Group.

2. Two Taxable Persons shall be treated as members of the same Qualifying Group where all of the following conditions are met:

    a) The Taxable Persons are juridical persons that are Resident Persons, or Non-Resident Persons that have a Permanent Establishment in the State.

    b) Either Taxable Person has a direct or indirect ownership interest of at least 75% (seventy-five percent) in the other Taxable Person, or a third Person has a direct or indirect ownership interest of at least 75% (seventy-five percent) in each of the Taxable Persons.

    c) None of the Persons are an Exempt Person.

    d) None of the Persons are a Qualifying Free Zone Person.

    e) The Financial Year of each of the Taxable Persons ends on the same date.

    f) Both Taxable Persons prepare their financial statements using the same accounting standards.

3. For the purposes of this Decree-Law, where a Taxable Person applies Clause 1 of this Article:

    a) the asset or liability shall be treated as being transferred at its net book value at the time of transfer so that neither a gain nor a loss arises; and

    b) the value of any consideration paid or received against the transfer of the asset or liability shall equal the net book value of the transferred asset or liability.

4. The provision of Clause 1 of this Article shall not apply where, within (2) two years from the date of the transfer, any of the following occurs:

    a) There is a subsequent transfer of the asset or liability outside of the Qualifying Group.

    b) The Taxable Persons cease to be members of the same Qualifying Group.

5. Where Clause 4 of this Article applies, the transfer of the asset or liability shall be treated

as having taken place at Market Value at the date of the transfer for the purposes of determining the Taxable Income of both Taxable Persons for the relevant Tax Period.

Article 27 – Business Restructuring Relief

1. No gain or loss needs to be taken into account in determining Taxable Income in any of the following circumstances:

    a) A Taxable Person transfers its entire Business or an independent part of its Business to another Person who is a Taxable Person or will become a Taxable Person as a result of the transfer in exchange for shares or other ownership interests of the Taxable Person that is the transferee.

    b) One or more Taxable Persons transfer their entire Business to another Person who is a Taxable Person or will become a Taxable Person as a result of the transfer in exchange for shares or other ownership interests of the Taxable Person that is the transferee, and the Taxable Person or Taxable Persons that are the transferor cease to exist as a result of the transfer.

2. Clause 1 of this Article applies where all of the following conditions are met:

    a) The transfer is undertaken in accordance with, and meets all the conditions imposed by, the applicable legislation of the State.

    b) The Taxable Persons are Resident Persons, or Non-Resident Persons that have a Permanent Establishment in the State.

    c) None of the Persons are an Exempt Person.

    d) None of the Persons are a Qualifying Free Zone Person.

    e) The Financial Year of each of the Taxable Persons ends on the same date.

    f) The Taxable Persons prepare their financial statements using the same accounting standards.

    g) The transfer under Clause 1 of this Article is undertaken for valid commercial or other non-fiscal reasons which reflect economic reality.

3. For the purposes of this Decree-Law, where a Taxable Person applies Clause 1 of this Article, all of the following must be observed:

    a) The assets and liabilities transferred shall be treated as being transferred at their net book value at the time of transfer so that neither a gain nor a loss arises.

b) The value of the shares or ownership interests received under paragraph (a) of Clause 1 of this Article shall not exceed the net book value of the assets transferred and liabilities assumed, less the value of any other form of consideration received.

c) The value of the shares or ownership interests received under paragraph (b) of Clause 1 of this Article shall not exceed the book value of the shares or ownership interests surrendered, less the value of any other form of consideration received.

d) Any unutilised Tax Losses incurred by the Taxable Person that is the transferor prior to the Tax Period in which the transfer under Clause 1 of this Article completes may become carried forward Tax Losses of the Taxable Person that is the transferee, subject to conditions to be prescribed by the Minister.

4. The provisions of this Article shall apply, as the context requires, where, in the case of a transfer under Clause 1 of this Article:

a) shares or ownership interests are received by a Person other than the Taxable Person that is the transferor;

b) shares or ownership interests are issued or granted by a Person other than the Taxable Person that is the transferee; or

c) no shares or ownership interests are received by the Taxable Person who is a partner in an Unincorporated Partnership that is treated as a Taxable Person under Clause 9 of Article 16 of this Decree-Law.

5. Where a Taxable Person transfers an independent part of its Business, paragraph (d) of Clause 3 of this Article shall apply only to those unutilised Tax Losses that can be reasonably attributed to the independent part of the Business being transferred.

6. The provision of Clause 1 of this Article shall not apply where, within (2) two years from the date of the transfer, any of the following occurs:

a) The shares or other ownership interests in the Taxable Person that is the transferor or the transferee are sold, transferred or otherwise disposed of, in whole or part, to a Person that is not a member of the Qualifying Group to which the relevant Taxable Persons belong.

b) There is a subsequent transfer or disposal of the Business or the independent part of the Businesses transferred under Clause 1 of this Article.

7. Where Clause 6 of this Article applies, the transfer of the Business or the independent part of the Business shall be treated as having taken place at Market Value at the date of

the transfer.

Chapter Nine – Deductions

Article 28 – Deductible Expenditure

1. 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, subject to the provisions of this Decree-Law.

2. For the purposes of calculating the Taxable Income for a Tax Period, 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.

3. If expenditure is incurred for more than one purpose, a deduction shall be allowed for:

    a) Any identifiable part or proportion of the expenditure incurred wholly and exclusively for the purposes of deriving Taxable Income.

    b) An appropriate proportion of any unidentifiable part or proportion of the expenditure incurred for the purposes of deriving Taxable Income that has been determined on a fair and reasonable basis, having regard to the relevant facts and circumstances of the Taxable Person's Business.

Article 29 – Interest Expenditure

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.

Article 30 – General Interest Deduction Limitation Rule

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

2. 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.

3. 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.

4. 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.

5. 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.

6. 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.

7. The Minister may issue a decision to specify the application of Clauses 1 and 2 of this Article to a Taxable Person that is related to one or more Persons through ownership or control and there is an obligation on them under applicable accounting standards for their financial statements to be consolidated.

Article 31 – Specific Interest Deduction Limitation Rule

1. 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.

2. Clause 1 of this Article shall not apply where the Taxable Person can demonstrate that the main purpose of obtaining the loan and carrying out the transaction referred to under Clause 1 of this Article is not to gain a Corporate Tax advantage.

3. For the purposes of Clause 2 of this Article, no Corporate Tax advantage shall be deemed to arise where the Related Party is subject to Corporate Tax or a tax of a similar character under the applicable legislation of a foreign jurisdiction on the Interest at a rate not less than the rate specified in paragraph (b) of Clause 1 of Article 3 of this Decree-Law.

Article 32 – Entertainment Expenditure

1. Subject to Article 28 of this Decree-Law, a Taxable Person shall be allowed to deduct 50% (fifty percent) of any entertainment, amusement, or recreation expenditure incurred during a Tax Period.

2. Clause 1 of this Article applies to any expenditure incurred for the purposes of receiving and entertaining the Taxable Person's customers, shareholders, suppliers or other business partners, including, but not limited to, expenditure in connection with any of the following:

    a) Meals.

    b) Accommodation.

    c) Transportation.

    d) Admission fees.

    e) Facilities and equipment used in connection with such entertainment, amusement or recreation.

    f) Such other expenditure as specified by the Minister.

Article 33 – Non-deductible Expenditure

No deduction is allowed for:

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

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

3. Bribes or other illicit payments.

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

5. Amounts withdrawn from the Business by a natural person who is a Taxable Person under paragraph (c) of Clause 3 of Article 11 of this Decree-Law or a partner in an Unincorporated Partnership.

6. Corporate Tax imposed on a Taxable Person under this Decree-Law.

7. Input Value Added Tax incurred by a Taxable Person that is recoverable under Federal Decree-Law No. (8) of 2017 referred to in the preamble and what replaces it.

8. Tax on income imposed on the Taxable Person outside the State.

9. Such other expenditure as specified in a decision issued by the Cabinet at the suggestion of the Minister.

Chapter Ten – Transactions with Related Parties and Connected Persons

Article 34 – Arm's Length Principle

1. In determining Taxable Income, transactions and arrangements between Related Parties must meet the arm's length standard as specified in Clauses 2, 3, 4 and 5 of this Article and any conditions that may be prescribed in a decision issued by the Authority.

2. A transaction or arrangement between Related Parties meets the arm's length standard if the results of the transaction or arrangement are consistent with the results that would have been realised if Persons who were not Related Parties had engaged in a similar transaction or arrangement under similar circumstances.

3. The arm's length result of a transaction or arrangement between Related Parties must be determined by applying one or a combination of the following transfer pricing methods:

    a) The comparable uncontrolled price method.

    b) The resale price method.

    c) The cost-plus method.

    d) The transactional net margin method.

    e) The transactional profit split method.

4. The Taxable Person may apply any transfer pricing method other than the methods listed

in Clause 3 of this Article where the Taxable Person can demonstrate that none of the above methods can be reasonably applied to determine an arm's length result and that any such other transfer pricing method used satisfies the condition of Clause 2 of this Article.

5. The choice and application of a transfer pricing method or combination of transfer pricing methods under Clause 3 or 4 of this Article must be made having regard to the most reliable transfer pricing method and taking into account following factors:

    a) The contractual terms of the transaction or arrangement.

    b) The characteristics of the transaction or arrangement.

    c) The economic circumstances in which the transaction or arrangement is conducted.

    d) The functions performed, assets employed, and risks assumed by the Related Parties entering into the transaction or arrangement.

    e) The business strategies employed by the Related Parties entering into the transaction or arrangement.

6. The Authority's examination as to whether income and expenditures resulting from the Taxable Person's relevant transactions or arrangements meet the arm's length standard shall be based on the transfer pricing method used by the Taxable Person in accordance with Clause 3 or 4 of this Article, provided such transfer pricing method is appropriate having regard to the factors mentioned in Clause 5 of this Article.

7. Application of the selected transfer pricing method or combination of transfer pricing methods in accordance with Clause 3 or 4 of this Article may result in an arm's length range of financial results or indicators acceptable for establishing the arm's length result of a transaction or arrangement between Related Parties, subject to any conditions specified in a decision issued by the Authority.

8. Where the result of the transaction or arrangement between Related Parties does not fall within the arm's length range, the Authority shall adjust the Taxable Income to achieve the arm's length result that best reflects the facts and circumstances of the transaction or arrangement.

9. Where the Authority makes an adjustment to the Taxable Income pursuant to Clause 8 of this Article, the Authority shall rely on information that can or will be made available to the Taxable Person.

10. Where the Authority or a Taxable Person adjusts the Taxable Income for a transaction or

arrangement to meet the arm's length standard, the Authority shall make a corresponding adjustment to the Taxable Income of the Related Party that is party to the relevant transaction or arrangement.

11. Where a foreign competent authority makes an adjustment to a transaction or arrangement involving a Taxable Person to meet the arm's length standard, such Taxable Person can make an application to the Authority to make a corresponding adjustment to its Taxable Income.

Article 35 – Related Parties and Control

1. For the purposes of this Decree-Law, "Related Parties" means any of the following:

    a) Two or more natural persons who are related within the fourth degree of kinship or affiliation, including by way of adoption or guardianship.

    b) A natural person and a juridical person where:

        1. the natural person or one or more Related Parties of the natural person are shareholders in the juridical person, and the natural person, alone or together with its Related Parties, directly or indirectly owns a 50% (fifty percent) or greater ownership interest in the juridical person; or

        2. the natural person, alone or together with its Related Parties, directly or indirectly Controls the juridical person.

    c) Two or more juridical persons where:

        1. one juridical person, alone or together with its Related Parties, directly or indirectly owns a 50% (fifty percent) or greater ownership interest in the other juridical person;

        2. one juridical person, alone or together with its Related Parties, directly or indirectly Controls the other juridical person; or

        3. any Person, alone or together with its Related Parties, directly or indirectly owns a 50% (fifty percent) or greater ownership interest in or Controls such two or more juridical persons;

    d) A Person and its Permanent Establishment or Foreign Permanent Establishment.

    e) Two or more Persons that are partners in the same Unincorporated Partnership.

    f) A Person who is the trustee, founder, settlor or beneficiary of a trust or foundation,

and its Related Parties.

2. For the purposes of this Decree-Law, "Control" means the ability of a Person, whether in their own right or by agreement or otherwise to influence another Person, including:

    a) The ability to exercise 50% (fifty percent) or more of the voting rights of another Person.

    b) The ability to determine the composition of 50% (fifty percent) or more of the Board of directors of another Person.

    c) The ability to receive 50% (fifty percent) or more of the profits of another Person.

    d) The ability to determine, or exercise significant influence over, the conduct of the Business and affairs of another Person.

Article 36 – Payments to Connected Persons

1. Without prejudice to the provisions of Article 28 of this Decree-Law, a payment or benefit provided by a Taxable Person to its Connected Person shall be deductible only if and to the extent the payment or benefit corresponds with the Market Value of the service, benefit or otherwise provided by the Connected Person and is incurred wholly and exclusively for the purposes of the Taxable Person's Business.

2. For the purposes of this Decree-Law, a Person shall be considered a Connected Person of a Taxable Person if that Person is:

    a) An owner of the Taxable Person.

    b) A director or officer of the Taxable Person.

    c) A Related Party of any of the Persons referred to in paragraphs (a) and (b) of Clause 2 of this Article.

3. For the purposes of paragraph (a) of Clause 2 of this Article, an owner of the Taxable Person is any natural person who directly or indirectly owns an ownership interest in the Taxable Person or Controls such Taxable Person.

4. Where the Taxable Person is a partner in an Unincorporated Partnership, a Connected Person is any other partner in that same Unincorporated Partnership, and any Person that is a Related Party of that partner.

5. To determine that a payment or benefit provided by the Taxable Person corresponds with the Market Value of the service or otherwise provided by the Connected Person in

exchange, the relevant provisions of Article 34 of this Decree-Law shall apply as the context requires.

6. Clause 1 of this Article shall not apply to any of the following:

    a) A Taxable Person whose shares are traded on a Recognised Stock Exchange.

    b) A Taxable Person that is subject to the regulatory oversight of a competent authority in the State.

    c) Any other Person as may be determined in a decision issued by the Cabinet at the suggestion of the Minister.

Chapter Eleven – Tax Loss Provisions

Article 37 – Tax Loss Relief

1. 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.

2. The amount of Tax Loss used to reduce the Taxable Income for any subsequent Tax Period cannot exceed 75% (seventy-five percent) or any other percentage as specified in a decision issued by the Cabinet at the suggestion of the Minister of the Taxable Income for that Tax Period before any Tax Loss relief, except in circumstances that may be prescribed in a decision issued by the Cabinet at the suggestion of the Minister.

3. 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.

4. A Tax Loss carried forward to a subsequent Tax Period must be set off against the Taxable Income of that subsequent Tax Period, before any remainder can be carried forward to a further subsequent Tax Period, or any Tax Loss transferred under Article 38 of this Decree-Law can be utilised.

Article 38 – Transfer of Tax Loss

1. A Tax Loss or a portion thereof may be offset against the Taxable Income of another Taxable Person where all of the following conditions are met:

a) Both Taxable Persons are juridical persons.

b) Both Taxable Persons are Resident Persons.

c) Either Taxable Person has a direct or indirect ownership interest of at least 75% (seventy-five percent) in the other, or a third Person has a direct or indirect ownership interest of at least 75% (seventy-five percent) in each of the Taxable Persons.

d) The common ownership under paragraph (c) of Clause 1 of this Article must exist from the start of the Tax Period in which the Tax Loss is incurred to the end of the Tax Period in which the other Taxable Person offsets the Tax Loss transferred against its Taxable Income.

e) None of the Persons are an Exempt Person.

f) None of the Persons are a Qualifying Free Zone Person.

g) The Financial Year of each of the Taxable Persons ends on the same date.

h) Both Taxable Persons prepare their financial statements using the same accounting standards.

2. Where a Taxable Person transfers its Tax Loss to another Taxable Person under Clause 1 of this Article:

a) the Taxable Person which the Tax Loss is transferred to shall reduce its Taxable Income for the relevant Tax Period;

b) the total Tax Loss offset shall not exceed the amount allowed under Clause 2 of Article 37 of this Decree-Law; and

c) the Taxable Person shall reduce its available Tax Losses by the amount of the Tax Loss transferred to the other Taxable Person for the relevant Tax Period.

Article 39 – Limitation on Tax Losses Carried Forward

1. Tax Losses can only be carried forward and utilised in accordance with the provision of Clause 2 of Article 37 of this Decree-Law provided that:

a) From the beginning of the Tax Period in which the Tax Loss is incurred to the end of the Tax Period in which the Tax Loss or part thereof is offset against Taxable Income of that period, the same Person or Persons continuously owned at least a 50% (fifty percent) ownership interest in the Taxable Person.

b) The Taxable Person continued to conduct the same or a similar Business or Business Activity following a change in ownership of more than 50% (fifty percent).

2. For the purposes of paragraph (b) of Clause 1 of this Article, relevant factors for determining whether a Taxable Person has continued to conduct the same or a similar Business or Business Activity following a change in the direct or indirect ownership include:

   a) the Taxable Person uses some or all of the same assets as before the ownership change;

   b) the Taxable Person has not made significant changes to the core identity or operations of its Business since the ownership change; and

   c) where there have been any changes, these result from the development or exploitation of assets, services, processes, products or methods that existed before the ownership change.

3. Clause 1 of this Article shall not apply to a Taxable Person whose shares are listed on a Recognised Stock Exchange.

Chapter Twelve – Tax Group Provisions

Article 40 – Tax Group

1. A Resident Person, which for the purposes of this Decree-Law shall be referred to as a "Parent Company", can make an application to the Authority to form a Tax Group with one or more other Resident Persons, each referred to as a "Subsidiary" for the purposes of this Chapter, where all of the following conditions are met:

   a) The Resident Persons are juridical persons.

   b) The Parent Company owns at least 95% (ninety-five percent) of the share capital of the Subsidiary, either directly or indirectly through one or more Subsidiaries.

   c) The Parent Company holds at least 95% (ninety-five percent) of the voting rights in the Subsidiary, either directly or indirectly through one or more Subsidiaries.

   d) The Parent Company is entitled to at least 95% (ninety-five percent) of the Subsidiary's profits and net assets, either directly or indirectly through one or more Subsidiaries.

   e) Neither the Parent Company nor the Subsidiary is an Exempt Person.

f) Neither the Parent Company nor the Subsidiary is a Qualifying Free Zone Person.

g) The Parent Company and the Subsidiary have the same Financial Year.

h) Both the Parent Company and the Subsidiary prepare their financial statements using the same accounting standards.

2. Notwithstanding paragraph (e) of Clause 1 of this Article, one or more Subsidiaries in which a Government Entity directly or indirectly owns at least a 95% (ninety-five percent) ownership interest as specified in paragraphs (b), (c) and (d) of Clause 1 of this Article can form a Tax Group, subject to the conditions to be prescribed by the Authority.

3. An application made under Clause 1 of this Article shall be made to the Authority by the Parent Company and each Subsidiary seeking to become members of the Tax Group.

4. A Tax Group formed under Clause 1 of this Article is treated as a single Taxable Person for the purposes of this Decree-Law, represented by the Parent Company.

5. The Parent Company shall comply with all obligations set out in Chapters Fourteen, Sixteen and Seventeen of this Decree-Law on behalf of the Tax Group.

6. The Parent Company and each Subsidiary shall be jointly and severally liable for Corporate Tax Payable by the Tax Group for those Tax Periods when they are members of the Tax Group.

7. The joint and several liability under Clause 6 of this Article for a Tax Period can be limited to one or more members of the Tax Group following approval by the Authority.

8. The Parent Company and each Subsidiary shall remain responsible for complying with the provisions under Article 45 of this Decree-Law.

9. A Subsidiary can join an existing Tax Group following submission of an application to the Authority by the Parent Company and the relevant Subsidiary.

10. A Subsidiary shall leave the Tax Group in the following circumstances:

    a) Following approval by the Authority of an application by the Parent Company and the relevant Subsidiary.

    b) Where the relevant Subsidiary no longer meets the conditions to be a member of the Tax Group as specified in Clause 1 of this Article.

11. A Tax Group shall cease to exist in any of the following circumstances:

a) Following approval by the Authority of an application by the Parent Company.

b) Where the Parent Company no longer meets the conditions to form a Tax Group as specified in Clause 1 of this Article, subject to the provisions of Clause 12 of this Article.

12. The Parent Company of a Tax Group can make an application to the Authority to be replaced by another Parent Company without a discontinuation of the Tax Group, in any of the following circumstances.

a) The new Parent Company meets the conditions under Clause 1 of this Article relating to the former Parent Company.

b) The former Parent Company ceases to exist and the new Parent Company or a Subsidiary is its universal legal successor.

13. Notwithstanding Clauses 11 and 12 of this Article, the Authority may, at its discretion, dissolve a Tax Group or change the Parent Company of a Tax Group based on information available to the Authority, and notify the Parent Company of such action taken.

Article 41 – Date of Formation and Cessation of a Tax Group

1. For the purposes of Article 40 of this Decree-Law, a Tax Group shall be formed, or a new Subsidiary shall join an existing Tax Group from the beginning of the Tax Period specified in the application submitted to the Authority, or from the beginning of any other Tax Period determined by the Authority.

2. For the purposes of paragraph (a) of Clause 10 of Article 40 and paragraph (a) of Clause 11 of Article 40 of this Decree-Law, the relevant member of a Tax Group shall be treated as leaving that Tax Group from the beginning of the Tax Period specified in the application submitted to the Authority, or from the beginning of any other Tax Period determined by the Authority.

3. For the purposes of paragraph (b) of Clause 10 of Article 40 and paragraph (b) of Clause 11 of Article 40 of this Decree-Law, the relevant member of a Tax Group shall be treated as leaving that Tax Group from the beginning of the Tax Period in which the conditions under Clause 1 of Article 40 of this Decree-Law are no longer met.

Article 42 – Taxable Income of a Tax Group

1. For the purposes of determining the Taxable Income of a Tax Group, the Parent Company shall consolidate the financial results, assets and liabilities of each Subsidiary for the relevant Tax Period, eliminating transactions between the Parent Company and each

Subsidiary that is a member of the Tax Group.

2. The relevant provisions of this Decree-Law shall apply as the context requires to the Tax Group.

3. Unutilised Tax Losses of a Subsidiary that joins a Tax Group (referred to in this Article as "pre-Grouping Tax Losses") shall become carried forward Tax Losses of the Tax Group, and can be used to offset the Taxable Income of the Tax Group insofar this income is attributable to the relevant Subsidiary.

4. Where a new Subsidiary joins an existing Tax Group, unutilised Tax Losses of the existing Tax Group cannot be used to offset the Taxable Income of the Tax Group insofar this income is attributable to the new Subsidiary.

5. The application of Clauses 3 and 4 of this Article is subject to the conditions of Articles 37 and 39 of this Decree-Law.

6. Where a Subsidiary leaves a Tax Group, Tax Losses of the Tax Group shall remain with the Tax Group, with the exception of any unutilised pre-Grouping Tax Losses of the relevant Subsidiary.

7. On cessation of a Tax Group, unutilised Tax Losses of the Tax Group shall be allocated as follows:

    a) Where the Parent Company continues to be a Taxable Person, all Tax Losses shall remain with the Parent Company.

    b) Where the Parent Company ceases to be a Taxable Person, Tax Losses of the Tax Group shall not be available for offset against future Taxable Income of individual Subsidiaries, with the exception of any unutilised pre-Grouping Tax Losses of such Subsidiaries.

8. Paragraph (b) of Clause 7 of this Article shall not apply where there is a continuation of the Tax Group under Clause 12 of Article 40 of this Decree-Law.

9. Clause 1 of this Article shall not apply where an asset or liability has been transferred between members of the Tax Group and either the transferor or transferee leaves the Tax Group within (2) two years from the date of the transfer, unless the associated income would have been exempt from Corporate Tax or not taken into account under any other provisions of this Decree-Law.

10. Any income that was not taken into account with regards to a transfer described in Clause 9 of this Article shall be taken into account on the date the transferor or transferee leaves

the Tax Group, and shall result in a corresponding adjustment of the cost base for Corporate Tax purposes of the relevant asset or liability.

11. The Tax Group must prepare consolidated financial statements in accordance with accounting standards applied in the State.

Chapter Thirteen – Calculation of Corporate Tax Payable

Article 43 – Currency

For the purposes of this Decree-Law, all amounts must be quantified in the United Arab Emirates dirham. Any amount quantified in another currency must be converted at the applicable exchange rate set by the Central Bank of the United Arab Emirates, subject to any conditions that may be prescribed in a decision issued by the Authority.

Article 44 – Calculation and Settlement of Corporate Tax

The Corporate Tax due under this Decree-Law is settled in the following order:

1. First, by using the Taxable Person's available Withholding Tax Credit, as determined under Article 46 of this Decree-Law.

2. To the extent there is a residual amount after Clause 1 of this Article, by using the Taxable Person's available Foreign Tax Credit as determined under Article 47 of this Decree-Law.

3. To the extent there is a residual amount after Clause 2 of this Article, by using any credits or other forms of relief as specified in a decision issued by the Cabinet at the suggestion of the Minister.

4. To the extent there is a residual amount after Clause 3 of this Article, this amount of Corporate Tax Payable must be settled in accordance with Article 48 of this Decree-Law.

Article 45 – Withholding Tax

1. The following income shall be subject to Withholding Tax at the rate of 0% (zero percent) or any other rate as specified in a decision issued by the Cabinet at the suggestion of the Minister:

    a) The categories of State Sourced Income derived by a Non-Resident Person as prescribed in the decision issued by the Cabinet pursuant to this Article, insofar such income is not attributable to a Permanent Establishment of the Non-Resident Person in the State.

    b) Any other income as specified in a decision issued by the Cabinet at the suggestion of the Minister.

2. The Withholding Tax payable under Clause 1 of this Article shall be deducted from the gross amount of the payment and remitted to the Authority in the form and manner and within the timeline prescribed by the Authority.

Article 46 – Withholding Tax Credit

1. If a Person becomes a Taxable Person in a Tax Period, the Person's Corporate Tax due under Article 3 of this Decree-Law can be reduced by the amount of Withholding Tax Credit for that Tax Period.

2. The maximum Withholding Tax Credit under this Decree-Law is the lower of:

    a) The amount of Withholding Tax deducted under Clause 2 of Article 45 of this Decree-Law.

    b) The Corporate Tax due under this Decree-Law.

3. Any excess Withholding Tax Credit for a Tax Period as a result of Clause 2 of this Article shall be refunded to the Taxable Person in accordance with Article 49 of this Decree-Law.

Article 47 – Foreign Tax Credit

1. 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.

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

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

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

Chapter Fourteen – Payment and Refund of Corporate Tax

Article 48 – Corporate Tax Payment

A Taxable Person must settle the Corporate Tax Payable under this Decree-Law within (9) nine months from the end of the relevant Tax Period, or by such other date as determined by the Authority.

Article 49 – Corporate Tax Refund

1. A Taxable Person may make an application to the Authority for a Corporate Tax refund

in accordance with the provisions of the Tax Procedures Law in the following circumstances:

a) The Withholding Tax Credit available to a Taxable Person exceeds the Taxable Person's Corporate Tax Payable.

b) Where the Authority is otherwise satisfied that the Taxable Person has paid Corporate Tax in excess of the Taxable Person's Corporate Tax Payable.

2. The Authority shall issue the Taxable Person a notice of the Authority's decision on an application under Clause 1 of this Article in accordance with the Tax Procedures Law.

Chapter Fifteen – Anti-Abuse Rules

Article 50 – General anti-abuse rule

1. This Article applies to a transaction or an arrangement if, having regard to all relevant circumstances, it can be reasonably concluded that:

a) the entering into or carrying out of the transaction or arrangement, or any part of it, is not for a valid commercial or other non-fiscal reason which reflects economic reality; and

b) the main purpose or one of the main purposes of the transaction or arrangement, or any part of it, is to obtain a Corporate Tax advantage that is not consistent with the intention or purpose of this Decree-Law.

2. For the purposes of this Article, a Corporate Tax advantage includes, but is not limited to the following:

a) A refund or an increased refund of Corporate Tax.

b) Avoidance or reduction of Corporate Tax Payable.

c) Deferral of a payment of Corporate Tax or advancement of a refund of Corporate Tax.

d) Avoidance of an obligation to deduct or account for Corporate Tax.

3. Where the provisions of this Article apply to a transaction or arrangement, the Authority may make a determination that one or more specified Corporate Tax advantages obtained as a result of the transaction or arrangement are to be counteracted or adjusted.

4. If a determination is made under Clause 3 of this Article, the Authority must issue an

assessment giving effect to the determination, which may include:

a) allowing or disallowing any exemption, deduction or relief in calculating the Taxable Income or the Corporate Tax Payable, or any part thereof;

b) allocating any such exemption, deduction or relief, or any part thereof, to any other Persons;

c) recharacterising for the purposes of this Decree-Law the nature of any payment or other amount, or any part thereof; or

d) disregarding the effect that would otherwise result from the application of other provisions of this Decree-Law,

and can make compensating adjustments to the Corporate Tax liability of any other Person affected by the determination made by the Authority.

5. For the purpose of determining whether this Article applies to a transaction or arrangement, the following must be considered:

a) The manner in which the transaction or arrangement was entered into or carried out.

b) The form and substance of the transaction or arrangement.

c) The timing of the transaction or arrangement.

d) The result of the transaction or arrangement in relation to the application of this Decree-Law.

e) Any change in the financial position of the Taxable Person that has resulted, will result, or may reasonably be expected to result, from the transaction or arrangement.

f) Any change in the financial position of another Person that has resulted, will result, or may reasonably be expected to result, from the transaction or arrangement.

g) Whether the transaction or arrangement has created rights or obligations which would not normally be created between Persons dealing with each other at arm's length in respect of the relevant transaction or arrangement.

h) Any other relevant information and circumstances.

6. In any proceeding concerning the application of this Article, the Authority must

demonstrate that the determination made under Clause 3 of this Article is just and reasonable.

Chapter Sixteen – Tax Registration and Deregistration

Article 51 – Tax Registration

1. Any Taxable Person shall register for Corporate Tax with the Authority in the form and manner and within the timeline prescribed by the Authority and obtain a Tax Registration Number, except in circumstances prescribed by the Minister.

2. For the purposes of an exemption from Corporate Tax under this Decree-Law or for purposes of Clause 6 of Article 53 of this Decree-Law, the Authority may require the relevant Person under paragraphs (e), (f), (g), (h) and (i) of Clause 1 of Article 4 of this Decree-Law, or the Unincorporated Partnership, as applicable, to register for Corporate Tax and obtain a Tax Registration Number.

3. The Authority shall, at its discretion and based on information available to the Authority, have the ability to register a Person for Corporate Tax effective from the date the Person became a Taxable Person.

Article 52 – Tax Deregistration

1. A Person with a Tax Registration Number shall file a Tax Deregistration application with the Authority where there is a cessation of its Business or Business Activity, whether by dissolution, liquidation, or otherwise, in the form and manner and within the timeline prescribed by the Authority.

2. A Taxable Person shall not be deregistered unless it has paid all Corporate Tax and Administrative Penalties due and filed all Tax Returns due under this Decree-Law, including its Tax Return for the Tax Period up to and including the date of cessation.

3. If the Tax Deregistration application is approved, the Authority shall deregister the Person for Corporate Tax purposes with effect from the date of cessation or from such other date as may be determined by the Authority.

4. Where a Person does not comply with the Tax Deregistration requirements under this Article, the Authority may, at its discretion and based on information available to the Authority, deregister the Taxable Person effective from the later of either:

    a) the last day of the Tax Period in which it became apparent to the Authority that the conditions under Clause 2 of this Article have been met; or

    b) the date the Taxable Person ceases to exist.

Chapter Seventeen – Tax Returns and Clarifications

Article 53 – Tax Returns

1. Subject to Article 51 of this Decree-Law, 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.

2. The Tax Return shall include at least the following information, as applicable:

    a) The Tax Period to which the Tax Return relates.

    b) The name, address and Tax Registration Number of the Taxable Person.

    c) The date of submission of the Tax Return.

    d) The accounting basis used in the financial statements.

    e) The Taxable Income for the Tax Period.

    f) The amount of Tax Loss relief claimed under Clause 1 of Article 37 of this Decree-Law.

    g) The amount of Tax Loss transferred under Article 38 of this Decree-Law.

    h) The available tax credits claimed under Articles 46 and 47 of this Decree-Law.

    i) The Corporate Tax Payable for the Tax Period.

3. A Taxable Person shall provide the Authority with any such information, documents or records as shall be reasonably required by the Authority for the purposes of implementing the provisions of this Decree-Law.

4. As an exception to the provisions of this Article and any other relevant provision of this Decree-Law, the Minister may prescribe the form and manner in which a Tax Return and other information is to be filed with the Authority by a Taxable Person where the disclosure of information may impede national security or may be contrary to the public interest.

5. The Authority may request a Person under paragraphs (e), (f), (g), (h) and (i) of Clause 1 of Article 4 of this Decree-Law to submit a declaration.

6. The Authority may, by notice or through a decision issued by the Authority, request the authorised partner in an Unincorporated Partnership that has not had an application

approved under Clause 8 of Article 16 of this Decree-Law to be treated as a Taxable Person to file a declaration on behalf of all the partners in the Unincorporated Partnership.

7. The Parent Company must file a Tax Return to the Authority on behalf of the Tax Group.

Article 54 – Financial Statements

1. The Authority may, by notice or through a decision issued by the Authority, request a Taxable Person to submit the financial statements used to determine the Taxable Income for a Tax Period in the form and manner and within the timeline prescribed by the Authority.

2. The Minister may issue a decision requiring categories of Taxable Persons to prepare and maintain audited or certified financial statements.

3. For the purposes of Clause 1 of this Article, the Authority may request a partner in an Unincorporated Partnership to provide financial statements showing all of the following:

    a) The total assets, liabilities, income and expenditure of the Unincorporated Partnership.

    b) The partner's distributive share in the Unincorporated Partnership's assets, liabilities, income and expenditure.

Article 55 – Transfer Pricing Documentation

1. The Authority may, by notice or through a decision issued by the Authority, require a Taxable Person to file together with their Tax Return a disclosure containing information regarding the Taxable Person's transactions and arrangements with its Related Parties and Connected Persons in the form prescribed by the Authority.

2. If a Taxable Person's transactions with its Related Parties and Connected Persons for a Tax Period meet the conditions prescribed by the Minister, the Taxable Person must maintain both a master file and a local file in the form prescribed by the Authority.

3. The documentation under Clause 2 of this Article must be submitted to the Authority within (30) thirty days following a request by the Authority, or by any such other later date as directed by the Authority.

4. Upon request by the Authority, a Taxable Person shall provide the Authority with any information to support the arm's length nature of the Taxable Person's transactions or arrangements with its Related Parties and Connected Persons, within (30) thirty days following the request by the Authority, or by any such other later date as directed by the

Authority.

Article 56 – Record Keeping

1. Notwithstanding the provisions of the Tax Procedures Law, a Taxable Person shall maintain all records and documents for a period of (7) seven years following the end of the Tax Period to which they relate that:

    a) Support the information to be provided in a Tax Return or in any other document to be filed with the Authority.

    b) Enable the Taxable Person's Taxable Income to be readily ascertained by the Authority.

2. Notwithstanding the provisions of the Tax Procedures Law, an Exempt Person shall maintain all records that enable the Exempt Person's status to be readily ascertained by the Authority for a period of (7) seven years following the end of the Tax Period to which they relate.

Article 57 – 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.

Article 58 – Change of Tax Period

Notwithstanding Article 57 of this Decree-Law, a Taxable Person can make an application to the Authority to change the start and end date of its Tax Period, or use a different Tax Period, subject to conditions to be set by the Authority.

Article 59 – Clarifications

1. A Person may make an application to the Authority for a clarification regarding the application of this Decree-Law or the conclusion of an advance pricing agreement with respect to a transaction or an arrangement proposed or entered into by the Person.

2. The application under Clause 1 of this Article shall be made in the form and manner prescribed by the Authority.

Chapter Eighteen – Violations and Penalties

Article 60 – Assessment of Corporate Tax and penalties

1. 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.

2. Notwithstanding the provisions of the Tax Procedures Law and the decisions issued in the implementation of its provisions, the Authority may prescribe the circumstances and conditions under which a Corporate Tax assessment may be requested by a Taxable Person or issued by the Authority.

3. The Tax Procedures Law referred to in the preamble and the decisions issued in the implementation of its provisions shall determine the relevant penalties and fines relevant to the implementation of this Decree-Law.

Chapter Nineteen – Transitional Rules

Article 61 – Transitional Rules

1. A Taxable Person's opening balance sheet for Corporate Tax purposes shall be the closing balance sheet prepared for financial reporting purposes under accounting standards applied in the State on the last day of the Financial Year that ends immediately before their first Tax Period commences, subject to any conditions or adjustments that may be prescribed by the Minister.

2. The opening balance sheet referred to in Clause 1 of this Article shall be prepared taking into consideration the arm's length principle in accordance with Article 34 of this Decree-Law.

3. For the purposes of Clauses 1 and 2 of this Article, and as an exception to the provisions of Article 70 of this Decree-Law, the provisions of Article 50 of this Decree-Law shall apply to transactions or arrangements entered into on or after the date this Decree-Law is published in the Official Gazette.

4. The Cabinet may, at the suggestion of the Minister, issue a decision prescribing other transitional measures related to the implementation of this Decree-Law and the application of its provisions.

Chapter Twenty – Closing provisions

Article 62 – Delegation of Power

The Minister may delegate his powers under this Decree-Law, in full or in part, to the

Authority, where the Minister deems appropriate.

Article 63 – Administrative Policies and Procedures

The administrative policies, procedures and general instructions in relation to the requirements imposed on a Person under this Decree-Law shall be issued by the Authority in coordination with the Ministry.

Article 64 – Cooperating with the Authority

All governmental authorities in the State shall fully cooperate with the Authority to carry out whatever is required to implement the provisions of this Decree-Law and provide the Authority with any data, information and documentation in respect of a Taxable Person or an Exempt Person as may be requested by the Authority.

Article 65 – Revenue Sharing

Corporate Tax revenues and Administrative Penalties collected under this Decree-Law shall be subject to sharing between the Federal Government and the Local Governments based on the provisions of a federal law issued in this regard.

Article 66 – International Agreements

To the extent the terms of an international agreement that is in force in the State are inconsistent with the provisions of this Decree-Law, the terms of the international agreement shall prevail.

Article 67 – Implementing Decisions

1. Subject to the powers conferred to the Cabinet under this Decree-Law, the Minister and the Authority shall issue the necessary decisions, within their respective powers, to implement the provisions of this Decree-Law.

2. The Cabinet may, at the suggestion of the Minister, issue implementing decisions for this Decree-Law.

Article 68 – Cancellation of Conflicting Provisions

Any text or provisions contrary to or inconsistent with the provisions of this Decree-Law shall be abrogated.

Article 69 – Application of this Decree-Law to Tax Periods

This Decree-Law shall apply to Tax Periods commencing on or after 1 June 2023.

Article 70 – Publication and Application of this Decree-Law

This Decree-Law shall be published in the Official Gazette and shall come into effect (15) fifteen days following the date of publication.

Explanatory Guide

On

Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses

May 2023

Table of contents

Introduction

Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses ("**Corporate Tax Law**") was signed on 3 October 2022 and was published in Issue #737 of the Official Gazette of the United Arab Emirates ("**UAE**") on 10 October 2022.

The Corporate Tax Law provides the legislative basis for imposing a federal tax on corporations and business profits ("**Corporate Tax**") in the UAE. It comprises 20 Chapters and 70 Articles, covering, inter alia, the scope of Corporate Tax, its application, and rules pertaining to compliance and the administration of the Corporate Tax regime.

This Explanatory Guide has been prepared by the Ministry of Finance (the "**Ministry**") and provides an explanation of the meaning and intended effect of each Article of the Corporate Tax Law. It may be used in interpreting the Corporate Tax Law and how particular provisions of the Corporate Tax Law may need to be applied.

This Explanatory Guide must be read in conjunction with the Corporate Tax Law and the relevant decisions issued by the Cabinet, the Ministry and the Federal Tax Authority (the "**Authority**") for the implementation of certain provisions of the Corporate Tax Law. It is not, and is not meant to be, a comprehensive description of the Corporate Tax Law and its implementing decisions.

This document may be updated and changed periodically. Updates will be posted on www.mof.gov.ae and www.tax.gov.ae.

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Chapter One: General Provisions

Article 1: Definitions

This Chapter discusses certain key terms used in the Corporate Tax Law. Other terms are considered self-explanatory and as such, are not further explained in this Explanatory Guide.

Where the particular context or Article in which a defined term is used requires a different interpretation or meaning, the definitions given in **Article 1** do not preclude a more appropriate interpretation or meaning of the relevant term suited to that context.

"Government Entity"

The term "Government Entity" refers to the Federal Government and each of the Local Governments and their respective ministries, departments, authorities, agencies and other bodies that exercise legislative, regulatory, executive, administrative and other government related functions.

"Government Controlled Entity"

The term "Government Controlled Entity" refers to an incorporated entity that is directly or indirectly wholly owned and controlled by one or more Government Entities and that undertakes activities that are an extension of the primary function of the Government Entity or Government Entities owning it.

An entity must be a separate juridical person incorporated or otherwise established by the Federal Government or a Local Government and must be listed in a Cabinet Decision before it can be considered a "Government Controlled Entity".

"Business" and "Business Activity"

The terms "Business" and "Business Activity" identify when the activities of certain Persons give rise to a Corporate Tax liability by considering the Person to be a "Taxable Person".

"Business" means any activity, whether continuous or for a set period of time, conducted by any natural or juridical person in any location. It is implied in the definition that the activity is conducted with the intention of generating profits, and that some degree of planning and coordinated effort exists for the activity conducted. A Business or Business Activity does not lose its identity simply because it does not make a profit.

The definition expressly includes any industrial, commercial, agricultural, vocational, professional or service activity, excavation activity and any other activity of an independent character related to the use of tangible and intangible properties. This should be interpreted broadly to include any activity related to the development, sale, production, manufacturing, exploitation, marketing or distribution of tangible and intangible properties.

The term "vocational" is to be interpreted as a skilled craft or trade, and "profession" is an occupation in which skill is applied to the affairs of others to meet their needs. Common examples of professional activities include accountancy, consulting, architecture, and legal services.

Whilst the term “Business” is defined to include both vocational and professional activities, it does not include employment, and Corporate Tax will not apply to an individual’s salary, wages and other employment income.

Whilst typically a Business is carried on continuously and there is repetition of commercial activity, the definition allows for a short-term commercial activity to be considered a Business for Corporate Tax purposes. This is why the Corporate Tax Law refers to the “conduct” of a Business rather than the “carrying on” of a Business.

The definition of a “Business Activity” is wider than that of a “Business”, and includes any transaction, step, or other element or action undertaken by or as part of a Business, which may be carried out entirely or partially within the UAE.

For the application of the Corporate Tax Law to companies and other juridical persons, all activities conducted and assets used or held will generally be considered activities conducted, and assets used or held, for the purposes of a Business or Business Activity.

Natural persons can earn income from employment, investments or from practising a commercial, industrial or professional activity, in their personal capacity, through a partnership or as sole proprietors of a Business. Employment and personal investment income are not intended to be within the scope of Corporate Tax.

It is noted that the characterisation of income as income from a Business or Business Activity does not preclude the income from retaining its nature and characterisation as State Sourced Income under Article 13 and the application of Withholding Tax under Article 45.

“Person”

The definition of a “Person” includes both a natural person and a juridical person.

A “natural person” means an individual or individuals. As discussed above, natural persons would only be subject to Corporate Tax insofar as they conduct a Business or Business Activity in the UAE.

For certain types of Business Activities, natural persons can form a sole establishment or a civil company. For Corporate Tax purposes, these entities will be disregarded and treated as the natural person or persons owning them because of their direct relationship and control over the Business and their unlimited liability for the debts and other obligations of the Business. The relevant natural person or persons may be subject to Corporate Tax and required to register in their individual capacity where a Cabinet Decision issued in accordance with **Article 11(6)** specifies the Business or Business Activity that brings a natural person within the scope of Corporate Tax.

A “juridical person” refers to an entity established or otherwise recognised under the laws and regulations of the UAE, or under the laws of a foreign jurisdiction, that has a legal personality separate from its founders, owners and directors. Separate legal personality means that the entity has its own rights, obligations and liabilities, and that the entity would normally continue to exist irrespective of changes in the Person or Persons owning it. As a consequence, the owners of a juridical person (including those involved in managing its affairs) would generally have no liability for the debts and obligations of the entity over and above their investment in the juridical person, with the exception of the cases that the UAE law states otherwise.

Examples of UAE juridical persons include a limited liability company, a foundation, a public or private joint stock company, and other entity forms that have separate legal personality under the applicable federal or Emirate level laws and regulations. Branches of a UAE or a non-UAE juridical person are regarded as an extension of their “head office” and, therefore, are not considered separate juridical persons for Corporate Tax purposes.

Limited liability partnerships and other types of incorporated partnerships and associations where none of the relevant Persons have direct and unlimited liability for the entity's obligations or other partners or members' actions would ordinarily be subject to Corporate Tax in the same manner as any other corporate entity.

"State's Territory"

The term "State" is defined as the UAE's lands, territorial sea and airspace above it. This definition is not meant to be limiting and means the entire territory of the UAE, including its territorial waters, airspace, islands, free zones and economic zones, seabed, continental shelf, subsoil and their natural resources over which the UAE exercises its sovereign rights in accordance with UAE legislation and international law.

"Taxable Person"

A "Taxable Person" is any Person that is subject to Corporate Tax under the Corporate Tax Law.

Insofar as an Exempt Person engages in an activity which is specifically identified as incurring a Corporate Tax liability for such a Person, the Exempt Person will be regarded as a Taxable Person to the extent of its taxable Business or Business Activity (see **Article 4**).

"Licensing Authority"

For the purposes of the Corporate Tax Law, a "Licensing Authority" refers to an authority in the UAE that is responsible for and authorised to licence or permit the conduct of a Business or Business Activity in the UAE. This includes both "mainland" licensing authorities as well as the authorities responsible for issuing business licences and regulating the activities of entities within a free trade zone or special economic zone. Examples of Licensing Authorities include the Department of Economic Development in each Emirate, the Dubai International Financial Centre Authority, the Dubai Development Authority, Abu Dhabi Global Market, the Central Bank and the Securities and Commodities Authority.

"Revenue"

The term "Revenue" refers to the total amount of gross income or gross receipts derived during a Tax Period as recorded in the Taxable Person's books and records prepared in accordance with applicable accounting standards. Gross income means all income earned from sources within and outside of the UAE, whether in cash or in kind, and without deducting any type of costs or expenditure.

Revenue includes, for example, receipts from the sale of goods and services, royalties, Interest, premiums, dividends and other amounts received or recognised. In the context of the sale of goods or services, revenue means the gross income from sales or services without deducting the cost of goods sold or the cost of services supplied, exclusive of Value Added Tax ("**VAT**").

For the avoidance of doubt, gross income does not mean Taxable Income.

"Free Zone"

This term is relevant to Article 18, which enables juridical persons that are formed or registered in a geographic area that has been designated in a Cabinet Decision as a "Free Zone" to benefit from a 0% Corporate Tax rate on income from certain qualifying activities and transactions.

“Free Zone Person”

The term “Free Zone Person” refers to a juridical person that is incorporated, established or otherwise registered in a Free Zone. This includes a branch of a UAE mainland or foreign juridical person that is registered in a Free Zone.

This term is relevant to Articles 3(2) and 18 as the 0% Corporate Tax rate under Article 3(2)(a) is available only to Free Zone Persons that meet the relevant conditions to be considered a Qualifying Free Zone Person.

The reference to “otherwise registered” in the definition of “Free Zone Person” means that a foreign juridical person that transfers its place of incorporation to a Free Zone and as a result becomes subject to the applicable laws and regulations of the UAE as an entity registered in a Free Zone shall also be considered a Free Zone Person.

A foreign juridical person that is a Resident Person under Article 11(3)(b) by virtue of being effectively managed and controlled in the UAE shall not be considered a Free Zone Person solely on the basis of the place of effective management and control of that juridical person being situated in a Free Zone.

“Dividend”

Subject to the context in which the term is used, the term “dividend” refers to any payment or distribution that is declared or paid on or in respect of shares or other rights participating in the profits of the issuer of such shares or rights which does not constitute a return of capital or a return on debt claims. A dividend may be paid in cash, securities or other property out of profits, retained earnings or any other legal, capital or revenue reserve or account. This includes any payment or benefit which in substance or effect constitutes a distribution of profits made or provided in connection with the acquisition, redemption, cancellation or termination of shares or other ownership interests or rights or any transaction or arrangement with a Related Party or Connected Person that does not comply with **Article 34**.

“Interest”

The term “Interest” is defined broadly to reflect the fact that there is considerable flexibility as to how financing arrangements may be structured. In general terms, Interest means the compensation earned by a creditor for the use of their money, whether under a conventional financing arrangement or a financing arrangement that is compliant with Islamic Sharia law.

The definition is inclusive so that the term otherwise has its ordinary meaning, that is, an amount that is calculated by reference to the principal sum of a debt obligation, including any commonly used interest substitutes such as discounts and premiums and other amounts functionally equivalent to or in the nature of interest.

“Market Value”

To prevent the manipulation of Taxable Income, various Articles in the Corporate Tax Law require the pricing of transactions between Persons under common ownership or between Persons that are otherwise related or connected (see **Chapter Ten** of the Corporate Tax Law) to be determined by reference to the “Market Value” (also commonly referred to as fair value or fair market value).

For example, and unless the Corporate Tax Law specifically allows for a different value to be used, a Taxable Person disposing of an asset to a Related Party or a Connected Person would be treated for Corporate Tax purposes as having received consideration for the disposal equal to the Market Value of the asset at the time of the disposal, irrespective of the value reported in the financial statements of the Taxable Person. The same amount must then be treated as the cost base of the asset for Corporate Tax purposes for the acquiring Person.

The Market Value of an asset, service or benefit provided is the value that the asset, service or benefit would ordinarily have in the open market at the time and place of the transaction taking place. The value should be determined as if the parties are independent from each other as per the arm's length principle. If it is not possible to determine the Market Value of the actual asset, service or benefit, the definition allows for the Market Value to be determined by reference to the consideration for a similar asset, service or benefit in the open market at that time, as adjusted for any differences between the transactions being compared or between the parties undertaking those transactions.

"Tax Procedures Law"

The in-force law that governs the general procedural or administrative rules relating to federal taxes in the UAE is the Federal Decree-Law No. 28 of 2022 on Tax Procedures. The Tax Procedures Law provides for harmonised procedural and administrative rules applicable to federal taxes applicable in the UAE.

The Corporate Tax Law is a "Tax Law" for the purposes of the Tax Procedures Law and hence the relevant provisions of the Tax Procedures Law govern the administration, collection and enforcement of Corporate Tax by the Authority.

The application of the Tax Procedures Law is supplemented by the procedural and administrative rules that are specific to Corporate Tax imposed under the Corporate Tax Law. This means that any procedural or administrative rules that are specific to Corporate Tax imposed under the Corporate Tax Law are provided for in the Corporate Tax Law, while any procedural or administrative rules that are common across all federal taxes in the UAE are governed by the Tax Procedures Law.

Chapter Two: Imposition of Corporate Tax and Applicable Rates

Article 2: Imposition of Corporate Tax

This Article sets out the general scope of the Corporate Tax Law. It establishes that Corporate Tax is imposed on the Taxable Income earned by a Taxable Person in a Tax Period.

This Article also provides that Corporate Tax shall be imposed at the rates specified in **Article 3**, and that any Corporate Tax due shall be payable to the Authority.

Corporate Tax would ordinarily be imposed annually, with the Corporate Tax liability calculated by the Taxable Person on a self-assessment basis. This means that the calculation and payment of Corporate Tax is done through the filing of a Corporate Tax Return by the Taxable Person followed by payment of any amount due, to the Authority.

Article 3: Corporate Tax Rate

This Article specifies the rates of Corporate Tax which shall apply to the Taxable Income of a Taxable Person in each Tax Period.

Clause 1 sets the rate of Corporate Tax at 9% for Taxable Income in excess of a threshold amount specified in a Cabinet Decision. Taxable Income below this threshold will be subject to Corporate Tax at 0%.

Cabinet Decision No. 116 of 2022 on the Annual Taxable Income Subject to Corporate Tax has set the threshold amount for the purposes of **Clause 1** at AED 375,000.

As such, the rates of Corporate Tax set by this Article will apply as follows:

- 0% on Taxable Income up to and including AED 375,000; and
- 9% on Taxable Income above AED 375,000.

A Qualifying Free Zone Person will not be able to benefit from the 0% tax threshold as mentioned above.

Clause 2 determines the rates of Corporate Tax that shall apply to Qualifying Free Zone Persons that meet the conditions of **Article 18**.**Clause 2(a)** provides that Qualifying Free Zone Persons can benefit from a 0% Corporate Tax rate on their Qualifying Income. The income that constitutes Qualifying Income is discussed under **Article 18(1)(b)**.

Clause 2(b) sets the rate of Corporate Tax at 9% for any income earned by a Qualifying Free Zone Person that is not Qualifying Income.

Chapter Three: Exempt Person

Article 4: Exempt Person

This Article specifies the Persons that are exempt from Corporate Tax.

Exemptions from Corporate Tax are provided for particular categories of Persons where there are public interest and policy justifications for not subjecting these categories of Persons to taxation.

The exemption from Corporate Tax provided under this Article is a so-called “subject exemption” that excludes the relevant entity from being within the scope of Corporate Tax, as opposed to an “object exemption” that would only exempt specific types of income earned by an otherwise Taxable Person. Examples of object exemptions under the Corporate Tax Law are the Participation Exemption under **Article 23** and the Foreign Permanent Establishment Exemption under **Article 24**.

A distinction is made between Persons that are automatically exempt by reason of this Article, and Persons that must make an application to the Authority to claim Exempt Person status.

Government Entities, Government Controlled Entities, Persons engaged in Extractive Businesses that meet the conditions under **Article 7**, Persons engaged in Non-Extractive Natural Resource Businesses that meet the conditions under **Article 8** and Qualifying Public Benefit Entities will not have to apply to the Authority for Exempt Person status. These Persons will generally be exempt from the application of the Corporate Tax Law unless they engage in an activity which is specifically identified as incurring a Corporate Tax liability for such a Person. Further information on these Exempt Persons can be found under the explanation of **Articles 5, 6, 7**, **8** and **9**.

Clause 1 introduces the following categories of Persons who are exempt from Corporate Tax.

Clause 1(a) *Government Entities*

Government Entities include the Federal Government, the Government of each Emirate, and any associated ministries, departments and other public bodies or agencies that are an integral part of the respective Government. Examples of Government Entities include the State’s ministries and federal authorities and the municipalities, departments and agencies of each Local Government. These and other Government Entities are considered administrative bodies that carry out government functions under the control of the Federal Government or Local Government. Juridical persons that are used by Government Entities to carry out certain activities of the Federal or Local Governments under outsourcing and other arrangements shall not be considered Government Entities in their own right.

It is internationally common for a government to exempt its own activities from taxation, as those activities are generally conducted as part of the government’s duties.

Government Entities automatically qualify for an exemption, without needing to be listed in a Cabinet Decision or having to submit an application to the Authority.

How the exemption from Corporate Tax under this Clause will apply to Government Entities that also engage in an activity which incurs a Corporate Tax liability is discussed in more detail under **Article 5**.

Clause 1(b) *Government Controlled Entities*

The Corporate Tax Law makes a distinction between a “Government Entity” and a “Government Controlled Entity”.

The difference with a Government Entity is that a Government Controlled Entity is a separate juridical person and not an unincorporated part or body of the Government. Further, Government Entities automatically qualify for an exemption from Corporate Tax, whilst a Government Controlled Entity would need to be listed in a Cabinet Decision issued in accordance with **Article 1** in order to be exempt from Corporate Tax.

The exemption under **Clause 1(b)** recognises that whilst a Government Controlled Entity is legally distinct from the Government, it may undertake activities that are the same or similar to those of the Government Entity owning it, or that can otherwise be considered part of the remit of the relevant Government Entity. A juridical entity that carries out its mandate to fulfil a government’s responsibility in accordance with the law or other instrument under which it was established will have its mandated activities assimilated to a government function rather than a taxable Business. It is internationally common to exempt such entities from taxation.

A Government Controlled Entity would typically be established by way of federal or local law, decree or resolution. In addition, a Government Controlled Entity is required to be wholly owned and controlled by one or more Government Entities. The term “ownership” refers to the full legal and beneficial ownership of the shares or other ownership interests in the Government Controlled Entity, with unrestricted entitlement to profit and liquidation proceeds and other ownership entitlements.

Ownership of a Government Controlled Entity can either be directly held by one or more Government Entities or indirectly held through one or more other Government Controlled Entities. Whilst a Government Controlled Entity would ordinarily be expected to be held directly by a Government Entity, there may be instances where this is not the case due to a past restructuring of the relevant Government Entity's activities or investments, or because of other reasons.

The earnings of the Government Controlled Entity must ultimately be credited to the account of the Government, without a private Person having a claim or entitlement over the entity’s income, assets or ownership interests by virtue of ownership or a beneficial interest in the entity.

Determining whether a Government Controlled Entity is “controlled” by the Government would, among other factors, involve consideration of the composition of the entity’s board of directors. The board of a Government Controlled Entity would generally be expected to comprise Government and public sector officials and other members appointed by the Government.

How the exemption from Corporate Tax under this Clause applies to Government Controlled Entities is discussed in more detail under **Article 6**.

Clause 1(c) *Persons engaged in an Extractive Business and* ***Clause 1(d)*** *Persons engaged in a Non-Extractive Natural Resource Business*

The UAE Constitution considers the Natural Resources in each Emirate to be the public property of that Emirate. Persons engaged in the extraction and exploitation of Natural Resources are often subject to some form of Emirate-level taxation. Accordingly, **Articles 4(1)(c)** and **4(1)(d)** exempt Persons engaged in the extraction of the UAE’s Natural Resources and in the non-extractive aspects of the Natural Resources value chain from Corporate Tax, subject to the conditions and safeguards specified in **Articles 7** and **8** being met.

“Natural Resources” are defined as water, oil, gas, coal, naturally formed minerals and other non-renewable, non-living natural resources that may be extracted from the State’s Territory. The definition specifically excludes renewable resources such as solar energy, wind, animals, and plant materials which would not qualify a Person to benefit from a Corporate Tax exemption under this Article.

For the purposes of **Clause 1(c)**, an Extractive Business is one engaged in the activity of exploring, extracting, removing or otherwise producing and exploiting Natural Resources. This sector is also commonly referred to as exploration and production, and covers activities such as oil and gas extraction, mining, dredging and quarrying. The extraction of Natural Resources is often done by companies that are wholly or partially privately owned under long-term concessions or contracts entered into with the respective Local Government.

The definition of Non-Extractive Natural Resources Business for the purposes of Corporate Tax and **Clause 1(d)**, explained in the context of the oil and gas sector, covers activities that form part of the midstream and downstream subsectors. This would include the processing, transportation and storage of Natural Resources, as well as the marketing, distributing, and selling of Natural Resource products.

Clause 1(e) *Qualifying Public Benefit Entities*

The UAE actively promotes social responsibility, volunteering activities and community service, and is the home of many philanthropic and public benefit organisations. These organisations play an important role by taking a shared responsibility with the Government for the advancement of social and public welfare, and communal or group interests.

Organisations formed for carrying out social, cultural, religious, charitable or other public benefit activities that meet the conditions specified in **Article 9** can apply to the Ministry to be treated as a Qualifying Public Benefit Entity and be exempt from Corporate Tax. If the application is approved, the organisation will be listed in a Cabinet Decision. The exemption will be effective from the beginning of the Tax Period in which the Qualifying Public Benefit Entity is listed in the Cabinet Decision signifying that it is a Qualifying Public Benefit Entity or from any other date determined by the Minister of Finance (the “**Minister**”).

Clause 1(f) *Qualifying Investment Funds*

It is internationally accepted for a tax system to provide for neutrality between direct investments and investment through collective investment funds by not subjecting the income of the investment fund to taxation. This ensures that the investor in the fund, whether domestic or foreign, is in the same or a similar tax position as if they had invested directly in the underlying assets of the fund.

The Corporate Tax Law seeks to protect the tax neutrality of UAE investment funds in two ways.

First, an investment fund that is structured as an Unincorporated Partnership will not be treated as a Taxable Person in its own right (i.e., fiscally transparent for Corporate Tax purposes) under **Article 16** with income derived by such an investment fund being treated as earned by the investors. Depending on their tax profile and residence for tax purposes, the investors may be subject to Corporate Tax on the income derived through the investment fund.

Second, **Clause 1(f)** allows investment funds that are structured as incorporated entities, such as real estate investment trusts and investment companies, to apply to the Authority for an exemption from Corporate Tax, subject to meeting the conditions specified in **Article 10**.

The exemption from Corporate Tax under **Clause 1(f)** may also extend to UAE juridical persons wholly owned and controlled by a Qualifying Investment Fund to hold the Qualifying Investment Fund's assets or invest their funds under **Clause 1(h)**.

Clause 1(g) *Pension or social security funds*

There are various public pension and social security funds in the UAE that manage publicly mandated pensions and social security benefits for certain categories of Persons. Whilst these funds are initiated, sponsored and governed by the Federal or Local Government, they would typically not be wholly owned and controlled by a Government Entity. This is because the entitlement to receive pension or social security benefits and any surplus assets of the fund would normally rest with the beneficiaries for which the fund was established. This may prevent a public pension and social security fund from benefiting from Exempt Person status under Clause 1(b).

Given the importance and relevance of public pension and social security funds for the country and its population, **Clause 1(g)** excludes public pension and social security funds from the application of the Corporate Tax Law.

The same Exempt Person status may be available to private pension or social security funds that are subject to regulatory oversight of a competent authority in the UAE such as the DIFC Dubai Financial Services Authority, and that meet any other conditions that may be prescribed by the Minister. Such conditions may detail any operational and other requirements to ensure the exemption under **Clause (1)(g)** only benefits private employee retirement and end of service gratuity schemes.

The Corporate Tax treatment of pension or social security funds is consistent with international practice and takes into account that the beneficiaries may be taxed on the pension or social security benefits outside of the UAE, depending on their tax status and the applicable tax regime at the time of receipt.

Clause 1(h) *Juridical persons incorporated in the UAE that are wholly owned and controlled by certain Exempt Persons*

An Exempt Person may incorporate one or more wholly owned subsidiary companies to carry out part or all of its activities. For example, a Qualifying Investment Fund may establish a holding company to own certain assets, or a Government Controlled Entity may establish a subsidiary to provide administrative support services. Whilst such subsidiaries would not be considered Exempt Persons in their own right, it would not be consistent from a policy perspective to deny these juridical persons the same Corporate Tax relief provided to their owners where they are merely carrying out part or all of the same functions and activities.

Accordingly, **Clause 1(h)** allows a UAE juridical person that is wholly owned and controlled by an exempted Government Entity, Government Controlled Entity, Qualifying Investment Fund or a pension or social security fund to apply to the Authority for an exemption from Corporate Tax where its activities are limited to:

- undertaking part or whole of the activity of the Exempt Person to the extent that those activities do not relate to the taxable Business or Business Activities of that Exempt Person; and/or
- holding assets or investing funds for the benefit of the Exempt Person; and/or
- activities that are ancillary to those carried out by the Exempt Person.

The exemption from Corporate Tax under this Clause is available to juridical persons meeting the conditions specified above that are directly or indirectly wholly owned and controlled by the Exempt Person through one or more juridical persons that have been granted Exempt Person status under this Clause.

Clause 1(i) *Any other Person as may be determined by a Cabinet Decision*

The Corporate Tax Law allows for further strategically focused exemptions to be introduced in the future through one or more Cabinet Decisions. This is to ensure that the Corporate Tax Law is sufficiently dynamic to respond to domestic and international changes and developments. Until any such decision is issued, only those Persons described above will be exempt from Corporate Tax.

Clause 2 establishes that whilst Government Entities, Government Controlled Entities, Persons engaged in an Extractive Business and Persons engaged in a Non-Extractive Natural Resource Business can have the status of a Taxable Person insofar as it relates to their taxable Business or Business Activity, they will continue to be treated as an Exempt Person for the purposes of certain relief provisions under the Corporate Tax Law.

Specifically, the ability to transfer assets and liabilities within a Qualifying Group, the ability to transfer assets and liabilities as part of a business restructuring, the ability to transfer Tax Losses, and the ability to form or join a Tax Group under **Articles 26, 27, 38** and **40** will not be available to an Exempt Person that is also engaged in a taxable Business or Business Activity.

Clause 3 specifies that Qualifying Investment Funds, pension or social security funds, and juridical persons incorporated in the UAE that are wholly owned and controlled by an Exempt Person do not automatically qualify for an exemption. Instead, these categories of entities and any other categories of Exempt Persons as may be determined at a later stage in a Cabinet Decision must make an application to the Authority to be exempt from Corporate Tax.

It is the responsibility of entities that fall within the scope of **Clause 3** to self-assess whether they meet the conditions to be exempt from Corporate Tax, and to apply to the Authority to be approved for Exempt Person status. Until approval is granted by the Authority on such application, the entity will remain subject to Corporate Tax as a Taxable Person.

The form and manner in which the application needs to be made will be prescribed by the Authority.

Clause 4 establishes that Persons making an application under **Clause 3** will be treated as an Exempt Person from the beginning of the Tax Period specified in their application to the Authority, or from any other date as determined by the Authority.

The ability for the Authority to set any other date provides flexibility for the Authority to allow an exemption to become effective during a Tax Period, where appropriate, or to suggest an earlier or later effective date depending on the specific situation of the applicant.

A Person may apply for Exempt Person status to be granted for Tax Periods before the period in which the application is filed. Retrospective approval as an Exempt Person is at the discretion of the Authority and would be granted only if the Authority is satisfied that the Person met all applicable conditions during the entire period and agrees with the reason(s) why the application was not filed at an earlier point of time.

Clause 5 provides that an Exempt Person that fails to meet any of the conditions which determine their exempt status will cease to be an Exempt Person from the beginning of the Tax Period in which the relevant condition

or conditions are no longer met. The reason for the exemption ceasing to apply from the beginning of the relevant period is to avoid administrative complexities associated with a change in tax status at a point in time that does not coincide with the beginning of a Tax Period.

Clause 6 allows the Minister to prescribe the conditions and instances under which a Person can continue to be exempt from Corporate Tax despite not meeting the conditions set out in the Corporate Tax Law, or to prevent a Person from losing its exempt status for the entire relevant Tax Period. This exception to the general rule under **Clause 5** recognises that there may be situations where the failure to meet the conditions is due to extenuating circumstances such as the termination or liquidation of the Person, or because the failure is of a temporary nature and is expected to be rectified within a reasonable timeframe.

Article 5: Government Entity

Government Entities are generally exempt from Corporate Tax.

It is internationally accepted that Government entities are outside the scope of corporate income tax insofar as they conduct activities that are an extension or part of the Government's sovereign and public functions. Equally, it is internationally accepted that such an exemption would not extend to commercial activities that would result in the Government entity enjoying an inequitable advantage over a private sector entity engaged in the same activities.

Article 5 gives effect to the above policy principles and sets out instances where this exemption does not apply.

Clause 1 provides a general rule that a Government Entity is exempt from the application of the Corporate Tax Law. This means that unless specifically provided otherwise in the Corporate Tax Law or any implementing decision issued thereunder, a Government Entity would not have any registration obligation under the Corporate Tax Law.

Clause 2 establishes that notwithstanding **Clause 1**, a Government Entity will be within the scope of Corporate Tax insofar as it conducts a Business or Business Activity under a trade licence or equivalent permit issued by the relevant Licensing Authority concerned with the licensing of commercial activities in the UAE. Maintaining a business licence would be seen as an indication of the conduct of a commercial activity that is not related to the core activities of the Government.

Clause 3 establishes that where a Government Entity conducts a licensed Business or Business Activity, such activity will be treated as a separate and independent Business for Corporate Tax purposes. The Government Entity must maintain financial statements for this Business, separate from its other activities.

This Clause, which should be read together with **Clauses 4** and **5**, provides that for the purposes of the computation of Taxable Income, income and expenditure should be attributed to the Business or Business Activity as if it was a distinct and separate entity from the Government Entity. The arm's length principle under **Article 34** would apply to any interactions between the taxable Business and the other Tax exempted functions and activities of the Government Entity.

Clause 4 determines that the Government Entity must calculate the Taxable Income of its Business independently for each Tax Period according to the provisions of the Corporate Tax Law. This would need to be done on the basis of separate financial statements referred to in **Clause 3**. The Government Entity will not be able to benefit from the reliefs provided under Chapter Eight of the Corporate Tax Law or use losses from

its sovereign and public activities to reduce the Taxable Income of its taxable Business (under **Article 38**) or join or form a Tax Group (under **Article 40**).

Clause 5 specifies that any transactions between the taxable Business of the Government Entity and its other activities will be treated as Related Party transactions subject to the transfer pricing rules under **Article 34**.

Based on the position under **Clause 3** that the licensed Business or Business Activity is treated as a separate and independent entity, it can be involved in "dealings" with other parts of the Government Entity. **Clause 5** provides that the arm's length principle under **Article 34** would be applicable to any such dealings, and the attribution of income and related expenditure to the Business would need to be done through the performance of a functional analysis and application of prescribed transfer pricing methods.

Further details on the treatment of Related Party transactions and the application of the arm's length principle can be found in **Chapter Ten** of the Corporate Tax Law.

Clause 6 provides that a Government Entity can make an application to the Authority to have all of its Businesses or Business Activities treated as a single Taxable Person. This Clause is intended for situations where the Federal Government or a Local Government has multiple departments, authorities, agencies or other public institutions carrying on activities that are within the scope of Corporate Tax. In this case, and in accordance with Ministerial Decision No. 68 of 2023 on the Treatment of all Businesses and Business Activities Conducted by a Government Entity as a Single Taxable Person, the relevant Federal or Local Government Entity may apply to the Authority to treat the relevant taxable Businesses of the Federal Government or Local Government as a single Taxable Person. This would allow the Federal or Local Government Entity to file a single Tax Return for all its taxable Businesses.

The ability for a Federal or Local Government Entity to consolidate its taxable Businesses for Corporate Tax purposes is subject to the conditions that have been specified in Ministerial Decision No. 68 of 2023 on the Treatment of all Businesses and Business Activities Conducted by a Government Entity as a Single Taxable Person. These conditions are:

- the application should include all of the taxable Businesses and Business Activities of the Federal Government Entity or the Local Government Entity; the Businesses and Business Activities of the Federal Government Entities or the Local Government Entities should be conducted under a Licence issued by a Licensing Authority.

- the Federal Government or the Local Government will be required to nominate a Federal Government Entity or a Local Government Entity to act as a representative for the Federal Government or the Local Government, respectively. This representative will be responsible for making the application to the Authority to be treated as a single taxable person, the Corporate Tax compliance and payment obligations of all respective taxable Businesses and Business Activities; and

- in the case of the Local Government Entity, the application can only cover those Businesses and Business Activities that are conducted within the same Emirate.

Where an application has been approved by the Authority to consolidate the taxable Businesses and Business Activities of a Federal Government Entity or a Local Government Entity, any new Business or Business Activity conducted by the same Federal or Local Government Entity that meets the required conditions will be treated as being a part of the same Taxable Person.

Article 6: Government Controlled Entity

The Corporate Tax Law makes a distinction between a "Government Entity" and a "Government Controlled Entity" as explained under **Article 4**. Whilst both types of entities can benefit from an exemption from Corporate Tax, Government Controlled Entities would need to be listed in a Cabinet Decision together with their "Mandated Activities" to benefit from Exempt Person status.

Where a Government Controlled Entity is listed in the relevant Cabinet Decision, this Article exempts that Government Controlled Entity from the application of the Corporate Tax Law whilst establishing the limited circumstances in which a Government Controlled Entity will be subject to Corporate Tax to prevent such entity from enjoying an inequitable advantage over the private sector.

Government Controlled Entities are exempt from Corporate Tax in broadly the same circumstances that Government Entities are exempt. As such, this Article and the provisions contained therein broadly mirror the rules regarding Government Entities as set out in **Article 5**.

Clause 1 provides the basic rule that a Government Controlled Entity is exempt from Corporate Tax and the application of the Corporate Tax Law. This means that unless specifically provided otherwise in any other Article of the Corporate Tax Law or any implementing decision issued thereunder, a Government Controlled Entity would not have any registration obligations under the Corporate Tax Law.

Clause 2 establishes that, notwithstanding **Clause 1**, a Government Controlled Entity will be subject to Corporate Tax insofar as it conducts a Business or Business Activity which is not its Mandated Activity.

A Mandated Activity is an activity or activities conducted by a Government Controlled Entity in accordance with the legal instrument establishing or regulating the entity, and that is listed in the Cabinet Decision issued in accordance with **Article 1**.

Not all activities listed in the legal instrument establishing or regulating the Government Controlled Entity would automatically be considered a Mandated Activity. For an activity to be considered a "Mandated Activity", it must be an extension of the Government Entity's primary function and duties and the income derived from the Mandated Activity must ultimately be credited to its own account or to the account of any other Government Entity.

A Mandated Activity may include activities performed by the Government Controlled Entity that serve no independent function and are necessary for, the performance of the primary activity or activities of the Government Entity.

The Mandated Activity does not in itself prohibit the Government Controlled Entity from engaging in a commercial activity and generating profits. However, unless such activity is recognised as a Mandated Activity in the Cabinet Decision exempting the Government Controlled Entity, the entity would face the same taxation on the activity as potential competitors in the private sector, irrespective of its government ownership and the source of its funds.

Clause 3 establishes that a Business or Business Activity conducted by a Government Controlled Entity that is not its Mandated Activity listed in the Cabinet Decision, will be treated as a separate and independent Business for Corporate Tax purposes. The Government Controlled Entity must maintain financial statements for the Business, separate from its other activities.

This Clause, which should be read together with **Clauses 4** and **5**, provides that for the purposes of the computation of Taxable Income, income and expenditure should be attributed to the Business or Business Activity as if it was a distinct and separate entity from the Government Controlled Entity. The arm's length principle under **Article 34** would apply to any interactions between the taxable Business and the other Mandated Activities of the Government Controlled Entity.

Where a Government Controlled Entity has more than one Business or Business Activity that is not its Mandated Activity, all relevant Business Activities will be treated as a single Business for the purposes of this Article.

Clause 4 determines that the Government Controlled Entity must calculate the Taxable Income of its Business or Business Activity that is not its Mandated Activity independently for each Tax Period. This would need to be done on the basis of separate financial statements referred to in **Clause 3.** The Government Controlled Entity will not be able to benefit from the reliefs provided under Chapter Eight of the Corporate Tax Law or use losses from its mandated activity to reduce the Taxable Income of its taxable Business (under **Article 38**) or join or form a Tax Group (under **Article 40**).

Clause 5 provides that any transaction undertaken between the Business of the Government Controlled Entity and its Mandated Activities will be treated as Related Party transactions subject to the transfer pricing rules under **Article 34.**

Based on the position under **Clause 3**, the arm's length principle under **Article 34** would be applicable to any dealings between the Business and other parts of the Government Controlled Entity, and the attribution of income and related expenditure to the Business would need to be done through the performance of a functional analysis and application of prescribed transfer pricing methods.

Further details on the treatment of Related Party transactions and the application of the arm's length principle can be found in **Chapter Ten** of the Corporate Tax Law.

Article 7: Extractive Business

To prevent double taxation, and to respect the sovereignty of Emirates over their Natural Resources, this Article sets out the conditions for satisfying the definition of being an Extractive Business for the purposes of Exempt Person status under **Article 4(1)(c)** and the circumstances that would lead to any other Business of an otherwise exempt Extractive Business being subject to Corporate Tax.

Any share of income from the extraction and exploitation of Natural Resources earned directly by a Government Entity, or royalties and other fiscal levies raised by a Government Entity from the extraction or production of Natural Resources by private sector companies will be outside the scope of the Corporate Tax under **Article 4(1)(a)**.

Clause 1 specifies that a Person shall be exempt from Corporate Tax in respect of activities related to its Extractive Business where all of the following conditions are met.

- The Person either directly or indirectly holds or has an interest in a right, concession or Licence issued by a Local Government to undertake its Extractive Business.

  Whilst certain aspects of the Natural Resources sector are federally regulated, each Emirate is responsible for regulating the exploration and production of its oil and gas reserves and other Natural Resources. Rights to the exploration and production of Natural Resources are typically awarded to companies that

are wholly privately or government owned or to joint ventures between a Local Government and private sector enterprises by way of a licence or concession agreement entered into with the relevant Government Entity.

Irrespective of the nature and proportion of government ownership, a necessary condition for a Person to qualify for Exempt Person status under **Article 4(1)(c)** is that they are the direct or indirect holder of, or beneficiary under, a Natural Resources licence or concession agreement. The reference to "directly or indirectly" in this Clause recognises that the procedures and contractual structures for obtaining Natural Resources exploration and production rights vary between the Emirates and on a case-by-case basis, and that a Person may be or become a holder or beneficiary under a Natural Resources licence or concession agreement by virtue of assignment, participation or sub-participation.

- The Person is effectively subject to tax in the Emirate in which they operate as set out in **Article 7(6)**.

  Local Governments derive income from Natural Resources through their participation in companies or partnerships with other investors and through taxation. The taxation of Natural Resource activities is regulated by the individual Emirates and is typically agreed on a case-by-case basis under the relevant concession agreement or similar arrangement with the Local Government.

  In addition to being the direct or indirect holder of or beneficiary under a Natural Resources licence, concession agreement or similar arrangement, a Person shall be exempt from the application of the Corporate Tax Law only where it is effectively subject to Emirate-level taxation. Effectively subject to tax means that the Person has to actually pay some level of tax to the relevant Local Government. This could be an income tax levied under the relevant Emirate-level tax decree, a royalty on production or sales or other fiscal measure provided for in the agreement entered into with the relevant Government Entity, or other form of tax, charge or levy issued by the respective Local Government.

- A Person seeking to claim an exemption from Corporate Tax under **Article 4(1)(c)** must notify the Ministry of its Exempt Person status and its compliance with the conditions set forth in **Article 7**. The form and manner to make this notification will be agreed between the Ministry and the Government of the relevant Emirates to ensure alignment around the requirements and the process to validate the eligibility of the exempt status in accordance with the provisions of **Article 7**.

Clause 2 establishes that where a Person satisfies the conditions of **Clause 1** and derives income from both an Extractive Business and any other Business or Business Activity that is subject to Corporate Tax, the Person will be considered to have a dual status for Corporate Tax purposes and will be within the scope of Corporate Tax insofar as the income is derived from its other Business.

The income from the Extractive Business will remain outside the scope of the Corporate Tax Law and will be taxed in accordance with the applicable legislation of the relevant Emirate, and the income from the other Business will be subject to Corporate Tax under the Corporate Tax Law, unless the other Business is an exempted Non-Extractive Natural Resource Business (see **Article 8**).

Clause 3 provides that for the purposes of **Clause 2,** a Person will not be considered to have earned income from any other Business where such other Business is ancillary or incidental to the Person's Extractive Business.

All facts and circumstances must be considered in determining whether any other Business is ancillary or incidental to the Person's Extractive Business, but relevant indicators may include the relative size and value of

the other Business and the duration and frequency of the activity. Examples of earning income from an ancillary or incidental Business would include earning rental income from letting out vacant parts of a property or equipment used in the Person's Extractive Business or earning interest from placing excess funds at the disposal of a Related Party.

For any other Business to be considered ancillary or incidental to the Person's Extractive Business, the aggregate Revenue from such other Businesses cannot exceed 5% of the Person's total Revenue for the Tax Period in question.

Clause 4 sets out how a Person with income from both an Extractive Business and any other Business is treated under the Corporate Tax Law.

Clause 4(a) specifies that the other Business will be treated as a separate and independent Business for Corporate Tax purposes for which separate financial statements will need to be maintained. This Clause, which should be read together with **Clause 5**, provides that for the purposes of the computation of Taxable Income from the other Business, income and expenditure should be attributed to the other Business as if it was a distinct and separate entity from the Person's Extractive Business, unless **Clause 4(b)** provides otherwise.

Where the Person has more than one other Business that is not the Person's Extractive Business, all other Business Activities will be treated as a single Business for the purposes of this Article.

The arm's length principle under **Article 34** would apply to any interactions between the Extractive Business and the other Business of the Person.

Clause 4(b) addresses how any common expenditure between the Extractive Business and the other Business of the same Person should be apportioned.

Persons engaged in both an Extractive Business and any other Business are required to separate the income, expenses, and losses attributable to their Extractive Business and their other Business, with the Taxable Income from the other Business determined in accordance with the provisions of the Corporate Tax Law.

Common expenses that cannot be attributed individually should be apportioned according to the Revenue of each Business in a Tax Period, unless the expenditure is taken into account in a different proportion for the purposes of calculating the tax payable on the income of the Person's Extractive Business under the applicable legislation of the respective Emirate. In this case, the apportionment shall follow this latter proportion. Any such different apportionment is not intended to allow for an attribution of common expenditure to the other Business in excess of the relative proportion of Revenue from the other Business.

Clause 4(c) confirms that for the other Business, the Person must perform a separate calculation of Taxable Income and Corporate Tax payable for each Tax Period in accordance with the provisions of the Corporate Tax Law. The Person will not be able to benefit from the reliefs provided under **Chapter Eight** of the Corporate Tax Law or use losses from the Extractive Business to reduce the Taxable Income of its other Business (under **Article 38**) or join or form a Tax Group (under **Article 40**).

Clause 5 provides that transactions undertaken between the Extractive Business and the other Business of the same Person are treated as Related Party transactions. Based on the position under **Clause 4(a)**, the arm's length principle under **Article 34** will be applicable to any transactions or dealings between the Person's Extractive Business and any other Business.

Chapter Ten of the Corporate Tax Law provides further detail on the treatment of Related Party transactions.

Clause 6 clarifies what constitutes a "tax" for the purposes of satisfying the condition of being effectively subject to Emirate-level taxation under **Clause 1**.

The fiscal regime applicable to Natural Resource exploration and production may involve income taxes levied under Emirate-level tax decrees, royalties on production, levies on revenues and other fiscal measures. Acknowledging that the taxation of an Extractive Business at Emirate level can take many different forms, this concept is meant to be interpreted widely, and includes all forms of tax, charge or levy payable on income, profits or revenues to the Local Government.

Clause 7 confirms that the scope of the Extractive Business exemption for Corporate Tax purposes does not extend to Persons who do not, in their own right, meet the conditions to be exempt under **Article 7** or **8** of the Corporate Tax Law.

Accordingly, where a Person that meets the conditions of **Article 7(1)** engages another Person to undertake any part of the exploration and production activities, such other Person will not be able to avail the Extractive Business exemption, and the income derived by this other Person will be subject to Corporate Tax in accordance with the provisions of the Corporate Tax Law.

Article 8: Non-Extractive Natural Resource Business

Similar to the exploration and production of Natural Resources, whilst certain non-extractive aspects of the Natural Resources sector are regulated at the federal level (e.g., the transportation and storage of crude oil), the Emirates are also responsible for regulating activities related to their Natural Resources beyond exploration and production.

In particular, each Emirate regulates access to the relevant infrastructure and facilities for the processing, transportation and storage of Natural Resources and may give access to such infrastructure or grant the right to market, distribute, and sell the Emirate's Natural Resources to companies that are wholly or partially privately or government owned pursuant to concessions or commercial agreements. These agreements may provide that the income from the Non-Extractive Natural Resource Business is subject to taxation at the Emirate level.

Further, a Person wishing to engage in, among other things, the distribution, processing, transport, sale, or storage of Natural Resources must first obtain an authorisation to do so from the Licensing Authority of the applicable Emirate. Such authorisation would generally specify the Natural Resource products that the licensee is permitted to manage or sell.

To prevent double taxation, and to respect the sovereignty of Emirates over their Natural Resources, this Article sets out the activities that satisfy the definition of a Non-Extractive Natural Resource Business for the purposes of being an Exempt Person under the provisions of **Article 4(1)(d)**, as well as the circumstances that would lead to other Business Activities of an otherwise Non-Extractive Natural Resource Business being subject to Corporate Tax under the Corporate Tax Law.

The provisions of this Article extend an exemption similar to the one available under **Article 7** to the separation, treatment, refinement, processing, storage, transportation, marketing, and distribution of Natural Resources. To the extent tax is payable to the Local Government in respect of such activities, and provided the relevant other

conditions are met, the Person engaged in a Non-Extractive Natural Resource Business would be exempt from the application of the Corporate Tax Law.

The definition of Natural Resource as discussed above in relation to **Article 7** of the Corporate Tax Law also applies for the purposes of this Article.

Clause 1 specifies that a Person will be exempt in respect of activities related to a Non-Extractive Natural Resource Business where all of the following conditions are met:

- the Person directly or indirectly holds or has an interest in a right, concession or Licence issued by a Local Government to undertake a Non-Extractive Natural Resource Business;

- the Person's income from its Non-Extractive Natural Resource Business is solely derived from Persons undertaking a Business or Business Activity;

  The exemption from Corporate Tax under **Article 4(1)(d)** is limited to Persons that engage solely in transactions with other businesses, as opposed to with the end customer or consumer. In other words, if the Person derives income from anyone who is not within the scope of the Corporate Tax Law (e.g. natural persons who do not undertake a Business or Business Activity) or from any other Person that is not a business or other organised entity, the exemption from Corporate Tax under **Article 4(1)(d)** will not be available.

- the Person is effectively subject to tax in the Emirate in which they operate as set out in **Article 8(6)**; and

  Similar to the requirement under **Article 7**, "effectively subject to tax" means that the Person has to actually pay some level of tax to the relevant Local Government. This could be an income tax levied under the relevant Emirate-level tax decree, a royalty on production or sales or other fiscal measure provided for in the agreement entered into with the relevant Government Entity, or other form of tax, charge or levy issued by the respective Local Government.

- the Person has notified the Ministry in the form and manner as agreed between the Ministry and the Government of the relevant Emirates to ensure alignment around the requirements and the process to validate the eligibility of the exempt status in accordance with the provisions of **Article 8**.

Clause 2 establishes that where a Person satisfies **Clause 1** and derives income from both a Non-Extractive Natural Resource Business and any other Business that is subject to Corporate Tax, the Person will be considered to have a dual status for Corporate Tax purposes and be within the scope of Corporate Tax insofar of the income derived from its other Business.

The income from the Non-Extractive Natural Resource Business will remain outside the scope of the Corporate Tax Law and be taxed in and in accordance with the applicable legislation of the relevant Emirate, and the income from the other Business will be subject to Corporate Tax under the Corporate Tax Law, unless the other Business is an exempted Extractive Business (see **Article 7**).

Clause 3 provides that for the purposes of **Clause 2,** a Person will not be considered to have earned income from any other Business where such other Business is ancillary or incidental to the Person's Non-Extractive Natural Resource Business.

All facts and circumstances must be considered in determining whether any other Business is ancillary or incidental to the Person's Non-Extractive Natural Resource Business, but relevant indicators may include the relative size and value of the other Business and the duration and frequency of the activity. Examples of earning income from an ancillary or incidental Business would include earning rental income from letting out vacant parts of a property or equipment used in the Person's Non-Extractive Natural Resource Business or earning interest from placing excess funds at the disposal of a Related Party.

For any other Business to be considered ancillary or incidental to the Person's Non-Extractive Natural Resource Business, the aggregate Revenue from such other Business cannot exceed 5% of the Person's total Revenue for the relevant Tax Period.

Clause 4 sets out how a Person with income from both a Non-Extractive Natural Resource Business and any other Business is treated under the Corporate Tax Law.

Clause 4(a) specifies that the other Business will be treated as a separate and independent Business for Corporate Tax purposes for which separate financial statements will need to be maintained. This Clause, which should be read together with **Clause 5**, provides that for the purposes of the computation of Taxable Income from the other Business, income and expenditure should be attributed to the other Business as if it was a distinct and separate entity from the Person's Non-Extractive Natural Resource Business, unless **Clause 4(b)** provides otherwise.

Where the Person has more than one other Business that is not the Person's Non-Extractive Natural Resource Business, all other Business Activities will be treated as a single Business for the purposes of this Article.

Clause 4(b) addresses how any common expenditure between the Non-Extractive Natural Resource Business and the other Business of the same Person should be apportioned.

Persons engaged in both a Non-Extractive Natural Resource Business and any other Business are required to separate the income, expenses, and losses attributable to their Non-Extractive Natural Resource Business and their other Business, with the Taxable Income from the other Business determined in accordance with the provisions of the Corporate Tax Law.

Common expenses that cannot be attributed individually should be apportioned according to the Revenue of each Business in a Tax Period, unless the expenditure is taken into account in a different proportion for the purposes of calculating the tax payable on the income of the Person's Non-Extractive Natural Resource Business under the applicable legislation of the respective Emirate. In this case, the apportionment shall follow this latter proportion. Any such different apportionment is not intended to allow for an attribution of common expenditure to the other Business in excess of the relative proportion of Revenue from the other Business.

Clause 4(c) confirms that for the other Business, the Person must perform a separate calculation of Taxable Income and Corporate Tax payable for each Tax Period in accordance with the provisions of the Corporate Tax Law. The Person will not be able to benefit from the reliefs provided under **Chapter Eight** of the Corporate Tax Law, use losses from the Non-Extractive Natural Resource Business to reduce the Taxable Income of the taxable Business (under **Article 38**), or join or form a Tax Group (under **Article 40**).

Clause 5 provides that transactions undertaken between the Non-Extractive Natural Resource Business and the other Business of the same Person are treated as Related Party transactions. Based on the position under **Clause 4(a)**, the arm's length principle under **Article 34** would apply to any interactions between the Non-Extractive Natural Resource Business and the other Business of the Person.

Chapter Ten of the Corporate Tax Law provides further detail on the treatment of Related Party transactions.

Clause 6 clarifies what constitutes a "tax" for the purposes of satisfying the condition of being effectively subject to Emirate-level taxation under **Clause 1**.

Acknowledging that the taxation of a Non-Extractive Natural Resource Business at an Emirate level can take many different forms, this concept is meant to be interpreted widely, and include all forms of tax, charge or levy payable on income, profits or revenues to the Local Government.

Clause 7 confirms that the scope of the exemption from Corporate Tax for Non-Extractive Natural Resource Business does not extend to Persons who do not, in their own right, meet the conditions to be exempt under **Article 7** or this Article of the Corporate Tax Law.

Accordingly, where a Person that meets the conditions of **Clause 1** engages another Person to undertake any part of its Non-Extractive Natural Resource Business, such other Person will not be able to avail of the exemption under **Article 4(1)(d)**, and the income derived by this other Person will be subject to Corporate Tax in accordance with the provisions of the Corporate Tax Law.

Article 9: Qualifying Public Benefit Entity

The term "public benefit entity" refers to an organisation formed by private individuals or government or non-governmental bodies for carrying out charitable, social, cultural, religious, or other public benefit activities without the motive of making profit for distribution to private Persons.

The exemption from Corporate Tax for Qualifying Public Benefit Entities recognises the important role these entities play by taking a shared responsibility with the Government for the promotion of social or public welfare, or communal or group interests. Internationally, charities and other public benefit organisations are also generally exempt from taxation.

To provide certainty, and in line with the treatment adopted for VAT, public benefit entities that meet the relevant conditions under this Article will need to be listed in a Cabinet Decision to be exempt from Corporate Tax.

In this regard, the Cabinet has issued Cabinet Decision No. 37 of 2023 Regarding the Qualifying Public Benefit Entities for the Purposes of Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses, which specifies the Qualifying Public Benefit Entities for Corporate Tax purposes. This Cabinet Decision also provides that the list of Qualifying Public Benefit Entities will be updated from time to time to add or remove entities from the list. Government Entities must notify the Ministry of any changes to the list of Qualifying Public Benefit Entities by way of notification made within (20) twenty business days from the occurrence of any change.

Clause 1 introduces the conditions which relate to the entity's purpose. Specifically, this Clause determines that a Qualifying Public Benefit Entity must be established and operated for one of two purposes as discussed below.

Clause 1(a)(1) sets out that the entity must be established and operated exclusively for religious, charitable, scientific, artistic, cultural, athletic, educational, healthcare, environmental, humanitarian, animal protection or other similar purposes.

This Clause presents a non-exhaustive list of worthy purpose categories that may entitle a public benefit entity to an exemption from Corporate Tax. The categories listed are umbrella terms that would cover any related public benefit activities. The term “humanitarian”, for example, may include distributing food to those in need or providing shelter or natural disaster relief, and “cultural” may include museums, heritage organisations or entities supporting the advancement of arts and heritage by providing grants. Additionally, the term “athletic” refers to sporting and other activities involving physical exertion.

For an activity to be for public benefit, the benefit must be for, or be widely accessible to, the general public or where the benefit is restricted to a sufficiently large section of the public, such restriction must be based on specific characteristics related to the worthy purpose of the entity. Where the entity’s purpose would only be for the private benefit of a few individuals as opposed to the whole or a sufficiently large section of the public, the entity may not meet the requirements to qualify as an exempted Qualifying Public Benefit Entity.

Clause 1(a)(2) provides that the entity must be established as a professional entity, chamber of commerce, or similar and operated exclusively for the promotion of social or public welfare.

This Clause provides a non-exhaustive list of other types of organisations such as social clubs, chambers of commerce, consumer rights organisations and professional associations whose purpose and not-for-profit activities are aimed at enhancing or promoting economic, social or cultural development and other issues of the interest or well-being of the general public or sufficiently large groups of specific individuals or organisations.

Whether an entity is deemed to be established and operated exclusively for any of the purposes set out in **Clause 1(a)(1)** or **Clause 1(a)(2)** will be a matter of fact and be determined by the circumstances of such an entity.

Clause 1(b) establishes that, in order to be exempt from Corporate Tax, the entity must not carry on any Business or Business Activity, unless such activity is directly related to or aimed at fulfilling the entity’s charitable or public benefit purpose.

Qualifying Public Benefit Entities generally derive their income from public or private subscriptions and donations and are not supposed to conduct a Business or Business Activity aimed at making a profit. This is to prevent a Qualifying Public Benefit Entity from competing with other non-exempt entities that engage in a similar commercial activity.

The requirement under **Clause 1(b)** does not in itself limit a Qualifying Public Benefit Entity from engaging in any form of commercial activity or from making a surplus, as long as the activity is directly related or aimed at fulfilling the entity’s worthy purpose, and the surplus is not distributed as a dividend or other benefit beyond the sole or principal object for which the Public Benefit Entity was established.

A Business or Business Activity can be considered directly related or aimed at fulfilling the entity’s charitable or public benefit purpose where the commercial activity is either necessary or a means of achieving the entity’s purpose. Examples of commercial activities that would not constitute an unrelated Business or Business Activity may include organising events to raise funds, the sale of admission tickets by a museum, or the sale of refreshments in the canteen of a sports club.

Clause 1(c) provides that the entity’s income and assets must be used in support of the cause which the entity was established to support, or to meet any reasonable and necessary expenditure.

This Clause provides that the income and assets of the Qualifying Public Benefit Entity must be used solely for the purposes of carrying on the stated public benefit activities. The Qualifying Public Benefit Entity may conduct these public benefits activities itself or make its assets and resources available to enable another Person to carry on part or all of these activities. Further, a Qualifying Public Benefit Entity can make and retain a surplus on which it generates income, as long as such surplus and any income earned thereon is or will be deployed towards the entity's worthy purpose.

The requirement under this Clause does not prohibit a Qualifying Public Benefit Entity from paying reasonable and necessary expenditure. Reasonable and necessary expenditure may include rent, utilities, insurance premiums and remuneration paid to employees and officers of the Qualifying Public Benefit Entity for services actually rendered, provided that such remuneration is not excessive taking into account the particular service rendered and the amount generally charged for such a service. Whether an expenditure is reasonable and necessary is a matter of fact and should be determined with regards to the specific circumstances of the entity, and its purpose and operating model.

Clause 1(d) establishes that no part of the entity's income or assets can be payable to, or otherwise available for, the personal benefit of any shareholder, member, trustee, founder or settlor that is not itself a Qualifying Public Benefit Entity, a Government Entity or a Government Controlled Entity.

Similar to **Clause 1(c)**, the intention of this provision is to ensure that the income and assets of the Qualifying Public Benefit Entity are used solely in support of the charitable or public benefit cause which the entity was set up to support, rather than to directly or indirectly promote the economic self-interest of any fiduciary or employee or for any other personal pecuniary gains. As discussed under **Clause 1(c)**, this provision does not preclude the payment of salaries or reimbursement of expenditure to Persons involved in the establishment or operation of the entity, provided that such expenditure is reasonable and necessary.

The requirement under this Clause applies throughout the existence of the Qualifying Public Benefit Entity up to and including the date on which the entity ceases to exist. This means that upon dissolution of the Qualifying Public Benefit Entity, the entity must transfer any remaining funds and income to one or more of the following entities:

- Another Qualifying Public Benefit Entity
- A Government Entity
- A Government Controlled Entity

An exception to this general requirement may apply, for example, where assets were made available to the Qualifying Public Benefit Entity by a Person under a right of use, or where assets were transferred to the Qualifying Public Benefit Entity for use in its stated purpose on the condition that they would revert back to the original owner once the assets cease to be used for that purpose.

Clause 1(e) provides that in order to be exempt from Corporate Tax, the entity must also meet any further conditions that the Cabinet may prescribe. Any such conditions would generally apply prospectively from the date of issuance of the relevant Cabinet Decision or any other date mentioned in the decision.

Clause 2 provides that the exemption from Corporate Tax established by **Clause 1** is effective from the beginning of the Tax Period in which the Qualifying Public Benefit Entity is listed in a Cabinet Decision. Alternatively, the exemption may become effective at any other date determined by the Minister.

The approval of an organisation as a Qualifying Public Benefit Entity would generally be effective from the beginning of the Tax Period in which the Qualifying Public Benefit Entity is included in the relevant Cabinet Decision. However, **Clause 2** provides flexibility for the Minister to allow, for example, an earlier start date where the Minister is satisfied that the entity complied with the requirements of this Article in prior Tax Periods.

Clause 3 establishes that, in order to monitor the ongoing compliance of a Qualifying Public Benefit Entity with the conditions set out in **Clause 1**, the Authority may request any relevant information records from the entity. Cabinet Decision No. 37 of 2023 also requires a Qualifying Public Benefit Entity to provide any information to the Ministry in order to verify that the entity continues to meet the relevant conditions to be exempt from Corporate Tax.

The information requested must be provided within the timeline specified by the Authority and may include, for example, books and records to demonstrate that the resources of the Qualifying Public Benefit Entity were used only for its stated public benefit purpose, copies of agreements entered into by the Qualifying Public Benefit Entity, and details of its employees, officers and fiduciaries.

Article 10: Qualifying Investment Fund

This Article establishes the qualifying conditions under which an investment fund will be exempt from Corporate Tax.

Whilst there are various structures that managed investment schemes and collective investment vehicles may take, the term “investment fund” refers to an arrangement or juridical person whose primary purpose and activity is to pool investor funds and invest such funds in accordance with a defined investment policy. This could include, for example, real estate investment trusts, mutual funds, private equity funds, or other alternative investment funds.

The type of vehicle used for the investment fund is generally driven by legal and regulatory considerations and may be influenced by the tax profile and other requirements of the sponsor and investors. However, regardless of the type of investment fund, the Corporate Tax Law seeks to ensure the tax neutrality of investment funds so that investors, whether domestic or foreign, are in the same or a similar tax position as if they had invested directly in the underlying assets of the fund. It is internationally common for a tax system to provide for neutrality between direct investments and investment through collective investment vehicles by not subjecting the income of such entities to taxation.

Where an investment fund is not structured as an Unincorporated Partnership that is treated as fiscally transparent for Corporate Tax purposes under **Article 16**, the investment fund can apply to the Authority for an exemption from Corporate Tax under **Article 4(1)(f)**, subject to meeting the conditions specified under **Article 10(1)**. The same would apply to an investment fund structured as a limited partnership, unit trust or other form of fiscally transparent arrangement that has applied to the Authority to be treated as a Taxable Person under **Article 16(8)**.

Under **Article 4(1)(h)**, the exemption from Corporate Tax for Qualifying Investment Funds under **Article 4(1)(f)** may also extend to wholly owned and controlled UAE entities that are used by a Qualifying Investment Fund to hold their assets or invest their funds.

The exemption under **Article 10** does not extend to Persons providing management services to a Qualifying Investment Fund. Such Persons will be subject to Corporate Tax as ordinary Taxable Persons, unless they are

exempt or outside the scope of Corporate Tax under other provisions of the Corporate Tax Law or any implementing decision issued thereunder.

Clause 1 sets out the conditions that an investment fund must meet in order to be treated as a Qualifying Investment Fund that is exempt from Corporate Tax.

Clause 1(a) provides that the investment fund or the investment fund's manager must be subject to the regulatory oversight of a competent authority in the UAE, or a recognised foreign competent authority.

Depending on the legal form of the investment fund and the applicable regulatory regime, either the investment fund or the Person who manages the fund would be undertaking the regulated activity of fund or investment management. Where these activities are performed in the UAE, the investment fund or the investment fund manager must be subject to the regulatory oversight of the relevant mainland or Free Zone authority concerned with the licensing and supervision of the operation of investment funds or the performance of fund or investment management activities, as applicable. Examples of such competent authorities in the UAE include the Securities and Commodities Authority, the ADGM Financial Services Regulatory Authority, and the DIFC Dubai Financial Services Authority.

A UAE-domiciled investment fund may be managed by a Person who is based outside the UAE. Whilst, in practice, it may be difficult for a non-resident fund manager of a UAE investment fund to carry on all its activities without requiring a licence or registration in the UAE, the exemption from Corporate Tax under **Article 4(1)(f)** would be available where the foreign fund manager is duly regulated in its place of residence or business by a foreign authority that is recognised as competent to regulate fund management activities.

Clause 1(b) provides that interests in the investment fund must be traded on a Recognised Stock Exchange or must be marketed and made available sufficiently widely to investors.

A Recognised Stock Exchange includes a stock exchange established in the UAE that is licensed and regulated by the relevant competent authority, or a foreign stock exchange that is licensed and regulated by the relevant foreign competent authority and has equal standing to that of a UAE stock exchange as described above.

Whether a fund is marketed and made available sufficiently widely to investors would need to be determined taking into account the type of investment fund and the relevant requirements under the applicable regulatory regime. Where the applicable regulatory regime does not impose specific listing or investor requirements, the investment fund must identify and specify a target category or categories of investors, and the fund must be marketed and made available to investors within that category or those categories. The method of marketing and making interests in the fund available must be appropriate in light of the respective category or categories of targeted investors.

The application of **Clause 1(b)** shall take into account that during the period of formation and initial funding rounds and during the period of winding down the investment fund the number of investors in the fund may be limited, as well as that certain investors (such as pension funds) ultimately represent many investors. Further, in the case of a master fund which has feeder funds, the test under **Clause 1(b)** should take into account the ownership of (and investors in) each feeder fund to determine whether the master fund is marketed and made available sufficiently widely to investors.

Clause 1(c) confirms that the main or principal purpose of the investment fund should not be the avoidance of Corporate Tax.

The exemption from Corporate Tax under **Article 4(1)(f)** is meant for investment funds as opposed to collective investment arrangements entered into with the main or principal purpose of avoiding the payment of Corporate Tax. The determination of whether an investment fund is established and operated for *bona fide* reasons and not primarily for Corporate Tax avoidance purposes should take into consideration all relevant facts and circumstances. That the exemption from Corporate Tax and other forms of relief provided by the Corporate Tax Law were factors that influenced the structure and location of the investment fund, in itself, will not impact the availability of the exemption under **Article 4(1)(f)**.

Clause 1(d) provides that the investment fund must also meet any other conditions which may be prescribed by a Cabinet Decision to be exempt from Corporate Tax.

Whilst the conditions of **Clause 1(a)** to **1(c)** are intended to provide certainty to investment funds with regards to their Corporate Tax treatment, **Clause 1(d)** recognises that there may be other situations in which the exemption under **Article 4(1)(f)** should (or should not) apply.

Clause 2 requires a Qualifying Investment Fund to provide the Authority with information relevant for the purposes of confirming that it has continued to meet the requirements to be exempt from Corporate Tax. Such information may include, for example, financial records, regulatory filings and information on the manager and investors of the fund.

Chapter Four: Taxable Person and Corporate Tax Base

Article 11: Taxable Person

This Article determines which Persons are subject to Corporate Tax.

Taxable Persons cover a variety of Persons, but there are different rules for juridical persons and natural persons determining who is within scope of the Corporate Tax Law and on which basis they are subject to Corporate Tax.

In summary, this Article provides that Corporate Tax applies to:

- UAE juridical persons (including Free Zone Persons) such as private or public joint stock companies or limited liability companies that are incorporated or otherwise established or recognised under the applicable legislation in the UAE;
- non-UAE juridical persons that are incorporated outside the UAE but effectively managed and controlled in the UAE;
- natural persons (i.e. individuals) who conduct a Business or Business Activity in the UAE as per a Cabinet Decision to be issued in accordance with **Article 11(6)**; and
- Non-Resident Persons that have a Permanent Establishment in the UAE or that earn UAE sourced income that is within the scope of Corporate Tax.

Clause 1 provides for Taxable Persons to be subject to Corporate Tax at the rates set out in **Article 3** of the Corporate Tax Law.

Clause 2 establishes that there are two categories of Taxable Persons for the purpose of the Corporate Tax Law. These are a Resident Person and a Non-Resident Person, which are each defined within this Article.

Whether a Person is a Resident Person for Corporate Tax purposes is determined by the specific factors that are set out in this Article, and not by any other indicia or factors. This determination is principally applicable only to the application of the Corporate Tax Law, as distinct from ordinary tax residency and legal residency.

If a Person does not satisfy the conditions for being either a Resident or a Non-Resident Person as provided in the Corporate Tax Law, then they will not be a Taxable Person and therefore not be within the scope of Corporate Tax.

International agreements such as agreements for the avoidance of double taxation may specify rules for determining the tax residence of a juridical or natural person, which may differ from those set out in this Article. Such rules and any restrictions that may result from their application under **Article 66** need to be considered where a Person that is subject to Corporate Tax as a Resident Person for Corporate Tax purposes is (also) a resident for tax purposes in another jurisdiction.

Clause 3 sets out the circumstances in which Persons are considered to be Resident Persons for the purposes of Corporate Tax.

Clause 3(a) provides that where a juridical person is incorporated, or otherwise established or recognised under the laws of the UAE, it will automatically be considered a Resident Person for purposes of the Corporate Tax

Law. This covers juridical persons incorporated in the UAE under either mainland legislation or applicable free zone regulations, and would also include juridical persons created by a specific statute (e.g. by a decree).

Unless specifically exempted from its application, resident juridical persons are within the scope of the Corporate Tax Law, irrespective of the type of and level of activity performed. This is because for the application of the Corporate Tax Law to companies and other juridical persons, all activities conducted and assets used or held would generally be considered activities conducted, and assets used or held, for the purposes of taxable activities.

Clause 3(b) establishes that juridical persons that are incorporated, or otherwise established or recognised under the laws of a foreign jurisdiction, but that are effectively managed and controlled in the UAE, will be treated as Resident Persons for Corporate Tax purposes. Additionally, whilst the concepts of residency under the Corporate Tax Law and under Cabinet Decision No. 85 of 2022 differ, a juridical person that is effectively managed and controlled in the UAE will also be a "Tax Resident" for the purposes of Article 3(2) of Cabinet Decision No. 85 of 2022.

Businesses are free to choose where to incorporate their legal entities, and tax considerations may not necessarily predominate in choosing where to do so. However, determining residence for Corporate Tax purposes solely on the basis of place of incorporation may allow for manipulation in terms of where profits get taxed without having regard to where the mind and management of the juridical person and the activities it undertakes to generate the income reside.

Accordingly, residence for Corporate Tax purposes takes into account where the juridical person is effectively managed and controlled, in line with tax regimes in other countries that apply similar concepts for this same purpose.

Whether a juridical person is effectively managed and controlled in the UAE needs to be determined with regard to the specific circumstances of the juridical entity and its activities, with a key factor being where key management and commercial decisions concerned with broader strategic and policy matters necessary for the conduct of the company's business as a whole are regularly and predominantly made and given. This will ordinarily be where a company's board of directors (or any equivalent body for other types of juridical persons) make these decisions. However, depending on the specific circumstances, other factors such as where the controlling shareholders make decisions, the location of another Person or body to which the board has delegated its decision-making functions, or the location where the directors or executive management of the juridical person reside may also need to be considered.

For a juridical person to be considered effectively managed and controlled in the UAE, it is not necessary for its board members (or equivalent) to be domiciled or resident in the UAE.

Clause 3(c) provides that a natural person who conducts a Business or a Business Activity in the UAE will be treated as a Resident Person for Corporate Tax purposes in respect of the income derived from that Business or Business Activity, subject to the application of **Clause 6**.

In light of the absence of a personal income tax on natural persons in the UAE, **Clause 3(c)** is meant to create parity across incorporated businesses and natural persons carrying on commercial activity in the UAE. It provides that irrespective of where a natural person is ordinarily resident for tax purposes and regardless of whether the income is sourced in the UAE or from abroad, a natural person will be subject to Corporate Tax in the UAE on any income generated from a taxable Business or a Business Activity performed in the UAE. This will include a Business or Business Activity conducted through a sole establishment and individual partners in

an Unincorporated Partnership that conducts a Business or Business Activity in the UAE. Similar approaches are taken in other jurisdictions without a parallel personal income tax on business profits.

Any income not related to a Business or Business Activity may be subject to Withholding Tax as State Sourced Income (see **Article 13**) under **Article 45**.

Clause 3(d) provides that other Persons may be determined to be included within the scope of a Resident Person by virtue of a Cabinet Decision.

Clause 4 describes the circumstances in which a Person that is not a Resident Person under **Clause 3** will be subject to Corporate Tax as a Non-Resident Person.

Clause 4(a) provides that a Person that is not a Resident Person but that carries on activities through a Permanent Establishment in the UAE will be subject to Corporate Tax as a Non-Resident Person. The criteria to determine whether a Non-Resident Person has a Permanent Establishment in the UAE are set out under **Article 14.**

Clause 4(b) establishes that a Person that is not a Resident Person and receives State Sourced Income will also be treated as a Non-Resident Person for Corporate Tax purposes. This Clause extends the application of the Corporate Tax Law to income arising from certain activities or transactions that have a connection with the UAE, but that are not carried on through a Permanent Establishment. Such income may be subject to Corporate Tax in the form of a Withholding Tax under **Article 45**.

Examples of circumstances which may cause income to be sourced in the UAE for Corporate Tax purposes are set out in **Article 13**.

Clause 4(c) provides that a Cabinet Decision may prescribe other circumstances in which a Person that is not a Resident Person would become a Non-Resident Person by virtue of having a nexus to the UAE. This clause allows the Cabinet to determine that a Person can be a Non-Resident Person, and as such within the scope of Corporate Tax, through some other form of connection to the UAE. **Clause 5** specifies that a UAE branch of a Resident Person will be treated as the same Taxable Person, recognising that branches are an extension of their “head office” as opposed to being a separate juridical person. This means that a Resident Person should include the income and expenditure of all its domestic branches in its Tax Return.

Clause 6 provides that the Cabinet will issue a decision specifying what constitutes a Business or Business Activity for natural persons to be within the scope of Corporate Tax.

Article 12: Corporate Tax Base

This Article determines the basis on which Resident Persons and Non-Resident Persons are subject to Corporate Tax. Specifically, Resident Persons and Non-Resident Persons are each taxed on a different basis.

In line with the tax regimes of most countries, the Corporate Tax Law applies both the source and residence basis of taxation. That is, a Resident Person is taxed on income derived from both UAE and non-UAE sources (subject to a resident natural person only being taxed on income insofar as it relates to the Business or Business Activity conducted by the natural person in the UAE), whilst a Non-Resident Person is taxed only on income derived from sources within the UAE. These principles apply unless a separate provision in the Corporate Tax Law, or subsequent implementing decision, prescribes a different Corporate Tax treatment for either a specific type of Person or a specific type of income.

For Resident Persons, the meaning of the term “derived” would generally depend on whether a Person uses the cash or accrual basis method of accounting. For the application of Withholding Tax on State Sourced Income earned by Non-Resident Persons under **Article 45**, “derived” would generally refer to a payment that is made or to income that is otherwise made available to the Non-Resident Person.

The tax base for Resident Persons and Non-Resident Persons is determined by reference to the concept of “Taxable Income”. This is further specified under **Chapter Six** of the Corporate Tax Law.

Clause 1 provides that a resident juridical person is subject to Corporate Tax on both its UAE Taxable Income as well as on Taxable Income sourced outside the UAE (earned abroad). The mechanism to determine Taxable Income is set out in **Chapter Six** of the Corporate Tax Law.

Under **Article 11**, a juridical person will be considered a Resident Person if it is incorporated or otherwise recognised under the laws of the UAE, or if the place of effective management and control of the non-UAE juridical person is in the UAE.

Whilst both UAE and non-UAE-sourced income derived by a Resident Person is within the scope of Corporate Tax, to eliminate or reduce potential international double taxation, the Corporate Tax Law exempts certain income earned from overseas. In particular, income earned abroad by foreign subsidiary entities would generally be outside the scope of Corporate Tax, and the repatriation of such income to the UAE may benefit from an exemption under **Article 23.** Similarly, a Resident Person may elect to claim an exemption from Corporate Tax under **Article 24** for income earned by a Foreign Permanent Establishment that is subject to tax in the relevant foreign jurisdiction.

For foreign sourced income that cannot benefit from an exemption from Corporate Tax, **Article 47** allows the Resident Person to claim a credit for the tax paid in the foreign jurisdiction. Examples of income earned from abroad that may not qualify for an exemption from Corporate Tax include interest, royalties, fees and rents.

Clause 2 provides that a natural person who conducts a Business or Business Activity in the UAE is also subject to Corporate Tax on income from both UAE and non-UAE sources, but only insofar as such income is derived from such Business or Business Activity.

Accordingly, if a natural person carries on a wholly separate Business in a foreign jurisdiction, which is not related or connected to the Business conducted in the UAE, the income from such other Business will not be taxable in the UAE. Similarly, any income earned from activities and assets that are not related or connected to the Business or Business Activity conducted in the UAE will not be within the scope of Corporate Tax under this Clause.

A natural person will only be subject to Corporate Tax as a Resident Person if they undertake a taxable Business or Business Activity in the UAE as per a Cabinet Decision that will be issued in accordance with **Article 11(6)**.

Clause 3 specifies the basis on which a Non-Resident Person is subject to Corporate Tax. It introduces the fundamental principle that a Non-Resident Person is only subject to Corporate Tax on income that is derived from sources within the UAE.

Clause 3(a) establishes that a Non-Resident Person is subject to Corporate Tax on the Taxable Income that is attributable to its Permanent Establishment in the UAE. Generally, a Permanent Establishment arises where a Non-Resident Person has a fixed place of Business or other form of presence in the UAE that warrants the

direct taxation of the business profits of the Non-Resident Person. The concept of a Permanent Establishment is further defined under **Article 14**.

Clause 3(b) determines that a Non-Resident Person is subject to Corporate Tax on State Sourced Income that is not attributable to its Permanent Establishment in the UAE. In broad terms, State Sourced Income is income derived from a Resident Person or from activities or contracts performed in the UAE, assets located in the UAE, or rights used or services performed in the UAE, subject to an implementing decision. The concept of State Sourced Income is further defined under **Article 13**.

Clause 3(c) provides that if a Person is treated as a Taxable Person due to a nexus in the UAE as specified in a Cabinet Decision under **Article 11(4)(c)**, then this Person is taxable on the Taxable Income attributable to that nexus.

Article 13: State Sourced Income

This Article provides rules for determining whether income is derived in or from a source in the UAE and considered State Sourced Income. This is primarily relevant to the taxation of Non-Resident Persons; Persons that receive State Sourced Income but are not Resident Persons are considered Non-Resident Persons and are subject to tax on their State Sourced Income under **Article 12(3)(b)**.

The definition of State Sourced Income is widely drawn with income generally considered to be “State Sourced” if the income is earned from a Resident Person or is derived from activities or assets located in the UAE. For example, dividend income is sourced in the UAE where the payor of the dividend is resident in the UAE for Corporate Tax purposes. It is intended to include income which may be specified in an implementing decision as being subject to Corporate Tax in the form of Withholding Tax under **Article 45**.

The characterisation of income as income from Business or Business Activity does not preclude the income from retaining its nature and characterisation as State Sourced Income and the application of Withholding Tax.

Clause 1 provides the basic rules for determining whether income is State Sourced Income.

Clause 1(a) establishes that any amount of income derived by a Non-Resident Person from a Resident Person shall be considered State Sourced Income.

This Clause specifies that the income must be derived from a Person who is within the scope of Corporate Tax in the UAE as a Resident Person under **Article 11(3)**. Such Resident Person would generally be allowed a deduction under **Article 28** where the amount is an expenditure incurred for the purposes of deriving Taxable Income.

An exception to the general rule that income derived from a Resident Person is State Sourced Income may apply where an amount received is an expenditure of a Business conducted by the Resident Person outside of the UAE through a Foreign Permanent Establishment.

Clause 1(b) provides that an amount derived by a Non-Resident Person from another Non-Resident Person will also be considered State Sourced Income to the extent it is attributable to a Business or Business Activity conducted by that other Non-Resident Person through a Permanent Establishment in the UAE as defined under **Article 14**. Similar to the situation under **Clause 1(a)**, the Non-Resident Person would generally be allowed a deduction under **Article 28** where the amount paid is an expenditure incurred for the Business or Business Activity conducted through its Permanent Establishment in the UAE.

Clause 1(c) provides that any income which is otherwise derived from activities performed, assets located, capital invested, rights used, or services performed or benefitted from in the UAE would be considered State Sourced Income. This establishes that irrespective of the location and residence of the Person from whom the income is received, income may be considered to have a UAE source for Corporate Tax purposes where the place of use or performance of the income generating activity or the tangible or intangible assets generating the income are located in the UAE.

By means of a non-exhaustive list, **Clause 2** provides examples of what shall be considered State Sourced Income, subject to any further conditions and limitations that may be prescribed by the Minister.

Clause 2(a) to **2(f)** specify that State Sourced Income encompasses income arising from a series of situations with different factors determining the source of the income, including:

- Income from the sale of goods. The general rule for the sale of goods is that the income is sourced to where the sale and resulting transfer of title takes place.

- Income from services. Income from services would generally be considered State Sourced Income where the service is rendered in the UAE or where the ultimate recipient or beneficiary of the service is located in the UAE. The ultimate recipient or beneficiary of the services would be the Person who economically utilised the service in the UAE.

- Income from a contract. Similar to the factors that determine the source of income from services, income from the performance of contracts would generally be sourced to the place where the contract is performed or to where the ultimate recipient or beneficiary of the performance under the contract is located. This is not intended to cover income earned under an employment contract or income from a contract involving movable or immovable property which will be sourced to where the property is located.

- Income from movable or immovable property. Income arising from the use or sale of tangible property is sourced to the place where the property is located. For example, rental income from property located in the UAE (or from an interest in such property) would generally be considered State Sourced Income.

- Income from the disposal of shares or capital rights. Capital gains and other income from the disposal of shares or other rights in the capital of a juridical person is sourced to the UAE where the juridical person is incorporated or resident in the UAE for Corporate Tax purposes.

- Income from intellectual or intangible property. Irrespective of the location and residence for Corporate Tax purposes of the payor and recipient of the income, amounts paid for the use, the right to use, or the granting of the permission to use in the UAE patents, trademarks, trade brands, copyrights, goodwill and other such intangible or intellectual property in the UAE would generally be sourced to the UAE.

- Interest income. Interest income is sourced to the UAE if the Interest is paid by a Resident Person or Government Entity. Interest may also be considered State Sourced Income where the collateral that secures the relevant loan or financing arrangement is located in the UAE.

- Insurance income. Similar principles to those underpinning the source of Interest income under **Clause 2(g)** are applied when determining whether insurance or reinsurance premiums are considered State Sourced Income. These will be considered State Sourced Income where the insured Person is a Resident Person, or where the insured asset or activity is located in the UAE.

Article 14: Permanent Establishment

This Article determines when a Non-Resident Person has a Permanent Establishment in the UAE. Determining whether a Permanent Establishment exists has implications for the taxation of Non-Resident Persons under **Article 12(3)**. The criteria set out in this Article also apply when determining the existence of a Foreign Permanent Establishment for the purposes of **Article 24.**

The definition of Permanent Establishment in the Corporate Tax Law follows the principles provided in Article 5 of the OECD Model Tax Convention on Income and Capital. A Non-Resident Person may consider these principles and the relevant provisions of any bilateral tax agreement between the country of residence of the Non-Resident Person and the UAE, in their assessment of whether they have a Permanent Establishment in the UAE.

Clause 1 introduces the basic notion of what constitutes a Permanent Establishment, subject to the other Clauses of this Article.

Specifically, **Clause 1(a)** provides that a Non-Resident Person has a Permanent Establishment if they have a fixed or permanent place in the UAE through which their Business is wholly or partly conducted. This Clause sets two main tests, namely (1) there must be a fixed or permanent place in the UAE; and (2) there must be a Business conducted through that fixed or permanent place.

A fixed or permanent place implies the existence of a physical location in the UAE with some degree of permanency. The Corporate Tax Law does not prescribe any minimum requirements in terms of the size or nature of the physical location, nor is there a specific time limit for a fixed place to constitute a Permanent Establishment other than under **Clause (2)(i)**. It is also not required that the fixed place is owned or used exclusively by the Non-Resident Person or is at the disposal of the Non-Resident Person for an extended period of time. Examples of what may constitute a fixed place are set out in **Clause 2**.

For a fixed place in the UAE to constitute a Permanent Establishment, the Non-Resident Person must conduct its Business wholly or partly through it. Generally, a Non-Resident Person would be seen as conducting its Business through its employees and other Persons receiving instructions from the Non-Resident Person, although the absence of employees and other forms of human involvement would not preclude a fixed place from giving rise to a Permanent Establishment, depending on the nature of the Business of the Non-Resident Person.

Clause 1(b) provides that in the absence of a physical location in the UAE that constitutes a fixed or permanent place of Business, a Non-Resident Person has a UAE Permanent Establishment if a Person has, and habitually exercises, an authority to conduct a Business or Business Activity in the UAE on behalf of the Non-Resident Person. This is intended to cover situations where employees or other Persons act on behalf of the Non-Resident Person and habitually exercise the authority to conclude contracts or otherwise enter into legal obligations on behalf of the Non-Resident Person while being in the UAE. This is regardless of whether the contracts are concluded in the name of the Non-Resident Person or the agent or representative representing the Non-Resident Person.

Clauses 5 and **6** determine whether a Person is considered as having and habitually exercising an authority to do Business in the UAE on behalf of the Non-Resident Person.

Clause 1(c) establishes that a Permanent Establishment also exists if a Non-Resident Person has any other form of nexus to the UAE, as may be defined in a Cabinet Decision. This Clause provides the Cabinet with the

flexibility to determine that a Person can have a Permanent Establishment in the UAE through any other economic or business link to the UAE that is considered sufficient to bring such a Person within the scope of Corporate Tax.

Clause 2 provides a non-exhaustive list of fixed or permanent places that can qualify as a Permanent Establishment under **Clause 1(a)**. Each case is to be interpreted taking into account the nature of the Business of the Non-Resident Person and all other relevant facts and circumstances.

Clause 2(a) confirms that a place of management in the UAE where decisions that are necessary for the day-to-day conduct of the foreign entity's Business are (in substance) made, may constitute a Permanent Establishment.

For the purposes of **Clause 2(a)**, a distinction should be made between the board or equivalent senior management of an entity, which takes the strategic decisions, and the day-to-day management, which takes the implementing decisions. To determine whether a place of management exists for the purposes of this Article, one would need to look at where the day-to-day operational management and decisions relating to execution of decisions given by the board of directors (or equivalent governing body) are carried out.

A foreign entity could have multiple places of management in different locations, but generally only one place of effective management and control for the purposes of **Article 11(3)(b)** at any one time, which is where the strategic decisions and powers regarding the management of the entity (as opposed to the day-to-day operations) are regularly and predominantly exercised.

Clause 2(b) confirms that a branch is a Permanent Establishment. The term "branch" is not defined in the Corporate Tax Law but is customarily meant to refer to a branch office that a foreign entity registers with the relevant Licensing Authority in the UAE to conduct a Business or Business Activity in the UAE. A branch office would legally be regarded as an extension of the foreign entity as opposed to a separate juridical person.

Clauses 2(c) to **2(i)** specify that, subject to **Clause 3**, a Permanent Establishment includes an office, a factory, a workshop, land, buildings and other real property, various structures and installations, places where natural resources are extracted, building sites, and construction, assembly or installation projects located in the UAE. These examples are illustrative of the types of places that can constitute a Permanent Establishment under the general concept stated in **Clause 1(a)**.

The relevant terms used in these Clauses are not defined in the Corporate Tax Law and as such should take their natural meanings in the appropriate contexts. In particular, for the purposes of **Clauses 2(g)** and **2(h)**, the term "natural resources" does not follow the definition provided in **Article 1** of the Corporate Tax Law, but should be taken to have its ordinary meaning, namely, any natural occurring materials, substances or components that have economic value, including renewable energy resources.

Clause 2(i) provides that for the purposes of the six-month threshold for a building site or a construction, assembly, or installation project to constitute a Permanent Establishment, the activities undertaken by the Non-Resident Person during one or more periods of time and across different sites or projects in the UAE must be aggregated. In addition, the periods of time during which Related Parties of the Non-Resident Person carry on connected activities at the same building site or project would also need to be taken into account. This is intended to prevent fragmentation of project activities among Related Parties so as to avoid crossing the six-month threshold.

Whether activities carried on by Related Parties are connected will need to be assessed on a case-by-case basis taking into account the relevant facts and circumstances. Relevant factors for this purpose may include whether the nature of the work performed by the Related Parties is the same or similar, or whether some or all of the same employees are performing the relevant activities.

Clause 3 sets out the circumstances under which a fixed or permanent place in the UAE shall not be considered a Permanent Establishment of a Non-Resident Person. These situations overrule the examples in **Clause 2** and the definition of a Permanent Establishment in **Clause 1** and are largely similar to those outlined in the OECD Model Tax Convention on Income and Capital.

No Permanent Establishment would arise if the activities carried out through the fixed or permanent place in the UAE are preparatory or auxiliary in nature. Generally, preparatory or auxiliary activities are those performed in preparation or in support of more substantive Business Activities of the foreign company, and do not in itself form an essential and significant part of the Business of the foreign enterprise as a whole. Examples of preparatory and auxiliary activities include limited marketing and promotional activities or performing market research. A fixed or permanent place in the UAE would also not be considered a Permanent Establishment if it is used only to store, display or deliver the Non-Resident Person's goods or for keeping a stock of goods in the UAE for the purposes of processing by another Person. Where the general purpose of the fixed or permanent place in the UAE is identical to the general purpose of the foreign enterprise, it will not be considered to conduct a preparatory or auxiliary activity.

Clause 4 disapplies **Clause 3** where the same Non-Resident Person or a Related Party carries on a Business or Business Activity in the UAE through a separate Permanent Establishment that when such Business or Business Activity is combined would form a cohesive Business that does not satisfy the requirements of **Clause 3**.

This Clause clarifies that the restriction of **Clause 3** to the general definition of a Permanent Establishment contained in **Clause 1** is intended to prevent a Permanent Establishment from arising only where the Non-Resident Person exclusively carries on activities of a purely preparatory or auxiliary character in the UAE. Consideration as to whether this is the case will need to take into account any other activities carried on through the same or any other fixed or permanent place in the UAE by the Non-Resident Person or by any of its Related Parties.

Clause 4 is meant to prevent a foreign enterprise from fragmenting its Business by, for example, storing goods in one place, and distributing those goods through another place in the UAE. Such fragmentation would not allow the Non-Resident Person to argue that each place or operation in isolation is merely engaged in a preparatory or auxiliary activity. Where the activities conducted in the UAE, when taken together, go beyond the threshold of being preparatory or auxiliary, the Non-Resident Person would be seen as operating in the UAE through a Permanent Establishment. This should take into account any complementary functions and activities carried on by Related Parties of the foreign enterprise at the same place or at different places in the UAE.

Clause 5 determines what constitutes a Person having and habitually exercising an authority to conduct Business or a Business Activity in the UAE on behalf of a Non-Resident Person (subject to **Clause 6**). As mentioned, the activities of a Person in the UAE may give rise to a Permanent Establishment of a Non-Resident Person where such Person acts on behalf of the Non-Resident Person and habitually exercises the authority to conclude contracts or otherwise enters into legal obligations on behalf of the Non-Resident Person in the UAE.

Where the Person regularly negotiates contracts on behalf of the Non-Resident Person, the determination of whether this gives rise to a Permanent Establishment should focus on the Person's role in the negotiation of

contracts and not on the formal act of signing or concluding a contract. A Person who is authorised to negotiate all elements and details of a contract in a way that is binding on the Non-Resident Person can be said to exercise that authority in the UAE even if the contract is signed by another Person elsewhere without material modification by the Non-Resident Person. Further, a Permanent Establishment of the Non-Resident Person would arise regardless of whether the contracts are concluded in the name of the Non-Resident Person or in the name of the relevant Person. This means that commissionaire or undisclosed principal arrangements can also give rise to a Permanent Establishment in the UAE.

The mere attendance or participation in the negotiation of a contract by a Person in the UAE would generally, by itself, not trigger a Permanent Establishment. Further, contracts or other legal obligations entered into on behalf of the Non-Resident Person would need to be in respect of the core business operations of the Non-Resident Person, rather than ancillary activities.

Clause 6 provides an exception to **Clause 1(b)**, and stipulates that even if **Clause 5** is satisfied, if the agent has an independent status, as defined by **Clause 6**, no Permanent Establishment would arise.

Whether a Person acting as an agent is independent from the Non-Resident Person depends on the extent of the obligations which the Person has vis-à-vis the Non-Resident Person. Independent status is generally understood as meaning independent from the Non-Resident Person both legally and economically. Accordingly, an employee of the Non-Resident Person would typically not be considered an independent agent, and independent status is also unlikely where the relevant Person acts exclusively or almost exclusively on behalf of the Non-Resident Person (or its Related Parties) or where the Person is subject to detailed instructions by the Non-Resident Person.

Clause 7 allows the Minister to prescribe conditions where the presence of a natural person in the UAE does not create a Permanent Establishment for a Non-Resident Person because such presence is the consequence of a temporary and exceptional situation. What constitutes a temporary and exceptional situation has been clarified in Ministerial Decision No. 83 of 2023 on the Determination of the Conditions under which the Presence of a Natural Person in the State would not Create a Permanent Establishment for a Non-Resident Person for the Purposes of Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses.

Article 15: Investment Manager Exemption

This Article is relevant to **Article 11(4)(a)**, which provides that a Non-Resident Person that has a Permanent Establishment in the UAE will be subject to Corporate Tax on any income that is attributable to that Permanent Establishment under **Article 12(3)(a)**. Specifically, it is meant to prevent a foreign Person from being considered as having a Permanent Establishment in the UAE or income acquiring a source in the UAE as a result of engaging a Person in the UAE that provides investment management or brokerage services. This also takes into account that any income earned by such a Person for the services performed would ordinarily be subject to Corporate Tax.

This Article allows regulated UAE based investment managers and brokers to provide discretionary investment management services and to enter into transactions on behalf of foreign customers without triggering a Permanent Establishment for the foreign investor or a foreign investment entity. This is achieved by providing that a UAE based Investment Manager shall be treated as an independent agent for the purposes of **Article 14(6)** when acting on behalf of a foreign or Non-Resident Person where the conditions of **Clause 1** are met.

The conditions of **Clause 1** seek to ensure that the Investment Manager is carrying on its Business independently from the foreign Person and on its own account.

Clauses 1(a) to **1(g)** set out the conditions for an Investment Manager to be treated as an independent agent for the purposes of **Article 14(6)**.

- The Investment Manager must provide investment management or brokerage services and be subject to the regulatory oversight of the competent authority in the UAE. This condition would ordinarily be met where the Investment Manager is appropriately licensed to perform investment management or brokerage services in the UAE, and their activities are subject to the regulatory oversight of the relevant mainland or free zone authority concerned with the licensing and supervision of investment managers and brokerage firms, as applicable. Examples of such competent authorities include the Securities and Commodities Authority, the ADGM Financial Services Regulatory Authority, and the DIFC Dubai Financial Services Authority.

- Transactions must be carried out in the ordinary course of the Investment Manager's Business. The Investment Manager must act and enter into transactions on behalf of the foreign Person in the ordinary course of a Business of providing investment management or brokerage services. For example, a UAE based and regulated investment management firm that provides portfolio management services to a foreign Person or Persons as part of their ordinary investment management function should generally be considered an independent Investment Manager when undertaking these activities for the purposes of this Article.

- The Investment Manager must act in an independent capacity. Whilst the Investment Manager may not be legally and economically independent from the foreign Person (e.g., because the Investment Manager acts exclusively or almost exclusively on behalf of a single foreign investment fund), the Investment Manager must demonstrate that it acts in an independent capacity in relation to the transactions carried on for the foreign Person to satisfy the independent agent criteria under **Article 14(6)**. This should be determined having regard to the contractual and commercial relationship between the Investment Manager and the foreign Person and other relevant facts and circumstances.

  Indicators that the Investment Management acts in an independent capacity from the foreign Person could include the foreign Person being a widely held collective investment vehicle or the Investment Manager (and its Related Parties or Connected Persons) not holding a significant beneficial interest in the foreign Person.

- The Investment Manager's remuneration must be at arm's length. The Investment Manager and the foreign Person must transact with each other on arm's length terms in order for the relationship between the Investment Management and the foreign Person to be considered that of independent parties. This means that the Investment Manager's remuneration structure must reflect arm's length commercial terms and result in the Investment Manager receiving fees or other remuneration that is customary or appropriate for and commensurate with the services provided. Whether the remuneration is at a customary rate will depend, among other things, on the level of services provided, whether the foreign Person is an institutional or individual investor, and the investment strategy of the foreign Person (passive portfolio management or active and alternative investment strategies).

- The Investment Manager must not be an agent in the UAE in relation to other income or transactions. The exception to **Article 14(1)(b)** provided by this Article does not extend to activities of the Investment Manager in relation to any other Business carried out by the foreign Person in the UAE or to transactions not covered by **Clause 2** that are (or would otherwise be) subject to Corporate Tax under **Article 12.**

- The Investment Manager must meet any such other conditions as may be prescribed by the Minister. Whilst the conditions of **Clauses 1(a)** to **1(f)** are intended to provide certainty to foreign and Non-Resident Persons with regards to the Corporate Tax treatment of transactions carried out through a UAE based Investment Manager, **Clause 1(g)** recognises there may be other cases or circumstances in which this Article should apply.

Clause 2 provides a non-exhaustive definition of "transactions" for the purposes of **Clause 1**.

Qualifying transactions include transactions in commodities, real property, secured and unsecured debt obligations, warrants, foreign currency, futures, options, swaps and other derivatives or securities. The Investment Manager Exemption under **Article 15** may also apply to transactions in carbon emission credits, crypto-assets and other investment transactions that are permitted to be carried out for and on behalf of a foreign or Non-Resident Person by the Investment Manager under the applicable legislation of the UAE.

Article 16: Partners in an Unincorporated Partnership

This Article specifies the treatment of Unincorporated Partnerships and the partners in relation to the imposition and payment of Corporate Tax under the Corporate Tax Law.

Unincorporated Partnerships are defined as a relationship established between two or more Persons by contract, such as a partnership, trust or any other similar association of Persons in accordance with the applicable legislation in the UAE. This definition is then expanded under **Clause 7** to include Foreign Partnerships that meet certain conditions. The definition for a Foreign Partnership encompasses Unincorporated Partnerships that are recognised as such for tax purposes under the applicable legislation in a foreign jurisdiction.

There are numerous types of entities that can exist for a variety of business, legal and commercial purposes. The definition of Unincorporated Partnership in the Corporate Tax Law is intentionally broad so as to include a wide variety of unincorporated relationships. An Unincorporated Partnership does not require the relationship between the relevant Persons to adopt the form of a limited or general partnership that is formalised in a written partnership agreement. The contractual relationship can be a verbal arrangement and even the conduct between the parties may give rise to an Unincorporated Partnership.

The reference to a contractual relationship in the definition of Unincorporated Partnership means that, legally, the Business of the Unincorporated Partnership and its owners is or can be considered the same. For example, a joint business venture between two or more Persons that takes the form of a limited liability company that is formed specifically for the intended purpose would be treated as a Taxable Person in its own right under **Article 11(3)**. On the other hand, a pure contractual joint venture between two or more Persons under which each Person agrees to share (in the manner agreed) the profits, losses and management in a particular undertaking would not constitute a Taxable Person in its own right. Persons conducting a Business as an Unincorporated Partnership shall be treated as individual Taxable Persons for the purposes of the Corporate Tax Law.

Whilst the absence of separate legal personality is generally an indicator that an entity or arrangement is an Unincorporated Partnership, the categorisation of a business entity as a separate juridical person is not necessarily determinative of its status for Corporate Tax purposes. An important factor in determining whether an arrangement or entity is an Unincorporated Partnership is whether one or more of the partners that participate in the management of the relevant Business have direct and unlimited liability for the debts and other obligations of the Unincorporated Partnership and its Business.

Clause 1 provides that, unless an application is made to the Authority, an Unincorporated Partnership shall not be considered a Taxable Person in its own right, subject to meeting conditions that the Minister may prescribe. Instead, an Unincorporated Partnership is treated as fiscally transparent for Corporate Tax purposes, and the activities of the Unincorporated Partnership are treated as carried on by the partners and not by the partnership for Corporate Tax purposes.

The Corporate Tax Law essentially looks through Unincorporated Partnerships, and the Corporate Tax applies based on the allocation of the Unincorporated Partnership's entire income and expenditure to each of its partners proportionately. Any resulting Taxable Income must be determined separately for each partner in accordance with their status for Corporate Tax purposes. This treatment may result in different partners having different treatment for Corporate Tax purposes. For example, resident juridical persons would generally be subject to Corporate Tax on their distributive share of income or loss from the Unincorporated Partnership, whilst natural persons may not be subject to Corporate Tax on their allocation from the Unincorporated Partnership if the activities of the Unincorporated Partnership do not bring a natural person within the scope of Corporate Tax under **Article 11(6)**.

Clause 2 establishes that for Corporate Tax purposes, each partner in an Unincorporated Partnership shall be treated as having the same attributes and legal standing as the partnership. This means that for Corporate Tax purposes, the Unincorporated Partnership is treated as an aggregation of Persons whereby each Person (partner) is treated as carrying on, and being a part owner of, the Business and the assets and liabilities of the partnership in accordance with the contract underlying the Unincorporated Partnership.

Clause 3 specifies that the assets, liabilities, income and expenditure of an Unincorporated Partnership shall be allocated to each of its partners relative to their distributive share in that Unincorporated Partnership for the purposes of **Clause 1**.

Partners are taxed individually on their distributive share of income or losses of the Unincorporated Partnership. Similarly, where an asset or liability of the Unincorporated Partnership is disposed of, each partner is treated as owning a fractional share in such asset or liability and will be subject to Corporate Tax on any Taxable Income apportioned to them.

Generally, the distributive share of each partner is determined in the contract that formed the Unincorporated Partnership. There may be situations, however, where the distributive share of a partner in an Unincorporated Partnership cannot be identified, either because it has not yet been determined or because the ultimate beneficiaries of the Unincorporated Partnership's income and assets are not yet known. In such cases, the Authority may prescribe the manner in which the income or loss of the Unincorporated Partnership should be allocated for Corporate Tax purposes.

Clause 4 provides that the Taxable Income of a partner in an Unincorporated Partnership shall include both expenses incurred directly by the partner in conducting the Business of the Unincorporated Partnership, as well as Interest expenditure incurred by the partner in relation to contributions made to the capital account of the Unincorporated Partnership.

Clause 5 confirms that Interest paid by an Unincorporated Partnership to a partner on their capital account is not deductible expenditure for calculating the Taxable Income of the partner, as this amount is to be treated as an allocation of income to the partner.

Clause 6 specifies that for the purposes of allocating a Foreign Tax Credit under **Chapter Thirteen** of the Corporate Tax Law, any foreign tax incurred by the Unincorporated Partnership shall be allocated as a Foreign Tax Credit to each partner relative to their distributive share in that Unincorporated Partnership.

Clause 7 determines that a Foreign Partnership shall be treated as an Unincorporated Partnership for Corporate Tax purposes if it is considered as not taxable in its own right in the country or territory where it was formed, with each partner in the Foreign Partnership being taxed on their distributive share of income received by or accrued to the Foreign Partnership, subject to the tax residence of the partners and the respective tax treatment of the income earned by the Foreign Partnership in the country of formation.

The UAE applying a different treatment to a Foreign Partnerships that is treated as fiscally transparent in the relevant foreign jurisdiction(s) could result in unintended and unwanted tax consequences, not only for the UAE resident partners in the Foreign Partnership, but also for any non-resident partners whose UAE tax position can be impacted as a result.

To prevent issues arising for Resident Persons and Non-Resident Persons investing in or operating through a Foreign Partnership, **Clause 7** seeks to align the Corporate Tax treatment of Foreign Partnerships with the tax treatment applied in the relevant foreign jurisdiction(s), subject to any conditions that may be prescribed by the Minister.

Clause 8 provides that the partners in an Unincorporated Partnership can make an application to the Authority for the Unincorporated Partnership to be treated as a Taxable Person (i.e. to be treated as being “opaque” for Corporate Tax purposes).

Clause 9 provides that, where an application made by the partners in an Unincorporated Partnership under **Clause 8** is approved by the Authority, **Clauses 1** to **6** will no longer apply to the partners of the Unincorporated Partnership. This would result in the partners in the Unincorporated Partnership ceasing to be seen as carrying on, and directly being a part owner of, the Business and assets and liabilities of the Unincorporated Partnership for Corporate Tax purposes.

In addition:

- Each partner in the Unincorporated Partnership shall remain jointly and severally liable for the Corporate Tax Payable by the Unincorporated Partnership for those Tax Periods when they are partners in the Unincorporated Partnership; and

- One partner in the Unincorporated Partnership shall be appointed as the partner responsible for any obligations and proceedings in relation to the Corporate Tax Law on behalf of the Unincorporated Partnership.

Clause 10 stipulates that, where the application under **Clause 8** is approved, the Unincorporated Partnership shall be treated as a Taxable Person from the commencement of either the Tax Period during which the application is made, or the Tax Period immediately following the Tax Period during which the application is made. The Authority can determine an earlier or later effective date for the Unincorporated Partnership to be treated as a Taxable Person where deemed appropriate or necessary for administrative purposes.

Article 17: Family Foundation

As discussed under the definition of Business (Article 1), a natural person's employment income and personal investment income are not intended to be within the scope of Corporate Tax. This Article recognises that natural persons use different structures to manage their personal wealth and investments for asset protection, succession and other reasons, which may include, for example, using a contractual trust, a private trust company or a foundation to hold and manage personal assets and investments.

Whilst some of these structures and arrangements will by default be treated as fiscally transparent for Corporate Tax purposes, trusts and foundations that have separate legal personality would in principle be treated as any other juridical person, with their income being subject to Corporate Tax. Such treatment would not be consistent from a policy perspective where the trust or foundation is merely used to hold and manage assets and wealth on behalf and for the benefit of beneficiaries who are natural persons. This is irrespective of whether the assets and wealth are managed by the relevant natural person or persons themselves, or by any other Person.

For this reason, Clause 1 allows a Family Foundation to apply to the Authority to be treated as an Unincorporated Partnership, and hence not be subject to Corporate Tax. A Family Foundation is defined in **Article 1** as a foundation, trust or similar entity established under the applicable legislation of the UAE.

Clause 1 allows a foundation or a trust that meets the conditions of Article 17 to apply to the Authority to be treated as an Unincorporated Partnership, and hence not be subject to Corporate Tax in its own right.

Approval of the application by the Authority would result in the beneficiary or beneficiaries of the Family Foundation being seen as directly owning or benefiting from the activities and assets of the Family Foundation for the purposes of the Corporate Tax Law.

A Family Foundation that seeks to be treated as fiscally transparent is not permitted to undertake activities that would have constituted a taxable Business or Business Activity under **Article 11(6**) if undertaken by the founders, settlors or beneficiaries of the Family Foundation.

An application under **Clause 1** can be made where a Family Foundation meets all of the following conditions.

- The Family Foundation must be established for the benefit of identified or identifiable natural persons, or for the benefit of a public benefit entity, or both. Whilst the beneficiaries are not required to be individually named when a Family Foundation is established, they must be a category of persons that could be identified if required (e.g. the children or grandchildren of the settlor of the Family Foundation).

  For the purposes of **Clause 1(a)**, the "public benefit entity" is not required to be listed in a Cabinet Decision as a Qualifying Public Benefit Entity. Instead, "public benefit entity" in the context of this Article should be taken to have its ordinary meaning, namely any not-for-profit organisation that carries out charitable, social, cultural, religious, educational or other public benefit activities.

- The principal activity of the Family Foundation is to receive, hold, invest, disburse, or otherwise manage assets or funds associated with savings and investment. The foundation must not be established for the purposes of conducting Business and must solely conduct the management of cash, publicly traded securities, private stock, real estate and other assets held or investments made by the Family Foundation.

  A separate Person may act as the fiduciary, agent or trustee on behalf of the Family Foundation for the purpose of the administration, management and the eventual transfer of assets and income to the

beneficiaries of the Family Foundation. Where a Person (typically referred to as the 'trustee') would hold the legal title, but not the beneficial ownership, of the assets of the Family Foundation for the use of, or transfer to, the beneficiary or beneficiaries of the Family Foundation, any Taxable Income of such Person would not include the income derived from the assets they hold in their capacity as fiduciary owner.

- The Family Foundation does not conduct any activity that would constitute a Business or Business Activity were it to be undertaken, or its assets held, directly by its founder, settlor, or any of its beneficiaries. As discussed above, a Family Foundation that seeks to be treated as fiscally transparent for Corporate Tax purposes is not permitted to undertake activities that, if attributed to the natural person who created the Family Foundation or its beneficiaries who are natural persons, would constitute a taxable Business or Business Activity under **Article 11(6)**.

- The Family Foundation must not have a main or principal purpose of the avoidance of Corporate Tax. **Clause 1(d)** should be read together with **Article 50** and provides that a Family Foundation will not be treated as an Unincorporated Partnership but instead be a Taxable Person in its own right where the main or principal purpose of the Family Foundation and the application made under **Clause 1** is the avoidance of Corporate Tax that is not consistent with the intention of this Article.

- The Family Foundation must meet any other conditions as may be prescribed by the Minister in accordance with **Clause 1(e)**.

Chapter Five: Free Zone Person

Article 18: Qualifying Free Zone Person Article 19: Election to Be Subject to Corporate Tax

Further details of the conditions that a Free Zone Person must meet in order to be treated as a Qualifying Free Zone Person for the purpose of Corporate Tax will be released by way of the relevant decisions issued by the Cabinet and the Minister.

Chapter Six: Calculating Taxable Income

Article 20: General Rules for Determining Taxable Income

Most businesses in the UAE are required under applicable federal or Emirate level legislation to keep records and financial statements reflecting the assets and liabilities of the entity or business, as well as the profits for the relevant financial period, which need to be prepared in accordance with accounting standards accepted in the UAE.

Although the basic purpose of measuring profit is shared by commercial accounting practices and by tax rules, different countries apply different tax and accounting rules. In some countries, there is close alignment between accounting income and taxable income, whilst in other countries taxable income is determined according to an entirely self-contained set of rules stipulated in the relevant tax law and regulations. In practice, most countries adopt a hybrid or combination of rules.

For Corporate Tax purposes, the accounting net profit (or loss) as stated in the financial statements of a Taxable Person forms the starting point for determining their Taxable Income. Using accounting standards accepted in the UAE (as specified in a Decision issued by the Minister for the purposes of the Corporate Tax Law) provides for a common definition of income, which promotes efficiency, reduces compliance costs and provides a base which follows international standards. A Person subject to Corporate Tax must compute their Taxable Income by reference to their Tax Period (see **Article 57**), which, in most cases, will be the financial accounting period of the Taxable Person. The requirement to compute Taxable Income by reference to a Person's Tax Period means that it is necessary to allocate income and expenditure to particular time periods. In broad terms, this Article provides that financial accounting rules would determine when income is "derived", and expenditures and losses are "incurred", subject to any adjustments prescribed or allowed for Corporate Tax purposes under this Article or other provisions of the Corporate Tax Law.

Clause 1 provides that Taxable Income should be determined based on the financial statements of a Taxable Person that have been prepared using the accounting standards and principles that are acceptable in the UAE. This ensures that each Taxable Person uses common accounting standards to determine their Taxable Income, while providing some flexibility. The general rule is that for Corporate Tax purposes, the treatment in the financial statements applies, unless there is a specific rule in the Corporate Tax Law or its implementing regulations that prescribes a different treatment.

Clause 2 clarifies that the accounting net profit (or loss) before tax as stated in the financial statements must be used as the starting point to calculate Taxable Income for a Tax Period, to which the following adjustments as provided for in the Corporate Tax Law may or should then be applied.

- Unrealised gains or losses as determined under **Clause 3**. Gains and losses are the inevitable outcomes of holding assets and liabilities. Unrealised accounting gains and losses reflect changes in the value of an asset or liability before it is sold or settled. The treatment of unrealised gains or losses is further discussed in the following paragraphs.

- Exempt Income as specified in **Chapter Seven** of the Corporate Tax Law, which includes dividends, gains and other income from a Participating Interest (**Article 23**), income earned through a qualifying Foreign Permanent Establishment (**Article 24**), and income from the operation of aircraft and ships in international transportation (**Article 25**).

- Reliefs provided under **Chapter Eight** of the Corporate Tax Law. These reliefs are intended to remove obstacles from a Corporate Tax perspective with regards to intra-group transfers of assets and liabilities and other qualifying business restructuring transactions.

- Deductions as specified in **Chapter Nine** of the Corporate Tax Law. In principle, all legitimate business expenditures incurred wholly and exclusively for the purposes of the Taxable Person's Business are deductible for Corporate Tax purposes, although the timing of the deduction may vary for different types of expenditure and the accounting method applied. For capital assets, expenditure would generally be recognised by way of depreciation or amortisation deductions over the economic life of the asset or benefit. Certain limitations to the deduction of business expenditure may apply to ensure fair taxation and prevent tax base erosion.

- Adjustments for any transactions with Related Parties and Connected Persons as specified in **Chapter Ten** of the Corporate Tax Law. To prevent the manipulation of Taxable Income, the Corporate Tax Law requires the consideration of transactions between Persons under common ownership or that are otherwise related to be determined by reference to the Market Value, irrespective of the value reported in the financial statements of the Taxable Person.

- Tax Loss relief as specified under **Chapter Eleven** of the Corporate Tax Law. **Articles 37** and **38** allow the use of a Tax Loss to reduce Taxable Income, either by offsetting the Tax Loss against the Taxable Income of subsequent Tax Periods, or by transferring the Tax Loss to another Taxable Person.

- Incentives or special reliefs for a Qualifying Business Activity that would be specified in a Cabinet Decision.

- Income or expenditure that has not otherwise been taken into account in determining Taxable Income as may be specified in a Cabinet Decision.

- Any other adjustments that may be specified by the Minister. The Minister may specify other adjustments or make regulations to address particular types of transactions whose accounting treatment may be vulnerable to manipulation of the determination of Taxable Income.

Clause 3 provides that where financial statements are prepared on an accrual basis, an election can be made to take gains or losses into account for Corporate Tax purposes on a realisation basis. This election will be subject to any conditions as may be set by the Minister.

Where the accrual method is used as the basis for a Taxable Person to prepare its accounts, unrealised gains or losses may arise where a change in the value of an asset or liability is recorded in the Person's financial statements, but no transaction to realise a gain or loss has yet taken place. It is therefore possible that profits (or losses) could arise where there has been no actual disposal or settlement (i.e. realisation) of the relevant asset or liability, and therefore no receipts that could be used to pay any Corporate Tax liability that may arise as a result. An example of this would be a change in the exchange rate for a foreign currency contract yet to be settled at the end of an accounting period.

To prevent a Corporate Tax liability arising where there is no receipt of consideration to fund the resulting Corporate Tax payable, Taxable Persons who prepare their financial statements on an accrual basis may elect to take into account gains and losses on a realisation basis. This means that for the purposes of calculating their Taxable Income for a Tax Period, instead of profits and losses in respect of assets and liabilities being determined on the basis of either revaluations or book value, losses or profits are instead determined when an asset is disposed of or a liability is settled, or a different realisation event occurs.

The election under this Clause can either be made so that all unrealised accounting gains or losses are not taken into account (**Clause 3(a)**), or only unrealised gains and losses in relation to those assets and liabilities held on the Person's capital account (**Clause 3(b)**). In the latter case, gains or losses in relation to assets and liabilities held on that Person's revenue account would remain to be taken into account and be subject to Corporate Tax on a current basis. In broad terms, the revenue account relates to assets held on a short-term basis such as trade receivables or inventory, with the capital account relating to longer term assets such as plant and machinery or buildings.

An election to be taxed on a realisation basis must specify whether the election is being made either in respect of all assets and liabilities or only in respect of assets and liabilities held on capital account. Additional conditions for the purposes of the election under **Clause 3**, and how unrealised gains and losses that have previously been excluded for Corporate Tax purposes will come into account when the gain or loss is realised, or the election revoked, will be specified in a Ministerial Decision.

Clause 4 clarifies which assets and liabilities would be considered as being held on capital account or on revenue account for the purpose of **Clause 3(b)** above, as follows.

- Assets held on capital account are non-current assets that a Person does not trade such as property held for investment purposes or intangible assets developed by the Person for use within its own Business. Essentially, capital items are items that have a long-term impact on a Business.

- Liabilities held on capital account are non-current liabilities which the Business expects to hold over the long term such as long-term loans or other debt obligations, and liabilities which do not give rise to deductions under **Chapter Ten** of the Corporate Tax Law.

- Assets and liabilities held on a revenue account are items that have a short-term impact on a Business, such as trading stock and inventory, and any associated expenditure.

This Clause also clarifies that an unrealised gain or loss for the purposes of **Clause 3** includes any gain or loss that arises as a result of changes in the value of a foreign currency (versus the UAE dirham or the Person's functional currency), for example when outstanding debtor and creditor balances held in foreign currency are restated at the end of a Tax Period at the prevailing foreign exchange rate.

Clause 5 provides that the Minister may prescribe:

- specific circumstances where a Taxable Person can prepare their financial statements on a cash basis;

- adjustments to be made to the calculation of Taxable Income that could be an exception to the general rules of calculating Accounting Income on an accrual basis or the treatment of unrealised gains or losses for Corporate Tax purposes;

- a mechanism to calculate Taxable Income for specific Qualifying Business Activities that may be different from the general rules to determine Taxable Income under the Corporate Tax Law.

Clause 6 allows a Taxable Person to make an application to the Authority to change their accounting method from a cash basis to an accrual basis, subject to any conditions and adjustments the Minister may prescribe under **Clause 5**. Once approved, a change in accounting method will take effect from the beginning of the Tax Period in which the application is made, or the beginning of a future Tax Period.

Clause 7 clarifies that the provisions of the Corporate Tax Law would prevail over any accounting standards where there is a conflict between both.

Article 21: Small Business Relief

This Article allows a Resident Person to elect for Small Business Relief, resulting in the Resident Person being treated as having no Taxable Income in respect of each relevant Tax Period where the conditions of this Article are satisfied. The relief is intended to support start-ups and other small or micro businesses by reducing their Corporate Tax burden and compliance costs.

Any Person who qualifies and avails the Small Business Relief under this Article remains a Taxable Person for the purposes of the Corporate Tax Law, and as such, will be required to meet the compliance obligations provided for in the Corporate Tax Law for each Tax Period. This includes the obligation to register for Corporate Tax purposes, file a Tax Return and retain all relevant documents and records to support their Corporate Tax filings.

Clause 1 sets out the two conditions that a Resident Person must meet in order to qualify for Small Business Relief. These are that (i) the Resident Person has Revenue (as defined under **Article 1**) for the relevant and prior Tax Periods below the threshold to be set by the Minister, and (ii) the Resident Person meets any other conditions as may be prescribed by the Minister.

These conditions have been set out under Ministerial Decision No. 73 of 2023 on Small Business Relief for the Purposes of Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses as follows:

- the relief under this Article will only apply in Tax Periods ending on or before 31 December 2026;
- the Revenue threshold for the relevant and prior Tax Periods is AED 3,000,000; and
- the Resident Person must not be one of the following:
  - a member of a multinational group that is required to prepare a Country-by-Country Report under the UAE's Country-by-Country Reporting legislation[1], or
  - a Qualifying Free Zone Person.

Clause 2 clarifies that for the Tax Period that a Resident Person elects to benefit from the Small Business Relief, the Resident Person will not be subject to certain provisions under the Corporate Tax Law that are relevant to the calculation of Taxable Income and will not be required to maintain Transfer Pricing documentation under Article 55. This is intended to further reduce the compliance burden.

Clause 3 empowers the Authority to monitor compliance of a Resident Person that applied for Small Business Relief by requesting any relevant documents and records.

[1] Cabinet Decision No. 44 of 2020 on Organising Reports Submitted by Multinational Companies

Chapter Seven: Exempt Income

Article 22: Exempt Income

This Article specifies the types of income and related expenditure that shall not be taken into account in determining Taxable Income, provided the applicable conditions are satisfied or when a Taxable Person elects to claim the exemption from Corporate Tax under **Article 24.**

The purpose of the exemption from Corporate Tax for the types of income mentioned in **Clauses 1** to **4** is, broadly, to prevent income derived from the activity of another resident or non-resident juridical person, or a Foreign Permanent Establishment of a Resident Person, from potentially being subject to economic or juridical double taxation.

Dividends and other profit distributions received from a Resident Person are exempt from Corporate Tax without the Corporate Tax Law prescribing any specific conditions or requirements. For dividends and other profit distributions paid by a foreign juridical person, the exemption from Corporate Tax is subject to the conditions of **Article 23**. The exemption from Corporate Tax on gains derived from the disposal of shares and other ownership interests in both UAE and non-UAE juridical persons is subject to these same conditions under **Article 23**.

The income of a Foreign Permanent Establishment is exempt from Corporate Tax following an election, subject to meeting the conditions of **Article 24**. The exemption from Corporate Tax provided in **Clause 5** is to ensure the Corporate Tax Law aligns with international standards for the taxation of international transportation by recognising the “reciprocity” principle.

Article 23: Participation Exemption

This Article provides that income from a Participating Interest, such as dividends and capital gains, is exempt from Corporate Tax. A Participating Interest is defined as a significant, long-term ownership interest in a juridical person (the “Participation”) that suggests some degree of control or influence over the Participation and that meets the conditions of this Article.

As discussed under **Article 12**, whilst Resident Persons are subject to Corporate Tax on income from both UAE and non-UAE sources, the Corporate Tax Law incorporates important elements of a territorial tax system by exempting certain income that is unrelated to activity or sources in the UAE from Corporate Tax. The exemption from Corporate Tax under this Article for income received from the ownership interest in a Participation is a common mechanism to reduce or eliminate economic double taxation under a residence-based tax system. Specifically, it provides a relatively simple mechanism to prevent both domestic and international double taxation in situations where the juridical person that distributes a profit or whose shares or other ownership interests are being sold may have already been taxed on its profits.

The exemption from Corporate Tax under this Article also extends to expenditure incurred in relation to the exempted income derived from a Participating Interest, rendering such expenditure non-deductible in accordance with **Articles 22** and **28(2)(b)**, except for Interest expenditure as per **Article 29**.

In addition to the Participation Exemption being a net income exemption, the Participation Exemption is a symmetrical exemption of income from a Participation Interest. That is, qualifying capital, revaluation and foreign exchange gains are exempt from Corporate Tax, and equally no deduction for Corporate Tax is allowed for capital losses, foreign exchange losses or impairment losses (except for losses realised on the liquidation of a Participation under **Clause 8**).

Clause 1 provides that the Participation Exemption applies without the need for the Taxable Person to make an election or file an application with the Authority. Accordingly, if the relevant conditions are met, the Participation Exemption will apply with regards to all relevant income derived from the Participating Interest, without the Taxable Person having the option or needing to elect for the relevant income to be exempt.

As a Taxable Person, a UAE Permanent Establishment could claim the Participation Exemption in respect of income from ownership interests that meet the conditions of **Article 23** that can be attributed to the Permanent Establishment as per **Article 12(3)(a)**.

Clause 2 sets out the following cumulative conditions under which an ownership interest in a Participation will be considered a Participating Interest.

- The Participating Interest represents a 5% or greater ownership interest in the Participation. The opening sentence of **Clause 2** specifies that a Participating Interest must represent a 5% or greater ownership of the shares or capital of the juridical person. This indicates that the Participation must have a capital divided into shares, membership interests, or other securities or rights that entitle the holder to profits and liquidation proceeds of the entity. Different types of shares or similar instruments can be aggregated to determine whether a Participating Interest exists, provided the condition under **Clause 2(c)** continues to be met.

  Unless the ownership interest qualifies as a Participating Interest by having an acquisition cost that exceeds the threshold under **Clause 11**, a less than 5% ownership interest in a juridical person will be deemed to be a passive or portfolio investment that does not qualify for the Participation Exemption.

- The Participating Interest must be held, or intended to be held, for an uninterrupted period of at least 12 months. Under **Clause 2(a)**, a Participating Interest must be held for an uninterrupted period of 12 months. There is no requirement for the Participating Interest to be held for the full Tax Period, nor is it required for the minimum holding period to be met at the time the income is derived. Income received from a Participating Interest before the minimum holding period is completed can benefit from the Participation Exemption as long as the Taxable Person has the intention to hold the Participating Interest for at least 12 months. Whether the Participating Interest is held with the intention of long-term investment or not may generally be inferred from the relevant facts and circumstances, including, for example, whether the Taxable Person is engaged in the business of buying and selling securities.

- The Participation must be subject to Corporate Tax (or equivalent) of 9% or more. The condition under **Clause 2(b)** ("subject to tax test") requires the Participation to be subject to Corporate Tax or any other tax imposed under the applicable legislation of the country or territory in which the juridical person is resident which is of a similar character to Corporate Tax.

- The ownership interest in the Participation entitles the holder to at least 5% of the profits and liquidation proceeds. The term "ownership interest" in the context of this Article is generally meant to refer to the legal and beneficial ownership of the shares or other ownership interests in the Participation. The ownership interest must entitle the holder to at least 5% of the Participation's profits available for distribution and at least 5% of the liquidation proceeds upon cessation of the Participation.

- 50% or less of the assets of the Participation consist of non-qualifying ownership interests. An ownership interest in a Participation will be deemed a passive or portfolio investment that does not qualify for the Participation Exemption if 50% or more of the Participation's assets, on a consolidated basis, consist of

ownership interests or entitlements that by themselves do not meet the conditions of this Article had they been held directly by the Taxable Person.

Assets that would not qualify for the Participation Exemption include, for example, ownership interests in foreign juridical persons that are not subject to a corporate income tax in the relevant foreign jurisdiction, unless such ownership interests meet the conditions of **Clause 3**, or any other conditions as may be prescribed by the Minister under **Clause 2(e).**

- The Participating Interest must meet any other conditions as may be prescribed by the Minister. The Minister may prescribe such other conditions and requirements as it considers appropriate for the application of the provisions of this Article.

Clause 3 establishes that even if a Participation is not subject to Corporate Tax or a similar tax of at least 9%, the Participation can nevertheless be treated as having met the subject to tax test under **Clause 2(b)** where its principal objective and activity is the acquisition and holding of shares or equitable interests, provided such ownership interests meet the conditions of **Clause 2**. In addition, under **Clause 3(b)**, the income of the Participation must for the most part consist of dividends, capital gains and other qualifying income from Participating Interests.

Clause 4 confirms that a Participation in a Qualifying Free Zone Person or an Exempt Person shall be treated as having met the subject to tax test under **Clause 2(b)**, subject to any conditions that may be prescribed by the Minister.

Where the previous conditions are met, the following income specified under **Clause 5** shall not be taken into account by a Taxable Person in calculating their Taxable Income for Corporate Tax.

- Dividends and profit distributions received from a foreign Participation that is not a Resident Person.

  In the context of **Clause 5(a)**, dividends are not limited to only cash dividends, but also include stock dividends, bonus shares, dividends in kind, and other forms of actual or constructive profit distributions, subject to the provisions of **Clause 6**. In broad terms, constructive dividends or profit distribution are payments or benefits provided to the owner of the Participation that are an assignment of income to the owner, despite the absence of a formal distribution. This could arise, for example, as a result of a transaction under which the owner of the Participating Interest receives compensation that exceeds the fair value of the goods or services provided by it to the Participation.

- Gains or losses on the transfer, sale, or other disposition of a Participating Interest (or part thereof), taking into account the twelve-month period stipulated under **Clause 2(a)** or the two-year period specified in **Clause 9**.

- Foreign exchange or impairment gains or losses in relation to a Participating Interest.

Losses and expenditure incurred in relation to a Participating Interest are also exempt and hence non-deductible, with the exception of Interest expenditure which is governed under **Articles 29** and **30(1)**, and losses realised on the liquidation of a Participation that may be deducted under **Clause 8**.

Other income that is not directly related to the ownership of a Participating Interest, such as income from services provided to the Participation or Interest income earned under a loan granted to the Participation, will not be exempt from Corporate Tax.

Clause 6 provides that the Participation Exemption does not apply in the following circumstances.

- Insofar as the Participation can claim a deduction for the dividend or other profit distribution made to the Taxable Person under an applicable tax legislation. **Clause 6(a)** is intended to prevent situations of potential double non-taxation that would arise if the Participation can claim a deduction for the dividend or other distribution made to the Taxable Person, and that same dividend or other distribution is not taxed in the hands of the Taxable Person under this Article.

- The Taxable Person has recognised a deductible impairment loss in respect of the Participating Interest prior to the Participating Interest meeting the conditions of **Clause 2**. As the impairment loss recognised prior to the ownership interest becoming a qualifying Participating Interest would have been deductible from Taxable Income, **Clause 6(b)** provides that any subsequent income and gains will not be exempt under the Participating Exemption up to the amount of the impairment loss that was deducted.

- The Taxable Person or a Related Party who is subject to Corporate Tax has recognised a deductible impairment loss in respect of a loan receivable from the Participation. **Clause 6(c)** applies where the Taxable Person has impaired a receivable from a juridical person in which the Taxable Person or a Related Party of the Taxable Person holds a Participating Interest. It is not relevant whether the Taxable Person or its Related Party held the Participating Interest at the time of the impairment, and **Clause 6(c)** also applies to any indirectly held Participations.

Clause 7 confirms that the reversal of an impairment loss mentioned in **Clause 6(c)** is exempted from Corporate Tax up to the amount of income from the Participating Interest that did not benefit from the Participation Exemption under **Clause 6(c)**.

Clause 8 provides an exception to the general rule that gains and losses in relation to a Participating Interest are exempt from Corporate Tax for losses realised on the liquidation of a Participation. Where the proceeds from the liquidation of the Participation are less than the cost base for Corporate Tax purposes of the shares or other ownership interests in the Participation, the difference, or realised loss, can be deducted from the Taxable Income in the relevant Tax Period.

Clause 9 disapplies the exemption under **Article 23** for a period of two years where the Participation is acquired under the following circumstances:

- Where the Participation is acquired in exchange for the transfer of an ownership interest that is not a Participating Interest; or

- Where the Participation is acquired in exchange for a transfer of assets and liabilities within a Qualifying Group at no gain or no loss under **Article 26**; or

- Where the Participation is acquired in a Business restructuring transaction and the Business restructuring relief is applied under **Article 27**.

Clause 10 provides that if a Taxable Person did not hold the Participating Interest for an uninterrupted period of at least twelve months, and there was in fact no intention to do so, any income previously not taken into account under the Participation Exemption will be included in the calculation of Taxable Income under **Article 20** in the Tax Period in which the ownership interest in the Participation ceases to meet the relevant conditions of **Clause 2** or **Clause 11**.

Clause 11 allows the Minister to prescribe a minimum acquisition value above which an ownership interest in a juridical person will be treated as having met the minimum ownership requirement of **Clause 2**. Any minimum acquisition cost threshold prescribed by the Minister would serve as an administrative simplification, recognising that a material investment in a juridical person is often representative of the long-term nature of the investment and would generally provide the holder with some degree of control or influence over the entity.

Article 24: Foreign Permanent Establishment Exemption

Whilst both UAE and non-UAE-sourced income derived by a Resident Person is within the scope of Corporate Tax, this Article allows a Resident Person to elect and claim an exemption from Corporate Tax for income derived through a Foreign Permanent Establishment that meets the conditions under this Article.

Similar to the exemption under **Article 23**, the Foreign Permanent Establishment exemption is intended to eliminate or reduce potential international double taxation and would equally apply to any expenditure of (or that is attributable to) the Foreign Permanent Establishment.

A Foreign Permanent Establishment is defined as a branch or other presence or activities of the Resident Person in a foreign jurisdiction that would constitute a Permanent Establishment when applying the conditions of **Article 14**, and that is acknowledged as such by the relevant foreign jurisdiction.

Clause 1 provides that where an election under this Article is made, both the income and associated expenditure of a Resident Person's Foreign Permanent Establishments are not taken into account in determining the Resident Person's Taxable Income, making the exemption from Corporate Tax under this Article a net income exemption.

Clause 2 confirms that if an election is made, the Resident Person shall not take into account any profits or losses in any of its Foreign Permanent Establishments, as well as any Foreign Tax Credits that would have been available had the election under **Clause 1** not been made. This Clause also confirms that the income or loss in each Foreign Permanent Establishment must be calculated using the rules for the calculation of Taxable Income under the Corporate Tax Law as if the Foreign Permanent Establishment was a separate Resident Person that is a Related Party.

Clause 3 confirms that references made to the "income and associated expenditure" of a Taxable Person's Foreign Permanent Establishments under this Article refer to the total income and associated expenditure of all of the qualifying Foreign Permanent Establishments of the Resident Person in the relevant Tax Period. As such, a Resident Person cannot minimise their Corporate Tax liability for a Tax Period by only electing to exempt the income of those Foreign Permanent Establishments that are profitable, and not elect to exempt the losses of Foreign Permanent Establishments that meet the condition of **Clause 7**.

When determining the income and associated expenditure of a Foreign Permanent Establishment, **Clause 4** requires that the Resident Person and each of its Foreign Permanent Establishments shall be treated as separate and independent Persons. This means that in order to identify the income and expenditure which relates to a Foreign Permanent Establishment, each Foreign Permanent Establishment is treated as though it is an entirely independent Business from the UAE head office.

The arm's length principle under **Article 34** would apply to any dealings between the Resident Person and its Foreign Permanent Establishment and to any dealings of the Foreign Permanent Establishment with Related Parties of the Resident Person.

As an extension of the position under **Clause 4** that the Foreign Permanent Establishment is a separate and independent Person, the arm's length principle under **Article 34** would also apply to any "transfers" of assets or liabilities between a Resident Person and its Foreign Permanent Establishment. **Clause 5** requires such transfers to be treated as having taken place at Market Value at the date of the transfer when determining the Taxable Income of the Resident Person.

Clause 6 confirms that any election made under **Clause 1** must apply to all Foreign Permanent Establishments that meet the requirement of **Clause 7**. It is not possible to specify different treatments for different Foreign Permanent Establishments unless **Clause 7** disallows the exemption under this Article for a specific Permanent Establishment.

Clause 7 provides that an exemption from Corporate Tax only applies to Foreign Permanent Establishments that are subject to a sufficient level of tax imposed under the applicable legislation of the jurisdiction in which they are located. Accordingly, whilst the determination of whether a Foreign Permanent Establishment exists must be done by reference to the conditions of **Article 14** (before the application of any applicable agreement for the avoidance of double taxation), a Foreign Permanent Establishment must be acknowledged as such by the relevant foreign jurisdiction by virtue of being within the scope of corporate tax (or equivalent) in that foreign jurisdiction.

Article 25: Non-Resident Person Operating Aircraft or Ships in International Transportation

This Article exempts income derived by a Non-Resident Person from operating or leasing aircraft or ships (and associated equipment) used in international transportation. This exemption from Corporate Tax is provided under the proviso that the same tax treatment is granted to a UAE Resident Person in the relevant foreign jurisdiction under the reciprocity principle.

This Article provides that income derived by a Non-Resident Person from the operation of a ship or aircraft in international transportation is not subject to Corporate Tax, provided certain conditions are met.

Clause 1 specifies the types of Business carried on by a Non-Resident Person that fall within the scope of the exemption for international transport.

Clauses 1(a) and **1(b)** require that the Non-Resident Person is in the Business of the international transportation of passengers, livestock, mail, parcels, merchandise or goods by air or by sea, or the leasing or chartering of aircraft or ships used in international transportation.

Beyond the direct operation or leasing of aircraft and ships for international transportation, **Clause 1(c)** provides that Businesses involved in the leasing of equipment which is integral to the seaworthiness of ships or the airworthiness of aircrafts used in international transportation are also exempt from Corporate Tax under this Article (provided the conditions under **Clause 2** are met).

Clause 2 provides that the exemption from Corporate Tax only applies where an equivalent exemption or exclusion from a tax that is similar in character to Corporate Tax would be provided to a UAE Resident Person engaged in the operation or leasing of aircraft or ships used in international transportation, as applicable, by the country in which the Non-Resident Person resides. This is consistent with international norms and ensures there is reciprocity in the taxation of income from international transportation and related services.

Chapter Eight: Reliefs

Article 26: Transfers Within a Qualifying Group

This Article provides for Corporate Tax neutrality where one or more assets or liabilities are transferred between closely related Taxable Persons, defined as members of a Qualifying Group.

The Corporate Tax Law establishes two different types of 'groups':

- Qualifying Groups (defined in this Article); and
- Tax Groups (discussed under **Article 40**).

Two or more juridical persons shall be treated as a Qualifying Group if all of the following conditions are met:

- The juridical persons are Resident Persons, or Non-Resident Persons that have a Permanent Establishment in the UAE;
- There is direct or indirect common ownership of at least 75% between the juridical persons, or a third Person owns at least 75% in all the juridical persons;
- None of the juridical persons are an Exempt Person or a Qualifying Free Zone Person; and
- The juridical persons have the same Financial Year end and prepare their financial statements using the same accounting standards.

Where the conditions above are met, the juridical persons will automatically be treated as part of a Qualifying Group. However, juridical persons that are members of a Qualifying Group will remain separate Taxable Persons for the purposes of the Corporate Tax Law.

Whilst ordinarily there would be a gain or loss for Corporate Tax purposes in cases where a Taxable Person transfers an asset or liability at a value different to its net book value for Corporate Tax purposes, **Clause 1** allows for the elimination of the Corporate Tax impact of transfers of assets and liabilities between members of a Qualifying Group.

Clauses 4 and **5** provide that relief from Corporate Tax under this Article will only apply to transfers between members of a Qualifying Group that will continue to be part of that same Qualifying Group for at least two years from the end of the relevant Tax Period. This is to prevent circumstances where a transfer occurs immediately prior to the sale of the transferee group company which would ordinarily be exempt from Corporate Tax under **Article 23**, with the relief then being utilised despite there being no intention for both parties to the transaction to continue to be members of the same Qualifying Group.

The non-recognition rule under **Clause 1** provides that the Corporate Tax position of a Taxable Person in respect of the asset(s) or liability(ies) being transferred may be "rolled over" to the transferee member of the Qualifying Group. This is achieved by deeming the asset(s) or liability(ies) to have been transferred for consideration equal to their net book value for Corporate Tax purposes, and for the other Taxable Person to have acquired the asset(s) or liability(ies) equal to that cost. The intention is to avoid what could economically be a "dry" Corporate Tax charge, or an allowable Tax Loss, where there has not been an economic realisation of the relevant asset(s) or liability(ies) from the perspective of the Qualifying Group as a whole.

Clause 2 sets out the conditions discussed above under which two or more Taxable Persons will be treated as members of the same Qualifying Group.

Clause 2(a) requires a Taxable Person seeking relief under this Article to be subject to Corporate Tax as either a Resident Person, or as a Non-Resident Person with a Permanent Establishment in the UAE. This is to ensure that any gain or loss that benefits from relief under this Article remains within the scope of Corporate Tax.

Clause 2(b) establishes the minimum common ownership requirement that must be met in order for two or more Taxable Persons to be considered members of a Qualifying Group. This requirement shall be met where one of the Taxable Persons owns a direct or indirect 75% or greater ownership interest in the other Taxable Person that is party to the relevant transaction, or where a third Taxable Person that is not party to the relevant transaction directly or indirectly owns a 75% or greater ownership in each of the relevant Taxable Persons.

Clauses 2(c) and **2(d)** both relate to the Corporate Tax status of the Taxable Persons seeking to benefit from relief from Corporate Tax under **Clause 1**. Specifically, neither party to the relevant transaction can be an Exempt Person, as defined in **Article 4**, or a Qualifying Free Zone Person, as defined in **Article 18** (unless the Qualifying Free Zone Person has made an election under **Article 19** to be subject to Corporate Tax at the rates specified under **Article 3(1)**).

Clauses 2(e) and **2(f)** require the Taxable Persons involved in a transfer seeking to benefit from relief under this Article to have the same Financial Year (as defined under **Article 57**) and to prepare their financial statements using the same accounting standards.

Clause 3(a) provides that where relief from Corporate Tax under **Clause 1** is sought, the relevant assets or liabilities shall be treated as being transferred at their net book value for Corporate Tax purposes at the time of the transfer. The net book value of an asset is the cost of the asset reduced by the accumulated depreciation deductions (if any) allowed in respect of the asset, as reported for Corporate Tax purposes. The resulting impact is that no gain or loss arises for Corporate Tax purposes on the transfer of the asset(s) or liability(ies) between two members of a Qualifying Group.

Clause 3(b) provides that any consideration paid or received against the qualifying transfer will be treated for Corporate Tax purposes as being equal to the net book value of the transferred asset or liability.

The application of relief from Corporate Tax under this Article requires all relevant conditions to continue to be met by all parties to the transaction for a minimum of two years. In particular, **Clause 4(a)** provides that the asset or liability cannot be transferred outside the Qualifying Group within two years of the initial transfer, and **Clause 4(b)** requires that all parties to the transfer must remain within the same Qualifying Group for a minimum of two years following the transfer. These conditions are meant to prevent situations where an asset or liability is transferred to a member of the Qualifying Group followed by that member exiting the Qualifying Group, resulting in any gain on the asset or liability transfer not being taxed, whereas Corporate Tax would have applied if the asset or liability was sold directly to a party that is not a member of the Qualifying Group.

Clause 5 provides that if any of the conditions set out in **Clause 4** are not met, the transfer of the asset(s) or liability(ies) must be treated as having taken place at Market Value at the date on which the first transfer took place, which, if different from either the net book value or cost prescribed by **Clause 3(a)** and **Clause 3(b)**, will adjust the Taxable Income of the Taxable Persons involved in the transfer.

Article 27: Business Restructuring Relief

This Article eliminates the Corporate Tax impact of certain transactions undertaken as part of the restructuring or reorganisation of a Business.

Ordinarily, business restructuring transactions such as mergers or demergers could result in a taxable gain or loss, even where the ultimate ownership of the Business or Taxable Person does not change, or the original owners of the Business or Taxable Person retain an ownership in the restructured Business. In order not to hamper restructuring transactions undertaken for valid commercial or other non-tax reasons, this Article allows certain types of restructuring transactions to take place in a tax neutral manner, subject to meeting the conditions prescribed in the Article.

Examples of business restructuring transactions that are intended to benefit from relief under this Article include a business merger, a legal merger or a legal demerger.

- A business merger occurs when a Taxable Person transfers its Business or an independent part of its Business to another Taxable Person in exchange for shares or other ownership interests of the other Person. This may include, for example, a situation where a natural person converts its Business to an incorporated entity, or where an Unincorporated Partnership applies to the Authority to become a Taxable Person in its own right under **Article 16(8),** in which case the Partners in the Unincorporated Partnership will be considered as having transferred their part ownership of the Businesses to a separate Taxable Person in which they receive an ownership interest.

- A legal merger occurs when a Taxable Person (the “transferor”) transfers its entire Business to another Taxable Person (the “transferee”) under universal title, after which:

  – The transferor is dissolved by, or ceases to exist under, law without going into liquidation, and the shares or ownership interests of the transferor are cancelled by law; and

  – The owner(s) of the transferor become the owner(s) of the transferee, for example, the transferee issues new shares to the owner(s) of the transferor in exchange for the transfer.

- A legal demerger can either be a full demerger or a partial demerger.

  – In a full demerger, a Taxable Person (the “transferor”) would transfer its entire Business under universal title to at least two other Persons (the “transferees”), whereby the transferor is dissolved without going into liquidation and shares or ownership interests in the transferor are cancelled by law. The owner(s) of the transferor become owner(s) of the transferees.

  – In a partial demerger, a Taxable Person (the “transferor”) would transfer its Business under universal title to at least one other Person (the “transferees”), and the transferor continues to exist after the transfer. The owner(s) of the transferor also become owner(s) of the transferees following the transfer.

Clause 1(a) provides that no gain or loss needs be taken into account where a Taxable Person transfers its entire Business or an independent part of its Business in exchange for shares or other ownership interests in the transferee entity. An independent part of a Business refers to a part of the Business that may be operated independently and separately from the other Business of the Taxable Person.

Under **Clause 1(b)**, relief from Corporate Tax may also apply in instances where the transferring party ceases to be Taxable Persons as a result of transferring their entire Business to another Person who is either currently a Taxable Person or would become a Taxable Person as a result of the transfer. This may be the case under a legal merger or "full demerger" case discussed above.

In either case, the consideration received by the transferring entity (or entities) or their owner(s) must be shares or other ownership interests of the transferee entity, and the transfer must be to a Person who is either currently a Taxable Person or would become a Taxable Person as a result of the transfer.

Clause 2 provides a number of conditions that must be met by all parties involved in the restructuring transaction in order to apply the relief under this Article. These conditions are meant to prevent relief under this Article from being used for purposes other than a business restructuring and to ensure that any gain or loss that benefits from relief under this Article remains within the scope of Corporate Tax.

Clause 2(a) requires that the business restructuring transaction complies with all applicable legislation in the UAE. This means that the business merger, legal merger, legal demerger or other restructuring transaction must comply with any and all requirements of any UAE Federal and/or Emirate level laws and regulations in order to benefit from relief under the Corporate Tax Law.

Clause 2(b) requires that any Taxable Person eligible for the relief under this Article must be subject to Corporate Tax as either a Resident Person, or as a Non-Resident Person with a Permanent Establishment in the UAE. This condition is meant to ensure that any potential gain or loss which is shielded by the relief under this Article remains within the scope of Corporate Tax.

Clauses 2(c) and **2(d)** both relate to the Corporate Tax status of the Taxable Persons seeking to benefit from relief from Corporate Tax under **Clause 1**. Specifically, neither party to the restructuring transaction can be an Exempt Person, as defined in **Article 4**, or a Qualifying Free Zone Person, as defined in **Article 18** (unless the Qualifying Free Zone Person has made an election under **Article 19** to be subject to Corporate Tax at the rates specified under **Article 3(1)**).

Clauses 2(e) and **2(f)** require the Taxable Persons involved in the business restructuring seeking to benefit from relief under this Article to have the same Financial Year (as defined under **Article 57**) and to prepare their financial statements using the same accounting standards.

Clause 2(g) provides that restructuring relief is only available to transfers undertaken for valid commercial or other non-fiscal reasons which reflect economic reality.

The adjustments required by the relief under this Article may alter the tax book value of the assets and liabilities being transferred as part of the restructuring transaction. **Clause 3(a)** provides that where relief from Corporate Tax under **Clause 1** is sought, the assets and liabilities transferred must be transferred at their net book value for Corporate Tax purposes at the time of transfer.

The net book value of a business asset is the cost of the asset for Corporate Tax purposes reduced by the accumulated depreciation or amortisation deductions (if any) in respect of the asset. In the absence of any such deductions or adjustments to the value of the asset, the net book value of the asset would generally be the historical cost of the asset. The resulting impact is that neither a gain or loss would arise for Corporate Tax purposes on the transfer of the asset(s) or liability(ies) in the context of a qualifying restructuring transaction.

Clause 3(b) provides that in applying business restructuring relief where the condition in **Clause 1(a)** is met, the shares or ownership interests received from the transferee cannot be recorded as exceeding the net book value of the assets transferred and any liabilities assumed, less the value of any other form of consideration received for Corporate Tax purposes.

The result of this Clause is that the total value of consideration received by the transferor shall be treated as not exceeding the net book value of the Business or independent part of the Business being transferred for the purposes of applying the Corporate Tax Law.

Clause 3(c) provides that in applying business restructuring relief where the condition in **Clause 1(b)** is met, the shares or ownership interests received from the transferee cannot be recorded as exceeding the book value for Corporate Tax purposes of the shares or other ownership interests of the Taxable Person that ceases to exist, less the value of any other form of consideration received.

The result of this Clause is that the existing Corporate Tax basis in the shares of the Taxable Person that ceases to exist rolls over to the shares or other ownership interests received in the Taxable Person that is created or that is the surviving entity under the business restructuring transaction for the purposes of applying the Corporate Tax Law. Whilst generally no Corporate Tax would be due under **Article 23** on the exchange of shares in the transferor for shares in the transferee or a future transfer of shares in the transferee, this Clause is meant to prevent a tax neutral increase in the cost price of a Participation which may be used for calculating any tax-deductible loss upon a future liquidation of the transferee entity under **Article 23(8)**.

Clause 3(d) provides that any unutilised Tax Losses incurred by the transferring Taxable Person in Tax Periods prior to the transfer may subsequently become carried forward Tax Losses of the transferee, subject to any conditions as prescribed by the Minister.

In instances where the shares or ownership interests received as part of the transfer are received by a Person other than the transferor, or the shares are issued by a Person other than the transferee, **Clause 4** would apply. **Clause 4** enables a third party to be the recipient or the issuer of the consideration for the transfer, provided the transfer continues to meet all other conditions of this Article.

Clause 5 provides that where an independent part of a Business is transferred, only the unutilised Tax Losses that can be reasonably attributed to the independent part of the Business being transferred may become carried forward Tax Losses of the transferee.

Clause 6 requires all conditions of the relief under this Article to continue to be met by all parties to the transaction for a minimum of two years. This requirement is meant to provide assurance that the business restructuring relief will only apply to business restructuring transactions as opposed to providing for a tax neutral transfer of assets and liabilities as part of, or in anticipation of, an ordinary sale transaction. This Clause limits the extent to which potential Corporate Tax liabilities can be avoided in advance of a planned transfer or disposal of a Business or independent part thereof.

Specifically, **Clause 6(a)** requires that the shares or ownership interests in the transferor or transferee may not be transferred to a Person outside a Qualifying Group within two years of the initial transfer, and **Clause 6(b)** requires that there cannot be a subsequent transfer or disposal of the Business or independent part of the Business transferred under the business restructuring relief within two years of the original transfer.

Clause 7 provides that if any of the conditions set out in **Clause 6** are not met, the transfer of the Business or independent part of the Business must be treated as having taken place at Market Value at the date of the

transfer, with resulting adjustments to be made to the Taxable Income and available Tax Losses of the Taxable Persons involved in the transfer.

Chapter Nine: Deductions

Article 28: Deductible Expenditure

This Article specifies the expenditure deductions that are allowable in computing Taxable Income under **Article 20**. It also sets out circumstances in which expenditure is not allowed to be deducted. The intention of the Article is to allow Taxable Persons to deduct expenditure that is a necessary part of arriving at an amount that is subject to Corporate Tax.

Article 1 defines Accounting Income as the accounting net profit or loss for the relevant Tax Period as per the standalone financial statements prepared for financial reporting purposes in accordance with accounting standards that are accepted in the UAE. Taxable Income is defined in **Article 20(2)** as the Accounting Income which has been subject to the adjustments as provided for in the Corporate Tax Law and any implementing decision issued thereunder, including any adjustments resulting from this Chapter.

Accordingly, Taxable Income is computed after allowing for expenditure accounted for under the relevant accounting standards, and after making the necessary adjustments to the Accounting Income for items of expenditure which do not meet the conditions of this Article and hence cannot be taken as a deductible expenditure for Corporate Tax purposes.

Clause 1 sets out what is allowed as a deduction either as items deducted in arriving at the Accounting Income or that may be deducted from such income.

This Clause provides the basic rule that a deduction is allowed for expenditure incurred wholly and exclusively by a Taxable Person for the purposes of their Business, unless specifically disallowed under any other provision of the Corporate Tax Law. This establishes that to qualify for a deduction, there must be a direct connection between the expenditure and the Business or Business Activity (i.e. the expenditure would not have been incurred had the Person not undertaken the Business or Business Activity). An expenditure or loss incurred for a purpose other than the Taxable Person's Business such as a personal expenditure is not allowed as a deduction. This is further confirmed in **Clauses 2** and **3**.

An amount of expenditure is allowed as a deduction in the Tax Period in which it is incurred. When a cost or expenditure is incurred will depend on the Person's basis of financial accounting (see **Article 20**). In broad terms, a Person accounting on a cash basis incurs expenditure when it is paid and a Person accounting on an accruals basis incurs expenditure when the obligation to pay arises (i.e. when it is irrevocably committed for payment).

Clause 1 also specifies that a deduction is not allowed for expenditure that is capital in nature. For capital expenditure, deductible amounts would generally be recognised by way of depreciation or amortisation of the relevant asset or benefit over its economic life.

Capital expenditure is expenditure that is incurred for the enduring benefit of a business rather than expenditure incurred and expended in generating profits. So, while expenditure incurred in acquiring materials used to produce items that will be sold will be a revenue expenditure, the costs of acquiring the machines that produce such products will be a capital expenditure as long as the machines have an expected enduring benefit for the business.

Clause 1 shall be applied subject to other provisions of the Corporate Tax Law. This means that a provision of the Corporate Tax Law may preclude an amount of expenditure from being deductible or modify the amount of

the deduction. For example, deduction for Interest expenditure is specifically limited under **Articles 30** and **31** of the Corporate Tax Law.

Expenditure which does not meet the conditions of **Clause 1** will be disallowed and must be added back to a Taxable Person's Taxable Income if this expenditure has been included in the Taxable Person's Accounting Income. **Clause 2** sets out circumstances under which expenditure is not allowed to be deducted.

Clause 2(a) denies a deduction for expenditure that is incurred for purposes other than for the Taxable Person's Business, such as for a private purpose (e.g. personal consumption).

Clause 2(b) denies a deduction for expenditure incurred in deriving an amount that is Exempt Income as specified in **Article 22** of the Corporate Tax Law.

Clause 2(c) confirms that losses not connected with or arising out of a Taxable Person's Business are similarly not deductible.

Clause 2(d) provides for other non-deductible expenditure to be specified by a Cabinet Decision.

As set out in **Clause 1**, a deduction is allowed only for expenditure that is "wholly" incurred in deriving amounts included in Taxable Income. Thus, an expenditure incurred partly to derive Taxable Income and partly for some other purpose (such as to derive Exempt Income or for a private purpose) must be apportioned so that only that part relating to the derivation of Taxable Income is taken as a deduction for Corporate Tax purposes.

The basis of the apportionment will depend on the nature of the expenditure. Some expenditure may have separate parts which are clearly attributable between a taxable and non-taxable use. However, other expenditures may require more judgement to apportion the expenditure on a fair and reasonable basis. **Clause 3** confirms that expenditure that is only partly incurred for the purposes of deriving Taxable Income must be apportioned having regard to all relevant facts and circumstances of the Taxable Person's Business.

Article 29: Interest Expenditure

Interest expenditure and other similar financing costs incurred for the purposes of the Taxable Person's Business are deductible for Corporate Tax purposes within certain limits.

This Article provides that Interest is a deductible expenditure and should be deducted in the Tax Period it is incurred, subject to the general Interest deduction limitation rule provided for in **Article 30**, the specific Interest deduction rule for Related Party loans under **Article 31** and the conditions of **Article 28** discussed above.

Interest is defined in **Article 1** and is intended to capture a broad range of payments with the characteristics of interest to ensure a consistency of treatment across the payments.

This Article disapplies **Article 28(2)(b)** in respect of Interest expenditure with the effect that Interest paid in relation to Exempt Income is *prima facie* deductible unlike other expenditure incurred in deriving Exempt Income. However, the general Interest deduction limitation rule limits Interest expenditure to a portion of the Taxable Person's accounting earnings before the deduction of interest, tax, depreciation and amortisation ("**EBITDA**"), excluding any Exempt Income (see **Article 30(1)**), and subject to any other adjustments as prescribed under the Corporate Tax Law. This has the effect of limiting Interest deductions where a Taxable Person generates significant Exempt Income without requiring complex tracing rules that would be needed if **Article 28(2)(b)** did apply.

Article 30: General Interest Deduction Limitation Rule

This Article provides for a general limitation on Net Interest Expenditure deductions. Such limitation is common in other jurisdictions and is intended to prevent the use of excessive debt financing to artificially reduce the Taxable Income base.

Clause 1 limits the amount of Net Interest Expenditure that can be deducted up to 30% of the Taxable Person's adjusted EBITDA for the relevant Tax Period, to prevent the different tax treatment of equity and debt being exploited through the use of excessive levels of debt. This is in line with the interest capping rules proposed by Action 4 of the OECD's Base Erosion and Profit Shifting project, which have been implemented by many countries around the world.

The accounting EBITDA of the Taxable Person must be adjusted for any income that is exempt from Corporate Tax under **Article 22** such as qualifying dividend income. The purpose of this adjustment is to restrict the deductibility of Interest expenditure incurred in deriving Exempt Income without requiring the Taxable Person to 'track and trace' Interest expenditure to individual assets and the income that they generate.

"Net Interest Expenditure" is defined in **Article 1** as the amount of Interest expenditure that is in excess of the Interest income amount. **Clause 2** provides that the Net Interest Expenditure for a Tax Period is the amount of Net Interest Expenditure incurred in that period, in addition to any carried forward Net Interest Expenditure that was disallowed under this Article in previous Tax Periods.

The deduction of allowable Net Interest Expenditure must be taken in the order that the Net Interest Expenditure was incurred (as specified in **Clause 4**). In other words, the deduction of Interest expenditure follows a "first in first out" rule, where carried forward Net Interest Expenditure incurred in earlier Tax Periods is deducted to the fullest extent allowable before the deduction of Net Interest Expenditure incurred in more recent Tax Periods or in the current Tax Period.

Clause 3 confirms that the limitation of the deductibility of Net Interest Expenditure under **Clause 1** only applies where the Net Interest Expenditure amount exceeds a certain threshold to be specified by the Minister. This Clause is meant to reduce the administrative burden associated with the interest capping rules by allowing a Taxable Persons to deduct up to a safe harbour or de minimis amount of Net Interest Expenditure, irrespective of the deductibility limit based on the EBITDA rule. If a Taxable Person's Net Interest Expenditure is below the threshold, the limitation under **Clause 1** will not apply. This means that the Taxable Person would be able to deduct the Interest expenditure incurred for the Tax Period in full, without the need to undertake further calculations.

Clause 4 provides that the amount of Net Interest Expenditure disallowed under **Clause 1** may be carried forward and deducted in the subsequent 10 Tax Periods. The deduction of Net Interest Expenditure in such subsequent Tax Periods must be applied in the order in which the amounts were incurred, subject to **Clauses 1** and **2**.

Clause 5 provides that the Net Interest Expenditure that has been disallowed under any other provision of the Corporate Tax Law (such as **Article 31**) shall be excluded from the calculation of Net Interest Expenditure under **Clause 2**.

Recognising that different sectors have different capital needs and risk profiles, and that financial institutions will commonly be in a net Interest income receipt position, **Clause 6** specifies that the general Interest deduction limitation rules will not apply to banks and insurance businesses. Additionally, the general Interest deduction

limitation rules under this Article also do not apply to natural persons who are within the scope of Corporate Tax.

Clause 7 allows the Minister to specify the application of **Clauses 1** and **2** to Taxable Persons that are related to one or more Persons through ownership or control such that they are required to prepare consolidated financial statements under applicable accounting standards.

Consolidated groups for the purposes of this Article are separate from Qualifying Groups and Tax Groups as defined under the Corporate Tax Law. Whether a Taxable Person forms part of a consolidated group would be dictated by the consolidation requirements under the applicable accounting standards.

Article 31: Specific Interest Deduction Limitation Rule

As an exception to the general rule under **Article 29** which provides that Interest expenditure is deductible when incurred, subject to any restriction of the quantum of the allowable deduction under **Article 30**, this Article stipulates specific situations in which no deduction can be made for Interest expenditure incurred.

The purpose of this Article is to prevent the Corporate Tax base from being eroded by transactions and arrangements between Taxable Persons and their Related Parties for the sole or main purpose of creating deductible Interest expenditure where the income derived from the relevant transaction or arrangement can benefit from an exemption from Corporate Tax.

Specifically, a deduction will not be allowed for Interest expenditure incurred by a Taxable Person on a loan obtained from a Related Party in respect of certain transactions. This includes, but is not limited to, a dividend or profit distribution, a change in the capital structure of the Taxable Person or their Related Party(ies), a capital contribution, or the acquisition of shares of another juridical person that becomes a Related Party following the acquisition. However, the restriction in the deduction of Interest expenditure shall not apply where the Taxable Person can demonstrate that the main purpose of obtaining the loan and carrying out these transactions is not to gain a Corporate Tax advantage.

Clause 1 provides that Interest expenditure is not deductible when the following two conditions are met:

- Firstly, the amount must be borrowed, either directly or indirectly, from a Related Party. The term “Related Party” is defined under **Article 35** of the Corporate Tax Law.

- Secondly, the borrowing must be in respect of a transaction specified in **Clauses 1(a)** to **1(d)**.

Clause 2 provides an exception to the rule under **Clause 1** and allows the Taxable Person to claim an Interest deduction where it can be demonstrated that the main purpose of borrowing the amount and carrying out the transaction is not to obtain a Corporate Tax advantage. This will be based on the specific facts and circumstances applicable to each transaction.

For the purposes of **Clause 2**, **Clause 3** provides that the transaction and the related financing are deemed not to have been entered into for the main purpose of obtaining a Corporate Tax advantage where the Taxable Person can demonstrate that the recipient of the Interest is subject to Corporate Tax or a tax of a similar character under the applicable legislation of a foreign jurisdiction at a rate not less than the Corporate Tax rate under **Article 3(1)(b)**.

Notwithstanding the provisions of this Article, the loan and transaction may still be subject to the general anti-abuse rule provided in **Article 50**.

Article 32: Entertainment Expenditure

The Corporate Tax Law recognises that as part of conducting a Business or Business Activity, costs could be incurred, for example, to entertain existing or potential customers or to promote products and services. A deduction for Corporate Tax purposes should generally be allowed for such type of expenditure following the general rules for deductible expenditure under **Article 28(1)**.

However, entertainment expenditure will ordinarily involve some degree of personal consumption, requiring the expenditure to be apportioned in accordance with **Article 28(3)**. As an administrative simplification, this Article allows a partial deduction of certain entertainment expenditure incurred in a Tax Period without the Taxable Person needing to apportion the expenditure between Business and personal use.

Specifically, **Clause 1** provides that 50% of any entertainment, amusement, or recreation expenditure incurred during a Tax Period by a Taxable Person may be deducted from the Taxable Income in the relevant Tax Period. This Clause is subject to the general provisions of **Article 28**, which may reduce the amount of expenditure before the 50% deduction under this Clause is then allowed.

The deductibility limitation under this Article does not apply to expenditure incurred for staff entertainment and such expenditure is fully deductible.

Clause 2 provides a non-exhaustive list of categories of expenditure that are not allowed as a full deduction against Taxable Income.

Entertainment expenditure for the purposes of this Article includes, but is not limited to, expenditure on the following items when incurred for the purposes of receiving and entertaining the Taxable Person's customers, shareholders, suppliers or other business partners:

- Meals;
- Accommodation, such as hotels and other temporary accommodation;
- Transportation, such as taxis, flights and other forms of transport;
- Admission fees, such as the costs of tickets to concerts, sporting events, golf outings and theatres;
- Facilities and equipment used in connection with such entertainment, amusement or recreation; and
- Any such other expenditure as specified by a Ministerial Decision.

Article 33: Non-Deductible Expenditure

This Article specifies certain types of expenditure that are not deductible for Corporate Tax purposes. Similar restrictions are common in other jurisdictions and help clarify when an amount cannot be taken as a deduction in the calculation of Taxable Income to prevent profits being reduced in ways that are not desirable for public policy reasons or through payments that can be artificially manipulated.

- To encourage social and public welfare activities that are subject to regulatory oversight in the UAE, **Clause 1** provides that a deduction for Corporate Tax purposes is only permitted where donations, grants and gifts are made to Qualifying Public Benefit Entities.

- **Clause 2** denies a deduction for fines and penalties which are not payments that are awarded or otherwise set as compensation or for a breach of contract. Similarly, no deduction is allowed for bribes or other illicit payments under **Clause 3**.

  Under accounting principles, a business may usually deduct expenditure resulting from illegal acts where the expenditure was incurred for the purposes of gaining or producing income. However, this Clause disallows such expenditure to prevent a Taxable Persons from receiving a benefit (in the form of a reduction of Corporate Tax payable) from committing an illegal act and to prevent diminishing the deterrence value of fines and penalties.

- **Clause 4** denies a deduction for dividends, profit distributions and similar payments or benefits provided to the owner or owners of the Taxable Person.

  Dividends and other profit distributions are payments from the net income or profit of the Taxable Person, and not expenditure incurred for the purposes of the Taxable Person's Business. In the absence of a formal distribution of dividends or share of profits, a deduction for Corporate Tax purpose will also not be allowed for payments that are in substance a distribution of profits because of their direct relation with, and dependence on, the financial results of the Taxable Person. This may apply, for example, to the issuance of bonus shares or other non-cash entitlements in the Taxable Person (or any of its Related Parties) to its direct or indirect owners or to (the portion of) compensation paid to the direct or indirect owner of a Taxable Person that is not fixed and determinable but instead contingent on the financial performance of the Taxable Person.

- To prevent profits of natural persons undertaking a Business or Business Activity (directly or through an Unincorporated Partnership) being reduced through drawings or other amounts taken from the Business for personal use, **Clause 5** denies a deduction for amounts withdrawn from the Business. The same disallowance applies to amounts allocated or distributions made to a partner in an Unincorporated Partnership.

- Recoverable input VAT and payments for Corporate Tax or taxes on income imposed by authorities outside of the UAE are not deductible for Corporate Tax purposes under **Clauses 6**, **7** and **8**. Such taxes are not expenditure incurred in deriving Taxable Income.

- **Clause 9** allows the Cabinet to specify other categories of non-deductible expenditure.

There is no materiality or de minimis threshold for non-deductible expenditure, and any expenditure that falls within the types of expenditure specified under this Article will be non-deductible.

Chapter Ten: Transactions with Related Parties and Connected Persons

Article 34: Arm's Length Principle

The Corporate Tax Law contains transfer pricing rules to ensure that the price of a transaction is not influenced by the relationship between the parties involved. In order to achieve this outcome, this Article prescribes the application of the internationally recognised "arm's length" principle to transactions and arrangements between Related Parties (see **Article 35**).

The UAE's transfer pricing rules are intended to be aligned with the OECD internationally accepted transfer pricing standard, and allow Taxable Persons to use relevant guidance as a reference in the application of this Article.

Clause 1 requires the "arm's length principle" to be followed to establish the prices of transactions and arrangements between Related Parties. **Clause 2** specifies the meaning of the "arm's length principle" and clarifies that a transfer price would be considered to meet the "arm's length principle" if the price between Related Parties is consistent with the results that would have been realised if parties to the transaction were independent from each other and had engaged in a similar transaction, or arrangement, under similar circumstances.

Clause 3 lists the acceptable transfer pricing methods that can be used to determine the arm's length result. As the determination of an appropriate arm's length price for each transaction or arrangement is facts and circumstances dependent, and differs for each transaction or arrangement, **Clause 3** allows the use of one or more transfer pricing methods to determine the arm's length transfer price. The order of the methods listed under **Clause 3** does not indicate nor imply a hierarchy of methods that should be used.

Clause 4 provides that transfer pricing methods other than those stipulated under **Clause 3** can be applied as long as the Taxable Person can demonstrate that none of the methods listed in **Clause 3** can be reasonably applied to determine an arm's length result and that any such other transfer pricing method used satisfies the condition of **Clause 2**.

Clause 5 specifies that, when choosing the applicable transfer pricing method, the most reliable method must be chosen, and five factors must be taken into account when determining reliability.

Clause 6 provides that as long as the transfer pricing method used by a Taxable Person can be considered appropriate, the Authority should base their assessment on whether a transfer price meets the arm's length principle based on the transfer pricing method used by the Taxable Person.

Clause 7 confirms that following the application of the transfer pricing methods in accordance with **Clauses 3** and **4**, an acceptable arm's length price may be a range of results or indicators (rather than an absolute number).

Clause 8 provides that the Authority may adjust a Taxable Person's Taxable Income where the result of any transaction or arrangement with a Related Party does not fall within the arm's length range referred to in **Clause 7**. The Authority is required to adjust the Taxable Income for an arm's length price that best reflects the facts and circumstances of the transaction or arrangement.

Clause 9 specifies that where an adjustment to Taxable Income is made under **Clause 8**, the information used by the Authority to make the adjustment decision can or will be made available to the relevant Taxable Person.

Clauses 10 and **11** provide that when a transfer pricing adjustment is made, a corresponding adjustment to the Taxable Income of the affected counterparty can or should also be made in order to achieve a tax neutral outcome.

Specifically, as the application of the arm's length principle may result in the terms of a transaction being altered, **Clause 10** allows for the Authority to make a corresponding adjustment to the Taxable Income of the Related Party to the relevant transaction or arrangement. **Clause 11** provides that where the application of the arm's length principle results in an adjustment to the transfer price made by a foreign competent authority, a Taxable Person can apply to the Authority to make a corresponding adjustment to their Taxable Income.

Article 35: Related Parties and Control

This Article defines Related Parties and Control for the purposes of the Corporate Tax Law. These concepts are relevant to the application of various provisions of the Corporate Tax Law, including the transfer pricing rules provided in **Article 34**.

Broadly, a Related Party is an individual or juridical person that has a pre-existing relationship with another Person through ownership, Control or kinship (in the case of natural persons). With respect to ownership and Control, it is internationally common to set the Related Party ownership threshold at 50% or more, on the basis that a simple majority is typically sufficient to exert influence and direction over another entity.

Clause 1 defines the situations in which two parties (natural or juridical) may be related to each other.

In the context of the UAE[2], under **Clause 1(a)**, two natural persons are considered to be related to each other for Corporate Tax purposes if their relationship is within the fourth degree of kinship or affiliation, including by way of adoption or guardianship. In this regard, kinship includes common blood ties, and affiliation includes relationship by marriage, or if one natural person's spouse is related by kinship to the other natural person.

By way of example, the degrees of kinship and affiliation are:

- The first-degree of kinship and affiliation includes a natural person's parents and children, as well as the parents and children of their spouse;
- The second-degree of kinship and affiliation additionally includes a natural person's grandparents, grandchildren, and siblings, as well as the grandparents, grandchildren, and siblings of their spouse;
- The third-degree of kinship and affiliation additionally includes a natural person's great-grandparents, great grandchildren, uncles, aunts, nieces and nephews, as well as the great-grandparents, great grandchildren, uncles, aunts, nieces and nephews of their spouse.
- The fourth-degree of kinship and affiliation additionally includes a natural person's great-great-grandparents, great-great-grandchildren, grand uncle, grand aunt, grandniece, grandnephew and first cousins, as well as the great-great-grandparents, great-great-grandchildren, grand uncle, grand aunt, grandniece, grandnephew and first cousins of their spouse.

Under **Clause 1(b)**, a natural person and a juridical person are considered related to each other where the natural person (alone or together with one or more Related Parties of the natural person) directly or indirectly

[2] Federal Law No. 5 of 1985 on the Issuance of Civil Transactions Law, and its amendments.

owns at least a 50% ownership interest in, or Controls, the juridical person. A similar test exists under Clause 1(c) to determine whether two juridical persons are Related Parties of each other. Specifically, under Clause 1(c), two or more juridical persons are Related Parties even where any Person, alone or together with its Related Parties, directly or indirectly owns a 50% (fifty percent) or greater ownership interest in or Controls such two or more juridical persons.

Clause 1(d) specifies that a Person and their UAE or Foreign Permanent Establishment will be considered Related Parties for Corporate Tax purposes. This ensures that the transfer pricing rules under **Article 34** apply to transactions between a Person and their UAE or Foreign Permanent Establishment, and such transactions will be required to be undertaken in accordance with the arm's length principle.

Given the direct relationship that exists between partners in an Unincorporated Partnership, as exemplified by, for example, their shared control over the Business of the Unincorporated Partnership and their unlimited liability for the Business' debts, **Clause 1(e)** specifies that partners in the same Unincorporated Partnership will be considered Related Parties for Corporate Tax purposes. This ensures that transfer pricing rules will apply to transactions between a Person and other Persons where there is a close business relationship between them, and such transactions will be required to be undertaken in accordance with the arm's length principle. Where such partners are not otherwise related because of common ownership or control or through or kinship (in the case of natural persons), and they transact with each other and the Unincorporated Partnership in accordance with the economic terms agreed under the contract establishing the Unincorporated Partnership, it can generally be assumed that the partners transact with each other and the Unincorporated Partnership on an arm's length basis.

Clause 1(f) specifies that a Person who is the trustee, founder, settlor or beneficiary of a trust or foundation will be considered Related Parties of the trust or foundation and its Related Parties. This is intended to ensure that where the trustee, founder, settlor or beneficiary is a Taxable Person, transactions with the trust or foundation and its Related Parties, including for example other trustees or beneficiaries, are conducted on an arm's length basis.

Clause 2 defines Control, as it applies to the Corporate Tax Law, as the ability of a Person, whether in their own right or by agreement or otherwise, to influence another Person. This Clause provides a non-exhaustive list of how such influence could be exerted through, for example:

- exercising 50% or more of the voting rights, or
- the ability to appoint the majority of directors of the other Person, or
- the entitlement to the majority of the profits of the other Person, or
- the ability to significantly influence the conduct of a Business.

Article 36: Payments to Connected Persons

Generally, payments made by a Taxable Person during the course of conducting its Business (and that are not capital in nature) are deductible under **Article 28**. Examples of these payments include amounts for provision of services, or any salary and wages paid. However, and supplementary to the arm's length principle that must be observed for transactions between Related Parties under **Article 34**, this Article provides that amounts paid to a Taxable Person's "Connected Persons" are deductible only if (and insofar) such amounts correspond with

the Market Value of the transaction. In other words, a deduction would be denied on any portion in excess of the Market Value.

The purpose of this Article is to prevent Taxable Persons reducing their Corporate Tax liability by allocating excessive payments to natural persons who have a close connection to the Taxable Person (defined under **Clause 2** as “Connected Persons”), particularly where any income derived by such natural persons in their personal capacity would not be subject to Corporate Tax in the UAE.

In this context, **Clause 1** specifies that a deduction for Corporate Tax purposes shall only be allowed to the extent the amount paid for the service or benefit provided by the Connected Person does not exceed the Market Value of the service or benefit provided.

Clauses 2 and **3** provide a definition for Connected Persons that links Taxable Persons to other Persons more widely than the definition provided for Related Parties in **Article 35**. Under **Clause 2**, a Connected Person includes an owner of the Taxable Person, a director or officer of the Taxable Person, or a Related Party of either of these Persons referred to. Under **Clause 3**, a Person will be considered an owner of a Taxable Person if they are a natural person who directly or indirectly owns an ownership interest in the Taxable Person or who controls the Taxable Person.

Where a Taxable Person is a partner in an Unincorporated Partnership, **Clause 4** provides that any other partner in that Unincorporated Partnership is a Connected Person of that Taxable Person, as is any Person who is a Related Party of that partner.

Clause 5 specifies that the relevant provisions of **Article 34** will apply when determining that a payment or benefit provided by a Taxable Person to a Connected Person corresponds with the Market Value of the service or benefit (or otherwise) provided by the Connected Person.

To ease the compliance burden associated with complying with this Article, **Clause 6** specifies that **Clause 1** shall not apply to a Taxable Person whose shares are traded on a Recognised Stock Exchange or that is subject to regulatory oversight of a competent authority in the UAE. This on the basis that there should be sufficient oversight from independent parties to ensure that the pricing of transactions between the Taxable Person and its Connected Persons should not be influenced by the relationships of the parties.

Chapter Eleven: Tax Loss Provisions

Article 37: Tax Loss Relief

The Corporate Tax Law allows Tax Losses incurred in one Tax Period to be offset against the Taxable Income of a subsequent Tax Period under certain conditions. The purpose of providing this relief is to ensure that businesses are taxed consistently regardless of the profile of their profits over time, and the amount of Corporate Tax paid by a business over its lifetime would (subject to certain conditions) be the same no matter when such profits and losses are earned or incurred.

Specifically, this Article provides for a deduction to be made for Tax Losses and specifies the conditions under which available Tax Losses may be used to reduce the Taxable Income of a Taxable Person in subsequent Tax Periods.

A Tax Loss, as defined in **Article 1**, is any negative Taxable Income for a given Tax Period as computed in accordance with the rules set out in **Article 20**. Negative Taxable Income may arise, for example, where a Taxable Person incurred more expenditure than they generated Revenue in the relevant Tax Period.

Clause 1 provides that if a Taxable Person incurred a Tax Loss in a given Tax Period, this Tax Loss may be used to reduce the Taxable Income of subsequent Tax Periods. This provision ensures that a Taxable Person is able to carry forward and utilise their accumulated Tax Losses to reduce the Taxable Income earned in subsequent Tax Periods.

Clause 2 limits the amount of Tax Losses that can be utilised to reduce the Taxable Income for each Tax Period. Specifically, the amount of Tax Losses that can be used is limited to 75% of the Taxable Income in any Tax Period before any Tax Loss relief has been applied. For example, if the Taxable Income for a Tax Period is AED 1,000,000, the amount of the Tax Losses that can be used to reduce this Taxable Income cannot exceed AED 750,000, being 75% of AED 1,000,000.

This Clause also allows the Cabinet to determine another percentage for the Tax Loss limitation and prescribe the circumstances in which the amount of Tax Losses that can be used to reduce the Taxable Income for a subsequent Tax Period may exceed the 75% threshold.

Clause 3 provides that certain types of losses cannot be considered Tax Losses for the purposes of the Corporate Tax Law. These types of losses are essentially losses where businesses have not suffered economic loss for Corporate Tax purposes.

Clause 4 provides that if a Taxable Person is not able to fully utilise its available Tax Losses in the following Tax Period, such Tax Losses may be carried forward to a subsequent Tax Period until the Tax Losses are fully utilised. This Clause also clarifies that to the extent there are Tax Losses brought forward from prior Tax Periods, such Tax Losses must be used to offset against the Taxable Person's Taxable Income first, before any excess amount can be utilised by other group companies under **Article 38** or carried forward under **Article 39**.

Article 38: Transfer of Tax Loss

This Article allows Tax Losses to be transferred between Resident Persons with a common ownership of at least 75%.

The ability to transfer Tax Losses covers both Tax Losses arising in a current Tax Period and those brought forward from a previous Tax Period. Similar rules exist in other jurisdictions and help ensure that Corporate Tax is applied to the economic unit that generates Taxable Income as a whole.

The ability to transfer Tax Losses under this Article supplements the rules on Tax Groups in **Chapter Twelve**, which provides another opportunity for Tax Losses to be utilised amongst Taxable Persons that are (practically) wholly commonly owned. The provisions of this Article ensure that where juridical persons are not 95% or more held by the same shareholders, but are still at least 75% commonly owned, they can benefit from the Tax Losses transfer rules.

Clause 1 defines when a relationship between two Taxable Persons is sufficiently close to allow a Tax Loss to be transferred by one Taxable Person and used to reduce the Taxable Income of the other Taxable Person. These conditions mirror to some extent those that identify a Qualifying Group (see **Article 26**) insofar as they apply to Resident Persons (except that **Article 38** does not cover UAE Permanent Establishments of Non-Resident Persons).

Clause 1(d) requires that the common ownership of at least 75% must exist from the start of the Tax Period in which the Tax Loss is incurred to the end of the Tax Period in which the other Taxable Person offsets the Tax Loss transferred against its Taxable Income.

Clause 2 specifies the corresponding effects where a transfer of Tax Losses from one Taxable Person to another Taxable Person takes place. **Clause 2(a**) provides that when Tax Losses are transferred, the transferred Tax Losses may be used by the other Taxable Person as a deduction to reduce their Taxable Income for the relevant Tax Period. A single Taxable Person may transfer their Tax Losses to more than one Taxable Person provided that in each case the relationship of the recipient Taxable Person with the Taxable Person transferring their Tax Losses meets the conditions specified under **Clause 1**.

Clause 2(b) confirms that the total Tax Loss offset used by the receiving Taxable Person must be within the 75% limit provided for in **Article 37(2)**. Where a single Taxable Person transfers Tax Losses to more than one Taxable Person, this threshold applies separately to each recipient of the Tax Loss based on the Taxable Income (before utilising any form of Tax Loss relief) of the receiving Taxable Person in the relevant Tax Period.

Clause 2(c) provides that the Taxable Person who transfers Tax Losses to another Taxable Person must reduce their available Tax Losses by the amount of the Tax Losses transferred. For instance, if a Taxable Person (Person One) has available Tax Losses of AED 1,000,000 and AED 200,000 of these Tax Losses are transferred to another Taxable Person, Person One will be left with AED 800,000 (being AED 1,000,000 less AED 200,000) of Tax Losses available to reduce their own Taxable Income in future Tax Periods.

Article 39: Limitation on Tax Losses Carried Forward

This Article provides that Tax Losses can only be carried forward by a Taxable Person from one Tax Period to a subsequent Tax Period where there is either a continuity of ownership or a continuity of the Business or Business Activity of the Taxable Person.

The purpose of placing a continuity requirement on the ability to utilise Tax Losses is to prevent the benefits of Tax Losses being enjoyed by those that did not suffer the economic costs when the Tax Losses were incurred in the first place. In addition, introducing a rule to restrict the ability to carry forward Tax Losses represents a specific anti-abuse measure to prevent the practice of ‘loss trading’, where entities could artificially reduce their Corporate Tax liability through acquiring entities with Tax Losses.

The above policy objectives have been reflected in this Article, with **Clause 1** providing that a Tax Loss can only be carried forward and utilised in accordance with **Article 37** if a continuity of ownership or Business continuity test is met.

Clause 1(a) clarifies what conditions must be met for there to be sufficient continuity of ownership in the Taxable Person. Specifically, in order for a Tax Loss to be carried forward, the same Person or Persons must have continuously owned at least a 50% ownership interest in the Taxable Person from the beginning of the Tax Period in which the Tax Losses are incurred to the end of the Tax Period in which the Tax Losses are to be utilised.

If a Taxable Person does not maintain sufficient ownership continuity, under **Clause 1(b)**, Tax Losses can nevertheless be carried forward where the Taxable Person continues to conduct the same or a similar Business or Business Activity in the Tax Period that the Tax Losses are to be utilised before the change of ownership occurred. This is further specified in **Clause 2**.

Having the ability to carry forward Tax Losses where there is either sufficient continuity of ownership or where the core Business or Business Activity of the Taxable Person continues (even if in a different manner) is meant to support economic activity by encouraging businesses to seek out new opportunities and ventures in an attempt to return to profit.

Clause 2 provides a non-exhaustive list of relevant factors for determining whether or not a Taxable Person has continued to conduct the same or a similar Business or Business Activity. In this context, “similar” does not mean similar “kind” or “type” to the previous Business or Business Activity; rather, one should consider all of the commercial operations of the previous Business or Business Activity and compare that of the new Business or Business Activity to determine whether the two activities are “similar” through using the non-exhaustive factors listed under **Clause 2**.

This determination is dependent on the specific facts and circumstances. However, for the current Business or Business Activity to be considered the same or similar to the former Business or Business Activity, there should be a clear closeness in the identity of the operations of the former Business or Business Activity and the current Business or Business Activity. If a Business or Business Activity changes its core characteristics, or if there is a change as a result of either the commencement, the acquisition or the cessation of activities, then the new Business or Business Activity may not be considered to be the same or similar to the previous one.

Clause 3 provides that **Clause 1** shall not apply to a Taxable Person whose shares are listed on a Recognised Stock Exchange. This is an administrative simplification that assumes that entities listed on a Recognised Stock Exchange have maintained sufficient continuity, and will be able to utilise Tax Losses brought forward from prior Tax Periods, irrespective of the extent of changes in their ownership or activities.

Chapter Twelve: Tax Group Provisions

This chapter contains the provisions concerning the formation of a Tax Group between a Resident Person and one or more resident juridical persons. A Tax Group for Corporate Tax purposes is different from a Tax Group for VAT purposes.

Article 40: Tax Group

In principle, every Taxable Person is independently subject to Corporate Tax, which is the expression of the internationally accepted separate entity approach. An exception to this approach is provided in this Article which prescribes the rules for multiple Resident Persons to apply to act as one Taxable Person with regards to the provisions of the Corporate Tax Law.

Within a Tax Group, the resident juridical persons that make up the Tax Group are treated as a single Taxable Person for Corporate Tax purposes. As a result, transactions between the members of the Tax Group are, mostly, disregarded, and the Taxable Income of a member is generally automatically offset against any Tax Loss of another member.

Although the members of a Tax Group remain formally subject to Corporate Tax, the financial statements of the individual members of the Tax Group must be consolidated for Corporate Tax purposes, and the representative member of the Tax Group (the "**Parent Company**") will settle the Corporate Tax payable by and on behalf of the Tax Group.

To form a Tax Group, **Clause 1** provides that all of the following conditions must be met:

- The Parent Company and the Subsidiaries are resident juridical persons;
- The Parent Company must own 95% or more of the share capital and voting rights of the other resident juridical persons wishing to form the Tax Group with the Parent Company (each called a "**Subsidiary**"), be it directly or indirectly through one or more Subsidiaries;
- The Parent Company must be entitled to 95% or more of the Subsidiary's profits and net assets, be it directly or indirectly through one or more Subsidiaries;
- Neither the Parent Company nor the Subsidiary can be an Exempt Person or a Qualifying Free Zone Person; and
- The Parent Company and the Subsidiary must have the same Financial Year and prepare their financial statements using the same accounting standards.

The 95% threshold allows for situations in which there is a minority interest holder, for example where applicable law requires at least two shareholders for the incorporation of the juridical person.

As an exception to the condition under **Clause 1(e)**, **Clause 2** allows one or more Subsidiaries in which a Government Entity directly or indirectly holds a 95% or greater ownership interest to form a Tax Group, as long as each ownership interest meets the conditions under **Clauses 1(b)** to **1(d)** and any other conditions that may be prescribed by the Authority.

Where all of the conditions under **Clause 1** are met, an application shall be submitted to the Authority by the Parent Company and each Subsidiary wishing to form or join a Tax Group in accordance with **Clause 3**.

Once approved, **Clause 4** provides that the Tax Group shall be treated as one single Taxable Person for the purposes of the Corporate Tax Law from the date specified in **Article 41**, represented by the Parent Company.

Clause 5 clarifies that the formation of a Tax Group would require the Parent Company to comply with all the obligations set out in **Chapters Fourteen, Sixteen** and **Seventeen** of the Corporate Tax Law, being:

- The Parent Company will be responsible for settling the Tax Group's Corporate Tax due and applying for any Corporate Tax refund (as provided for under **Chapter Fourteen** of the Corporate Tax Law);
- The Parent Company will be responsible for complying with the requirement to register and deregister for Corporate Tax purposes on behalf of the Tax Group (as stipulated under **Chapter Sixteen** of the Corporate Tax Law); and
- The Parent Company will be responsible for filing a Tax Return, maintaining relevant financial statements, keeping the required records, maintaining transfer pricing documentation, and submitting a clarification to the Authority (if required) (as required under **Chapter Seventeen** of the Corporate Tax Law).

Without prejudice to the above, **Clause 6** clarifies that the Parent Company and each of the Subsidiaries shall remain jointly and severally liable for any Corporate Tax Payable (and any associated penalties) of the Tax Group for those Tax Periods in which they are members of the Tax Group. Jointly and severally means that all of the members of the Tax Group together are liable to meet the Corporate Tax liability of the Tax Group, and at the same time each individual member of the Tax Group has a standalone obligation to meet the Corporate Tax liability of the Tax Group. Such liability can, however, be limited to one or more members of the Tax Group following approval by the Authority as per **Clause 7**.

As provided in **Clause 8**, all the members of the Tax Group will remain responsible for the provisions under **Article 45** of the Corporate Tax Law regarding Withholding Tax. This means that as and when the Withholding Tax rate is increased from 0%, each member of the Tax Group will be responsible for deducting Withholding Tax and remitting amounts deducted to the Authority on payments subject to Withholding Tax made by them. It will not be the responsibility of the Parent Company to fulfil the Withholding Tax obligations on behalf of the Subsidiaries of the Tax Group.

Clause 9 stipulates that a Subsidiary can join an existing Tax Group following submission of an application to the Authority by the Parent Company and the relevant Subsidiary. The Subsidiary should meet the other requirements to be a member of a Tax Group as specified in **Clause 1**.

In case a Subsidiary no longer meets the conditions under **Clause 1**, that Subsidiary shall leave the Tax Group under **Clause 10**. Additionally, a Subsidiary can voluntarily leave the Tax Group following approval by the Authority of an application by the Parent Company and the relevant Subsidiary.

Clause 11 determines that a Tax Group shall cease to exist when the Authority approves an application by the Parent Company, or the Parent Company no longer meets the conditions to form a Tax Group as specified in **Clause 1**.

As set out in **Clause 12**, a Parent Company can apply to the Authority to be replaced by another Parent Company without discontinuation of the Tax Group when the new Parent Company meets the conditions

specified in **Clause 1** (in relation to the existing Tax Group), or the former Parent Company ceases to exist and the new Parent Company or a Subsidiary is its universal legal successor.

Clause 13 stipulates that the Authority has the right, at its discretion, to dissolve a Tax Group or change the Parent Company of a Tax Group based on information available to the Authority. The Authority is required to notify the Parent Company when it exercises this discretionary power to dissolve the Tax Group or change the Parent Company.

Article 41: Date of Formation and Cessation of a Tax Group

This Article specifies the date on which a Tax Group becomes effective and ceases to exist, and when a Subsidiary is treated as having joined or having left a Tax Group.

Clause 1 provides that a Tax Group will be formed (or a Subsidiary can join an existing Tax Group) from the beginning of the Tax Period specified in the application submitted to the Authority. However, the Authority has the right to determine another Tax Period that a Tax Group may be formed (or a Subsidiary may join an existing Tax Group).

In case a Subsidiary leaves the Tax Group following approval by the Authority of an application made under **Article 40(10)(a)** or **Article 40(11)(a)**, the Subsidiary shall be treated as leaving the Tax Group from the beginning of the Tax Period specified in the application submitted or any other Tax Period determined by the Authority. The same applies in case a Tax Group ceases to exist following approval of an application made to the Authority.

In case a Parent Company or a Subsidiary fails to meet the conditions under **Article 40(1),** for instance when the shares in a Subsidiary are sold to a third party and the subsidiary no longer meets the ownership test, the subsidiary shall be treated as leaving the Tax Group from the beginning of the Tax Period in which it no longer meets these conditions.

Article 42: Taxable Income of a Tax Group

As a result of forming the Tax Group, one (consolidated) Taxable Income will be calculated for the Tax Group. **Clause 1** stipulates that the Parent Company shall consolidate the financial results, assets and liabilities of each Subsidiary with the Parent Company for the relevant Tax Period, thereby eliminating transactions between the members of a Tax Group.

The Tax Group must prepare consolidated financial statements in accordance with accounting standards as defined in **Clause 11**.

Clause 2 clarifies that the Corporate Tax Law shall apply to the Tax Group rather than to the individual group members subject to any necessary alterations. For example, the Taxable Income threshold under **Article 3(1)** will apply to the Taxable Income of the Tax Group, and not to each member individually.

As a rule, the Tax Group takes effect from the beginning of a Tax Period. In order to prevent retroactive effect of the Tax Group and its consolidation, **Clause 3** provides that pre-Grouping Tax Losses of an individual Subsidiary cannot be used to offset the Taxable Income of other members of the Tax Group. Whilst such pre-Grouping Tax Losses will become the Tax Losses of the Tax Group, they can only be used to offset the Taxable Income of the Tax Group insofar this income is attributable to the relevant Subsidiary. Similarly, **Clause 4** specifies that in case a new Subsidiary joins an existing Tax Group, the unutilised Tax Losses of the existing

Tax Group cannot be used to offset the Taxable Income of the Tax Group insofar this income is attributable to the new Subsidiary.

Clause 5 clarifies that the utilisation of pre-Grouping Tax Losses or the utilisation of Tax Losses of the Tax Group under **Clause 4** is subject to the Tax Loss provisions in **Articles 37** and **39.**

Clause 6 provides that in case a Subsidiary leaves a Tax Group, Tax Losses of the Tax Group shall remain with the Tax Group, unless that relevant Subsidiary has any unutilised Tax Losses that originate from the period before joining the Tax Group. Any such remaining pre-Grouping Tax losses will stay with that relevant Subsidiary.

Clause 7 confirms that where a Tax Group ceases to exist, unutilised Tax Losses of the Tax Group shall be allocated as follows:

- In case the Parent Company continues to be a Taxable Person, the Tax Losses will remain with the Parent Company; or

- In case the Parent Company ceases to be a Taxable Person, the unutilised Tax Losses shall not be available to offset against future Taxable Income of individual Subsidiaries. This rule does not apply where these losses consist of unutilised Tax Losses of a Subsidiary from the period before joining the Tax Group. Further, where the Parent Company is replaced by another Parent Company under **Article 40(12)**, **Clause 8** provides that the Tax Losses shall remain with the Tax Group.

As a result of the consolidation under **Clause 1**, transactions between members of a Tax Group will generally not be considered when determining the Taxable Income of the Tax Group. An exception to this is given in **Clause 9** for situations where an asset or liability is transferred between members of a Tax Group, and either of these members involved in the transaction leaves the Tax Group within two years. In such a case, any taxable gain or loss that would otherwise have arisen on the relevant transfer must be included in the Taxable Income of the Tax Group. This is to prevent a direct sale of an asset or liability being transformed into an indirect sale, i.e. through the sale of a Subsidiary owning the asset or liability that would be exempt under the Participation Exemption.

Clause 10 provides that the Taxable Income associated with this transaction shall be taken into account on the date any of the members involved in the transaction leave the Tax Group. Additionally, it will result in a corresponding adjustment of the cost base for Corporate Tax purposes of the relevant asset or liability.

Chapter Thirteen: Calculation of Corporate Tax Payable

Article 43: Currency

This Article confirms that all amounts taken into account for the purpose of the Corporate Tax Law must be quantified in the United Arab Emirates dirham. This provides for a consistent approach and, internationally, taxable income is generally calculated, and resulting taxes payable are generally settled in the domestic currency.

This Article also provides for the conversion of foreign currencies to the United Arab Emirates dirham for the purposes of the Corporate Tax Law. Any amount in a foreign currency must be converted, at the applicable exchange rate set by the Central Bank of the United Arab Emirates, to United Arab Emirates dirhams. This will

be relevant, for example, when an amount is paid in a currency other than the United Arab Emirates dirhams, such as in Euro. This also applies to foreign tax for which a credit is claimed under **Article 47**.

In principle, Taxable Persons are expected to translate the amounts denominated in a foreign currency at the time the relevant income is derived or expenditure incurred is taken into account for the purposes of the Corporate Tax Law. This is subject to any conditions that may be prescribed in a decision issued by the Authority.

When converting a foreign currency to the United Arab Emirates dirham, businesses should use a reasonable and consistent approach throughout the entirety of the Tax Period.

Article 44: Calculation and Settlement of Corporate Tax

This Article provides for the order in which the Corporate Tax due should be settled.

Clause 1 provides that, in the first instance, a Taxable Person's Corporate Tax due will be settled by using the Taxable Person's available Withholding Tax Credit as determined under **Article 46**. If the amount of the Taxable Person's Withholding Tax Credit is greater than the amount of Corporate Tax payable for the Tax Period, then the excess Withholding Tax Credit shall be refunded to the Taxable Person in accordance with **Article 49**.

If there is any remaining Corporate Tax due after fully utilising the Withholding Tax Credit, **Clause 2** provides that the Taxable Person can utilise its available Foreign Tax Credit as determined under **Article 47** to settle their Corporate Tax due.

If the amount of the Taxable Person's Foreign Tax Credit is greater than the amount of Corporate Tax payable for the Tax Period, any excess Foreign Tax Credit will be forfeited, and no refund will be given by the Authority for the excess Foreign Tax Credit amount. For further details on Foreign Tax Credits, please refer to **Article 47**.

To the extent there is any remaining Corporate Tax due after fully utilising the Taxable Person's available Foreign Tax Credit, **Clause 3** provides that the Taxable Person can utilise any credits or other forms of relief as specified in a Cabinet Decision.

To the extent there is any amount of Corporate Tax due that remains after utilising available tax credits under **Clauses 1, 2** and **3**, **Clause 4** requires the Taxable Person to settle this balance in accordance with **Article 48**. That is, the remaining Corporate Tax Payable amount must be settled within nine months from the end of the relevant Tax Period.

Article 45: Withholding Tax

Withholding taxes are a common form of imposing income tax on cross-border transactions and other payments involving non-residents, and in other situations where a withholding tax would provide a means of protecting the tax base.

This Article provides the basis for the imposition of Withholding Tax, sets the applicable rate, determines its scope and provides for its payment.

Clause 1 provides that the following income shall be subject to Withholding Tax:

- The categories of State Sourced Income derived by a Non-Resident Person as prescribed in a Cabinet Decision issued pursuant to this Article, insofar as such income is not attributable to a Permanent Establishment of the Non-Resident Person in the UAE; and

- Any other income as specified in a Cabinet Decision.

At the time of enactment of the Corporate Tax Law, the applicable Withholding Tax is 0%. However, the applicable Withholding Tax rate could be changed through a Cabinet Decision.

Clause 2 specifies that the amount of Withholding Tax payable under **Clause 1** is deducted from the gross amount of the relevant payment being made and the amount withheld should be remitted to the Authority within a prescribed timeline. This Clause also specifies that the Authority will prescribe the processes, procedures and timeline that will be followed to withhold and remit the tax deducted.

Article 46: Withholding Tax Credit

This Article provides that when a Person becomes a Taxable Person during a Tax Period, by for example forming a Permanent Establishment in the UAE under **Article 14**, they can claim a Withholding Tax Credit in relation to any Withholding Tax paid in that same Tax Period under **Article 45.**

Clause 1 specifies that if a Person becomes a Taxable Person in a Tax Period, its Corporate Tax due under the Corporate Tax Law under **Article 3** can be reduced by the amount of Withholding Tax Credit for that Tax Period, as specified in **Clause 2**.

Clause 2 stipulates that the amount of Withholding Tax Credit will be equal to Withholding Tax in that Tax Period, unless the amount of Withholding Tax paid is greater than Corporate Tax due, in which case the Withholding Tax Credit can only be claimed up to the amount of Corporate Tax due.

Clause 3 provides that a refund will be available to the Taxable Person if their Withholding Tax Credit exceeds the amount of Corporate Tax due in the same Tax Period. In accordance with **Article 49**, this refund will equal the difference between the amount of Withholding Tax Credit and the amount of Corporate Tax due.

The provisions of this Article will become relevant and applicable when the UAE decides to activate its Withholding Tax mechanism and levy Withholding Tax at a rate higher than 0%.

Article 47: Foreign Tax Credit

As discussed under **Article 12**, the Corporate Tax regime applies both the source and residence basis of taxation, where Resident Persons are taxed on their income irrespective of the source of such income. To mitigate or prevent potential double taxation of such income, the Corporate Tax Law exempts qualifying foreign sourced income via the Participation Exemption regime (see **Article 23**) and the Foreign Permanent Establishment exemption regime (see **Article 24**).

To the extent an exemption for foreign sourced income cannot be claimed, and foreign sourced income is included in the Taxable Income of a Resident Person, potential double taxation can nevertheless be reduced or eliminated under this Article by allowing the Taxable Person to claim a credit for income tax paid in the foreign jurisdictions in respect of such foreign sourced income against the Corporate Tax Payable on that same income. This is also confirmed in **Article 1** which defines “Foreign Tax Credit” as the amount of tax paid under the laws

of a foreign jurisdiction on income or profits that may be used to reduce the amount of Corporate Tax payable in the UAE.

A Foreign Tax Credit is available for any foreign tax that is of a similar character to Corporate Tax. An amount of tax paid in a foreign jurisdiction may be considered to be of a similar character to Corporate Tax where the amount is imposed by, and payable to, a non-UAE government, and the payment of such an amount is compulsory and enforceable by law in that foreign jurisdiction. In addition, the amount should be imposed on profit or net income (i.e. income less deductions).

It is not relevant whether the amount is imposed under a separate legislation from the primary taxing legislation of the foreign jurisdiction. The name given to the tax paid in the foreign jurisdiction is also not relevant in determining whether such an amount is of a similar character to Corporate Tax.

Further, the method by which an amount is collected is not a decisive factor in determining whether an amount can be considered to be of similar character to Corporate Tax. That is, should a foreign jurisdiction collect its corporate or business profits tax by way of a withholding tax mechanism (which is typically calculated and collected as a percentage of a gross amount of payment), such a collection mechanism does not alter the nature of the foreign jurisdiction's tax on business profits.

Some jurisdictions impose amounts calculated on different components to the tax base, and such components may be based on both an income and a non-income element. Where the tax in the foreign jurisdiction is, for the most part, imposed on or by reference to income, and it would be administratively burdensome to split the amount into separate elements, provided the amount can meet the other conditions outlined above and none of the exclusions apply, such an amount should be considered to be of a similar character to Corporate Tax.

The following is a non-exhaustive list of items that are not considered to be of a similar character to Corporate Tax:

- Consumption taxes such as Value Added Tax / Goods and Services Tax / Sales Tax;
- Customs duty / Excise Tax / other forms of import duties;
- Transaction taxes such as stamp tax and capital duty;
- Property taxes and wealth taxes calculated based on ownership of specified items or value of assets without regard to income; and
- Estate Tax / other forms of inheritance taxes and duties.

Clause 1 provides that Corporate Tax due under **Article 3** may be reduced by the amount of Foreign Tax Credit for the relevant Tax Period.

Clause 2 provides that the amount of Foreign Tax Credit to be claimed by a Taxable Person cannot exceed the amount of Corporate Tax payable in respect of the foreign sourced income that is included in Taxable Income.

For example, if the amount of Corporate Tax due on the foreign sourced income is AED 100,000, then the maximum amount of the Foreign Tax Credit that can be claimed will be the lower of (1) the actual amount of tax (that is of similar character to Corporate Tax) paid in the foreign jurisdiction, or (2) AED 100,000 (being the amount of the Corporate Tax due on the foreign sourced income).

It is noted that agreements for the avoidance of double taxation to which the UAE is a party may specify the methods for providing relief from double taxation which may be different to those set out in **Article 47**. In accordance with **Article 66**, the rules specified under an applicable agreement for the avoidance of double taxation would prevail in such instances.

Clause 3 specifies that, should any unutilised Foreign Tax Credit exist as a result of **Clause 2**, such amount would be forfeited, and would not be able to be carried forward to be used in the next period or carried back to an earlier period.

For instance, and to continue from the earlier example, if the actual amount of tax (that is of similar character to Corporate Tax) paid in the foreign jurisdiction is equal to AED 150,000, but the Corporate Tax due on the foreign sourced income is only AED 100,000, then the difference of AED 50,000 will be forfeited, and will not be able to be utilised by the Taxable Person to reduce their Corporate Tax payable.

Consistent with Corporate Tax being a self-assessment regime, it is the responsibility of a Taxable Person seeking to claim a credit under this Article to demonstrate that the amount paid in a foreign jurisdiction is eligible to be a Foreign Tax Credit. This responsibility is specified under **Clause 4**, where it is confirmed that it is the responsibility of the Taxable Person to maintain all the records necessary for the purposes of claiming a Foreign Tax Credit. This would include, for instance, proof of the tax paid under the laws of a foreign jurisdiction.

In this regard, “paid” means the amount that has been remitted or otherwise accrued to the tax authorities in the foreign jurisdiction (and as such represents a committed amount to the foreign tax authority). The amount would not be considered as paid to the foreign tax authority if the tax liability in the foreign jurisdiction is contingent or has not yet formally accrued. An amount of tax paid in a foreign jurisdiction that has been refunded or has been confirmed as being refundable will also not be considered as “paid”.

Chapter Fourteen: Payment and Refund of Corporate Tax

Article 48: Corporate Tax payment

This Article sets the timeline and a deadline for the payment of Corporate Tax. This provides Taxable Persons with clarity over their obligations and ensures that the Authority is able to collect the Corporate Tax due within a reasonable timeframe.

This Article provides that the Corporate Tax Payable under the Corporate Tax Law must be settled within nine months from the end of the relevant Tax Period, or by such other date as directed by the Authority. This coincides with the due date for filing of Tax Returns (see **Article 53**) and means that Taxable Persons will be able to pay Corporate Tax at the same time as filing their Tax Return. This is consistent with Corporate Tax being a self-assessed tax and is meant to minimise the compliance burden for taxpayers.

A Person who fails to pay Corporate Tax by the due date will be in violation of the Corporate Tax Law and the Tax Procedures Law, and in such cases shall be liable for the applicable penalties.

Article 49: Corporate Tax Refund

It is necessary to allow for refunds in cases where Taxable Persons have overpaid and are owed money by the Authority. This Article details the circumstances in which a Taxable Person can apply to the Authority to obtain a refund of Corporate Tax.

Clause 1 provides that a Taxable Person may apply to the Authority for a refund in accordance with the processes and procedures set out in the Tax Procedures Law, this being the law that governs the administrative aspects of Corporate Tax and other federal taxes in the UAE. This Clause also confirms that Corporate Tax will be refunded by the Authority under the following circumstances:

- The amount of Withholding Tax Credit (**Article 46(1)**) available to a Taxable Person in a Tax Period exceeds the amount of Corporate Tax that is due in the same Tax Period; or

- The Authority is satisfied that the Taxable Person has paid Corporate Tax in excess of their Corporate Tax Payable.

Clause 2 specifies that the Authority will respond to the refund application made under **Clause 1** by issuing a decision in accordance with the Tax Procedures Law. This is the standard practice in the UAE with respect to a refund request.

Chapter Fifteen: Anti-Abuse Rules

Article 50: General Anti-Abuse Rule

This Article provides for a general anti-abuse rule applicable to Corporate Tax.

Any tax system can create incentives and opportunities for taxpayers to alter their behaviours to reduce their tax liabilities. Under most circumstances, such behaviours are acceptable, as taxpayers are permitted to optimise their tax position in a manner consistent with the purpose and provisions of the legislation. However, in some cases, taxpayers may seek to reduce their tax liabilities in a way that is not consistent with the original intent and purpose of the law whilst still complying with the letter of the law. Such activity is typically considered abusive, and it is internationally common for tax laws to include rules designed to curb such behaviour.

Although the Corporate Tax Law is designed to be business friendly and to encourage and maintain a stable investment environment, it is also necessary that the Corporate Tax Law contains the relevant and adequate safeguards to protect the integrity of the Corporate Tax regime. On this basis, the Corporate Tax Law includes not only targeted tax base protection measures (e.g. interest capping rules), but also a general anti-abuse rule.

The reason for a general anti-abuse rule is so that the Corporate Tax Law can be kept simple and permissive. It means that the Corporate Tax Law does not have to consider every possible way that taxpayers could seek to exploit the scope and reliefs of the Corporate Tax Law and any attempts to achieve a Corporate Tax benefit through abusive tax avoidance schemes may be addressed under this Article.

On this basis, this Article has been designed to allow the Authority to counteract transactions or arrangements for Corporate Tax purposes where it can be reasonably concluded that there is not a valid non-tax reason for the transaction, and one of the main purposes is to secure a Corporate Tax advantage that is not consistent with the intention or the purpose of the Corporate Tax Law. The Article thus provides for a power that can be exercised by the Authority to take action against tax abuse in a defined set of circumstances.

Clause 1 sets out the circumstances under which the anti-abuse rule would apply. This is based on a test of whether it can be reasonably concluded that the transaction is not entered into or carried out for a valid commercial or other non-fiscal reason which reflects economic reality, and where the main purpose of it is to obtain a Corporate Tax advantage (explained under **Clause 2**) that is not consistent with the intention or purpose of the Corporate Tax Law. The Article requires that this test is made having full regard of all relevant circumstances and **Clause 5** further specifies the facts that must be taken into account in determining whether the Article applies.

Importantly, the Person who has the requisite purpose and the Person who obtained the tax benefit need not be the same Person. In other words, this Article can apply when a Person enters into a transaction or arrangement if the main purpose (or one of the main purposes) of the transaction or arrangement is to allow another Person to obtain a tax benefit.

Clause 2 provides a non-exhaustive list of examples of circumstances that are considered a Corporate Tax advantage for the purposes of **Clause 1**. The following are a “Corporate Tax advantage” for the purposes of this Article:

- a refund or an increased refund of Corporate Tax; or
- the avoidance or reduction of Corporate Tax Payable; or

- the deferral of a payment of Corporate Tax or the advancement of a refund of Corporate Tax. The advantage here may not be to achieve additional monetary benefit, as overall the fiscal position will often be correct. However, there will be a time and cash flow advantage gained through, for example, accelerating Tax Losses in a way that goes against the spirit of the Corporate Tax Law, where the correct amount of Corporate Tax should be paid at the right time; or

- the avoidance of an obligation to deduct or account for Corporate Tax.

When the Authority is satisfied that a Corporate Tax advantage has been unduly obtained under **Clause 1**, **Clause 3** empowers the Authority to make a determination that the Corporate Tax advantages obtained as a result of the transaction or arrangement within the scope of this Article are to be counteracted or adjusted. In other words, **Clause 3** allows the Authority to "unwind" the tax outcome and treat the transaction or arrangement based on its economic reality. In practice, this will be given effect through the issuance of an assessment by the Authority.

Clause 4 provides a non-exhaustive list of the actions that can be taken by the Authority to give effect to the determination made under **Clause 3**. These can include:

- allowing or disallowing an exemption, deduction or relief in calculating Taxable Income or the Corporate Tax Payable, or any part thereof, or allocating it to any other Person; or

- recharacterising the nature of a payment (or any part thereof) or other amount for the purposes of the Corporate Tax Law; or

- disregarding the effect for the purposes of the Corporate Tax Law that would otherwise result from the application of other provisions of the Corporate Tax Law.

Clause 4 also empowers the Authority to make compensating adjustments to the tax liability of any other Person affected by the transaction or arrangement. For a compensating adjustment to be made in relation to a Person, the Person need not be a party to the transaction or arrangement; it is required only that they are affected by the transaction or arrangement.

Clause 5 provides a non-exhaustive list of the relevant facts and circumstances that must be taken into account when the Authority makes a determination.

Clause 6 confirms that where there is a proceeding regarding the application of this Article, it is the responsibility of the Authority to demonstrate that the determination made by the Authority is just and reasonable. In this context, "just and reasonable" takes the ordinary definition of fair and appropriate based on the facts and circumstances of the case.

Chapter Sixteen: Tax Registration and Deregistration

Article 51: Tax Registration

This Article provides for an obligation on Taxable Persons to register for Corporate Tax with the Authority and provides the basis for the Authority to require certain Exempt Persons to also register. It further provides the Authority with the discretionary power to register a Person for Corporate Tax.

Clause 1 requires a Taxable Person to register with the Authority for Corporate Tax purposes and specifies that the Person must register in the form and manner, and according to the timeline, prescribed by the Authority.

Once registered, the Person will be issued with a Tax Registration Number by the Authority. This number is unique to each Person, and forms part of the Person's identifying information when engaging with the Authority (e.g. when filing a Tax Return, as set out in **Article 53(2)(b)**).

Generally, all Taxable Persons are required to register for Corporate Tax purposes. However, the Minister may exclude certain categories of Taxable Persons from the requirement to register. In this regard, Ministerial Decision No. 43 of 2023 Concerning Exception from Tax Registration for the Purpose of Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses has specified that the following Persons are not required to register for Corporate Tax purposes:

- a Government Entity; or
- a Government Controlled Entity; or
- a Person engaged in an Extractive Business that meets the conditions of Article 7; or
- a Person engaged in a Non-Extractive Natural Resource Business that meets the conditions of Article 8; or
- a Non-Resident Person that derives only State Sourced Income under Article 13 and does not have a Permanent Establishment in the UAE.

The Ministerial Decision also confirms that the requirement not to register for Corporate Tax purposes only applies to the extent that the above Persons are exempt for Corporate Tax purposes. Where any of these Persons undertake a Business or Business Activity that is subject to Corporate Tax, they will need to register for Corporate Tax with the Authority.

Under **Clause 2**, certain categories of Exempt Persons will be required to register for Corporate Tax and obtain a Tax Registration Number. This requirement will apply to any of the following types of Exempt Persons:

- a Qualifying Public Benefit Entity (see **Article 9**); or
- a Qualifying Investment Fund (see **Article 10**); or
- a pension or social security fund that is subject to regulatory oversight of the competent authority in the UAE and that meets any other conditions that may be prescribed by the Minister; or
- a juridical person incorporated in the UAE that is wholly owned and controlled by an exempt Government Entity, a Government Controlled Entity, a Qualifying Investment Fund, or a pension or social security fund meeting the conditions specified above; or
- any other Person as may be determined by a Cabinet Decision.

Clause 2 also allows the Authority to require the authorised partner in an Unincorporated Partnership to register the Unincorporated Partnership for Corporate Tax on behalf of all partners for the purposes of providing a declaration to the Authority if such information is requested by the Authority.

Clause 3 specifies that the Authority, at its discretion and based on the information available to it, may register a Person for Corporate Tax effective from the date the Person became a Taxable Person by meeting the conditions provided for in **Article 11** of the Corporate Tax Law. This discretionary power is given to the Authority to unilaterally register someone in order to allow the Authority to effectively administer and enforce the Corporate Tax Law.

Article 52: Tax Deregistration

This Article provides the basis for a Person with a Corporate Tax Registration Number to be deregistered for Corporate Tax purposes, whether once their Business or Business Activity has ceased to exist, and provided that they have paid all outstanding Corporate Tax and Administrative Penalties due and completed the necessary filing requirements, or through the Authority exercising their discretionary power to deregister this Person for Corporate Tax.

Clause 1 provides the basis for a Person to deregister for Corporate Tax purposes by filing a Tax Deregistration application. Such an application should be filed by any Person with a Tax Registration Number when their Business ceases to exist or when they no longer conduct any Business Activity. The form, manner and timeline for this deregistration application will be specified by the Authority.

Clause 2 requires that a Person registered for Corporate Tax purposes can only be deregistered once this Person has paid all Corporate Tax and Administrative Penalties due as provided for in **Article 60**. It further requires that a Taxable Person may not be deregistered unless it has filed all Tax Returns due. These Tax Returns include the Tax Return for the Tax Period up to and including the date the Person ceases to exist or operate.

Clause 3 specifies how the Tax Deregistration would be processed by the Authority. Specifically, this Clause provides that if the Authority approves the Taxable Person's Tax Deregistration application, the Authority will then deregister the Person for Corporate Tax. This deregistration will take effect either from the date of cessation of the Business or Business Activity, or from another date that may be determined by the Authority.

Clause 4 provides that the Authority may, at its discretion and based on the information available to it, deregister a Person who does not comply with the tax deregistration requirements under this Article. If the Authority does exercise its power under this Clause and deregisters a Person, this deregistration will take effect from the later of:

- the last day of the Tax Period in which the Authority became satisfied that the conditions under **Clause 2** have been met (i.e. when all Tax Returns have been filed and all Corporate Tax liabilities and Administrative Penalties due have been fully discharged by the Person); or

- the date the Taxable Person ceases to exist.

Chapter Seventeen: Tax Returns and Clarifications

Article 53: Tax Returns

This Article sets out the requirements for the filing of Corporate Tax Returns. Tax Returns (and related disclosures) are important for the efficient administration and enforcement of the Corporate Tax regime. It specifies dates of filing, the minimum information requirements, implications for Exempt Persons and the requirements for Unincorporated Partnerships and Tax Groups.

Clause 1 requires a Taxable Person to file a Tax Return for each Tax Period, and this Tax Return must be filed no later than nine months from the end of the relevant Tax Period. As an example, the Tax Return for a Tax Period ending 31 December in Year One will need to be filed by 30 September in Year Two. This clause also allows the flexibility for the Authority to set a different filing due date.

A Tax Return must be filed in the form issued, and in the manner prescribed, by the Authority.

Clause 2 specifies the minimum information which a Taxable Person must provide to the Authority as part of their Tax Return. This includes, but is not limited to:

- The Tax Period to which the Tax Return relates (see **Article 57**);
- The name, address and Tax Registration Number (a unique number issued by the Authority to each Person who is registered for Corporate Tax in the UAE, obtained under **Article 51**) of the Taxable Person;
- The date of submission of the Tax Return;
- The accounting basis used in the financial statements (see **Article 20**);
- The Taxable Income (the income that is subject to Corporate Tax in accordance with **Article 20** for the Tax Period;
- The amount of Tax Loss relief claimed (if any) under **Article 37(1)**;
- The amount of Tax Loss transferred in from other group company(ies) or transferred out to other group company(ies) (if any) under **Article 38**;
- The amount of Withholding Tax Credit and Foreign Tax Credit (if any) claimed under **Articles 46** and **47**; and
- The amount of Corporate Tax Payable for the Tax Period.

Clause 3 creates a legal obligation on a Taxable Person to provide the Authority with any information, documents or records that may be required by the Authority for the purposes of administering and enforcing the Corporate Tax Law. Such information, documents or records shall be provided as part of the Tax Return, or as and when requested by the Authority.

Where the disclosure of information through the standard information reporting channel and format by a Taxable Person may impede national security or may be contrary to public interest, **Clause 4** allows the Minister to establish an alternative information disclosure mechanism for such Taxable Persons. Specifically, the Minister

may specify an alternative format or manner (or both) in which a Tax Return or other information is to be submitted to the Authority.

Under **Clause 5**, Persons exempt from Corporate Tax by way of application (see **Article 4(1)(e)** to **Article 4(1)(i)**) may be required to submit a declaration if requested by the Authority. The purpose of requiring these categories of Exempt Persons to submit a declaration, rather than a full-scale Tax Return, to the Authority is to balance the need for the Authority to obtain information to verify that these Persons continue to fulfil the conditions of allowing them to be exempt from Corporate Tax with the compliance burden of these Exempt Persons.

In the case of Unincorporated Partnerships that have not applied to the Authority to be treated as a Taxable Person separate from their partners under **Article 16(8)**, **Clause 6** empowers the Authority to request the authorised partner of the Unincorporated Partnership to file a declaration on behalf of all the partners in the Unincorporated Partnership. The obligation to disclose is placed on the authorised partner of the Unincorporated Partnership (rather than on all the partners). This is to balance the need for the Authority to obtain information on the Unincorporated Partnership with the compliance burden associated with complying with the disclosure requirement.

As members of a Tax Group are treated as one single Taxable Person, **Clause 7** clarifies that it is the Parent Company of a Tax Group that is responsible for filing the Tax Return to the Authority on behalf of the Tax Group. This is consistent with the role of a Parent Company of a Tax Group, where the Parent Company is the representative of the Tax Group as per **Article 40**.

Article 54: Financial Statements

This Article sets out the requirements for the preparation, maintenance, and submission of financial statements to the Authority when requested. This is to allow the Authority to have access to necessary information to administer and enforce the Corporate Tax Law.

Clause 1 specifies that the Authority may request a Taxable Person to submit the financial statements prepared for financial reporting purposes in accordance with accounting standards accepted in the UAE that were used to determine their Taxable Income for a Tax Period. If requested, these statements must be provided in the form and manner and within the timeline prescribed by the Authority.

Certain categories of Taxable Persons may be also required to prepare and maintain financial statements that are audited, or to have the financial statements used for determining their Taxable Income certified by a licensed public accountant, under **Clause 2**. Having an independent third party examining the financial statements of certain categories of Taxable Persons provides an additional layer of oversight on the quality of the financial information used for Corporate Tax purposes. In this regard, Ministerial Decision No. 82 of 2023 on the Determination of Categories of Taxable Persons Required to Prepare and Maintain Audited Financial Statements for the Purposes of Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses has specified that the following Persons are required to maintain audited financial statements:

- A Taxable Person deriving Revenue exceeding AED 50,000,000 during the relevant Tax Period; and
- A Qualifying Free Zone Person.

In the case of an Unincorporated Partnership, **Clause 3** provides that (for the purposes of **Clause 1**) the Authority may request a partner in the Unincorporated Partnership to provide financial statements showing all of the following information in respect of the unincorporated partnership:

- The total assets, liabilities, income and expenditure of the Unincorporated Partnership; and
- The partner's distributive share in the Unincorporated Partnership's assets, liabilities, income and expenditure.

Article 55: Transfer Pricing Documentation

This Article confers the power to the Authority whereby it may require a Taxable Person to maintain and disclose, along with their Tax Return, information regarding the Taxable Person's transactions with their Related Parties and Connected Persons. The purpose of maintaining transfer pricing related information is to describe how the Taxable Person has determined the transfer prices of transactions with Related Parties and Connected Persons, and why those transfer prices are sufficiently comparable to prices applied by independent parties in a similar situation.

Specifically, under **Clause 1**, a Taxable Person may be required by the Authority to disclose information on transactions and arrangements they have with their Related Parties and Connected Persons together with their Tax Return. This disclosure will need to be made in the form prescribed by the Authority.

Clause 2 provides that if a Taxable Person's transactions with its Related Parties and Connected Persons for a Tax Period meet certain conditions to be prescribed by the Minister, this Taxable Person will be required to maintain both a master file and local file.

The format of the master file and the local file will also be prescribed by the Authority. Generally, a master file should provide an overview of the Business and include information such as the corporate structure of the Business. A local file, on the other hand, typically contains more detailed information on the Related Party transactions.

If a Taxable Person is requested by the Authority to provide a copy of the master file and the local file to the Authority, **Clause 3** specifies that these documents must be submitted to the Authority within 30 days following a request by the Authority, or by such later date as directed by the Authority.

Clause 4 stipulates that a Taxable Person must comply with a request issued by the Authority to provide information which supports the arm's length nature of its transactions or arrangements with its Related Parties and Connected Persons. This information must be submitted within 30 days following the request, or by any such other later date as directed by the Authority.

The requirement to maintain and submit transfer pricing related information under this Article is subject to **Article 53(4)**, which allows the Minister to prescribe an alternative form and manner of how the transfer pricing information will be filed with the Authority where such a disclosure of information may impede national security or may be contrary to the public interest. **Article 21(2)(e)** also exempts Taxable Persons which qualify for the small business relief under **Article 21(1)** from the obligations under this Article.

Article 56: Record Keeping

Business record-keeping forms a vital component of an effective taxation regime by providing the Authority access to relevant information to assess whether a Person has complied with its necessary Corporate Tax obligations.

This Article sets out the record-keeping obligations of a Taxable Person under the Corporate Tax Law.

Where applicable, businesses are required to keep records such as:

- a cash book recording daily sales, including credit sales;
- a salary and wages register if the business has employees;
- related records that support the information provided in the Tax Return or other documents filed with the Authority; and
- any other records that will allow the Taxable Income to be calculated.

Clause 1 obliges a Taxable Person to keep all documents and records that support the information provided in the Tax Return or any other document filed with the Authority, and that enable the Taxable Income of the Taxable Person to be readily ascertained by the Authority. **Clause 1** further requires these records and documents to be maintained for seven years following the end of the relevant Tax Period to which they relate.

Clause 2 requires an Exempt Person to keep any information, accounts, documents and records to enable the Exempt Person's status to be readily ascertained by the Authority. Similar to a Taxable Person, an Exempt Person should also keep such records for seven years following the end of the Tax Period to which they relate.

Failure to comply with the conditions set out in **Clauses 1** and **2** may result in penalties being imposed in accordance with the provisions of the Tax Procedures Law. Please refer to **Article 60** on the Assessment of Corporate Tax and penalties for further details.

Article 57: Tax Period

Corporate Tax is imposed annually by reference to the Taxable Person's Tax Period. **Article 57** provides the basis for identifying what a Taxable Person's Tax Period is and how it relates to a Taxable Person's Tax Return.

Given Corporate Tax is imposed on an annual basis, it is necessary to specify a Tax Period that applies to each Person. Generally, a Taxable Person's Tax Period is the period of 12 months ending on 31 December (i.e. the Gregorian calendar year), unless the Taxable Person prepares financial statements using a different time period.

Allowing a Taxable Person to align their Tax Period to the period for which they prepare financial accounts avoids the compliance cost that would otherwise be incurred if the Taxable Person has to prepare two sets of accounts based on different periods. It is particularly relevant for Taxable Persons (whether incorporated in the UAE or elsewhere) that form part of a multinational group.

In this context, **Clause 1** defines a Taxable Person's Tax Period as the Financial Year or part thereof for which a Tax Return is required to be filed.

Clause 2 provides that for the purpose of the Corporate Tax Law, the Financial Year of a Taxable Person is the Gregorian calendar year, or the 12-month period for which the Taxable Person prepares financial statements. On this basis, if a Taxable Person does not already prepare financial statements, they will by default have a January to December Tax Period.

Article 58: Change of Tax Period

A Taxable Person may change its Financial Year during its business operations - e.g. after an acquisition or merger to align the Financial Year with its new parent company. The Corporate Tax Law permits a Taxable Person to substitute a different 12-month period as their Tax Period with the approval from the Authority.

The Article allows for a Taxable Person to make an application to the Authority to change the start and end date of its Tax Period to another 12-month period, or to use a different Tax Period.

The application may be made subject to conditions to be set by the Authority.

Article 59: Clarifications

Taxpayer certainty is an important hallmark to an efficient tax regime and is seen as international best practice. Tax clarifications (commonly referred to as “rulings” in other jurisdictions) provide an opportunity for taxpayers to obtain certainty on their tax position upfront. Similar certainty may also be achieved in due course over whether the transfer prices used in Related Party transactions are consistent with the arm’s length principle through the conclusion of an advanced pricing agreement once the UAE’s advanced pricing agreement programme is activated.

Clause 1 stipulates that a Person may apply to the Authority to obtain a clarification on the application of the Corporate Tax Law or to enter into an advance pricing agreement with respect to a transaction or an arrangement proposed or entered into by that Person. The Person referred to is not required to be a Taxable Person at the point in time the clarification is sought, and as such a clarification may be sought pre or post the relevant transaction or arrangement has taken place. However, the Person seeking a clarification would need to meet the administrative requirements and follow the procedure as prescribed by the Authority.

Clause 2 provides that the Authority will prescribe the form and manner under which the application for a clarification or an advance pricing agreement should be made, and a Person wishing to obtain a clarification or an advance pricing agreement under **Clause 1** must follow the prescribed process.

Chapter Eighteen: Violations and Penalties

Article 60: Assessment of Corporate Tax and Penalties

Corporate Tax is normally self-assessed, which means that the responsibility for calculating the Taxable Income and the Corporate Tax Payable in the first instance rests with the Taxable Person. However, the Authority should be able to issue an assessment in the course of administering and enforcing the Corporate Tax Law if a Person does not self-assess their Corporate Tax liability, e.g. in the absence of a filed Tax Return. This power is provided under **Article 60**. Specifically, this Article provided that, within the rules provided under the Tax Procedures Law, the Authority can issue a Corporate Tax assessment to any Person (not necessarily a Taxable Person).

Clause 1 confirms that a Corporate Tax assessment may be issued to a Person in accordance with the Tax Procedures Law, the Executive Regulations to the Tax Procedures Law and other implementing decisions relating to enforcement of the Tax Procedures Law.

Clause 2 further empowers the Authority to issue a Corporate Tax assessment by allowing the Authority to prescribe situations and conditions where either a Taxable Person can request the Authority to issue a Corporate Tax assessment, or an assessment can be issued unilaterally by the Authority without a request (or receiving a Corporate Tax Return).

In order to ensure the proper functioning of the Corporate Tax system, it is necessary to empower the Authority to issue and impose administrative penalties in respect of the failure to comply with the obligations set out in the Corporate Tax Law, the Tax Procedures Law and other related legislation. In this respect, **Clause 3** clarifies that any applicable penalties and fines to be imposed for violating any provisions of the Corporate Tax Law are determined based on the Tax Procedures Law and any associated implementing decisions.

Chapter Nineteen: Transitional Rules

Article 61: Transitional Rules

This Article sets out the transitional provisions to the Corporate Tax Law.

Clause 1 determines how a Taxable Person should prepare their opening balance sheet for Corporate Tax purposes. Specifically, a Taxable Person is required to use their closing balance sheet prepared for financial reporting purposes for the period immediately before their first Tax Period as the opening balance sheet for Corporate Tax purposes, subject to any conditions and adjustments as may be prescribed by the Minister.

Clause 2 requires a Taxable Person to take into account the arm's length principle under the transfer pricing rules when preparing their opening balance sheet (see **Chapter Ten** of the Corporate Tax Law). This requirement is intended to prevent non-arm's length transactions and arrangements entered into prior to the introduction of Corporate Tax from impacting the calculation of Taxable Income.

Clause 3 confirms that **Article 50** (the General Anti-Abuse Rule) applies to the preparation of the opening balance sheet in respect of transactions or arrangements entered into on or after the date the Corporate Tax Law is published in the Official Gazette.

This Clause allows the Authority to counter arrangements put in place or transactions entered into by a Person before they become subject to Corporate Tax where such arrangements or transactions would result in undue Corporate Tax advantages, benefits, or Corporate Tax relief in the future.

Clause 4 expressly empowers the Cabinet to issue additional transitional regulations if required. This general power is necessary to facilitate the implementation of the Corporate Tax Law, as it is not possible to anticipate all transitional issues that may arise.

Chapter Twenty: Closing Provisions

Article 62: Delegation of Power

This Article allows the Minister to delegate the powers provided to him under the Corporate Tax Law to the Authority where he deems appropriate.

Article 63: Administrative Policies and Procedures

This Article confirms that the Authority will determine the administrative policies, processes and procedures in respect of the compliance obligations and requirements imposed on a Person by the Corporate Tax Law. Examples of these administrative policies, processes and procedures include the tax return format and the type of information that should be disclosed to the Authority at the time of filing the return, and the processes that businesses should follow in filing their tax returns.

This Article also specifies that these Corporate Tax related administrative policies, processes and procedures will be determined by the Authority in consultation with the Ministry. This approach ensures that there is coordination between the policy intent (set by the Ministry and as reflected in the Corporate Tax Law) and how such policy intent is practically implemented via the processes and procedures (set by the Authority).

Article 64: Cooperating with the Authority

The Corporate Tax system is a self-assessment regime, and as such, information about a Person is generally collected from the Person themselves. However, for the purpose of monitoring compliance with the Corporate Tax Law, this Article provides that all other governmental entities in the UAE are required to cooperate fully with the Authority in order to support the Authority in administering and enforcing the Corporate Tax Law.

Examples of governmental entities covered by this Article include other ministries of the Federal Government, as well as government departments at the Local Government level (e.g. the Departments of Finance at each of the Emirates, regulatory authorities in free zones, etc.). The type of cooperation that the Authority may request in this context can include, but is not limited to, providing the Authority with any data, information, or documentation that the Authority might need in the course of administering and enforcing the Corporate Tax Law.

Article 65: Revenue Sharing

This Article provides the legal basis for sharing the Corporate Tax revenues between the Federal Government and the Governments of the respective Emirates and specifies that the revenues to be shared include both the Corporate Tax collected, as well as any associated administrative penalties collected.

Article 66: International Agreements

This Article provides that where there is a conflict between the provisions of the Corporate Tax Law and the terms of an international agreement (e.g. double tax treaties) that are recognised as having the force of law in the UAE through ratification, the terms of the international agreement will generally take precedence.

An international agreement is a contract between governments of different jurisdictions in written form and governed by international law. Consistent with the practice applicable to a contract between private parties,

parties to an International Agreement should be bound by the provisions of the agreement and should fulfil their obligations in good faith.

For the purposes of the Corporate Tax Law, reference to the term “international agreement” means any duly ratified and in-force bilateral or multilateral treaty, convention, agreement or other instrument for the avoidance of double taxation or any other international taxation agreement or arrangement to which the UAE is a party. This includes the various agreements for the avoidance of double taxation entered into between the UAE and other countries and the multilateral instruments adopted by the UAE.

International agreements are in principle directly applicable in the UAE following their ratification and enactment. As there may be situations where the provisions of an international agreement conflict with the provisions of the Corporate Tax Law, this Article ensures that priority is given to the UAE’s international obligations and confirms that the UAE will honour its obligations under an international agreement. In respect to taxation, the approach of ranking double tax treaty obligations above domestic provisions is internationally common and accepted.

Article 67: Implementing Decisions

Clauses 1 and **2** provide that the Cabinet, the Minister and the Authority can, within their respective competencies, issue any necessary decisions to implement the Corporate Tax Law.

Article 68: Cancellation of Conflicting Provisions

This Article confirms that the provisions of the Corporate Tax Law supersede other laws apart from international agreements. That is, if there are provisions in other laws that are contrary to or inconsistent with the provisions of the Corporate Tax Law, the provisions in the Corporate Tax Law prevail over the provisions in the other laws.

Notwithstanding this Article, in the case of a conflict between the Corporate Tax Law and an international agreement with respect to the right to tax a certain item of income, the relevant international agreement may limit the application of Corporate Tax as per **Article 66**.

Article 69: Application of the Corporate Tax Law to Tax Periods

This Article specifies that the provisions of the Corporate Tax Law shall apply to Tax Periods commencing on or after 1 June 2023. This means that Persons who are within the scope of the Corporate Tax regime will become subject to Corporate Tax on a “rolling” basis, and the time of their entry into the Corporate Tax regime will depend on their Financial Year (i.e. the period for which the Person prepares their financial statements - see **Article 57**).

The purpose of a staggered entry into the Corporate Tax regime is to minimise the compliance burden by avoiding the need for Taxable Persons to apportion income earned and expenditure incurred during an accounting period to periods where Corporate Tax is not applicable and where such income and expenditure become subject to Corporate Tax.

Persons that prepare their financial statements based on a calendar Financial Year (1 January - 31 December) will become subject to Corporate Tax from 1 January 2024, being the commencement date of their first Tax Period after 1 June 2023.

Persons whose Financial Year does not align with the calendar year will become subject to Corporate Tax from the commencement date of their first Financial Year starting on or after 1 June 2023. For example, Taxable

Persons with a Financial Year ending 31 March will become subject to Corporate Tax from 1 April 2024, and Taxable Persons with a Financial Year ending 30 September will become subject to Corporate Tax from 1 October 2023.

Article 70: Publication and Application of the Corporate Tax Law

This Article sets out how the Corporate Tax Law is promulgated.

The Corporate Tax Law is published in the UAE Official Gazette, which is the official channel in the UAE to publish laws and decrees issued by the Federal Government.

This Article also confirms that the Corporate Tax Law comes into effect 15 days after the law is published in the Gazette. As the Corporate Tax Law was published in Issue #737 of the UAE Official Gazette on 10 October 2022, the provisions of the law came into force on 25 October 2022.

Cabinet Decision No. 37 of 2023 Regarding the Qualifying Public Benefit Entities for the Purposes of Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses

The Cabinet:

- Having reviewed the Constitution,
- Federal Law No. 1 of 1972 on the Competencies of Ministries and Powers of the Ministers, and its amendments,
- Federal Decree-Law No. 13 of 2016 on the Establishment of the Federal Tax Authority, and its amendments,
- Federal Decree-Law No. 28 of 2022 on Tax Procedures,
- Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses,
- Pursuant to what was presented by the Minister of Finance and approved by the Cabinet,

Has decided:

Article (1)
Definitions

Words and expressions in this Decision shall have the same meanings specified in the Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses (referred to in this Decision as "**Corporate Tax Law**") unless the context requires otherwise.

Article (2)
Qualifying Public Benefit Entities

1. The entities specified in the schedule annexed to this Decision are considered Qualifying Public Benefit Entities for the purposes of the Corporate Tax Law.

2. The Government Entities shall notify the Ministry of any changes occurring to the public benefit entities specified in the schedule annexed to this Decision that impact the entity's continuity in meeting the conditions set out in the Corporate Tax Law. The notification shall be in the form and manner prescribed by the Ministry and made within (20) twenty business days from the occurrence of any change.

Article (3)
Amendment to the Schedule of Public Benefit Entities

1. Any Government Entity may file an application to the Ministry to suggest an amendment, whether by addition or deletion, to the schedule annexed to this Decision, in the form and manner prescribed by the Ministry, subject to the Ministry being provided with any data, information and documentation as may be requested to process the application.

2. The Cabinet may, at the suggestion of the Minister, amend this Decision and the schedule annexed to it, whether by addition or deletion.

Article (4)
Request for Information

1. A Qualifying Public Benefit Entity shall provide all relevant documents, data and information to the Ministry and the Authority to verify that the Qualifying Public Benefit Entity meets the requirements stipulated in the Corporate Tax Law.

2. All Government Entities in the State shall fully cooperate with the Ministry and the Authority to provide them with all data, information and documentation related to a Qualifying Public Benefit Entity and its activities.

3. The Ministry and the Authority may, for the purposes of implementing the provisions of this Decision, exchange with each other data, information, and documents in respect of any Qualifying Public Benefit Entity and its activities.

Article (5)
Implementing Decisions

The Minister shall issue the necessary decisions for the implementation of the provisions of this Decision.

Article (6)
Publication and Application of this Decision

This Decision shall be published in the Official Gazette and shall come into effect on the day following the date of publication.

Mohammed Bin Rashid Al Maktoum

Prime Minister

Issued by us:

Date: 16 Ramadan 1444 AH

Corresponding to: 07 April 2023 AD

جدول جهات النفع العام المرفق بقرار مجلس الوزراء رقم (37) لسنة 2023
بشأن جهات النفع العام المؤهلة لأغراض المرسوم بقانون اتحادي (47) لسنة 2022
في شأن الضريبة على الشركات والأعمال

م	جهات النفع العام (الجهات الاتحادية)	Qualifying Public Benefit Entities (Federal Entities)
.1	صندوق الزكاة	Zakat Fund
.2	هيئة الهلال الأحمر لدولة الإمارات العربية المتحدة	Emirates Red Crescent Authority
.3	مركز الشباب العربي	Arab Youth Center
.4	المجلس الأعلى للأمومة والطفولة	The Supreme Council of Motherhood & Childhood
.5	جامعة الإمارات العربية المتحدة	UAE University
.6	مجمع كليات التقنية العليا	Higher College of Technology (HCT)
.7	جامعة زايد	Zayed University
.8	أكاديمية أنور قرقاش الدبلوماسية	Anwar Gargash Diplomatic Academy
.9	برنامج محمد بن راشد للتعلم الذكي	Mohammed Bin Rashid Smart Leading Program
.10	الصندوق الوطني للمسؤولية المجتمعية	Corporate Social Responsibility UAE Fund
.11	اتحاد غرف التجارة والصناعة	Federation of UAE Chamber of Commerce & Industry
.12	الاتحاد الآسيوي للجو جيتسو	Ju-Jitsu Asian Union
.13	الاتحاد الآسيوي للشطرنج	Asian Chess Federation

.14	اتحاد الإمارات للجو جيتسو	UAE Jiu Jitsu Federation
.15	اتحاد الإمارات للفروسية	UAE Equestrian and Racing federation UAEERF
.16	اتحاد الإمارات للمعاقين	UAE disabled sports federation
.17	اتحاد الإمارات لمواي تاي والكيك بوكسنج	UAE Muaythai & Kickboxing Federation
.18	اتحاد الجودو والمصارعة	UAE Judo Federation
.19	جمعية اتحاد الصناعيين	Industrialists Union Society
.20	جمعية الإمارات لرائدات الأعمال	Emirates Association for Women Entrepreneurs
.21	جمعية الإمارات للإدارة العامة	Emirates Society for Public Administration
.22	جمعية الإمارات للإنعاش القلبي	UAE Resuscitation Council
.23	جمعية الإمارات للتواصل الاجتماعي	UAE Social Media Association
.24	جمعية الإمارات للجـــودة	Emirates Quality Association
.25	جمعية الامارات للخيول العربية	Emirates Arabian Horse Society
.26	جمعية الإمارات للسلامة المرورية	Emirates Traffic Safety Society
.27	جمعية الإمارات للطيران	Emirates Aviation Association
.28	جمعية الإمارات للعلاقات العامـــة	Emirates Public Relations Association
.29	جمعية الإمارات للفلـــك	Emirates Astronomy Society
.30	جمعيـــة الإمـــارات للمســـتثمرين المبادرين	Emirates Angels Investors Association
.31	جمعية السيدات الهنديات - أبوظبي	Indian Ladies Association – Abu Dhabi

.32	جمعية الشرطة النسائية الإماراتية	Emirates Women Police Association
.33	جمعية المرأة السودانية	Sudanese Women Association
.34	الجمعية الوطنية للتصلب المتعدد	National Multiple Sclerosis Society
.35	جمعية إمارات العطاء	Emirates Giving
.36	جمعية خريجي جامعة هارفرد كلية كينيدي الحكومية في الإمارات	Harvard Kennedy School Alumni Association of the UAE
.37	جمعية رواد الأعمال الإماراتيين	The Emirati Entrepreneurs Association
.38	جمعية ســـاعد للحد من الحوادث المرورية	Saaed Association for Prevention of Traffic Crashers
.39	جمعية محمد بن خالد آل نهيان لأجيال المستقبل	Mohammed bin Khalid Al Nahyan Future Generation Society
.40	جميعة رواد الزراعة الإماراتية	Emirates Agricultural Pioneers Association
.41	جمعية كلنا مع أصحاب الهمم	AWPOD (All With People of Determination)
.42	مركز كيرلا الاجتماعي	Kerala Social Center
.43	اتحاد مصارف الإمارات	UAE Banks Federation
.44	اتحاد الإمارات لكرة القدم	UAE Football Association
.45	اتحاد الإمارات العربية المتحدة للصقور	UAE Falcons Federation
.46	اتحاد الإمارات لألعاب القوى	UAE Athletics Federation
.47	اتحاد الامارات لبناء الاجسام واللياقة البدنية	Emirates Bodybuilding &Fitness Federation
.48	اتحاد الإمارات لرفع الاثقال	Emirates Weightlifting Federation

.49	اتحاد الإمارات لرياضة المرأة	UAE Women Sport's Federation
.50	اتحاد الإمارات لكرة السلة	UAE Basketball Association
.51	اتحاد الإمارات لكرة الطاولة	UAE Table Tennis Association
.52	اتحاد الإمارات لكرة اليد	UAE Handball Federation
.53	اتحاد الإمارات للاسكواش	UAE Squash Association
.54	اتحاد الإمارات للبادل تنس	UAE Padel Association
.55	اتحاد الإمارات للبلياردو	UAE Billiards & Snooker Association
.56	اتحاد الإمارات للبولو	UAE Polo Federation
.57	اتحاد الإمارات للبولينج	UAE Bowling Federation
.58	اتحاد الإمارات للتايكواندو	UAE Taekwondo Federation
.59	اتحاد الإمارات للترايثلون	UAE Triathlon Federation
.60	اتحاد الإمارات للتنس	UAE Tennis Federation
.61	اتحاد الإمارات للجولف	Emirates Golf Federation
.62	اتحاد الإمارات للخماسي الحديث	UAE Modern Pentathlon Federation
.63	اتحاد الإمارات للدارتس	UAE Darts Federation
.64	اتحاد الإمارات للدراجات	UAE Cycling Federation
.65	اتحاد الإمارات للرماية	UAE Shooting Federation
.66	اتحاد الإمارات للرياضات الالكترونية	Emirates Esports Federation
.67	اتحاد الإمارات للرياضات البحرية	UAE Marine Sports Federation
.68	اتحاد الإمارات للرياضات الجوية	Emirates Aerosports Federation
.69	اتحاد الإمارات للرياضات الشتوية	UAE Winter Sports Federation
.70	اتحاد الإمارات للرياضة للجميع	UAE Sports Of All Federation
.71	اتحاد الإمارات للريشة الطائرة	UAE Badminton Federation
.72	اتحاد الإمارات للسباحة	UAE Swimming Federation

.73	اتحاد الإمارات للشـــراع والتجديف الحديث	UAE Sailing & Rowing Federation
.74	اتحاد الإمارات للشطرنج	UAE Chess Federation
.75	اتحاد الإمارات للقوس والسهم	UAE Archery Federation
.76	اتحاد الإمارات للكاراتيه	UAE Karate Federation
.77	اتحاد الإمارات للكانوي والرافتنج	EMIRATES CANOE AND RAFTING FEDERATION
.78	اتحاد الإمارات للكرة الطائرة	UAE Volleyball Association
.79	اتحاد الإمارات للكريكيت	Emirates Cricket Union
.80	اتحاد الإمارات للمبارزة	UAE Fencing Federation
.81	اتحاد الإمارات للمصارعة والجودو	UAE Judo Federation
.82	اتحاد الإمارات للملاكمة	UAE Boxing Federation
.83	اتحاد الإمارات للنت بول	UAE Netball Association
.84	اتحاد الإمارات للهجن	Camel Race Federation
.85	اتحاد الإمارات للهوكي	UAE Hockey Federation
.86	اتحاد الإمارات لمؤســـســـات التعليم المدرسي والجامعي	UAE Federation for School and University Education Institutes
.87	اتحاد الشرطة الرياضي	UAE Police Sports Federation
.88	جائزة خليفة الدولية لنخيل التمر والابتكار الزراعي	Khalifa International Award for Date Palm and Agricultural Innovation
.89	جمعية أبوظبي لرعاية الحيوان	Animal Welfare Abu Dhabi (AWAD)
.90	جمعية أبوظبي للفنون الشعبية والمسرح	Abu Dhabi Society Folk Art and Theater
.91	جمعية أصدقاء البيئة	Environment Friends Society

.92	جمعية أصدقاء المرضى ام القيوين	Friends of Patients Society in Umm Al Quwain
.93	جمعية أصدقاء النخلة	Date Palm Friends Society
.94	جمعية اصدقاء مرض التصلب اللويحي المتعدد	Emirates Association of Friends of Patients with Multiple Sclerosis
.95	جمعية الاتحاد النسائية الشارقة	Women Union Association Sharjah
.96	جمعية الاجتماعيين	Sociological Association
.97	الجمعية الأردنية -فرع العين	Jordanian Association_Al Ain
.98	الجمعية الأردنية في ابوظبي	Jordanian Society Abu Dhabi
.99	جمعية الإمارات البيطرية	Emirates Veterinary Association
.100	جمعية الإمارات الطبية	Emirates Medical Association
.101	جمعية الإمارات لأصدقاء كبار المواطنين	Emirates Friends of Senior Citizens Association
.102	جمعية الإمارات لداء الأمعاء الالتهابي	UAE IBD Society
.103	جمعية الامارات لرعاية وبر الوالدين	Emirates Society for Parents Care and Relief
.104	جمعية الإمارات للإبداع	Emirates Creative Association
.105	جمعية الامارات للإعلام الرياضي	UAE Sports Media Association
.106	جمعية الإمارات للأمراض النادرة	UAE Rare Disease Society
.107	جمعية الإمارات للإنترنت الآمن	Emirates Safer Internet Society (eSafe)
.108	جمعية الإمارات للإيجابية والسعادة	Emirates Happiness Positiveness Association

.109	جمعية الامارات للتخطيط الاستراتيجي	Emirates Strategic Planning and Foresight Future Association
.110	جمعية الإمارات للتخطيط الحضري	Emirates Planning Association (EPA)
.111	جمعية الإمارات للتغذية	Emirates Nutrition Association
.112	جمعية الإمارات للتوحد	Emirates Autism Society
.113	جمعية الإمارات للثلاسيميا	Emirates Thalassemia Society
.114	جمعية الإمارات للسرطان	Emirates Cancer Society
.115	جمعية الإمارات للصم	UAE Deaf Association
.116	جمعية الامارات للطبيعة	Emirates Nature WWF
.117	جمعية الإمارات للغوص	Emirates Diving Association
.118	جمعية الامارات للفنون التشكيلية	Emirates Fine Arts Society
.119	جمعية الإمارات للمستشارين والمدربين الإداريين	Emirates Association for Management Consultants and Trainers
.120	جمعية الإمارات للمعاقين بصريا	Emirates Association of the Visually Impaired
.121	جمعية الامارات للمكتبات والمعلومات	Emirates Library and Information Association
.122	جمعية الإمارات للملاحة	Emirates Navigation Association
.123	جمعية الامارات لمتلازمة داون	Emirates Down Syndrome Association
.124	جمعية الامارات لمربي الدواجن	Emirates Poultry Breeders Association
.125	جمعية الامارات لمربي الكلاب	Emirates Dog Owners Society

.126	جمعية الإمارات لهواة اللاسلكي	Emirates Amateur Radio Society
.127	جمعية التمريض الإماراتية	Emirates Nursing Association
.128	الجمعية الجغرافية الإماراتية	Emirates Geographical Society
.129	جمعية الحبوس للفنون والتراث الشعبي	Al Habous Association for Arts and Folklore
.130	جمعية الدراسات الإنسانية	Humanities Studies Association
.131	جمعية الشحوح للتراث الوطني	Al Shuhooh Cultural & Heritage Association
.132	جمعية الصحفيين الإماراتية	UAE Journalists Association
.133	جمعية العسكريين المتقاعدين	Retired Military Personnel Association
.134	جمعية العين للفنون الشعبية والتراث	Al Ain Society for Folklore and Heritage
.135	جمعية المرأة الأردنية	Jordanian Women's Association
.136	جمعية المرأة سند للوطن	Sanad Al Watan Women Society
.137	جمعية المسرحيين	Theatrical Association
.138	جمعية المطاف للتراث والفنون البحرية	Almathaf Traditional Boat Rowing Arts Society
.139	جمعية المعلمين	Teachers Association UAE
.140	جمعية المقاولين	UAE Contractor's Association
.141	جمعية المقر الهندي الإسلامي	Indian Islamic Centre Association
.142	جمعية المهندسين بدولة الإمارات العربية المتحدة	Society of Engineers UAE
.143	جمعية الناشرين الإماراتيين	Emirates Publishers Association

.144	جمعية النخيل للفن والتراث الشعبي	Al Nakheel Society For Art & Popular Heritage
.145	جمعية النزاهة	Al Nazaha Association
.146	الجمعية النسائية أم القيوين	Women Association of Umm Al Quwain
.147	جمعية النور لرعاية وتأهيل أصحاب الهمم	Al Noor Rehabilitation & Welfare Association for People of Determination
.148	جمعية أمهات أصحاب الهمم -همة	Mothers of People of Determination Association "Hemmah"
.149	جمعية أهالي ذوي الاعاقة	Associations of Families of Persons with Disabilities
.150	جمعية توعية ورعاية الأحداث	Juvenile Association
.151	جمعية حماية اللغة العربية	Arabic Language Protection Association
.152	جمعية حياة للرعاية اللاحقة	Emirates Post-care Society
.153	جمعية دبا للثقافة والفنون والمسرح	Dibba Society for Culture Art & Theater
.154	جمعية دبي للفنون الشعبية	Dubai Folklore Society
.155	جمعية رأس الخيمة للفنون والتراث الشعبي	Ras Al Khaimah Folk Arts Association
.156	جمعية رؤيتي للأسرة	Royati Family Society
.157	جمعية سيدات مصر	Egyptian ladies association
.158	جمعية شمل للفنون التراث الشعبي والمسرح	Shamal Folk Arts and Theatre Society

.159	جمعية عجمان للتنمية الاجتماعية والثقافية	Ajman Society of social and cultural development
.160	جمعية كلنا الإمارات	Kelna Al Emarat Association
.161	جمعية محمد بن خالد ال نهيان لأجيال المستقبل	Mohammed bin Khalid Al Nahyan Future Generation Society
.162	جمعية مسرح دبي الوطني	Dubai National Theater
.163	جمعية مواليف	Mawalif Association
.164	جمعية نادى جمهورية مصر العربية	Republic of Egypt Association Club
.165	جمعية هندسة الطرق والنقل لدول مجلس التعاون لدول الخليج العربية	GCC Road & Transport Engineering Society
.166	جمعية واجب التطوعية	Wajeb Volunteering Association
.167	صندوق التكافل الاجتماعي للعاملين في بنك دبي الإسلامي	Social Security Fund for Dubai Islamic Bank Employees
.168	صندوق الفرج	Faraj Fund
.169	لجنة الإمارات لرعاية المواهب الرياضية ودعم الرياضة الوطنية	Emirates Committee for Nurturing Sports Talents & Support of National Sport
.170	اللجنة البارالمبية الوطنية	UAE Paralympic Commitee
.171	لجنة النخبة والمستوى العالي	Emirates Committee for Advanced Sports
.172	مركز محمد بن مفتاح القشاطي	Mohammed bin Al-Qashati Center
.173	مركز الشيخ محمد بن زايد لتحفيظ القرآن الكريم	Sheikh Mohammed bin Zayed center for the memorization of the Holy Quran

.174	مركز الشيخة موزة بنت بطي الديني	Sheikha Mozah Bint Butti Religious Center
.175	مركز الشيخة وديمة بنت زايد لتحفيظ القرآن الكريم	Sheikha Wadima bint Zayed for the memorization of the Holy Quran
.176	مركز النور لتدريب وتأهيل الأشخاص ذوي الإعاقة	Al Noor Training Centre for Persons with Disabilities
.177	مركز بن حرمل لتحفيظ القرآن الكريم / فرع المقام	Bin Harmal Quran Centre / Al Maqam Branch
.178	مركز دار الخير	Dar Al Khair
.179	مركز رأس الخيمة الاجتماعي	Ras Al Khaimah Social Center
.180	مركز رملة الراعي لتحفيظ القرآن الكريم	Ramlet Al-Rai Center for the memorization of the Holy Quran
.181	مركز عائشة أم المؤمنين رضي الله عنها لتحفيظ القرآن الكريم	Umm Al-Mumineen Aisha Center for The Memorization Of The Holy Quran
.182	مركز عمر بن الخطاب الخيري لتحفيظ القرآن الكريم والسنه النبوية	Umar bin al-Khattab Center for the Memorization of the Holy Quran
.183	مركز عوض بن سعيد الكتبي	Awad bin Saeed Al Ketbi Center
.184	مركز قباء لتحفيظ القرآن الكريم	Quba Center for the memorization of the Holy Quran
.185	مسرح العين	Al Ain Theater
.186	المقر الهندي الاجتماعي - العين	Indian Social Centre – Al Ain
.187	المقر الهندي الثقافي الاجتماعي- ابوظبي	India Social & Cultural Centre (ISC) Abu Dhabi

.188	منظمة الإمارات للسيارات والدراجات النارية	Emirates Motorsports Organization
.189	مؤسسة حميد الخيرية لاعتلال الشبكية	Humaid Charitable Foundation of Retinopathy
.190	مؤسسة رواق عوشه بنت حسين الثقافي الاجتماعي	Rewaq Ousha Educational Institute
.191	مؤسسة عبدالجليل الفهيم عائلته الخيرية	Abdul Jalili Al Fahim & Family Charitable Foundation
.192	مؤسسة محمد بن بطي آل حامد للأعمال الخيرية	Mohamed Bin Butti Al Hamed Charitable Foundation
.193	مؤسسة محمد بن حم الخيرية	Mohammed Bin Ham Charitable Foundation
.194	مؤسسة مسلم بن حم الخيرية	Muslim Bin Ham Charitable Foundation
.195	النادي الاجتماعي السوداني	Sudanese Social Club
.196	نادي الصداقة الإماراتي الفلسطيني	Emirati Palestinian Friendship Club
.197	ندوة الثقافة والعلوم	The Cultural & Scientific Association
.198	الوكالة الوطنية لمكافحة المنشطات	UAE Anti-Doping Agency

م	جهات النفع العام (حكومة ابوظبي)	Qualifying Public Benefit Entities (Abu Dhabi)
.1	هيئة الرعاية الأسرية	Family Care Authority
.2	دار زايد للثقافة الإسلامية	Zayed House for Islamic Culture
.3	الصندوق الدولي للحفاظ على الحبارى	International Fund for Houbara Conservation
.4	صندوق الوطن	Sandooq Al Watan
.5	الاتحاد النسائي العام	General Women's Union
.6	صندوق محمد بن زايد الدولي لحماية الأنواع وإثراء الطبيعة	The Mohamed Bin Zayed Species Conservation Fund
.7	غرفة تجارة وصناعة أبوظبي	Abu Dhabi Chamber of Commerce & Industry
.8	أكاديمية الشيخة فاطمة	Fatima Bint Mubarak Ladies Sports Academy
.9	جامعة السوربون - أبوظبي	Sorbonne University - Abu Dhabi
.10	جامعة خليفة للعلوم والتكنولوجيا	Khalifa University
.11	جامعة محمد بن زايد للذكاء الاصطناعي	Mohamed bin Zayed University of Artificial Intelligence
.12	جامعة محمد بن زايد للعلوم الإنسانية	Mohammed Bin Zayed University for Humanities
.13	مركز أبوظبي للتعليم والتدريب التقني والمهني	Abu Dhabi Center for Technical and Vocational Education and Training
.14	معهد أبوظبي للتعليم والتدريب المهني	Abu Dhabi Vocational Education and Training Institute
.15	معهد التكنولوجيا التطبيقية	Institute of Applied Technology
.16	قرية الإمارات للقدرة	Emirates International Endurance Village
.17	كاتدرائية القديس يوسف	St. Joseph's Cathedral
.18	كلية الإمارات للتطوير التربوي	Emirates College For Advanced Education
.19	كنيس بيت الصلاة	The House of Prayer Synagogue

20.	الكنيسة الأرمنية	The Armenian Church of Abu Dhabi
21.	الكنيسة الانجيلية – أبوظبي	Evangelical Community Church – Abu Dhabi
22.	الكنيسة الانجيلية – العين	Evangelical Congregation - Al Ain
23.	الكنيسة السريانية الأرثوذكسية اليعقوبية كنيسة القديس جورج	Jacobite Syriac Orthodox Church, St. George's Church
24.	كنيسة العذراء والقديس بولس الرسول	Church of the Virgin and Saint Paul the Apostle
25.	الكنيسة القبطية	The Coptic Orthodox Church
26.	الكنيسة القبطية الأرثوذكسية المصرية	Egyptian Coptic Orthodox Church
27.	كنيسة القديس أندرو – العين	St. Andrew's Church – Al Ain
28.	كنيسة القديس أندرو – مصفح	St. Andrew's Church - Musaffah
29.	كنيسة القديس بولس	St. Paul's Church
30.	كنيسة القديس جورج الأرثوذكسية	ST. GEORGE'S ORTHODOX CATHEDRAL
31.	كنيسة القديس يوحنا المعمدان الكاثوليكية	St. John the Baptist Catholic Church
32.	كنيسة القديسة مريم	Saint Mary's Church
33.	كنيسة المار توما – أبوظبي	Mar Thoma church – Abu Dhabi
34.	كنيسة المار توما – العين	Mar Thoma church – Al Ain
35.	كنيسة المسيح عيسى للقديسين / اليوم الأخير	Jesus Christ Church of Saints / Latter Day Saints
36.	كنيسة جمعية المسيحين	Assembly of Christians Church
37.	كنيسة جنوب الهند باريش – أبوظبي	South Indian Parish Church – Abu Dhabi
38.	كنيسة سانت أندرو	St Andrew's Church

.39	كنيسة مالانكارا الأرثوذكسية السورية	Malankara Orthodox Syrian Church
.40	مطرانية الروم الأرثوذكس	The Greek Orthodox Church of Antioch
.41	معبد بي أيه بي اس هندو ماندير	BAPS Hindu Mandir Temple
.42	معبد غورو نانك ديربار سيك	Guru Nanak Dirbar Sik Temple
.43	مقر ماليالي سماجم - أبوظبي	Malayalee Samajam – Abu Dhabi
.44	مسرح أبوظبي	ABU DHABI THEATRE
.45	مسرح زايد للمواهب والشباب	Zayed Theater for Talents and Youth
.46	مسرح ياس	YAS Association, Culture, Art, and Theatre
.47	مؤسسة ابتسامة	Ebtessama Foundation
.48	اللجنة العليا للأخوة الانسانية	Higher Committee for Human Fraternity
.49	مركز ابوظبي للإيواء والرعاية الإنسانية - إيواء	Abu Dhabi Center for Sheltering & Humanitarian Care - Ewaa
.50	مركز الشيخ محمد بن خالد آل نهيان الثقافي	Sheikh Mohammed Bin Khalid Al Nahyan Cultural Center
.51	مؤسسة أحمد بن خليفة السويدي الخيرية	Ahmed Bin Khalifa Al Suwaidi Charitable Foundation
.52	مؤسسة الإمارات	Emirates Foundation
.53	مؤسسة الأولمبياد الخاص الاماراتي	Special Olympics UAE
.54	مؤسسة التنمية الأسرية	Family Development Foundation
.55	مؤسسة الرعاية الاجتماعية وشؤون القصّر	Social Care & Minors Affairs Foundation
.56	مؤسسة الشيخ أحمد بن زايد للأعمال الخيرية والإنسانية	Ahmad Bin Zayed Charitable & Humanitarian Foundation

.57	مؤسسة أمنية	Make A Wish Foundation
.58	مؤسسة خليفة بن زايد آل نهيان للأعمال الإنسانية	Khalifa Bin Zayed Al Nahyan Foundation
.59	مؤسسة زايد العليا لأصحاب الهمم	Zayed Higher Organization for People of Determination
.60	مؤسسة زايد بن سلطان آل نهيان للأعمال الخيرية	Zayed Charitable & Humanitarian Foundation
.61	مؤسسة سدرة لدمج ذوي الإعاقة	SEDRA Foundation for Inclusion
.62	مؤسسة سمو الشيخ سلطان بن خليفة زايد آل نهيان للبحوث العلمية والإنسانية	H.H. Sheikh Sultan Bin Khalifa Al Nahyan Humanitarian & Scientific Foundation
.63	مؤسسة ميثاء بنت أحمد للمبادرات المجتمعية والثقافية	Maitha Bint Ahmed Al Nahyan Foundation
.64	نادي أبوظبي الرياضي	Abu Dhabi Country Club
.65	نادي أبوظبي الزراعي	Abu Dhabi Agricultural Club
.66	نادي أبوظبي لرفع الأثقال	Abu Dhabi Weightlifting Club
.67	نادي أبوظبي لكرة المضرب	Abu Dhabi Racket Games Club
.68	نادي أبوظبي للألعاب القوى	Abu Dhabi Athletics Club
.69	نادي أبوظبي للدراجات	Abu Dhabi Cycling Club
.70	نادي أبوظبي للرياضات البحرية	Abu Dhabi Marine Sports Club
.71	نادي أبوظبي للرياضات الجليدية	Abu Dhabi Ice Sports Club
.72	نادي أبوظبي للرياضات الجوية	Abu Dhabi Sports Aviation Club
.73	نادي ابوظبي للرياضات المائية	Abu Dhabi Aqua Sports Club
.74	نادي أبوظبي للشطرنج والألعاب الذهنية	Abu Dhabi Chess Club & Mind Games
.75	نادي أبوظبي للصقارين	Abu Dhabi falconers club
.76	نادي أبوظبي للفروسية	Abu Dhabi Equestrian Club
.77	نادي أبوظبي للقوس والسهم	UAE ARCHERY FEDERATION
.78	نادي أبوظبي للكريكيت	Abu Dhabi Cricket
.79	نادي أبوظبي للمبارزة	Abu Dhabi Fencing Club
.80	نادي الجزيرة الرياضي	Al Jazira Club

.81	نادي الظفرة الرياضي	Al Dhafra FC
.82	نادي الظفرة للرماية	Al Dhafra Shooting Club
.83	نادي العين الرياضي	Al Ain FC
.84	نادي العين للشطرنج والألعاب الذهنية	Al Ain Chess Club
.85	نادي العين للفروسية والرماية	Al Ain Equestrian, Shooting and Golf Club
.86	نادي الوحدة الرياضي	Al-Wahda SC
.87	نادي بني ياس الرياضي	Baniyas Club
.88	نادي تراث الإمارات	Emirates Heritage Club
.89	نادي جمهورية مصر العربية -العين	Republic of Egypt Club – Al Ain
.90	نادي غنتوت	Ghantoot Racing & Polo Club
.91	نادي ليوا للسيارات	Liwa sport club
.92	نادي أبو ظبي لسباقات الهجن	Camel Race Federation
.93	نادي أبوظبي لذوي الاحتياجات الخاصة	Abu Dhabi Club for People with Special Needs
.94	جمعية المرأة الظبيانية	Women's Association
.95	جمعية رعاية مرضي السرطان - رحمة	Cancer Patient Care Society - Rahma

م	جهات النفع العام (حكومة دبي)	Qualifying Public Benefit Entities (Dubai)
.1	غرف دبي	Dubai Chambers
.2	مؤسسة دبي للمرأة	Dubai Women Establishment
.3	بنك الإمارات للطعام	UAE Food Bank
.4	جائزة دبي التقديرية لخدمة المجتمع	Dubai Appreciation Award for Community Service
.5	مكتبة محمد بن راشد آل مكتوم	Mohammed Bin Rashid Library
.6	مؤسسة محمد بن راشد آل مكتوم للمعرفة	Mohammed bin Rashid Al Maktoum Knowledge Foundation
.7	جمعية النهضة النسائية بدبي	Dubai Women's Association
.8	جمعية دار البر	Dar al Ber Society
.9	جمعية دبي الخيرية	Dubai Charity Association
.10	جمعية بيت الخير	Beit Al Khair Society
.11	مؤسسة محمد بن راشد آل مكتوم للأعمال الخيرية والإنسانية	MOHAMMED BIN RASHED AL MAKTOUM HUMANITARIAN & CHARITY EST
.12	مؤسسة دبي لرعاية النساء والأطفال	Dubai Foundation for Women and Children
.13	مؤسسة عيسى صالح القرق الخيرية	Easa Saleh Al Gurg Charity Foundation
.14	مؤسسة نور دبي	Noor Dubai Foundation
.15	مؤسسة طيران الإمارات الخيرية	Emirates Airline Foundation

.16	مؤسسة دبي العطاء	Dubai Cares
.17	هيئة الهلال الأحمر - دبي	UAE Red Crescent Authority – Dubai
.18	مؤسسة البركة الخيرية	Albaraka Charity Association
.19	مؤسسة محمد عمر بن حيدر الخيرية	Mohammad Omar Bin Haider Charity Est.
.20	مؤسسة ماجد الفطيم الخيرية	Majid Al Futtaim Charity Foundation
.21	مؤسسة تراحم الخيرية	Tarahum Charity Foundation
.22	مؤسسة إعمار الخيرية	Emaar Charitable Foundation
.23	مؤسسة سقيا الإمارات	UAE Water AID
.24	الكنيسة الإنجيلية	Evangelical Church
.25	(الثالوث المقدس) كنيسة دبي الشارقة	Holy Trinity Church – Chaplaincy of Sharjah and Dubai
.26	كنيسة سانت توماس	St. Thomas Orthodox Cathedral
.27	كنيسة المسيح - فرع من كنيسة دبي الشارقة	Church of Christ branch of Chaplaincy of Sharjah and Dubai
.28	كنيسة مار توما باريش	Mar Thoma Parish Church
.29	كنيسة سانت فرانسيس	St. Francis Church
.30	القديسة مريم الكاثوليكية	St. Mary's Catholic Church
.31	كنيسة ايبارشية الأقباط الأرثوذكس	Coptic Orthodox Parish Church

.32	كنيسة مار غناطيوس للسريان الأرثوذكس اليعاقبة	Mor Ignatius Jacobite Syrian Orthodox Cathedral
.33	كنيسة مطرانية الروم الأرثوذكس	Greek Orthodox Church
.34	معبد السند غورودربار	Guru Darbar Sikh Temple
.35	غرو ناتك ديربار سينخ تيمبل	GuruNanak Darbar Sikh Temple
.36	مركز سندهي رسمي	Sindhi Ceremonial Centre
.37	المشاعر الإنسانية لرعاية وإيواء لذوي الاحتياجات الخاصة	Senses Residential and Day Care for Special Needs
.38	مؤسسة الجليلة لدعم التعليم والأبحاث في المجالات الطبية	Al Jalila Foundation Supporting Education and Research in the Medical Fields
.39	جائزة دبي الدولية للقرآن الكريم	Dubai International Holy Quran Award
.40	دائرة الشؤون الإسلامية والعمل الخيري	Islamic Affairs & Charitable Activities Department
.41	مؤسسة الأوقاف وإدارة أموال القصر	Awqaf and Minors Affairs Foundation
.42	مؤسسة سلطان بن علي العويس الثقافية	Sultan Bin Ali Al Owais Cultural Foundation
.43	مؤسسة مصبح الفتان الخيرية	Musabah Al Fattan Charitable Foundation
.44	جائزة محمد بن راشد آل مكتوم للمعرفة	Mohammed bin Rashid Al Maktoum Knowledge Award

.45	مجلس إدارة الأوقاف الجعفرية الخيرية	Ja'afariya Endowments Charitable Council of Dubai
.46	مركز راشد لأصحاب الهمم	Rashid Center for People of Determination
.47	نادي دبي لأصحاب الهمم	Dubai Club for People of Determination
.48	مركز دبي للتوحد	Dubai Autism Center
.49	مؤسسة حمدان بن راشد آل مكتوم للأداء التعليمي المتميز	Hamdan Bin Rashid Al Maktoum Award For Distinguished Academic Performance
.50	كنيسة الأقباط الأرثوذكس المصريين	St. Mark & Ava Bishoy Coptic Orthodox Church
.51	جمعية مرشدات الإمارات دبي	UAE Girl Guides Association – Dubai
.52	مؤسسة الإمارات للآداب	Emirates Literature Foundation
.53	مؤسسة مبادرات محمد بن راشد آل مكتوم العالمية	Mohammed Bin Rashed Al Maktoum Global Initiatives

م	جهات النفع العام (حكومة الشارقة)	Public Benefit Entity (Government of Sharjah)
.1	دائرة الشؤون الإسلامية في امارة الشارقة	Department Of Islamic Affairs in Sharjah
.2	أطفال الشارقة	Sharjah Children
.3	أكاديمية الشـــارقة لعلوم وتكنولوجيا الفضـــاء والفلك	Sharjah Academy of Astronomy, Space sciences & Technology
.4	الأكـاديميـة العربيـة للعلوم والتكنولوجيـا والنقـل البحري	Arab Academy for Science, Technology and Marine Transportation
.5	بيت أصدقاء المرضى الخيري	Patient's Friends Charitable House
.6	بيوت الشعر -الثقافة	Poetry House – Culture
.7	التنمية الأسرية	Family Development Foundation
.8	الجامعة الأمريكية في الشارقة	American University of Sharjah
.9	جامعة الشارقة	University of Sharjah
10	الجامعة القاسمية	Al Qasimia University
11	جامعة خورفكان	University Of Khorfakkan
12	جائزة الشارقة الثقافية	Sharjah Cultural Award
13	جائزة الشارقة للثقافة العربية -اليونسكو	Sharjah Prize for Arab Culture – (UNESCO)

14	جائزة الشارقة للعمل التطوعي	Sharjah Prize for Voluntary Work
15	جمعية أصدقاء الرضاعة الطبيعية	Breastfeeding Friends Society
16	جمعية أصدقاء السكري	Friend for Diabetes Association
17	جمعية أصدقاء الكلى	Friends of Kidney Patients Society
18	جمعية أصدقاء مرضى التهاب المفاصل	Friends of Arthritis Patients Society
19	جمعية الإمارات لرعاية وتأهيل المعاقين	Emirates Association for Disabled Care and Rehabilitation
20	جمعية الشارقة الخيرية	Sharjah Charity International
21	جمعية بيت الشارقة الخيري	Sharjah Charity House
22	جمعية مرشدات الإمارات الشارقة	UAE Girls Guides Association
23	دار حذيفة بن اليمان لتحفيظ القرآن الكريم	Dar Hudhaifa Bin Al-Yaman for the memorization of the Holy Quran
24	غرفة تجارة وصناعة الشارقة	Sharjah Chamber of Commerce and Industry
25	أبرشية القديس سانت فليب الروسية الأرثوذكسية	St. Philip Russian Orthodox Church
26	أبرشية القديس غريغوري المنورة الأرمينية الأرثوذكسية	St. Gregorios Orthodox Church

27	أبرشـــية ســـانت فيلوباتير القبطية الأرثوذكســـية ومريم العذراء	Virgin Mary Church, St. Philopateer Coptic Orthodox Parish
28	أبرشية مارثوما بالشارقة	St.Thomas Marthoma Parish Sharjah
29	كريسي فليبينو معجزة الحياة الكنيسة الشارقة	Chrissy Filipino Miracle Life Church Sharjah
30	كنيسة Ward	Ward Church
31	كنيسة الاتحاد	Union Church
32	الكنيسة الأرثوذكسية الروسية	Russian Orthodox Church
33	الكنيسة الأرمينية	Saint Gregory the Illuminator Armenian Church of Sharjah
34	الكنيسة الرسولية	Apostolic Church
35	كنيسة الزواج المسيحي	Christian Marriage Church
36	كنيسة السيدة العذراء والشهيد أبي سيفين	St Mary & Martyr Abou Sefein Church in Sharjah
37	كنيسة القديس سانت غريغوريوس الأرثوذكسية	St. Gregory's Orthodox Church
38	كنيسة القديس مايكل	St. Michaels Church
39	كنيسة القديس مريم كنانيا	Church of Saint Mary of Kanania
40	كنيسة النعمة الإنجيلية	Grace Evangelical Church
41	كنيسة سانت مارتينز	Saint Martins Church
42	كنيسة سانت ماري سونورو	Church of Saint Mary Sonoro

43	كنيسة مارثوما بالشارقة	St.Thomas Marthoma Parish Sharjah
44	مجلس أرثي للحرف المعاصرة	Irthi Contemporary Crafts Council
45	المجلس الأعلى لشؤون الأسرة	Supreme Council For Family Affairs
46	المجلس الإماراتي لكتب اليافعين	The UAE Board on Books for Young People
47	المجلس الثقافي البريطاني - فرع الشارقة	British Council – Sharjah
48	مجلس سيدات أعمال الشارقة	Sharjah Business Women Council
49	مجمع القرآن الكريم بالشارقة	Holy Quran Academy in Sharjah
50	مجمع اللغة العربية	Arabic Language Academy
51	مدينة الشارقة للخدمات الإنسانية	Sharjah City for Humanitarian Services
52	مركز ابن كثير لتحفيظ القرآن الكريم	Ibn Katheer Holy Quran Center
53	مركز الخلفاء الراشدين لتحفيظ القرآن الكريم	The Rightly Guided Caliphs Center for the memorization of the Holy Quran
54	مركز الرضوان لتحفيظ القرآن الكريم	Al Radwan Centre For Quran & Sunna Learning

55	مركز السيدة عائشة لتحفيظ القرآن الكريم	Center Mrs. Aisha for the memorization of the Holy Quran
56	مركز الشارقة لريادة الأعمال	Sharjah Entrepreneurship Center
57	مركز الشارقة لصعوبات التعلم	Sharjah Center for Learning Difficulties
58	مركز الشارقة للتدريب المهني لعلوم المطارات	Sharjah Vocational Training Center for Airport Sciences
59	مركز الصحابة الخيري لتحفيظ القرآن الكريم	Companions Charity Center for the memorization of the Holy Quran
60	مركز العبادة بالشارقة	Sharjah Worship Center
61	مركز الفرقان لتحفيظ القرآن الكريم	Furqan Center for the memorization of the Holy Quran
62	مركز الهدى لتحفيظ القرآن الكريم	Al Huda Quran Study Centre
63	مركز الهيثم لتحفيظ القرآن الكريم	Al-Haytham Center for the Memorization of the Holy Quran, Sharjah
64	مركز أم المؤمنين خديجة بنت خويلد لتحفيظ القرآن	Mother of the Believers Khadija Bint Khuwaylid Center for Quran Memorization

65	مركز أنس بن مالك لتحفيظ القرآن الكريم	Malik Bin Anas Center for the memorization of the Holy Quran
66	مركز خـالـد بن الوليـد لتحفيظ القرآن الكريم والسنة النبوية	Khalid Bin Waleed Quran Memorization Center
67	مركز خورفكان لتحفيظ القرآن الكريم	Khorfakkan Center for the Memorization of the Holy Quran
68	مركز ريادة	Reyada Centre
69	مركز عبدالرحمن بن عوف لتحفيظ القرآن الكريم	Abdulrahman Bin Aw'f Quran Karim Keeping Quran Study Centre
70	مركز عبدالله بن مسعود لتحفيظ القرآن الكريم	Abdulla bin Masoud Center for Quran Memorization
71	مركز محمد الحمادي لتحفيظ القرآن الكريم	Muhammad Al-Hammadi Center for the Memorization of the Noble Qur'an
72	مركز منار السبيل لتحفيظ القرآن الكريم	Manar AlSabeel Quran Center
73	مركز نور البيان لتحفيظ القرآن الكريم	Noor Al Bayan Center for the Memorization of the Holy Quran
74	مشروع عنوان	Project Address
75	معهد الشارقة للتراث	Sharjah Institute for Heritage
76	المنتدى الإسلامي	Al-Muntada Al-islami

77	منتدى الشارقة لتطوير القدرات- تطوير	Sharjah Capability Development
78	منشورات القاسمي	Al Qasimi Publication
79	المنظمة الاســـلامية للتربية والعلوم والثقافة - ايسيسكو	Islamic World Educational, Scientific and Cultural Organization – ISESCO
80	مؤسسة الشارقة لدعم المشاريع الريادية - رواد	Ruwad Establishment
81	مؤسسة الشارقة للتمكين الاجتماعي	Sharjah Social Empowerment Foundation
82	مؤسسة الشارقة للقرآن الكريم والسنة النبوية	Sharjah Noble Quran & Sunnah Est.
83	مؤسسة القلب الكبير	The Big Heart Foundation
84	مؤسسة سجايا فتيات الشارقة	Sajaya young ladies of Sharjah
85	مؤسسة نماء للارتقاء بالمرأة	Nama Women Advancement
86	نادي البطائح الثقافي الرياضي	Al Batayih Cultural & Sports Club
87	نادي الثقة للمعاقين	Al Thiqah Club for Handcapped
88	نادي الشارقة الدولي للرياضات البحرية	Sharjah International Marine Sports Club
89	نادي الشارقة الرياضي	Sharjah FC
90	نادي الشارقة لرياضات الدفاع عن النفس	Sharjah Self–Defense Sports Club
91	نادي الشارقة للسيارات القديمة	Sharjah Classic Cars Club

92	نادي الشارقة للصقارين	Sharjah Falconers Club
93	نادي الشارقة للفروسية والسباق	Sharjah Equestrian & Racing Club
94	ناشئة الشارقة	Sharjah Youth

م	جهات النفع العام (حكومة عجمان)	Public Benefit Entity (Government of Ajman)
.1	جمعية أم المؤمنين النسائية	Umm Al Moumineen Women Association
.2	جمعية سفراء مجلس الإمارات	Emirates Council Ambassadors Association
.3	جمعية عجمان التعاونية لصيادي الأسماك	Ajman Co-operative Society for Fishermen
.4	جمعية الإحسان الخيرية	Al Ihsan Charity Association
.5	جمعية عجمان للفنون الشعبية والمسرح	Ajman Folklore & Theater Society
.6	غرفة تجارة وصناعة عجمان	Ajman Chamber of Commerce and Industry
.7	مبرة راشد عبدالله النعيمي للأعمال الخيرية	Mabrat Rashed Abdullah Al Nuaimi for Charity
.8	مبرة زايد بن صقر آل نهيان الخيرية	Mabrat Zayed Bin Saqr Al Nahyan Charity

.9	مجلس تنســـيق العمل الخيري والأوقاف بإمارة عجمان	Coordination Board for Charitable Activities and Awqaf in Ajman
10	المدرسة الراشدية الخاصة	Al Rashidiyah Private School
11	مركز أوقاف عجمان	Ajman Awqaf Center
12	مركز حميد بن راشـــد النعيمي لخدمة القرآن الكريم	Humaid bin Rashid Al Nuaimi Center for Serving the Holy Quran
13	مؤسسة الاتحاد الخيرية	Etihad Charity Organization
14	مؤسسة العجماني للأعمال الخيرية	Al Ajmani Charity Foundation
15	مؤسسة النفع للأعمال الخيرية والإنسانية	Al-Nafa Foundation for Humanitarian Work & Charity
16	مؤسسة حماية المرأة والطفل	Himaya Foundation for Women and Child
17	مؤسسة حميد بن راشد النعيمي الخيرية	Humaid bin Rashid Al Nuaimi Foundation
18	نادى عجمان لذوى الإعاقة	Ajman Club for Disabled
19	نادي عجمان الثقافي الرياضي	Ajman Cultural & Sports Club
20	نادي عجمان للشطرنج	Ajman Chess & Culture Club
21	نادي عجمان للفروسية والسباق والرماية	Ajman Equestrian, Racing and Shooting Club
22	نادي مصفوت الثقافي الرياضي	Masfout Cultural & Sports Club
23	نادي مصفوت للرماية والفروسية	Masfout Shooting and Equestrian Club

24	هيئة الاعمال الخيرية العالمية	Human Appeal International (HAI)
25	الوقف الخيري للشـــرطـة المحليـة في إمـارة عجمان	Charitable Endowment of the Local Police in Ajman

م	جهات النفع العام (حكومة أم القيوين)	Public Benefit Entity Government of Umm Al) (Quwain
.1	برنامج الشـيخ سـعود بن راشـد لدعم مشـاريع الشباب	Sheikh Saud Bin Rashid Program for Youth Project Support
.2	جائزة راشد بن أحمد للقرآن الكريم	Rashid bin Ahmed Award for Holy Quran
.3	جمعية أم القيوين التعاونية لصيادي الاسماك	Umm Al Quwain Cooperative Society for fishermen
.4	جمعية ام القيوين الخيرية	Umm Al Quwain Charity Association
.5	جمعية أم القيوين النسائية	Women Association of Umm Al Quwain
.6	جمعية أم القيوين للفنون والتراث	Umm Al Quwain National Art and Heritage Association
.7	سباق الهجن	Camel racing
.8	غرفة تجارة وصناعة أم القيوين	Umm Al Quwain Chamber of Commerce & Industry

9.	الفنون الشعبية والمسرح بأم القيوين	Umm Al Quwain Folklore Art & Theater
10	مركز أم القيوين للتحكيم	Umm Al Quwain Arbitration Center
11	مسرح أم القيوين الوطني	Umm Al Quwain National Theater
12	مؤسسة سعود بن راشد المعلا للأعمال الخيرية والإنسانية	Saud Bin Rashid Al Mualla Charitable and Humanitarian Est
13	النادي البحري	Umm Al Quwain Marine Club
14	النادي العربي الرياضي	Al Arabi Sports Club
15	نادي فلج المعلا	Falaj Al Mualla Club

م	جهات النفع العام (حكومة رأس الخيمة)	Qualifying Public Benefit Entities (RAK)
.1	جمعية الإمارات للتنمية الاجتماعية	Emirates Association for Social Development
.2	جمعية نهضة المرأة برأس الخيمة	Al Nahda Women's Association – RAK
.3	غرفة تجارة وصناعة رأس الخيمة	RAK Chamber of Commerce of Industry
.4	مركز الوفاء الاجتماعي	Al Wafa Social Center
.5	مركز أمان لإيواء النساء والأطفال	Aman Shelter for Women and Children

.6	مؤسسة الشيخ سعود بن صقر التعليمية الخيرية	Sheikh Saud Bin Saqr Charitable Educational Foundation
.7	مؤسسة رأس الخيمة للأعمال الخيرية	Ras AL Khaimah Charity Association
.8	مؤسسة رأس الخيمة للقران الكريم وعلومه	Ras Al Khaimah Foundation for the Holy Quran and its Sciences
.9	مؤسسة صقر للأعمال الخيرية	Saqr Bin Mohammed Al Qasimi Charity and Humanitarian Foundation
10	مؤسسة عبدالله علي الشرهان الخيرية	Abdullah Ali Al Sharhan Charity Association
11	مؤسسة محمد بن سعود القاسمي الإنسانية	Sheikh Mohammed Bin Saud Al Qasimi Humanitarian Foundation

Qualifying Public Benefit Entities (Fujairah)	جهات النفع العام (حكومة الفجيرة)	م
Fujairah Islamic Scientific Academy	أكاديمية الفجيرة العلمية الاسلامية	.1
Bidiyah Fishermen Cooperative Association	جمعية البدية التعاونية لصيادي الأسماك	.2
Bidiyah Association for Culture and folklore	جمعية البدية للثقافة والفنون الشعبية	.3
Fujairah Cultural & Social Association	جمعية الفجيرة الثقافية الاجتماعية	.4
Fujairah Charity Association	جمعية الفجيرة الخيرية	.5
Fujairah Fisherman Association	جمعية الفجيرة لصيادي الأسماك	.6
Fujairah Fine Arts Academy	جمعية الفجيرة للفنون الشعبية	.7
Dibba Al Fujairah Fishermen Cooperative Association	جمعية دبا الفجيرة التعاونية لصيادي الأسماك	.8
Dibba Association for Culture, Arts and Theater	جمعية دبا للثقافة والفنون الشعبية	.9
Alorooba Football Company LLC	شركة العروبة لكرة القدم ذم م	10
Fujairah Football Company LLC	شركة الفجيرة لكرة القدم ذ م م	11
Dibba Football Company (FC)	شركة دبا الفجيرة لكرة القدم	12
Youth Care Fund	صندوق رعاية الشباب	13
Fujairah Chamber of Commerce & Industry	غرفة تجارة وصناعة الفجيرة	14

15	الفجيرة للشفاء	Fujairah Healing
16	مجلس شباب الفجيرة	Fujairah Youth Council
17	مسرح الفجيرة	Fujairah Theater
18	مفوضية كشافة الفجيرة	Fujairah Scout mission
19	مؤسسة الفجيرة لتنمية المناطق	Fujairah Foundation For Region Development
20	مؤسسة الفجيرة للتنمية	Fujairah Development Foundation
21	مؤسسة حمد بن محمد الشرقي للأعمال الخيرية	Hamad Bin Mohammed Al Sharqi Foundation for Humanitarian Affairs
22	مؤسسة دار الشمس المشرقة للرعاية الاجتماعية	Sunshine House for Social Welfare
23	مؤسسة سعيد محمد الرقباني للأعمال الخيرية	Saeed Mohammed Al Raqbani Foundation for Charitable Works
24	نادي الرياضات البحرية - الفجيرة	International Marine Club – Fujairah
25	نادي الشطرنج	Fujairah Chess & Culture Club
26	نادي الفجيرة الرياضي	Al–Fujairah SC
27	نادي الفجيرة العلمي	Fujairah Science Club
28	نادي الفجيرة للرماية والفروسية	Fujairah Shooting and Horsing Club
29	نادي الفجيرة للفنون القتالية	Fujairah Martial Arts Club
30	نادي دبا الرياضي الثقافي	Dibba Sport and Cultural Club

Cabinet Decision No. (49) of 2023

On Specifying the Categories of Businesses or Business Activities Conducted by a Resident or Non-Resident Natural Person that are Subject to Corporate Tax

The Cabinet of Ministers:

- **Having reviewed the Constitution,**
- **Federal Law No. 1 of 1972 on the Competencies of Ministries and Powers of the Ministers, and its amendments,**
- **Federal Decree-Law No. 13 of 2016 on the Establishment of the Federal Tax Authority, and its amendments,**
- **Federal Decree-Law No. 28 of 2022 on Tax Procedures,**
- **Federal Decree-Law No. 47 of 2022 on Taxation of Corporations and Businesses,**
- **Federal Decree-Law No. 50 of 2022 Issuing the Commercial Transactions Law,**
- **Based on what was presented by the Minister of Finance and approved by the Cabinet,**

Has decided:

Article (1)

Definitions

1. **In the application of the provisions of this Decision, the following words and expressions shall have meanings assigned against each, unless the context otherwise requires:**

   Turnover : The gross amount of income derived during a Gregorian calendar year.

Wage	**:**	**The wage that is given to the employee in consideration of their services under the employment contract, whether in cash or in kind, payable annually, monthly, weekly, daily, hourly, or by piece-meal, and includes all allowances, and bonuses in addition to any other benefits provided for, in the employment contract or in accordance with the applicable legislation in the State.**
Personal Investment	**:**	**Investment activity that a natural person conducts for their personal account that is neither conducted through a Licence or requiring a Licence from a Licensing Authority in the State, nor considered as a commercial business in accordance with the Federal Decree-Law No. 50 of 2022.**
Real Estate Investment	**:**	**Any investment activity conducted by a natural person related to, directly or indirectly, the sale, leasing, sub-leasing, and renting of land or real estate property in the State that is not conducted, or does not require to be conducted through a Licence from a Licensing Authority.**
Corporate Tax Law	**:**	**Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses.**

2. **Other words and expressions in this Decision shall have the same meanings specified in the Corporate Tax Law, unless the context requires otherwise.**

Article (2)

Categories of Businesses or Business Activities Conducted by a Natural Person that are Subject to Corporate Tax

1. **For the purposes of Clause (6) of Article (11) of the Corporate Tax Law, Businesses or Business Activities, conducted by a resident or non-resident natural person, shall be subject to Corporate Tax only where the total Turnover derived from such Businesses**

or Business Activities exceeds AED 1,000,000 (one million United Arab Emirates dirhams) within a Gregorian calendar year.

2. Notwithstanding Clause (1) of this Article, activities that give rise to Turnover from the following sources shall not be considered as Businesses or Business Activities conducted by a resident or non-resident natural person subject to Corporate Tax, regardless of the amount of Turnover derived from such activities:
   a. Wage.
   b. Personal Investment income.
   c. Real Estate Investment income.
3. The natural person that is not conducting a Business or Business Activities subject to Corporate Tax in accordance with this Article shall not be required to register for Corporate Tax.

Article (3)

Implementing Decisions

The Minister of Finance may issue the necessary decisions to implement the provisions of this Decision.

Article (4)

Publication and Application of this Decision

This Decision shall be published in the Official Gazette and shall come into effect on 1 June2023.

Mohammed bin Rashid Al Maktoum

Prime Minister

Issued by us :

Date : 18 Shawwal 1444 AH

Corresponding to : 8 May 2023 AD

Cabinet Decision No. 116 of 2022 on the Determination of Annual Income Subject to Corporate Tax

The Cabinet:

- Having reviewed the Constitution,
- Federal Law No. 1 of 1972 on the Competencies of the Ministries and Powers of the Ministers, and its amendments,
- Federal Decree-Law No. 13 of 2016 on the Establishment of the Federal Tax Authority, and its amendments,
- Federal Law No. 7 of 2017 on Tax Procedures, and its amendments,
- Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses,
- Cabinet Decision No. 36 of 2017 on the Executive Regulation of Federal Law No. 7 of 2017 on Tax Procedures, and its amendments,
- Pursuant to what was presented by the Minister of Finance and approved by the Cabinet,

Has decided:

Article (1)
Definitions

In the application of the provisions of this Decision, the following words and expressions shall have the meanings assigned against each, unless the context otherwise requires:
State: United Arab Emirates.

Ministry: Ministry of Finance.

Minister: Minister of Finance.

Authority: Federal Tax Authority.

Person: Any natural person or juridical person.

Taxable Person: A Person subject to Corporate Tax in the State under the Corporate Tax Law.

Corporate Tax Law: Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses.

Corporate Tax: The tax imposed by the Corporate Tax Law on juridical persons and Business income.

Taxable Income: The income that is subject to Corporate Tax under the Corporate Tax Law.

Tax Period: The period for which a Tax Return is required to be filed.

Tax Return: Information filed with the Authority for Corporate Tax purposes in the form and manner as prescribed by the Authority, including any schedule or attachment thereto, including any amendment thereof.

Business: Any activity conducted regularly, on an ongoing and independent basis by any Person and in any location, such as industrial, commercial, agricultural, vocational, professional, service or excavation activities or any other activity related to the use of tangible or intangible properties.

Business Activity: Any transaction or activity, or series of transactions or series of activities conducted by a Person in the course of its Business.

Article (2)
Income Subject to Corporate Tax at 0% (Zero Percent)

1. For the purposes of Paragraph (a) of Clause 1 of Article 3 of the Corporate Tax Law, the portion of Taxable Income of the Taxable Person not exceeding (375,000) three hundred seventy-five thousand dirhams shall be subject to Corporate Tax at the rate of (0%) zero percent in the Tax Period irrespective of whether the Taxable Person conducts multiple Businesses or Business Activity in that Tax Period.

2. Where it is established to the Authority that one or more Persons have artificially separated their Business or Business Activity and the Taxable Income across their entire Business or Business Activity was subject to Corporate Tax at (0%) zero percent in the Tax Period on an amount exceeding (375,000) three hundred seventy-five thousand dirhams, this would be considered an arrangement to obtain a benefit in relation to Corporate Tax under Clause 1 of Article 50 of the Corporate Tax Law.

3. For the purpose of verifying whether two or more Persons have artificially separated their Business or Business Activity, the Authority shall consider whether the arrangement was undertaken for a legitimate commercial purpose and whether the Persons substantially carry on the same Business or Business Activity taking into account all relevant facts and circumstances, including for example without limitation their financial, economic and regulatory ties.

Article (3)
Income Subject to Corporate Tax at (9%) Nine Percent

For the purposes of Paragraph (b) of Clause 1 of Article 3 of the Corporate Tax Law, the Taxable Income of a Taxable Person that exceeds the amount of (375,000) three hundred seventy-five thousand dirhams shall be subject to Corporate Tax at (9%) nine percent in the relevant Tax Period.

Article (4)
Implementing Decisions

The Minister of Finance shall issue the necessary decisions for the implementation of this Decision.

Article (5)
Publication and Enforcement

This Decision shall be published in the Official Gazette and shall come into effect (15) fifteen days after the date of its publication.

Mohammed bin Rashid Al Maktoum
Prime Minister

Issued by us,
On: 6 Jumada al-Akhar 1444
Corresponding to: 30 December 2022

Cabinet Decision No. 55 of 2023 on Determining Qualifying Income for the Qualifying Free Zone Person for the Purposes of Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses

The Cabinet:

- Having reviewed the Constitution,
- Federal Law No. 1 of 1972 on the Competencies of Ministries and Powers of the Ministers, and its amendments,
- Federal Decree-Law No. 13 of 2016 on the Establishment of the Federal Tax Authority, and its amendments,
- Federal Decree-Law No. 28 of 2022 on Tax Procedures,
- Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses,
- Pursuant to what was presented by the Minister of Finance and upon the approval of the Cabinet,

Decided:

Article (1)
Definitions

Definitions in Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses shall be applied to this Decision, with exception to that, the following words and expressions shall have the meaning assigned against each, unless the context requires otherwise:

Domestic Permanent Establishment: A place of business or other form of presence of a Qualifying Free Zone Person outside the Free Zone in the State.

Qualifying Activities: Any activities determined by a decision issued by the Minister and conducted by a Qualifying Free Zone Person from which Qualifying Income is derived.

Excluded Activities: Any activities determined by a decision issued by the Minister and conducted by a Qualifying Free Zone Person from which non-Qualifying Income is derived.

Non-Free Zone Person: Any Person who is not a Free Zone Person.

Commercial Property: Immovable property or part thereof:

(a) used exclusively for a Business or Business Activity.
(b) not used as a place of residence or accommodation including hotels, motels, bed and breakfast establishments, serviced apartments and the like.

Corporate Tax Law: Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses.

Article (2)

Scope of Application

The provisions of this Decision shall apply to Qualifying Free Zone Persons.

Article (3)

Qualifying Income

1. For the purposes of application of Article (18) of the Corporate Tax Law, Qualifying Income of the Qualifying Free Zone Person shall include the below categories of income, provided that such income is not attributable to a Domestic Permanent Establishment or a Foreign Permanent Establishment in accordance with Article (5) of this Decision or to the ownership or exploitation of immovable property in accordance with Article (6) of this Decision:

    a. Income derived from transactions with other Free Zone Persons, except for income derived from Excluded Activities.

    b. Income derived from transactions with a Non-Free Zone Person, but only in respect of Qualifying Activities that are not Excluded Activities.

    c. Any other income provided that the Qualifying Free Zone Person satisfies the de minimis requirements under Article (4) of this Decision.

2. For the purposes of paragraph (a) of Clause (1) of this Article, income will be considered as derived from transactions with a Free Zone Person where that Free Zone Person is the Beneficial Recipient of the relevant services or Goods.

3. For the purposes of this Article, the term **"**Beneficial Recipient**"** shall mean a Person who has the right to use and enjoy the service or the Good and does not have a contractual or legal obligation to pass on such service or Good to another person and the term "Good" shall mean tangible or intangible property that has economic value in dealing including moveable and immovable property.

4. Qualifying Income shall include income derived from any Person where such income is incidental to the income under paragraph (a) or (b) of Clause (1) of this Article.

5. For the purposes of determining whether a Qualifying Free Zone Person has a Domestic Permanent Establishment, the provisions of Article (14) of the Corporate Tax Law shall apply and the expression "Qualifying Free Zone Person" shall be used instead of the expression "Non-Resident Person", and the expression "geographical areas outside the Free Zones in the State" shall be used instead of the word "State", wherever used in that Article.

Article (4)

De minimis Requirements

1. The de minimis requirements shall be considered satisfied where the non-qualifying Revenue derived by the Qualifying Free Zone Person in a Tax Period does not exceed a percentage of the total Revenue of the Qualifying Free Zone Person in that Tax Period as specified by the Minister, or an amount specified by the Minister, whichever is lower.

2. Subject to Clause (3) of this Article, the following provisions shall apply:

    a. Non-qualifying Revenue is Revenue derived in a Tax Period from any of the following:

        1) Excluded Activities.

        2) Activities that are not Qualifying Activities where the other party to the transaction is a Non-Free Zone Person.

    b. Total Revenue is all Revenue derived by a Qualifying Free Zone Person in a Tax Period.

3. The following Revenue shall not be included in the calculation of non-qualifying Revenue and total Revenue:

    a. Revenue attributable to immovable property located in a Free Zone derived from the following transactions:

        (1) Transactions with Non-Free Zone Persons in respect of Commercial Property.

        (2) Transactions with any Person in respect of immovable property that is not Commercial Property.

    b. Revenue attributable to a Domestic Permanent Establishment or a Foreign Permanent Establishment of the Qualifying Free Zone Person.

4. For the purposes of this Article, a Qualifying Free Zone Person and its Domestic Permanent Establishment or Foreign Permanent Establishment shall be treated as if the establishment was a separate and independent Person that is a Related Party of the Qualifying Free Zone Person.

Article (5)

Income Attributable to a Domestic Permanent Establishment or a Foreign Permanent Establishment

1. Income attributable to a Domestic Permanent Establishment or a Foreign Permanent Establishment of the Qualifying Free Zone Person shall be considered Taxable Income and taxed in accordance with paragraph (b) of Clause (2) of Article (3) of the Corporate Tax Law.

2. The income attributable to a Domestic Permanent Establishment or a Foreign Permanent Establishment of a Qualifying Free Zone Person for a Tax Period is the Taxable Income of any such establishment for that period calculated as if the establishment was a separate and independent Person that is a Related Party of the Qualifying Free Zone Person.

Article (6)

Income Attributable to Immovable Property Located in a Free Zone

1. Income attributable to immovable property located in a Free Zone that is derived from the below transactions shall be considered Taxable Income and taxed in accordance with paragraph (b) of Clause (2) of Article (3) of the Corporate Tax Law:

    a. Transactions with Non-Free Zone Persons in respect of Commercial Property.

    b. Transactions with any Person in respect of immovable property that is not Commercial Property.

2. For the purposes of Clause (1) of this Article, the Taxable Income for a Tax Period shall be the income that is attributable to the immovable property referred to in paragraphs (a) and (b) of Clause (1) of this Article calculated in accordance with the relevant provisions of the Corporate Tax Law.

Article (7)

Maintaining Adequate Substance in a Free Zone and Outsourcing

1. A Qualifying Free Zone Person shall undertake its core income-generating activities in a Free Zone and, having regard to the level of the activities carried out, have adequate assets, an adequate number of qualified employees, and incur an adequate amount of operating expenditures.

2. Activities can be outsourced to a Related Party in a Free Zone or a third party in a Free Zone, provided the Qualifying Free Zone Person has adequate supervision of the outsourced activity.

Article (8)

Implementing Decisions

The Minister shall issue the necessary decisions to implement the provisions of this Decision.

Article (9)

Publication and Application this Decision

This Decision shall be published in the Official Gazette and shall come into effect on 1 June 2023.

Mohammed bin Rashid Al Maktoum

Prime Minister

Issued by us,
On: 10 Dhi al-Qi`dah 1444 H
Corresponding to: 30 May 2023

Cabinet Decision No. 56 of 2023 on Determination of a Non-Resident Person's Nexus in the State for the Purposes of Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses

The Cabinet:

- Having reviewed the Constitution,
- Federal Law No. 1 of 1972 on the Competencies of Ministries and Powers of the Ministers, and its amendments,
- Federal Decree-Law No. 13 of 2016 on the Establishment of the Federal Tax Authority, and its amendments,
- Federal Decree-Law No. 28 of 2022 on Tax Procedures,
- Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses,
- Pursuant to what was presented by the Minister of Finance and approved by the Cabinet,

Decided:

Article (1)

Definitions

Definitions in Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses shall be applied to this Decision, with exception to that, the following expressions shall have the meaning assigned against each, unless the context requires otherwise**:**

Immovable Property: Means any of the following:

a. Any area of land over which rights or interests or services can be created.

b. Any building, structure or engineering work attached to the land permanently or attached to the seabed.

c. Any fixture or equipment which makes up a permanent part of the land or is permanently attached to the building, structure or engineering work or attached to the seabed.

Corporate Tax Law: Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses.

Article (2)

Nexus in the State

1. For the purposes of paragraph (c) of Clause (4) of Article (11) of the Corporate Tax Law, any juridical person that is a Non-Resident Person shall have a nexus in the State if it earns income from any Immovable Property in the State.

2. For the purposes of paragraph (c) of Clause (3) of Article (12) of the Corporate Tax Law, the Taxable Income that is attributable to the Immovable Property in the State shall include income derived from the right in rem, sale, disposal, assignment, direct use, letting, including subletting and any other form of exploitation of Immovable Property.

Article (3)
Artificial Transfer of Rights in Immovable Property

If a Non-Resident Person artificially transfers or otherwise disposes of its right in rem in any Immovable Property in the state to another person and that transfer or disposal is not for a valid commercial or other non-fiscal reason which reflects economic reality, this would be considered an arrangement to obtain a Corporate Tax advantage under Clause (1) of Article (50) of the Corporate Tax Law.

Article (4)
Requirement to Register for Corporate Tax

A Non-Resident Person that has a nexus in the State in accordance with Article (2) of this Decision shall be required to register with the Authority in accordance with Article (51) of the Corporate Tax Law.

Article (5)
Implementing Decisions

The Minister shall issue the necessary decisions to implement any of the provisions of this Decision.

Article (6)
Publication and Application of this Decision

This Decision shall be published in the Official Gazette and shall come into effect on 1 June 2023.

Mohammed bin Rashid Al Maktoum

Prime Minister

Issued by us,
On: 10 Dhi al-Qi`dah 1444 H
Corresponding to: 30 May 2023

Ministerial Decision No. 27 of 2023 on Implementation of Certain Provisions of Cabinet Decision No. 85 of 2022 on Determination of Tax Residency

The Minister of State for Financial Affairs:

- Having reviewed the Constitution,
- Federal Law No. (1) of 1972 on the Competencies of the Ministries and Powers of the Ministers, and its amendments,
- Federal Decree-Law No. (13) of 2016 on the Establishment of the Federal Tax Authority, and its amendments,
- Federal Decree-Law No. 28 of 2022 on Tax Procedures,
- Federal Decree-Law No. (47) of 2022 on the Taxation of Corporations and Businesses,
- Cabinet Decision No. (85) of 2022 on Determination of Tax Residency,

Has decided:

Article (1)
Definitions

Words and expressions in this Decision shall have the same meanings specified in the Cabinet Decision No. (85) of 2022 on Determination of Tax Residency unless the context requires otherwise.

Article (2)
Usual or Primary Place of Residence and Centre of Financial and Personal Interests in the State

1. A natural person's usual or primary place of residence is in the State if the State is the jurisdiction where the natural person habitually or normally resides.
2. The place where the natural person habitually or normally resides is the jurisdiction where he spends most of his time when compared to any other jurisdiction as part of his settled routine in a way that is more than transient and that should be taken into account in the determination of whether a natural person's usual or primary place of residence is in the State.
3. A natural person's centre of financial and personal interests is in the State if the State is the jurisdiction where the natural person's personal and economic interests are the closest or of the greatest significance to the natural person.
4. The place of the natural person's occupation, familial and social relations, cultural or other activities, place of business, place from which the property of the natural person is administered and any other relevant facts and circumstances should be taken into account in the determination of whether a natural person's centre of financial and personal interests is in the State.

Article (3)
Calculation of Time Periods

1. The term "day" means calendar day and the term "month" means calendar month.
2. All days or parts of a day on which a natural person is physically present in the State count towards the total number of days he is present in the State during a relevant consecutive (12) twelve-month period.

3. The days on which the natural person has been physically present in the State do not need to be consecutive in determining whether the (183) one hundred and eighty-three day or (90) ninety-day period has been met during the relevant consecutive (12) twelve-month period.

Article (4)
Exceptional Circumstances

1. Any day that the natural person's presence in the State was due to exceptional circumstances may be disregarded by the Authority in determining whether the (183) one hundred and eighty-three day or (90) ninety-day period has been met during the relevant consecutive (12) twelve-month period.

2. An exceptional circumstance is an event or situation beyond the natural person's control, occurring while he is already in the State, which he could not reasonably have predicted or prevented and which prevents him from leaving the State as originally planned.

Article (5)
Permanent Place of Residence

1. A Permanent Place of Residence is a furnished house, apartment, room or any other form of dwelling, made continuously available to the natural person.

2. The Permanent Place of Residence shall be considered as being available to the natural person where the natural person has the continuous right of occupation therein at all times and on a regular basis with some degree of permanency and stability and not just occasionally or for the purposes of a stay of a short duration.

3. A Permanent Place of Residence is not required to be owned by the natural person but can be rented or otherwise occupied by him as a dwelling.

Article (6)
Employment

1. A natural person shall be considered as carrying on employment in the State in either of the following two cases:
   (a) if he is party to a contract with an employer, which is incorporated or otherwise formed or recognised in the State, under which the natural person undertakes to offer a service to the employer under their administration or supervision for a promised remuneration paid by the employer in the State.
   (b) If he is in a continuing relationship where all or substantially all of his income for his labour is derived from one party whereby the income received by him constitutes remuneration for his labour performed in the State.
2. The nature of the employment can be limited or unlimited and the work may be carried out on a full time or part time basis.

3. A voluntary role for which the natural person does not enter into a contract does not constitute employment.

Article (7)
Clarifications and Directives

The Authority shall issue clarifications and directives for implementing any of the provisions of this Decision.

Article (8)
Publication and Application of this Decision

This Decision shall be published in the Official Gazette and shall come into force on 1 March 2023.

Mohamed bin Hadi Al Hussaini

Minister of State for Financial Affairs

Issued by us:
On: 02/ Shaban /1444H
Corresponding to: 22/02/2023

Ministerial Decision No. 43 of 2023 Concerning Exception from Tax Registration for the Purpose of Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses

Minister of State for Financial Affairs:

- Having reviewed the Constitution,
- Federal Law No. 1 of 1972 on the Competencies of Ministries and Powers of the Ministers, and its amendments,
- Federal Decree-Law No. 13 of 2016 on the Establishment of the Federal Tax Authority, and its amendments,
- Federal Decree-Law No. 28 of 2022 on Tax Procedures,
- Federal Decree-Law No. 47 of 2022 on Taxation of Corporations and Businesses,

Has decided:

Article (1)
Definitions

Words and expressions in this Decision shall have the same meanings specified in the Federal Decree-Law No. 47 of 2022 on Taxation of Corporations and Businesses (referred to in this Decision as "**Corporate Tax Law**") unless the context requires otherwise.

Article (2)
Exception from Registration for Corporate Tax

1. The following Persons shall not register for Corporate Tax with the Authority:
   (a) A Government Entity.
   (b) A Government Controlled Entity.
   (c) A Person engaged in an Extractive Business that meets the conditions of Article 7 of the Corporate Tax Law.
   (d) A Person engaged in a Non-Extractive Natural Resource Business, that meets the conditions of Article 8 of the Corporate Tax Law.
   (e) A Non-Resident Person that derives only State Sourced Income under Article 13 of the Corporate Tax Law and that does not have a Permanent Establishment in the State according to the provisions of the Corporate Tax Law.

2. Paragraphs (a) to (d) of Clause (1) of this Article shall be without prejudice to the obligation of the Person to register for Corporate Tax in cases where the Person becomes a Taxable Person under the provisions of the Corporate Tax Law.

Article (3)
Publication and Application of this Decision

This Decision shall be published and shall come into effect the day following its publication.

Mohamed bin Hadi Al Hussaini

Minister of State for Financial Affairs

Issued by us:
On: 18/ SHABAN /1444
Corresponding to: 10/03/2023

Ministerial Decision No. 68 of 2023
on the Treatment of all Businesses and Business Activities Conducted by a Government Entity as a Single Taxable Person

Minister of State for Financial Affairs:

- Having reviewed the Constitution,
- Federal Law No. 1 of 1972 on the Competencies of Ministries and Powers of the Ministers and its amendments,
- Federal Decree-Law No. 13 of 2016 on the Establishment of the Federal Tax Authority and its amendments,
- Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses,
- Federal Decree-Law No. 28 of 2022 on Tax Procedures,
- Cabinet Decision No. 36 of 2017 on the Executive Regulation of Federal Law No. 7 of 2017 on Tax Procedures and its amendments,

Has decided:

Article (1)
Definitions

In the application of the provisions of this Decision, the following words and expressions shall have meanings assigned against each, unless the context requires otherwise:

Federal Government Entity: The Federal Government, ministries, government agencies, authorities and public institutions of the Federal Government.

Local Government Entity: The Local Governments, ministries, government departments, government agencies, authorities and public institutions of the Local Governments.

Representative Federal Government Entity: The Federal Government Entity that is mandated by the Federal Government to represent the Federal Government Entities that are treated as a single Taxable Person in accordance with the provisions of Article 2 of this Decision.

Representative Local Government Entity: The Local Government Entity that is mandated by the Local Government to represent the Local Government Entities that are treated as a single Taxable Person in accordance with the provisions of Article 3 of this Decision.

Other words and expressions in this Decision shall have the same meanings specified in the Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses (referred to in this Decision as the "**Corporate Tax Law**") unless the context requires otherwise.

Article (2)
Conditions to treat the Federal Government's Businesses and Business Activities as a Single Taxable Person

1. For the purposes of Clause 6 of Article 5 of the Corporate Tax Law, the Businesses and Business Activities conducted by the Federal Government Entities shall be treated as a single Taxable Person subject to meeting the following conditions:

a. The application to be treated as a Single Taxable Person shall include all Businesses and Business Activities conducted by the Federal Government Entities.

b. The Businesses and Business Activities of the Federal Government Entities shall be conducted under a Licence issued by a Licensing Authority.

c. The application to the Authority to be treated as a Single Taxable Person shall only be made by the Representative Federal Government Entity.

2. For the purposes of Clause 1 of this Article, the Authority shall be notified of the appointment of the Representative Federal Government Entity that is mandated to comply with all obligations set out in the Corporate Tax Law and this Decision.

3. An application shall be made to the Authority to replace the Representative Federal Government Entity without a discontinuation of the treatment as a single Taxable Person in accordance with Clause 1 of this Article.

4. Where Clause 1 of this Article applies, any new Businesses or Business Activities conducted by the Federal Government Entity that meet the conditions under Clause 1 of this Article shall be directly treated as part of the single Taxable Person, and the Representative Federal Government Entity shall notify the Authority within (20) twenty business days from the occurrence of such an event.

5. Where Clause 1 of this Article applies, the Representative Federal Government Entity shall notify the Authority within (20) twenty business days from the occurrence of any of the following circumstances:

a. Any Business or Business Activity is no longer conducted by the Federal Government Entity.

b. Any Business or Business Activity is no longer conducted under a Licence issued by a Licensing Authority.

6. The treatment as a single Taxable Person under Clause 1 of this Article shall cease in any of the following circumstances:

a. Following approval by the Authority of an application made by the Representative Federal Government Entity to cease the treatment as a single Taxable Person.

b. Failure to meet the conditions under Clause 1 of this Article.

Article (3)
Conditions to treat the Local Government's Businesses and Business Activities as a Single Taxable Person

1. For the purposes of Clause 6 of Article 5 of the Corporate Tax Law, the Businesses and Business Activities conducted by the Local Government Entities shall be treated as a single Taxable Person subject to meeting the following conditions:

a. The application to be treated as a Single Taxable Person shall include all Businesses and Business Activities conducted by the Local Government Entities.

b. The Businesses and Business Activities of the Local Government Entities shall be conducted under a Licence issued by a Licensing Authority.

c. The Businesses and Business Activities of the Local Government Entities shall be conducted within the same Emirate.

d. The application to the Authority to be treated as a Single Taxable Person shall only be made by the Representative Local Government Entity.

2. For the purposes of Clause 1 of this Article, the Authority shall be notified of the appointment of the Representative Local Government Entity that is mandated to comply with all obligations set out in the Corporate Tax Law and this Decision.

3. An application shall be made to the Authority to replace the Representative Local Government Entity without a discontinuation of the treatment as a single Taxable Person in accordance with Clause 1 of this Article.

4. Where Clause 1 of this Article applies, any new Businesses or Business Activities conducted by the Local Government Entity that meet the conditions under Clause 1 of this Article shall be directly treated as part of the single Taxable Person, and the Representative Local Government Entity shall notify the Authority within (20) twenty business days from the occurrence of such an event.

5. Where Clause 1 of this Article applies, the Representative Local Government Entity shall notify the Authority within (20) twenty business days from the occurrence of any of the following circumstances:

    a. Any Business or Business Activity is no longer conducted by the Local Government Entity.

    b. Any Business or Business Activity is no longer conducted under a Licence issued by a Licensing Authority.

6. The treatment as a single Taxable Person under Clause 1 of this Article shall cease in any of the following circumstances:

    a. Following approval by the Authority of an application made by the Representative Local Government Entity to cease the treatment as a single Taxable Person.

    b. Failure to meet the conditions under Clause 1 of this Article.

Article (4)
Start and End Dates of the Treatment as a Single Taxable Person

1. For the purposes of Articles 2 and 3 of this Decision, the treatment as a single Taxable Person shall start from the beginning of the Tax Period specified in the application submitted to the Authority, or from the beginning of any other Tax Period determined by the Authority.

2. For the purposes of paragraph (a) of Clause 6 of Article 2 and paragraph (a) of Clause 6 of Article 3 of this Decision, the treatment as a single Taxable Person shall end from the beginning of the Tax Period specified in the application submitted to the Authority, or from the beginning of any other Tax Period determined by the Authority.

3. For the purposes of paragraph (b) of Clause 6 of Article 2 and paragraph (b) of Clause 6 of Article 3 of this Decision, the treatment as a single Taxable Person shall end from the beginning of the Tax Period in which the conditions under Clause 1 of Article 2 or Clause 1 of Article 3 of this Decision, as applicable, are no longer met.

Article (5)
Taxable Income of the Single Taxable Person

For the purposes of determining the Taxable Income upon the application of Clause 1 of Article 2 or Clause 1 of Article 3 of this Decision, as applicable, the Representative Federal Government Entity or the Representative Local Government Entity shall consolidate the financial results, assets and liabilities of all Businesses and Business Activities attributable to the single Taxable Person for the relevant Tax Period, eliminating transactions between the Businesses and Business Activities of the Government Entities within the same single Taxable Person.

Article (6)
Publication and Application of this Decision

This Decision shall be published and shall come into effect (15) fifteen days following its publication.

Mohamed bin Hadi Al Hussaini

Minister of State for Financial Affairs

Issued by us:
On: 07/ RAMADAN /1444
Corresponding to: 29/03/2023

Ministerial Decision No. 73 of 2023 on Small Business Relief for the Purposes of Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses

Minister of State for Financial Affairs:

- Having reviewed the Constitution,
- Federal Law No. 1 of 1972 on the Competencies of Ministries and Powers of the Ministers, and its amendments,
- Federal Law No. 2 of 2014 on Small and Medium Enterprises,
- Federal Decree-Law No. 13 of 2016 on the Establishment of the Federal Tax Authority, and its amendments,
- Federal Decree-Law No. 28 of 2022 on Tax Procedures,
- Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses,
- Cabinet Decision No. 22 of 2016 Concerning the Unified Definition for Small & Medium Enterprises,
- Cabinet Decision No. 44 of 2020 on Organising Reports Submitted by Multinational Companies,

Has decided:

Article (1)
Definitions

Words and expressions in this Decision shall have the same meanings specified in Federal Decree-Law No. 47 of 2022 referred to above ("**Corporate Tax Law**").

Article (2)
Taxable Person's Revenue Threshold

1. For the purposes of the Small Business Relief referred to in Article 21 of the Corporate Tax Law ("**Small Business Relief**"), the Taxable Person's Revenue threshold for the relevant Tax Period and previous Tax Periods shall be AED 3,000,000 (three million dirhams) for each Tax Period.

2. The threshold set out in Clause (1) of the Article shall apply to Tax Periods commencing on or after 1 June 2023 and such threshold shall only continue to apply to subsequent Tax Periods that end before or on 31 December 2026.

3. A Taxable Person shall not be able to elect to apply the Small Business Relief if their Revenue in any relevant or previous Tax Period has exceeded the threshold set out in Clause (1) of this Article.

4. The Revenue for the purpose of this Article shall be determined in accordance with the applicable accounting standards accepted in the State.

Article (3)
Additional Conditions for Small Business Relief

A Resident Person that elects to apply the Small Business Relief must not be any of the following:

1. A Constituent Company of a Multinational Enterprises Group as defined in Cabinet Decision No. 44 of 2020 referred to above.

2. A Qualifying Free Zone Person.

Article (4)
Tax Loss Relief

1. Where an election to apply the Small Business Relief is made in a Tax Period, any Tax Losses incurred in such Tax Period cannot be carried forward to any subsequent Tax Periods.

2. Any unutilised Tax Losses incurred in previous Tax Periods where an election to apply the Small Business Relief was not made, may be carried forward to subsequent Tax Periods in which an election to apply the Small Business Relief is not made, subject to the conditions of Article 37 of the Corporate Tax Law.

Article (5)
General Interest Deduction Limitation Rule

1. Where an election to apply the Small Business Relief is made in a Tax Period, any Net Interest Expenditure incurred in such Tax Period cannot be carried forward to any subsequent Tax Periods.

2. Any Net Interest Expenditure incurred in previous Tax Periods where an election to apply the Small Business Relief was not made may be carried forward to subsequent Tax Periods in which an election to apply the Small Business Relief is not made, subject to the conditions of Article 30 of the Corporate Tax Law.

Article (6)
Artificial Separation of Business

1. Where the Authority establishes that one or more Persons have artificially separated their Business or Business Activity and the amount of Revenue across the Persons' entire Business or Business Activity exceeds the threshold specified under Clause (1) of Article 2 of this Decision in any Tax Period and such one or more Persons have elected to apply the Small Business Relief, this would be considered an arrangement to obtain a Corporate Tax advantage under Clause (1) of Article 50 of the Corporate Tax Law.

2. For the purposes of determining whether the Business or Business Activity has been artificially separated, the Authority shall consider whether the arrangement was undertaken for a valid commercial purpose and whether the Persons carry on substantially the same Business or Business Activity by taking into account all relevant facts and circumstances, including but not limited to their financial, economic and organisational links.

Article (7)
Publication and Application of this Decision

This Decision shall be published and shall come into effect (15) fifteen days following its publication.

Mohamed bin Hadi Al Hussaini

Minister of State for Financial Affairs

Issued by us:
On: 12/ RAMADAN /1444
Corresponding to: 03/04/2023

Ministerial Decision No. 82 of 2023 on the Determination of Categories of Taxable Persons Required to Prepare and Maintain Audited Financial Statements for the Purposes of Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses

Minister of State for Financial Affairs:

- Having reviewed the Constitution,
- Federal Law No. 1 of 1972 on the Competencies of Ministries and Powers of the Ministers, and its amendments,
- Federal Decree-Law No. 13 of 2016 on the Establishment of the Federal Tax Authority, and its amendments,
- Federal Decree-Law No. 28 of 2022 on Tax Procedures,
- Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses,

Has decided:

Article (1)
Definitions

Words and expressions in this Decision shall have the same meanings specified in the Federal Decree-Law No. 47 of 2022 referred to above ("**Corporate Tax Law**").

Article (2)
Categories of Taxable Persons Required to Prepare and Maintain Audited Financial Statements

For the purposes of Clause 2 of Article 54 of the Corporate Tax Law, the following categories of Taxable Persons shall prepare and maintain audited financial statements:

1. A Taxable Person deriving Revenue exceeding AED 50,000,000 (fifty million United Arab Emirates dirhams) during the relevant Tax Period.
2. A Qualifying Free Zone Person.

Article (3)
Publication and Application of this Decision

This Decision shall be published and shall come into effect (15) fifteen days following the date of its publication.

Mohamed bin Hadi Al Hussaini

Minister of State for Financial Affairs

Issued by us:
On: 19/ RAMADAN /1444
Corresponding to: 10/04/2023

Ministerial Decision No. 83 of 2023 on the Determination of the Conditions under which the Presence of a Natural Person in the State would not Create a Permanent Establishment for a Non-Resident Person for the Purposes of Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses

Minister of State for Financial Affairs:

- Having reviewed the Constitution,
- Federal Law No. 1 of 1972 on the Competencies of Ministries and Powers of the Ministers, and its amendments,
- Federal Decree-Law No. 13 of 2016 on the Establishment of the Federal Tax Authority, and its amendments,
- Federal Decree-Law No. 28 of 2022 on Tax Procedures,
- Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses,

Has decided:

Article (1)
Definitions

Words and expressions in this Decision shall have the same meanings specified in the Federal Decree-Law No. 47 of 2022 referred to above ("**Corporate Tax Law**").

Article (2)
Conditions of a Temporary and Exceptional Presence in the State

1. For the purposes of paragraph (a) of Clause 7 of Article 14 of the Corporate Tax Law, the presence of a natural person in the State shall be considered a consequence of a temporary and exceptional situation where all of the following conditions are met:

   a) The presence of the natural person in the State is a consequence of exceptional circumstances of a public or private nature.

   b) The exceptional circumstances cannot reasonably be predicted by the natural person or the Non-Resident Person.

   c) The natural person did not express any intention to remain in the State when the exceptional circumstances end.

   d) The Non-Resident Person does not have a Permanent Establishment in the State before the occurrence of the exceptional circumstances.

   e) The Non-Resident Person did not consider that the natural person is creating a Permanent Establishment or deriving income in the State as per the tax legislation applicable in other jurisdictions.

2. For the purposes of Clause 1 of this Article, an exceptional circumstance is a situation or an event beyond the natural person's control, which occurred while he was already in the State, which he could not reasonably predict or prevent and which prevented him from leaving the State as originally planned, including but not limited to any of the following circumstances:

a) With respect to the exceptional circumstances of a public nature:

1. Adoption of public health measures by the competent authorities in the State or in the jurisdiction of the original workplace or by the World Health Organization.
2. Imposition of travel restrictions by the competent authorities in the State or in the jurisdiction of the original workplace.
3. Imposition of legal sanctions on the natural person preventing them from leaving the State's Territory.
4. Acts of war or occurrence of terrorist attacks.
5. Occurrence of natural disasters or force majeure beyond reasonable control.
6. Any other circumstances similar to those provided for in this paragraph as prescribed by the Authority.

b) With respect to the exceptional circumstances of a private nature:

1. Occurrence of an emergency health condition affecting the natural person or their relatives up to the fourth degree, including by way of adoption or guardianship.
2. Any other circumstances similar to those provided for in this paragraph as prescribed by the Authority.

Article (3)
Publication and Application of this Decision

This Decision shall be published and shall come into effect (15) fifteen days following the date of its publication.

Mohamed bin Hadi Al Hussaini

Minister of State for Financial Affairs

Issued by us:
On: 19/ RAMADAN /1444
Corresponding to: 10/04/2023

Ministerial Decision No. 97 of 2023 Requirements for Maintaining Transfer Pricing Documentation for the Purposes of Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses

Minister of State for Financial Affairs:

- Having reviewed the Constitution,
- Federal Law No. 1 of 1972 on the Competencies of Ministries and Powers of the Ministers, and its amendments,
- Federal Decree-Law No. 13 of 2016 on the Establishment of the Federal Tax Authority, and its amendments,
- Federal Decree-Law No. 28 of 2022 on Tax Procedures,
- Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses,
- Cabinet Decision No. 44 of 2020 on Organising Reports Submitted by Multinational Companies,

Has decided:

Article (1)
Definitions

Words and expressions in this Decision shall have the same meanings specified in the Federal Decree-Law No. 47 of 2022 referred to above ("**Corporate Tax Law**") unless the context requires otherwise.

Article (2)
Conditions for Maintaining Master File and Local File

1. A Taxable Person that meets either of the following conditions shall maintain both a master file and a local file in accordance with Clause (2) of Article (55) of the Corporate Tax Law in the relevant Tax Period:

    a) Where the Taxable Person, for any time during the relevant Tax Period, is a Constituent Company of a Multinational Enterprises Group as defined in the Cabinet Decision No. 44 of 2020 referred to above that has a total consolidated group Revenue of AED 3,150,000,000 (three billion one hundred and fifty million United Arab Emirates dirhams) or more in the relevant Tax Period.

    b) Where the Taxable Person's Revenue in the relevant Tax Period is AED 200,000,000 (two hundred million United Arab Emirates dirhams) or more.

2. Subject to Clause (3) of this Article, the Taxable Person shall include transactions or arrangements with all of the following Related Parties and Connected Persons in the local file:

    a) A Non-Resident Person.

    b) An Exempt Person.

    c) A Resident Person that has made an election under Article (21) of the Corporate Tax Law and meets the conditions of such election.

d) A Resident Person whose income is subject to a different Corporate Tax rate from that applicable to the income of the Taxable Person.

3. The Taxable Person shall not include transactions or arrangements with the following Related Parties and Connected Persons in the local file:

   a) Resident Persons other than those specified in paragraphs (b), (c) and (d) of Clause (2) of this Article.

   b) A natural person, provided that the parties to the transaction or arrangement are acting as if they were independent of each other.

   c) A juridical person that is considered to be a Related Party or a Connected Person solely by virtue of being a partner in an Unincorporated Partnership, provided that the parties to the transaction or arrangement are acting as if they were independent of each other.

   d) A Permanent Establishment of a Non-Resident Person in the State whose income is subject to the same Corporate Tax rate as that applicable to the income of the Taxable Person.

4. For the purpose of paragraphs (b) and (c) of Clause (3) of this Article, the parties engaged in the transaction or arrangement shall be considered acting as if they were independent of each other where both of the following conditions are met:

   a) The relevant transaction or arrangement is undertaken in the ordinary course of Business.

   b) These parties are not exclusively or almost exclusively transacting with each other.

5. For the purpose of paragraphs (b) and (c) of Clause (3) of this Article, where the activities of one Person in the transaction or arrangement are subject to detailed instruction or to comprehensive control of the other Person in the same transaction or arrangement, such Persons shall not be regarded as acting as if they were independent of each other.

6. For the purposes of Clauses (4) and (5) of this Article, the Authority shall take into account all relevant facts and circumstances to determine whether the Persons shall be regarded as acting as if they were independent of each other.

Article (3)
Transfer Pricing Documentation Guidelines

The Authority shall issue guidelines for the application of the provisions of this Decision and maintaining transfer pricing documentation.

Article (4)
Publication and Application of this Decision

This Decision shall be published and shall come into effect the day following the date of its publication.

Mohamed bin Hadi Al Hussaini

Minister of State for Financial Affairs

Issued by us:
On: 07/ SHAWWAL /1444
Corresponding to: 27/04/2023

Ministerial Decision No. 105 of 2023 on the Determination of the Conditions under which a Person may Continue to be Deemed as an Exempt Person, or Cease to be Deemed as an Exempt Person from a Different Date for the Purposes of Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses

Minister of State for Financial Affairs:

- Having reviewed the Constitution,
- Federal Law No. 1 of 1972 on the Competencies of Ministries and Powers of the Ministers, and its amendments,
- Federal Decree-Law No. 13 of 2016 on the Establishment of the Federal Tax Authority, and its amendments,
- Federal Decree-Law No. 28 of 2022 on Tax Procedures,
- Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses,

Has decided:

Article (1)
Definitions

Words and expressions in this Decision shall have the same meanings specified in the Federal Decree-Law No. 47 of 2022 referred to above ("**Corporate Tax Law**"), unless the context requires otherwise.

Article (2)
Conditions of Deeming the Person as an Exempt Person in Case of Liquidation or Termination

1. For the purposes of paragraph (a) of Clause (6) of Article (4) of the Corporate Tax Law, the Person may continue to be deemed as an Exempt Person from the date its liquidation or termination procedure starts until the date it is completed, provided that a notification has been submitted to the Authority within (20) twenty business days from the date of the beginning of the procedures.

2. Where Clause (1) of this Article applies, the Person shall cease to be deemed as an Exempt Person on the day following the date of the completion of the liquidation or termination procedure.

3. For the purposes of Clause (1) of this Article, the Person's liquidation or termination procedure shall be applied as per the applicable legislations in the State.

Article (3)
Conditions of Deeming the Person as an Exempt Person in Case the Failure to Meet the Conditions is of a Temporary Nature

1. For the purposes of paragraph (b) of Clause (6) of Article (4) of the Corporate Tax Law, the Person may continue to be deemed as an Exempt Person where all of the following conditions are met:

a. The failure to meet the conditions to be deemed as an Exempt Person is due to a situation or an event beyond the Person's control which he could not reasonably have predicted or prevented.

b. The Person has made an application to the Authority to continue to be treated as an Exempt Person within (20) twenty business days from the date it fails to meet the conditions to be exempt under the relevant provisions of the Corporate Tax Law.

c. It is reasonably expected to rectify the failure to meet the conditions within (20) twenty business days from the submission of the application under paragraph (b) of this Clause.

d. Upon request by the Authority, the Person provides evidence to support putting in place the appropriate procedures to monitor the compliance with the relevant conditions of the Corporate Tax Law, within (20) twenty business days from the date of the request by the Authority, or any other period as may be determined by the Authority.

2. The period specified in paragraph (c) of Clause (1) of this Article may be extended by an additional (20) twenty business days in the event that the failure to rectify is beyond the Person's reasonable control.

3. The Authority shall review the application submitted under paragraph (b) of Clause (1) of this Article and notify the Person of its decision within (20) twenty business days of the submission of the application, or such other time period required to review the application, provided that the Person has been notified.

Article (4)
Instances for Ceasing to Deem the Person as an Exempt Person from a Different Date

For the purposes of paragraph (c) of Clause (6) of Article (4) of the Corporate Tax Law, the Person shall cease to be deemed as an Exempt Person starting from the day it fails to meet the conditions to be exempt under the relevant provisions of the Corporate Tax Law, in case it can be reasonably concluded that the main purpose or one of the main purposes of this cessation is to obtain a Corporate Tax advantage as specified in Clause (2) of Article (50) of the Corporate Tax Law that is not consistent with the intentions or purposes of the Corporate Tax Law.

Article (5)
Publication and Application of this Decision

This Decision shall be published and shall come into effect on the date of its publication.

Mohamed bin Hadi Al Hussaini

Minister of State for Financial Affairs

Issued by us:
On: 14/ SHAWWAL /1444
Corresponding to: 04/05/2023

Ministerial Decision No. 114 of 2023
on the Accounting Standards and Methods for the Purposes of Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses

Minister of State for Financial Affairs:

- Having reviewed the Constitution,
- Federal Law No. 1 of 1972 on the Competencies of Ministries and Powers of the Ministers, and its amendments,
- Federal Decree-Law No. 13 of 2016 on the Establishment of the Federal Tax Authority, and its amendments,
- Federal Decree-Law No. 28 of 2022 on Tax Procedures,
- Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses,

Has decided:

Article (1)
Definitions

Words and expressions in this Decision shall have the same meanings specified in the Federal Decree-Law No. 47 of 2022 referred to above ("**Corporate Tax Law**"), and the following words and expressions shall have the meanings assigned against each, unless the context otherwise requires:

Financial Statements: A complete set of statements as specified under the Accounting Standards applied by the Taxable Person, which includes, but is not limited to, statement of income, statement of other comprehensive income, balance sheet, statement of changes in equity and cash flow statement.

Cash Basis of Accounting: An accounting method under which the Taxable Person recognises income and expenditure when cash payments are received and paid.

Article (2)
Preparing Financial Statements Using the Cash Basis of Accounting

For the purposes of paragraph (a) of Clause (5) of Article (20) of the Corporate Tax Law, a Person may prepare Financial Statements using the Cash Basis of Accounting, in any of the following instances:

1. Where the Person derives Revenue that does not exceed AED 3,000,000 (three million United Arab Emirates dirhams).
2. In exceptional circumstances and pursuant to an application submitted by the Person to the Authority.

Article (3)
Financial Statements

For the purposes of paragraph (b) of Clause (5) of Article (20) of the Corporate Tax Law, the reference to the preparation of consolidated Financial Statements of a Tax Group under Clause (11) of Article (42) of the Corporate Tax Law shall mean the preparation of standalone Financial Statements on the basis of the aggregation of the standalone Financial Statements of the Parent Company and each Subsidiary that is a member of the Tax Group, eliminating the transactions between them as required under Clause (1) of Article (42) of the Corporate Tax Law.

Article (4)
Applicable Accounting Standards

1. For the purposes of Clause (1) of Article (20) of the Corporate Tax Law, a Taxable Person shall apply the International Financial Reporting Standards ("**IFRS**").

2. Without prejudice to the provisions of Clause (1) of this Article, a Taxable Person deriving Revenue that does not exceed AED 50,000,000 (fifty million United Arab Emirates dirhams) may apply International Financial Reporting Standards for small and medium-sized entities ("**IFRS for SMEs**").

Article (5)
Publication and Application of this Decision

The Decision shall be published and shall come into effect the day following the date of its publication.

Mohamed bin Hadi Al Hussaini
Minister of State for Financial Affairs

Issued by us:
On:19/ SHAWWAL /1444
Corresponding to:09/05/2023

Ministerial Decision No. 115 of 2023 on Private Pension Funds and Private Social Security Funds for the Purposes of Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses

Minister of State for Financial Affairs:

- Having reviewed the Constitution,
- Federal Law No. 1 of 1972 on the Competencies of Ministries and Powers of the Ministers, and its amendments,
- Federal Law No. 7 of 1999 on the Issuance of the Law of Pensions and Social Security, and its amendments,
- Federal Decree-Law No. 13 of 2016 on the Establishment of the Federal Tax Authority, and its amendments,
- Federal Decree- Law No. 33 of 2021 Regulating Labour Relations, and its amendments,
- Federal Decree-Law No. 28 of 2022 on Tax Procedures,
- Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses,

Has decided:

Article (1)
Definitions

Words and expressions in this Decision shall have the same meanings specified in the Federal Decree-Law No. 47 of 2022 referred to above ("**Corporate Tax Law**"), and the following words and expressions shall have the meanings assigned against each, unless the context otherwise requires:

Disability: Means full disability and partial disability as defined in Federal Law No. 7 of 1999 referred to above.

Pension Plan: A contract having an explicit objective of providing benefits upon a defined retirement age in the State, prior to which the benefits cannot be paid without incurring a significant contractual penalty. It may also provide benefits in cases of Disability and death.

Pension Plan Member: A natural person who is making contributions, or on behalf of whom contributions are being made, to a private pension fund and is accumulating assets or entitlements in the private pension fund.

Beneficiary: Any Person entitled to a share in the Pension Plan due to the death of the Pension Plan Member.

End of Service Benefit: Benefits of an employee upon end of service as per the provisions of Federal Decree- Law No. 33 of 2021 and Federal Law No. 7 of 1999 referred to above.

Auditor: An independent Person licensed and registered by the competent authorities of the State, that is appointed and remunerated by a private pension fund or a private social security fund to audit its financial statements.

Article (2)
Private Pension Fund

A private pension fund may apply to the Authority to be exempt from Corporate Tax under paragraph (g) of Clause (1) and Clause (3) of Article (4) of the Corporate Tax Law where all of the following conditions are met:

1. The fund comprises a pool of assets which have been assigned by law or contract as Pension Plan assets or the acquisition of these assets has been financed by or with the use of contributions to a Pension Plan for the exclusive purpose of financing the Pension Plan benefits.

2. The fund grants Pension Plan Members or Beneficiaries a right or other contractual claim or entitlement, against its assets or earnings.

3. The income of the fund solely comprises income as specified in Article (4) of this Decision.

4. The fund must have an Auditor.

Article (3)
Private Social Security Fund

A private social security fund may apply to the Authority to be exempt from Corporate Tax under paragraph (g) of Clause (1) and Clause (3) of Article (4) of the Corporate Tax Law where all of the following conditions are met:

1. The fund comprises a pool of assets which have been assigned by law or contract as fund assets or the acquisition of these assets has been financed by or with the use of contributions to the fund for the exclusive purpose of financing the End of Service Benefit.

2. The income of the fund solely comprises income as specified in Article (4) of this Decision.

3. The fund must have an Auditor.

Article (4)
Income

For the purposes of Articles (2) and (3) of this Decision, a private pension fund and a private social security fund must earn their income from any of the following:

1. Investments or deposits, where the investments or deposits are held for the purposes of fulfilling the obligations of the fund, and the investments do not constitute a Business operated by the fund.

2. Underwriting commissions that are charged for the purposes of the fund.

3. Rebates of charges due or paid by the fund to Persons involved in managing part or all of the assets of the fund, that are not deemed as compensation for services provided by the fund.

4. Any other income derived in accordance with a defined investment policy for the benefit of Pension Plan Members or beneficiaries of the End of Service Benefit, as applicable.

Article (5)
Contributions to a Private Pension Fund

1. A Taxable Person who is an employer may deduct the total value of contributions made to a private pension fund in respect of its employees who are Pension Plan Members in the Tax Period in which such contributions are paid.

2. The value of contributions which may be deducted under Clause (1) of this Article for each Pension Plan Member shall not exceed (15%) fifteen percent of the total Pension Plan Member's remuneration that is deductible for Corporate Tax purposes in the relevant Tax Period.

Article (6)
Administration

1. The Auditor of a private pension fund or private social security fund shall confirm the compliance of the fund with the provisions of this Decision annually where the fund has made an application to the Authority under Clause (3) of Article (4) of the Corporate Tax Law to be exempt from Corporate Tax.

2. Where an exemption under paragraph (g) of Clause (1) of Article (4) of the Corporate Tax Law has been granted by the Authority, the Auditor shall report to the Authority any fact they have become aware of while carrying out the audit of accounting information contained in the annual report of a private pension fund or a private social security fund, where this fact constitutes a breach of the conditions specified in this Decision.

3. Subject to any other decisions issued by the Minister, the Authority shall have the right to withdraw the exemption provided for under paragraph (g) of Clause (1) of Article (4) of the Corporate Tax Law from a private pension fund or a private social security fund in any of the following circumstances:

    (a) The Auditor has confirmed that the fund no longer meets the conditions specified in this Decision.

    (b) The Auditor does not satisfy any of the conditions specified under Clauses (1) and (2) of this Article.

    (c) The Authority finds that the fund no longer meets the conditions specified in this Decision.

Article (7)
Publication and Application of this Decision

This Decision shall be published and shall come into effect the day following the date of its publication.

Mohamed bin Hadi Al Hussaini
Minister of State for Financial Affairs

Issued by us:
On:20/ SHAWWAL /1444
Corresponding to:10/05/2023

Ministerial Decision No. 116 of 2023
on the Participation Exemption for the Purposes of Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses

Minister of State for Financial Affairs:

- Having reviewed the Constitution,
- Federal Law No. 1 of 1972 on the Competencies of Ministries and Powers of the Ministers, and its amendments,
- Federal Decree-Law No. 13 of 2016 on the Establishment of the Federal Tax Authority, and its amendments,
- Federal Decree-Law No. 28 of 2022 on Tax Procedures,
- Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses,

Has decided:

Article (1)
Definitions

Words and expressions in this Decision shall have the same meanings specified in the Federal Decree-Law No. 47 of 2022 referred to above ("**Corporate Tax Law**"), and the following words and expressions shall have the meanings assigned against each, unless the context otherwise requires:

Accounting Standards: The accounting standards specified in a decision issued by the Minister for the purposes of the Corporate Tax Law**.**

Participating Interest: Means an ownership interest in the shares or capital of a juridical person that meets the conditions referred to in Article (23) of the Corporate Tax Law.

Participation: The juridical person in which the Participating Interest is held.

Ordinary Shares: The category of capital stock or equivalent ownership interest, which gives its owner, on a share-by-share basis, equal entitlement to voting rights, profits, and liquidation proceeds.

Preferred Shares: The category of capital stock or equity interest which gives its owner priority entitlement to profits and liquidation proceeds ahead of owners of Ordinary Shares.

Redeemable Shares: The category of capital stock or equity interest which the juridical person issuing this instrument has agreed to redeem or buy back from the owner of this instrument at a future date or after a specific event, for a predetermined amount or with reference to a predetermined amount.

Dividend: Any payments or distributions that are declared or paid on or in respect of shares or other rights participating in the profits of the issuer of such shares or rights which do not constitute a return on capital or a return on debt claims, whether such payments or distributions are in cash, securities, or other properties, and whether payable out of profits or retained earnings or from any account or legal reserve or from capital reserve or revenue. This will include any payment or benefit which in substance or effect constitutes a distribution of profits made in connection with the acquisition or redemption or cancellation of shares or termination of other ownership interests or rights or any transaction or arrangement with a Related Party or Connected Person which does not comply with Article (34) of the Corporate Tax Law.

Membership and Partner Interests: The equity interests owned by a member or a partner in the juridical person, which entitles the member or the partner to a share of the profits, determined with reference to the member's or the partner's capital contribution, and which may be transferred to others.

Islamic Financial Instrument: A financial instrument which is compliant with Sharia principles.

Accounting and Auditing Organization for Islamic Financial Institutions: An Islamic international autonomous non-for-profit corporate body that prepares accounting, auditing, governance, ethics and Sharia standards for Islamic financial institutions.

Article (2)
Ownership Interest

1. For the purposes of Article (23) of the Corporate Tax Law, an ownership interest shall include, but not be limited to, holding any one or a combination of the following instruments:

    a. Ordinary Shares.

    b. Preferred Shares.

    c. Redeemable Shares.

    d. Membership and Partner Interests.

    e. Other types of securities, capital contributions and rights that entitle the owner to receive profits and liquidation proceeds.

2. An ownership interest as referred to in Clause (1) of this Article, shall only be treated as such if it is classified as equity interest under the Accounting Standards as applied by the Taxable Person holding the ownership interest.

3. For the purposes of Article (23) of the Corporate Tax Law, a Taxable Person shall be treated as holding an ownership interest where the ownership interest is controlled by the Taxable Person and the Taxable Person has the right to the

economic benefits produced by the ownership interest under the Accounting Standards as applied by the Taxable Person.

4. An Islamic Financial Instrument, or a combination of arrangements that form part of the same Islamic Financial Instrument shall be treated as an ownership interest for the purposes of Article (23) of the Corporate Tax Law where it is classified as equity interest under the accounting standards issued by the Accounting and Auditing Organization for Islamic Financial Institutions.

5. The percentage of ownership held through ownership interests as specified under Clause (1) of this Article shall be determined with reference to the total paid up capital of the Participation or the total equity interest contributions made to the Participation, as applicable.

Article (3)
Aggregation of Ownership Interests

1. For the purposes of determining whether a Taxable Person has a Participating Interest under Clause (2) of Article (23) of the Corporate Tax Law, the following shall apply:

    a. Different types of ownership interests in the same juridical person as specified under Article (2) of this Decision shall be aggregated.

    b. Ownership interests in the same juridical person held by members of a Qualifying Group as per Clause (2) of Article (26) of the Corporate Tax Law in which the Taxable Person is a member shall be aggregated with those of the Taxable Person.

2. The provisions of Clause (1) of this Article shall apply for the purposes of determining whether the minimum ownership requirement is satisfied under Clause (11) of Article (23) of the Corporate Tax Law.

Article (4)
Transfer of Ownership Interests

For the purposes of meeting the requirement under paragraph (a) of Clause (2) and Clause (9) of Article (23) of the Corporate Tax Law, where a Taxable Person exchanges an ownership interest in a juridical person held by the Taxable Person for an ownership interest in another juridical person, these ownership interests shall be treated as the same continuous ownership interest where all of the following conditions are met:

1. The original ownership interest has been exchanged for another ownership interest in accordance with paragraph (a) or paragraph (b) of Clause (1) of Article (27) of the Corporate Tax Law.

2. The ownership interest in the juridical person constitutes a Participating Interest under Article (23) of the Corporate Tax Law.

Article (5)
Debt Instruments Issued by the Participation

Where a Taxable Person has a Participating Interest in a Participation, income from a debt instrument issued by that Participation that is not an ownership interest under paragraph (e) of Clause (1) of Article (2) of this Decision shall be treated as income from a Participating Interest provided that such instrument is classified as equity interest under the Accounting Standards applied by the Taxable Person.

Article (6)
Subject to Tax

1. A Participation shall be considered to have met the requirement of paragraph (b) of Clause (2) of Article (23) of the Corporate Tax Law for a given Tax Period when it is resident for tax purposes throughout this same Tax Period in another country or foreign territory that levies a tax that meets all of the following requirements:

    a. The tax is applied on a similar basis to Corporate Tax, taking into account the conditions set out in Clauses (2), (3), (4) and (5) of this Article.

    b. The tax is levied at a rate not less than (9%) nine percent.

2. For the purposes of Clause (5) of Article (23) of the Corporate Tax Law, the Participation will be considered as having continued to meet the condition under paragraph (b) of Clause (2) of Article (23) of the Corporate Tax Law where the Participation meets the conditions of Clause (1) of this Article in the period in which the income or gains arise.

3. None of the following shall result in the tax imposed under the applicable legislation of the other country or the foreign territory in which the Participation is resident for tax purposes to not be considered a tax that is applied on a similar basis to Corporate Tax under paragraph (a) of Clause (1) of this Article:

    a. Differences in reductions and reliefs.

    b. Lower tax rates applicable to certain brackets of income.

    c. Targeted incentives or exemptions of a temporary nature.

    d. Application of alternative taxes on income or profits.

4. A tax imposed under the applicable legislation of the other country or foreign territory in which the Participation is resident for tax purposes shall not be

considered a tax which is of a similar nature to Corporate Tax in any of the following cases:

a. The tax is applicable only to selected activities.

b. The tax paid is refunded at the time of distribution of the relevant profits or income.

c. The tax is only due in the event of a distribution of profits or income.

5. A Participation shall also be considered to have met the requirement of paragraph (b) of Clause (2) of Article (23) of the Corporate Tax Law if it demonstrates to the Authority either of the following:

a. It is subject to a tax on income or profits at an effective rate in the relevant Tax Period of not less than (9%) nine percent.

b. If it recalculated its accounting net profits according to the basis provided for in the Corporate Tax Law, and the tax levied on such profits, then this would result in an effective tax rate of not less than (9%) nine percent.

6. A Participation that is resident for tax purposes in another country or foreign territory that does not impose a tax that meets the requirements of Clause (1) of this Article shall be considered to have met the requirement of paragraph (b) of Clause (2) of Article (23) of the Corporate Tax Law if it is subject to a tax charged in respect of income, equity or net worth, or a combination of any or all of these in that other country or foreign territory, and the tax levied results in an effective tax rate of not less than (9%) nine percent on the accounting profits of the Participation calculated in accordance with the Accounting Standards in the relevant Tax Period.

Article (7)
Conditions for Holding Companies

1. For the purposes of paragraph (a) of Clause (3) of Article (23) of the Corporate Tax Law, the Participation must satisfy all of the following conditions:

a. Be directed and managed in the relevant other country or foreign territory.

b. Comply with the requirement to submit any documents, records or information to the relevant authority under the laws and regulations applicable to such Participation in the relevant other country or foreign territory.

c. Have adequate personnel and premises for the acquisition and holding of the shares or equitable interests in the relevant other country or foreign territory, having regard to the level of activity carried on by the Participation and the

extent to which those activities are performed on behalf or for the benefit of the Participation by another Person in that other country or foreign territory.

d. Not conduct any other activities other than those that are incidental or ancillary to the acquisition and holding of shares or equitable interests.

2. A Participation shall be considered as having met the condition of paragraph (b) of Clause (3) of Article (23) of the Corporate Tax Law where its income during the relevant Tax Period and the preceding Tax Period on average consisted of (50%) fifty percent or more of Dividends, capital gains and other income from Participating Interests.

Article (8)
Minimum Acquisition Cost

1. For the purposes of Clause (11) of Article (23) of the Corporate Tax Law, a Taxable Person will be treated as having a Participating Interest in a Participation where the aggregated acquisition cost of the ownership interests in that juridical person as provided for in Article (2) of this Decision is equal to or exceeds AED 4,000,000 (four million dirhams).

2. In calculating whether the minimum acquisition cost threshold under Clause (1) of this Article has been met, all of the following amounts may be aggregated:

   a. The value of the equity interest or capital contribution made or consideration paid in cash or in kind for ownership interests in the Participation by the Taxable Person.

   b. The value of any subsequent equity interest and capital contributions made to the Participation less the value of any equity interest or capital repayments made by the Participation to the Taxable Person.

   c. Expenditure incurred by the Taxable Person in relation to the acquisition or transfer of ownership interests in the Participation that shall be capitalised as part of the acquisition cost of the ownership interest in the Participation in accordance with Clause (1) of Article (10) of this Decision.

3. The value of an equity interest or capital contribution, consideration paid or repayment of equity interest or capital for the purposes of Clause (2) of this Article shall be determined at the time that the contribution or repayment was made, or the consideration was paid by applying Article (43) of the Corporate Tax Law, without taking into account any subsequent value adjustments made under the Accounting Standards applied by the Taxable Person holding the ownership interest.

4. In determining the acquisition cost in respect of an ownership interest in a foreign Participation, the applicable exchange rate at the date of acquisition or formation of the relevant ownership interest shall be used.

5. Where an ownership interest is partly sold, transferred, or otherwise disposed of, the aggregated acquisition cost shall be reduced in proportion to the average acquisition cost attributable to the part of the ownership interest that is sold, transferred or otherwise disposed of.

6. Where a Taxable Person holding the ownership interest does not meet the minimum acquisition cost threshold under Clause (1) of this Article for an interrupted period of at least (12) twelve months, any income previously not taken into account under Article (23) of the Corporate Tax Law shall be included in the Taxable Income in the Tax Period in which the ownership interest in the Participation did not meet the minimum acquisition cost threshold under Clause (1) of this Article.

Article (9)
Assets of the Participation

1. The determination of whether the condition under paragraph (d) of Clause (2) of Article (23) of the Corporate Tax Law is satisfied shall be made on the basis of either of the following:

    a. The consolidated balance sheet of the Participation and the accounting asset values reflected therein.

    b. A Market Value valuation of the direct and indirect ownership interests and other assets of the Participation.

2. The condition under paragraph (d) of Clause (2) of Article (23) of the Corporate Tax Law should be met throughout the Tax Period.

Article (10)
Expenditure in Relation to the Acquisition and Disposal of a Participating Interest

1. Expenditure incurred in relation to the acquisition, sale, transfer, or disposal of an entire Participating Interest or part of a Participating Interest shall not be deductible in accordance with Article (22) and paragraph (b) of Clause (2) of Article (28) of the Corporate Tax Law.

2. Expenditure referred to in Clause (1) of this Article shall include, but not be limited to, any of the following:

a. Professional fees.

b. Due diligence costs.

c. Litigation costs.

d. Commissions and brokerage fees.

e. Stamp duty, registration duties and other irrecoverable taxes.

f. Appraisal and valuation costs.

g. Refinancing costs.

3. Interest expenditure incurred in relation to the acquisition and subsequent holding of a Participating Interest shall be deductible subject to Chapter Nine of the Corporate Tax Law.

4. The expenditure as specified in Clause (1) of this Article shall be capitalised as part of the acquisition cost of the Participating Interest.

Article (11)
Income from Ownership Interests in a Participation

1. Income provided for in Clause (5) of Article (23) of the Corporate Tax Law that is derived from a Participation shall be exempt insofar it is received by a Taxable Person in his capacity as owner of an ownership interest or ownership interests in the Participation.

2. Income derived in any other capacity than that mentioned in Clause (1) of this Article and income derived in relation to, but not directly from, an ownership interest in a Participation shall not be exempt from Corporate Tax.

Article (12)
Liquidation Proceeds and Losses

1. For the purposes of Clause (8) of Article (23) of the Corporate Tax Law, a Participation shall be considered liquidated if it ceases to have legal existence.

2. A liquidation loss shall be calculated as the difference between the acquisition cost of the Participating Interest, adjusted for any part disposals as per Clause (5) of Article (8) of this Decision, and the fair value of the liquidation proceeds received by the Taxable Person.

3. The provisions under Articles (26) and (27) of the Corporate Tax Law shall not apply where assets or liabilities are transferred to the Taxable Person as a result of a

liquidation as specified under Clause (1) of this Article.

4. The liquidation loss under Clause (1) of this Article shall be adjusted for the following in the relevant Tax Period and the preceding Tax Period, as applicable:

    a. Tax Losses transferred by the Participation to the Taxable Person.

    b. Exempt Dividends or other profit distributions received by the Taxable Person from the Participation.

    c. Income or gains on the transfer of assets or liabilities between the Taxable Person and the Participation not taken into account under Article (26) or Article (27) of the Corporate Tax Law.

Article (13)
Foreign Permanent Establishment Tax Losses

Where a Taxable Person has utilised a Tax Loss incurred in a Foreign Permanent Establishment of that same Taxable Person, that Tax Loss must be fully offset by the Taxable Income from the Foreign Permanent Establishment in a subsequent Tax Period or Tax Periods before either of the following:

1. The Taxable Person can elect to apply the Foreign Permanent Establishment exemption provided for in Article (24) of the Corporate Tax Law.

2. Any income arising upon or following incorporation of the Foreign Permanent Establishment can benefit from the provisions under Article (23) of the Corporate Tax Law.

Article (14)
Publication and Application of this Decision

This Decision shall be published and shall come into effect the day following the date of its publication.

Mohamed bin Hadi Al Hussaini

Minister of State for Financial Affairs

Issued by us:
On:20/ SHAWWAL /1444
Corresponding to:10/05/2023

Ministerial Decision No. 120 of 2023 on the Adjustments Under the Transitional Rules for the Purposes of Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses

Minister of State for Financial Affairs:

- Having reviewed the Constitution,
- Federal Law No. 1 of 1972 on the Competencies of Ministries and Powers of the Ministers, and its amendments,
- Federal Decree-Law No. 13 of 2016 on the Establishment of the Federal Tax Authority and its amendments,
- Federal Decree-Law No. 28 of 2022 on Tax Procedures,
- Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses,

Has decided:

Article (1)
Definitions

Words and expressions in this Decision shall have the same meanings specified in the Federal Decree-Law No. 47 of 2022 referred to above ("**Corporate Tax Law**"), and the following words and expressions shall have the meanings assigned against each, unless the context otherwise requires:

Accounting Standards: The accounting standards specified in a decision issued by the Minister for the purposes of the Corporate Tax Law.

Financial Statements: A complete set of statements as specified under the Accounting Standards applied by the Taxable Person, which includes, but is not limited to, statement of income, statement of other comprehensive income, balance sheet, statement of changes in equity and cash flow statement.

Immovable Property: Immovable property as defined in a decision issued by the Cabinet for the purposes of the Corporate Tax Law.

Qualifying Immovable Property: Immovable Property that meets the conditions under Clause (1) of Article (2) of this Decision.

Intangible Asset: An intangible asset as defined in the Accounting Standards applied by the Taxable Person.

Qualifying Intangible Asset: Intangible Asset that meets the conditions under Clause (1) of Article (3) of this Decision.

Financial Asset: Financial asset as defined in the Accounting Standards applied by the Taxable Person.

Financial Liability: Financial liability as defined in the Accounting Standards applied by the Taxable Person.

Qualifying Financial Asset: Financial Asset that meets the conditions under Clause (1) of Article (4) of this Decision.

Qualifying Financial Liability: Financial Liability that meets the conditions under Clause (1) of Article (4) of this Decision.

Article (2)
Taxable Income Adjustments Related to Gains Recognised on Immovable Property Owned Prior to the Taxable Person's First Tax Period

1. For the purposes of paragraph (i) of Clause (2) of Article (20) and Clause (1) of Article (61) of the Corporate Tax Law, a Taxable Person may elect to adjust its Taxable Income for calculating the gains on any Immovable Property that meets all of the following conditions:

    a. The Immovable Property is owned prior to the first Tax Period.

    b. The Immovable Property is measured in the Financial Statements on a historical cost basis.

    c. The Immovable Property is disposed of or deemed to be disposed of during or after the first Tax Period for the purposes of determining the Taxable Income for a value exceeding the net book value.

2. Where Clause (1) of this Article applies, upon the disposal of the Qualifying Immovable Property, the Taxable Person shall make one of the following adjustments in respect of each Qualifying Immovable Property:

    a. Exclude the amount of gain that would have arisen, at the start of the first Tax Period, had the Qualifying Immovable Property been disposed of at Market Value and the cost of the Qualifying Immovable Property was the higher of the original cost and the net book value.

    b. Exclude the amount of gain recognised in respect of the Qualifying Immovable Property calculated in accordance with Clause (4) of this Article.

3. For the purposes of paragraph (a) of Clause (2) of this Article, the amount used as the Market Value of the Qualifying Immovable Property shall be determined by the relevant government competent authority in the State.

4. For the purposes of paragraph (b) of Clause (2) of this Article, the excluded amount of gain shall be calculated as follows:

a. Calculate the amount of gain that would have arisen upon the disposal of the Qualifying Immovable Property, had its cost been equal to the higher of the original cost and the net book value at the start of the first Tax Period.

b. Divide the number of days the Qualifying Immovable Property is owned before the first Tax Period by the total number of days the Qualifying Immovable Property is owned.

c. Multiply the amount calculated in paragraph (a) of this Clause by the amount calculated in paragraph (b) of this Clause.

d. The amount calculated in paragraph (c) of this Clause shall be the amount of gain on the Qualifying Immovable Property excluded from the Taxable Income during the relevant Tax Period.

5. The election under Clause (1) of this Article shall be made in respect of each Qualifying Immovable Property upon the submission of the first Tax Return in the form and manner prescribed by the Authority and shall be deemed irrevocable except under exceptional circumstances and pursuant to approval by the Authority.

Article (3)
Taxable Income Adjustments Related to Gains Recognised on Intangible Assets Owned Prior to the Taxable Person's First Tax Period

1. For the purposes of paragraph (i) of Clause (2) of Article (20) and Clause (1) of Article (61) of the Corporate Tax Law, a Taxable Person may elect to adjust its Taxable Income for calculating the gains on all the Intangible Assets that meet all of the following conditions:

   a. The Intangible Assets are owned prior to the first Tax Period.

   b. The Intangible Assets are measured in the Financial Statements on a historical cost basis.

   c. The Intangible Assets are disposed of or deemed to be disposed of during or after the first Tax Period for the purposes of determining the Taxable Income for a value exceeding the net book value.

2. Where Clause (1) of this Article applies, the Taxable Person shall exclude the amount of the gain recognised on the Qualifying Intangible Asset calculated in accordance with Clause (3) of this Article upon its disposal.

3. For the purposes of Clause (2) of this Article, the excluded amount of gain shall be calculated as follows:

   a. Calculate the amount of gain that would have arisen upon the disposal of the Qualifying Intangible Asset, had its cost been equal to the higher of the original cost and the net book value at the start of the first Tax Period.

b. Divide the number of days the Qualifying Intangible Asset is owned before the first Tax Period by the total number of days the Qualifying Intangible Asset is owned.

c. Multiply the amount calculated in paragraph (a) of this Clause by the amount calculated in paragraph (b) of this Clause.

d. The amount calculated in paragraph (c) of this Clause shall be the amount of gain on the Qualifying Intangible Asset excluded from the Taxable Income during the relevant Tax Period.

4. The election under Clause (1) of this Article shall be made upon the submission of the first Tax Return and shall apply to all Qualifying Intangible Assets and be deemed irrevocable except under exceptional circumstances and pursuant to approval by the Authority.

5. The number of days the Qualifying Intangible Asset is owned before the first Tax Period under paragraph (b) of Clause (3) of this Article shall not exceed a period equivalent to a maximum of (10) ten years, except under exceptional circumstances and pursuant to approval by the Authority.

Article (4)
Taxable Income Adjustments Related to Gains and Losses Recognised on Financial Assets and Financial Liabilities Owned Prior to the Taxable Person's First Tax Period

1. For the purposes of paragraph (i) of Clause (2) of Article (20) and Clause (1) of Article (61) of the Corporate Tax Law, a Taxable Person may adjust its Taxable Income for the purposes of calculating the gains and losses on all the Financial Assets and Financial Liabilities that meet all of the following conditions:

   a. The Financial Assets or Financial Liabilities are owned prior to the first Tax Period.

   b. The Financial Assets or Financial Liabilities are measured in the Financial Statements on a historical cost basis.

2. Where Clause (1) of this Article applies, upon the disposal of the Qualifying Financial Assets and Qualifying Financial Liabilities, the Taxable Person shall exclude the amount of the gain or loss that would have arisen, at the start of the first Tax Period, had the Qualifying Financial Assets or Qualifying Financial Liabilities been disposed of at Market Value and the cost of these Assets or Liabilities had been equal to the net book value.

3. The election under Clause (1) of this Article shall be made upon the submission of the first Tax Return and shall apply to all Qualifying Financial Assets and Qualifying Financial Liabilities and be deemed irrevocable except under exceptional circumstances and pursuant to approval by the Authority.

Article (5)
Ownership of the Immovable Property, Intangible Assets and Financial Assets and Financial Liabilities by Members of a Qualifying Group or a Tax Group

1. This Article applies to Immovable Property, Intangible Assets, Financial Assets and Financial Liabilities that have been held solely by the Taxable Person and by one or more of the following Persons:

    a. A member of the same Qualifying Group of the Taxable Person that has acquired the relevant assets or liabilities in accordance with Clause (1) of Article (26) of the Corporate Tax Law.

    b. A member of the same Tax Group of the Taxable Person that has acquired the relevant assets or liabilities in accordance with Clause (1) of Article (42) of the Corporate Tax Law.

2. For the purposes of this Article:

    a. The assets, other than Financial Assets, under Clause (1) of this Article, shall be referred to as “Non-Financial Transferred Assets”.

    b. All assets and liabilities under Clause (1) of this Article, including Non-Financial Transferred Assets, shall be referred to as “Transferred Assets and Liabilities”.

    c. The transfer that is not covered, or would not have been covered had the Corporate Tax Law been effective, under Clause (1) of Article (26) and Clause (1) of Article (42) of the Corporate Tax Law shall be referred to as a “Non-Qualifying Transfer”.

3. For the purposes of paragraph (a) of Clause (1) of Article (2), paragraph (a) of Clause (1) of Article (3) and paragraph (a) of Clause (1) of Article (4) of this Decision, the term “ownership” of the Transferred Assets and Liabilities shall include the ownership by any Person under Clause (1) of this Article.

4. For the purposes of paragraph (b) of Clause (4) of Article (2) and paragraph (b) of Clause (3) of Article (3) of this Decision, the period of the ownership of the Non-Financial Transferred Assets shall include the period of ownership by any Person under Clause (1) of this Article, other than any period of ownership before the most recent Non-Qualifying Transfer.

Article (6)
Publication and Application of this Decision

This Decision shall be published and shall come into effect the day following the date of its publication.

Mohamed bin Hadi Al Hussaini
Minister of State for Financial Affairs

Issued by us:
On: 26/ SHAWWAL /1444
Corresponding to: 16/05/2023

Ministerial Decision No. 125 of 2023 on Tax Group for the Purposes of Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses

Minister of State for Financial Affairs:

- Having reviewed the Constitution,

- Federal Law No. 1 of 1972 on the Competencies of Ministries and Powers of the Ministers, and its amendments,

- Federal Decree-Law No. 13 of 2016 on the Establishment of the Federal Tax Authority, and its amendments,

- Federal Decree-Law No. 28 of 2022 on Tax Procedures,

- Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses,

Has decided:

Article (1)
Definitions

Words and expressions in this Decision shall have the same meanings specified in the Federal Decree-Law No. 47 of 2022 referred to above (**"Corporate Tax Law"**), and the following words and expressions shall have the meanings assigned against each, unless the context otherwise requires:

Parent Company: A Resident Person that can make an application to the Authority to form a Tax Group with one or more Subsidiaries in accordance with Clause (1) of Article (40) of the Corporate Tax Law.

Subsidiary: A Resident Person in which the share capital or Membership or Partnership Capital, as applicable, is held by a Parent Company, in accordance with Clause (1) of Article (40) of the Corporate Tax Law.

Membership or Partnership Capital: The capital paid to a juridical person where the paid capital is divided into membership or partnership interests by a Person in order to be a member or partner and have the rights of membership or partnership in that juridical person.

Article (2)
Ownership Requirements

1. For a Tax Group to be formed or continue to exist, the conditions specified under Clause (1) of Article (40) of the Corporate Tax Law must be met continuously throughout the relevant Tax Period.

2. For the purposes of paragraph (b) of Clause (1) of Article (40) of the Corporate Tax Law, share capital shall mean the nominal issued and paid-up share capital, or Membership or Partnership Capital of each Subsidiary, as applicable.

Article (3)
Resident Person

1. For purposes of Article (40) of the Corporate Tax Law, a Parent Company and Subsidiary must be Resident Persons that are not considered resident for tax purposes in another country or foreign territory under a relevant international agreement in force in the State.

2. Where a member of a Tax Group becomes a resident for tax purposes in another country or foreign territory in accordance with Clause (1) of this Article, the relevant member shall be treated as leaving the Tax Group from the beginning of the Tax Period in which it became a resident for tax purposes in such other country or foreign territory.

3. A foreign juridical person that is considered a Resident Person under paragraph (b) of Clause (3) of Article (11) of the Corporate Tax Law or a juridical person that is incorporated or otherwise established or recognised under the applicable legislation of the State but that is effectively managed and controlled in another country or territory shall maintain documentation that supports the position that it is not resident for tax purposes in that other country or foreign territory as specified under Article (56) of the Corporate Tax Law.

4. The documentation to be maintained for the purposes of Clause (3) of this Article shall include either of the following:

    a. A confirmation issued by the relevant tax authority of that other country or foreign territory.

    b. A confirmation issued by the relevant competent authorities for the purposes of the application of the relevant international agreement in force in the State.

Article (4)
Rules in relation to Transactions prior to Forming or Joining a Tax Group

1. For the purposes of Clause (1) of Article (42) of the Corporate Tax Law, transactions between members of a Tax Group shall not be eliminated insofar as a member has recognised a deductible loss in a Tax Period in respect of those transactions prior to joining or forming the Tax Group, until such deductible loss is reversed in full.

2. If, as a result of Clause (1) of this Article, a relevant transaction is not eliminated, the Tax Group shall include any income in relation to that transaction in determining the Taxable Income of the Tax Group for the Tax Period in which that income arises up to the amount of the deductible loss that was previously deducted prior to joining or forming the Tax Group.

Article (5)
Date of Formation or Joining of a Tax Group

1. For the purposes of Clause (1) of Article (41) of the Corporate Tax Law, the application to form a Tax Group or to join an existing Tax Group must be submitted to the Authority before the end of the Tax Period within which the formation or joining of a Tax Group is requested.

2. Clause (1) of this Article shall also apply where a new Parent Company replaces a former Parent Company under Clause (12) of Article (40) of the Corporate Tax Law, including in cases where the new Parent Company is the legal successor of the former Parent Company.

3. For the purposes of Clause (2) of this Article, the new Parent Company should meet the conditions specified in Clause (1) of Article (40) of the Corporate Tax Law from the beginning of the relevant Tax Period.

4. For the purposes of paragraph (b) of Clause (12) of Article (40) of the Corporate Tax Law, where a Parent Company transfers its entire Business to another member of the same Tax Group and the Parent Company ceases to exist as a result of this transfer, the Parent Company shall be replaced by that other member as of the date the transfer is effective.

5. Subject to Clause (1) of this Article, a newly established juridical person may join an existing Tax Group from the date of incorporation where that juridical person is either of the following:

    a. A newly established Subsidiary.

    b. A newly established Parent Company, replacing the existing Parent Company of the Tax Group under paragraph (a) of Clause (12) of Article (40) of the Corporate Tax Law.

Article (6)
Assets, Liabilities and Financial Positions of Members of a Tax Group

1. For the purposes of Clause (1) of Article (42) of the Corporate Tax Law and Article (4) of this Decision, transactions between the Parent Company and each Subsidiary that is a member of the Tax Group shall include:

    a. Transactions between two or more Subsidiaries that are members of the same Tax Group.

    b. Valuation adjustments and provisions in relation to transactions between two or more members of the same Tax Group.

2. Where a gain or loss in respect of a transaction between members of the same Tax Group has been eliminated under Clause (1) of Article (42) of the Corporate Tax Law, such elimination shall also include any change in accounting value of the relevant assets and liabilities that may have arisen in consequence of that gain or loss.

Article (7)
Relief for Pre- Grouping Tax Losses

1. For the purposes of Clause (3) of Article (42) of the Corporate Tax Law, the amount of pre-Grouping Tax Losses of a Subsidiary that can be used to offset the Taxable Income of the Tax Group in a Tax Period shall be the lesser of the following two amounts:

    a. The Taxable Income of the Tax Group that is attributable to that Subsidiary.

b. The Tax Loss that can be used to reduce the Taxable Income of the Tax Group in the relevant Tax Period under Clause (2) of Article (37) of the Corporate Tax Law.

2. Where the calculation of the Taxable Income of a Tax Group as specified under Clause (1) of Article (42) of the Corporate Tax Law results in a Tax Loss and becomes a carried forward Tax Loss, any pre-Grouping Tax Losses available to be utilised in a subsequent Tax Period must be offset against the Taxable Income of the Tax Group in that Tax Period in accordance with Clause (1) of this Article before the other carried forward Tax Losses of the Tax Group can be utilised in that same Tax Period, subject to the provisions of Article (37) of the Corporate Tax Law.

3. Where the total pre-Grouping Tax Losses available to be utilised in a Tax Period exceed the amount specified under Clause (1) of this Article, the Parent Company shall determine which Subsidiary's pre-Grouping Tax Losses shall remain carried forward Tax Losses of the Tax Group.

4. The provisions of Clause (4) of Article (37) of the Corporate Tax Law shall also be applied to pre-Grouping Tax Losses.

Article (8)
Arm's Length Principle and Transfer Pricing Documentation Requirements and the Calculation of the Taxable Income of a Tax Group

1. The Tax Group shall calculate the Taxable Income that is attributable to one or more of its members in accordance with Clauses (2) and (3) of this Article where any of the following occurs:

   a. A member of the Tax Group has unutilised pre-Grouping Tax Losses.

   b. A member of the Tax Group has earned income for which the Tax Group can claim a Foreign Tax Credit against as specified under Article (47) of the Corporate Tax Law.

   c. A member of the Tax Group benefits from any Corporate Tax incentives as specified under paragraph (g) of Clause (2) of Article (20) of the Corporate Tax Law.

   d. A member of the Tax Group has unutilised carried forward pre-Grouping Net Interest Expenditure under Clause (4) of Article (30) of the Corporate Tax Law.

2. If the Tax Group is required to calculate the Taxable Income that is attributable to any of its members as per Clause (1) of this Article, the Tax Group must:

   a. Calculate the Taxable Income that is attributable to each relevant member of the Tax Group in accordance with Article (34) of the Corporate Tax Law.

   b. Disclose any information as may be required by notice or through a decision issued by the Authority regarding transactions and arrangements between the relevant members and other members of the Tax Group and between the relevant members and their Related Parties and Connected Persons.

Article (9)
Determination of Ownership Interest for the purposes of Transfer of Tax Loss and Qualifying Group Provisions

For the purposes of the ownership requirements under paragraph (b) of Clause (2) of Article (26) and paragraph (c) of Clause (1) of Article (38) of the Corporate Tax Law, the direct and indirect ownership interest held by members of the same Tax Group shall be determined on the basis of the aggregation of the assets and liabilities of the Parent Company and each Subsidiary in accordance with Clause (1) of Article (42) of the Corporate Tax Law.

Article (10)
Business Restructuring

1. For the purposes of Clause (3) of Article (41) of the Corporate Tax Law the following shall apply:

    a. Where a member of the Tax Group transfers its entire Business to another member of the same Tax Group and the first mentioned member ceases to exist as a result of that transfer, this member shall be deemed to remain a member of the Tax Group until the date it ceases to exist and the Tax Group shall continue to exist.

    b. Where the Tax Group is comprised of only two members, and one member transfers its entire Business to the other member and the first mentioned member ceases to exist as a result of that transfer, the Tax Group shall be considered to cease to exist on the date that the transfer is effective.

2. For the purposes of Article (40) of the Corporate Tax Law, where a member of a Tax Group transfers its entire Business or an independent part of its Business to a newly established juridical person, and this new juridical person joins the existing Tax Group under Clause (5) of Article (5) of this Decision from the date of its establishment, the transfer shall be considered as having taken place within the Tax Group.

3. No election for Business Restructuring Relief under Article (27) of the Corporate Tax Law shall be required for the situations described in Clauses (1) and (2) of this Article.

Article (11)
Income from Intra-Tax Group Transfers and Business Restructuring Transactions

1. For the purposes of Clause (9) of Article (42) of the Corporate Tax Law, where a transfer of one or more assets or liabilities between members of a Tax Group would have met the conditions under Articles (26) or (27) of the Corporate Tax Law if the parties to that transfer had not been members of a Tax Group, the associated income shall be considered as not having been taken into account for Corporate Tax purposes as if the relevant members of the Tax Group have chosen to apply Clause (1) of Article (26) or Clause (1) of Article (27) of the Corporate Tax Law, as the case may be.

2. Where Clause (1) of this Article applies and the conditions under Clause (4) of Article (26) or Clause (6) of Article (27) of the Corporate Tax Law are met, as the case may

be, Clause (10) of Article (42) of the Corporate Tax Law shall apply to any income that was not taken into account in respect of the transfer under Clause (1) of this Article.

Article (12)
Notification to the Authority of a Subsidiary Leaving or Termination of a Tax Group

Where a Subsidiary leaves a Tax Group or where a Tax Group ceases to exist as a result of no longer meeting the conditions under Article (40) of the Corporate Tax Law or this Decision, the Tax Group shall notify the Authority within (20) twenty business days from the date the conditions are no longer met.

Article (13)
Preparing Financial Statements upon Leaving or Cessation of a Tax Group

For the purposes of Article (20) of the Corporate Tax Law, where a Subsidiary leaves a Tax Group or a Tax Group ceases to exist, each Subsidiary leaving the Tax Group and the former Parent of the Tax Group, as the case may be, shall prepare its standalone financial statements on the same accounting basis as applied by the Tax Group and shall adopt the values of the relevant assets and liabilities as recorded by the Tax Group as the opening values of those assets and liabilities in the standalone financial statements.

Article (14)
Publication and Application of this Decision

This Decision shall be published and shall come into effect the day following the date of its publication.

Mohamed bin Hadi Al Hussaini

Minister of State for Financial Affairs

Issued by us:
On: 02/DHU‘L-QI‘DAH/1444
Corresponding to:22/05/2023

Ministerial Decision No. 126 of 2023 on the General Interest Deduction Limitation Rule for the Purposes of Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses

Minister of State for Financial Affairs:

- Having reviewed the Constitution,
- Federal Law No. 1 of 1972 on the Competencies of Ministries and Powers of the Ministers, and its amendments,
- Federal Decree-Law No. 13 of 2016 on the Establishment of the Federal Tax Authority, and its amendments,
- Federal Decree-Law No. 28 of 2022 on Tax Procedures,
- Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses,

Has decided:

Article (1)
Definitions

Words and expressions in this Decision shall have the same meanings specified in the Federal Decree-Law No. 47 of 2022 referred to above ("**Corporate Tax Law**"), and the following words and expressions shall have the meanings assigned against each, unless the context otherwise requires:

Accounting Standards: The accounting standards specified in a decision issued by the Minister for the purposes of the Corporate Tax Law**.**

Islamic Financial Instrument: A financial instrument which is in compliance with Sharia principles and is economically equivalent to any instrument provided for under Clause (2) of Article (2) of this Decision, or a combination thereof.

Qualifying Infrastructure Project: A project that meets the conditions of Article (14) of this Decision.

Qualifying Infrastructure Project Person: A Resident Person that meets the conditions of Clause (2) of Article (14) of this Decision.

General Interest Deduction Limitation Rule: The limitation provided under Article (30) of the Corporate Tax Law.

Article (2)
Interest Component on Financial Assets and Liabilities

1. Where the financial returns on a financial asset or liability comprise Interest or other payments economically equivalent to Interest, then the interest component on those returns shall be considered Interest expenditure or income for the purposes of the General Interest Deduction Limitation Rule, regardless of the classification and treatment of the interest component under the applicable Accounting Standards

unless stated otherwise in this Decision.

2. For purposes of Clause (1) of this Article, Interest shall include, but not be limited to, the interest component on any of the following:

   a. Performing and non-performing debt instruments.

   b. Interests held in collective investment schemes that primarily invest in cash and cash equivalents.

   c. Collateralised asset backed debt securities and similar instruments.

   d. Agreements for the sale and subsequent repurchase of the same security at a future date at an agreed upon price.

   e. Stock lending and similar agreements for the disposal of a security subject to an obligation or right to reacquire the same or a similar designated security.

   f. Securitisations and similar transactions involving the transfer of assets in exchange for the issuance of securities that entitle the holder to proceeds generated from these assets.

   g. Lease or hire purchase arrangements where all the risks and rewards incidental to the ownership of the underlying asset have been substantially transferred to the lessee.

   h. Factoring and similar accounts receivable purchase transactions.

Article (3)
Amounts Incurred in Connection with Raising Finance

1. Amounts incurred in connection with raising finance shall be considered Interest for the purposes of the General Interest Deduction Limitation Rule.

2. For purposes of Clause (1) of this Article, Interest shall include, but not be limited to, the following fees:

   a. Guarantee fees.

   b. Arrangement fees.

   c. Commitment fees.

   d. Any other fees similar in nature to those provided under paragraphs (a), (b) and (c) of this Clause.

3. For the purposes of Clause (1) of this Article, Interest shall include the interest component on forward contracts, futures contracts, options, interest rate and foreign exchange swap agreements or any other financial derivative instruments used to hedge risks directly connected with the raising of finance.

Article (4)
Islamic Financial Instruments

The interest equivalent component on Islamic Financial Instruments shall be treated as Interest for the purposes of the General Interest Deduction Limitation Rule.

Article (5)
Finance and Non-Finance Lease

1. The finance element of finance lease payments as documented in the accounts of a Taxable Person prepared in accordance with the Accounting Standards shall be considered Interest for the purposes of the General Interest Deduction Limitation Rule, and this includes both expenditure in relation to the finance cost element and income received therefrom.

2. The finance element of non-finance lease payments shall be considered as Interest for the purposes of the General Interest Deduction Limitation Rule, and this includes both expenditure in relation to the finance cost element and income received therefrom.

3. For the purposes of Clause (2) of this Article, the finance element is the share of any lease payment that is in proportion to the share of the total cost of the lease as attributable to the total finance element.

4. For the purposes of Clause (3) of this Article, the total finance element is the total cost of the lease agreement less the value of the leased asset recognised on the date the lease was entered into less the expected depreciated value of the leased asset at the end of the lease. This shall be determined in accordance with the Accounting Standards and in accordance with the accounting policy of the Taxable Person in the year in which the lease was entered into.

5. For the purposes of Clause (4) of this Article, the finance element shall be calculated based on the values specified on the date the lease was entered into unless the terms of the lease are amended, in such case, the values shall be recalculated as if a new lease was entered into at the date of that amendment.

Article (6)
Foreign Exchange Movements

For the purposes of the General Interest Deduction Limitation Rule, all foreign exchange gains and losses accruing from Interest shall be considered Interest.

Article (7)
Capitalised Interest

Where an amount that is deemed to be Interest under this Decision is capitalised in the accounts of the Taxable Person in accordance with the Accounting Standards, income and expenditure attributable to the capitalised Interest amount shall be subject to the General Interest Deduction Limitation Rule.

Article (8)
De Minimis Net Interest Expenditure

1. The limitation on the deductible Net Interest Expenditure provided under Clause (1) of Article (30) of the Corporate Tax Law shall not apply where the Net Interest Expenditure for the relevant Tax Period does not exceed AED 12,000,000 (twelve million dirhams).

2. Where the Net Interest Expenditure exceeds the amount referred to in Clause (1) of this Article, a Taxable Person may deduct the higher of AED 12,000,000 (twelve million dirhams) or the percentage provided for under Clause (1) of Article (30) of the Corporate Tax Law.

3. For purposes of this Article, where the relevant Tax Period is more than or less than (12) twelve months, the amount stated in Clause (1) of this Article shall be adjusted in proportion to the length of the Tax Period.

Article (9)
Accounting Earnings Before Interest, Taxes, Depreciation, and Amortisation (EBITDA)

1. For the purposes of the General Interest Deduction Limitation Rule, accounting earnings before the deduction of interest, tax, depreciation and amortisation (EBITDA) for a Tax Period shall be the greater of AED 0 (zero dirham) or the amount calculated as the Taxable Income in accordance with Article (20) of the Corporate Tax Law and any implementing decision issued thereunder, with the addition of all of the following:

    a. Net Interest Expenditure for the relevant Tax Period.

    b. Depreciation and amortisation expenditure taken into account in determining the Taxable Income for the relevant Tax Period.

    c. Any Interest income or expenditure relating to historical financial assets or liabilities held prior to 9 December 2022.

2. Interest income and Interest expenditure in relation to Qualifying Infrastructure Projects exempted under Article (14) of this Decision should be excluded when calculating the Taxable Person's EBITDA for the purposes of the General Interest Deduction Limitation Rule.

3. In calculating EBITDA for the purposes of the General Interest Deduction Limitation Rule, any amount of income and expenditures attributable to the Interest capitalised by the Taxable Person in accordance with the Accounting Standards shall be included when the capitalised Interest is amortised over the useful life of the related asset, and not when the Interest is incurred.

Article (10)
Adjusting Accounting Income

Where a deduction from Taxable Income is claimed under Article (29) of the Corporate Tax Law, this deduction shall be applied after the Accounting Income for that period has been adjusted in accordance with Clause (2) of Article (20) of the Corporate Tax Law.

Article (11)
Historical Financial Liabilities

1. Persons who entered into debt instruments or other liabilities for which the terms were agreed prior to 9 December 2022, and any contract such Persons entered into before or after that date with the sole purpose of reducing the Interest rate risk on such debt instruments or other liabilities shall not be subject to the terms of the General Interest Deduction Limitation Rule.

2. For purposes of Clause (1) of this Article, the exemption from General Interest Deduction Limitation Rule shall only apply in relation to the Net Interest Expenditure attributable to the relevant debt instruments or other liabilities.

3. Where the terms of a debt instrument and other liabilities entered into prior to 9 December 2022 include provision for an amount of principal not yet drawn down at that date by the borrower, such amount shall only be considered a part of that debt instrument or liability to the extent the lender was legally obliged to make available such amounts upon the completion of pre-determined deliverables or project phases set out in the terms agreed prior to 9 December 2022 and not including a call by the borrower for a drawdown of the principal.

4. The Net Interest Expenditure attributable to debt instruments or other liabilities agreed prior to 9 December 2022 for a Tax Period is the lower of the following two values:

    a. The Net Interest Expenditure that arises on the debt instrument or other liability in the Tax Period.

    b. The Net Interest Expenditure that would have arisen on the debt instrument or other liability in the Tax Period in accordance with the terms of the debt instrument or other liability as they stood on 9 December 2022.

Article (12)
Tax Groups

1. For the purposes of Article (42) of the Corporate Tax Law, where a Subsidiary joins an existing Tax Group, any carried forward Net Interest Expenditure of the Subsidiary at the date the Subsidiary becomes a member of the Tax Group may only be utilised against the Taxable Income of the Tax Group that is attributable to that Subsidiary that joined an existing Tax Group.

2. Without prejudice to Clause (1) of this Article, where a Subsidiary leaves a Tax Group, any carried forward Net Interest Expenditure of the Tax Group shall remain with the Tax Group, with the exception of any unutilised carried forward Net Interest Expenditure of the relevant Subsidiary as referred to under Clause (1) of this Article.

3. On cessation of a Tax Group, any carried forward Net Interest Expenditure of the Tax Group shall be allocated as follows:

    a. Where the Parent Company continues to be a Taxable Person, any carried forward Net Interest Expenditure of the Tax Group shall remain with the Parent Company.

    b. Where the Parent Company ceases to be a Taxable Person, any carried forward Net Interest Expenditure of the Tax Group shall not be available for offset against future Taxable Income of individual Subsidiaries, with the exception of any unutilised pre-Grouping carried forward Net Interest Expenditure of such Subsidiaries.

4. Paragraph (b) of Clause (3) of this Article shall not apply where there is a continuation of the Tax Group under Clause (12) of Article (40) of the Corporate Tax Law.

5. Where a member of a Tax Group is a Bank or Insurance Provider, and is not subject to the General Interest Deduction Limitation Rule, then any income or expenditures of that member shall be disregarded for the calculation of total Net Interest Expenditure and EBITDA of the Tax Group for the purposes of the General Interest Deduction Limitation Rule.

Article (13)
Independent Business of an Exempt Person

An Exempt Person under paragraphs (a), (b), (c) and (d) of Clause (1) of Article (4) of the Corporate Tax Law that is a Taxable Person insofar as it relates to the Business or Business Activity under Articles (5), (6), (7) or (8) of the Corporate Tax Law, shall be subject to the General Interest Deduction Limitation Rule and the provisions of this Decision in respect of that Business or Business Activity.

Article (14)
Qualifying Infrastructure Projects

1. Net Interest Expenditure incurred by a Qualifying Infrastructure Project Person in relation to a Qualifying Infrastructure Project shall not be subject to the General

Interest Deduction Limitation Rule.

2. A Qualifying Infrastructure Project Person is a Resident Person that satisfies one of the following conditions in the relevant Tax Period:

    a. Is responsible for the provision, maintenance or operation of a Qualifying Infrastructure Project.

    b. Carries on any other activity that is ancillary to, or facilitates the provision, maintenance or operation of a Qualifying Infrastructure Project.

3. A Qualifying Infrastructure Project is a project that satisfies all of the following conditions:

    a. It is exclusively for the public benefit of the State.

    b. It is exclusively for the purposes of providing transport, utilities, education, healthcare or any other service within the State as may be specified by the Minister.

    c. Its assets may not be disposed of at the discretion of the relevant Qualifying Infrastructure Project Person.

    d. The assets provided, operated or maintained by the project should last, or be expected to last, not less than (10) ten years, or another period as may be specified by the Minister.

    e. All its assets must be situated in the State's Territory.

    f. All its Interest income and Interest expenditure must arise in the State.

    g. It satisfies any other conditions that may be prescribed by the Minister.

Article (15)
Publication and Application of this Decision

This Decision shall be published and shall come into effect the day following the date of its publication.

Mohamed bin Hadi Al Hussaini

Minister of State for Financial Affairs

Issued by us:
On: 03/DHU'L-QI'DAH/1444
Corresponding to: 23/05/2023

Ministerial Decision No. 127 of 2023 on Unincorporated Partnership, Foreign Partnership and Family Foundation for the Purposes of Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses

Minister of State for Financial Affairs:

- Having reviewed the Constitution,
- Federal Law No. 1 of 1972 on the Competencies of Ministries and Powers of the Ministers, and its amendments,
- Federal Decree-Law No. 13 of 2016 on the Establishment of the Federal Tax Authority, and its amendments,
- Federal Decree-Law No. 28 of 2022 on Tax Procedures,
- Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses,

Has decided:

Article (1)
Definitions

Words and expressions in this Decision shall have the same meanings specified in the Federal Decree-Law No. 47 of 2022 referred to above ("**Corporate Tax Law**"), unless the context requires otherwise.

Article (2)
Conditions for an Unincorporated Partnership not to be Considered a Taxable Person in its Own Right

For the purposes of Clause (1) of Article (16) of the Corporate Tax Law, and without prejudice to Clause (7) of Article (16) and Article (17) of the Corporate Tax Law, the Unincorporated Partnership shall not be considered as a Taxable Person in its own right, provided it is not a juridical person.

Article (3)
Treatment of the Unincorporated Partnership as a Taxable Person

Where an application for the Unincorporated Partnership to be treated as a Taxable Person in its own right under Clause (8) of Article (16) of the Corporate Tax Law is approved, the following shall apply:

1. The application shall be deemed irrevocable, except under exceptional circumstances and pursuant to the approval by the Authority.
2. The Unincorporated Partnership shall notify the Authority within (20) twenty business days from the occurrence of any of the following circumstances:
   a. Any partner joining the Unincorporated Partnership.

b. Any partner leaving the Unincorporated Partnership.

Article (4)
Other Conditions for a Foreign Partnership to be Treated as an Unincorporated Partnership

1. For the purposes of paragraph (c) of Clause (7) of Article (16) of the Corporate Tax Law, the following conditions shall be met:

    a. The Foreign Partnership submits an annual declaration to the Authority to confirm meeting the conditions specified in paragraphs (a) and (b) of Clause (7) of Article (16) of the Corporate Tax Law, in the form and manner and within the timeline prescribed by the Authority.

    b. Adequate arrangements exist for cooperation between the State and the jurisdiction under whose applicable laws the Foreign Partnership was established, for the purpose of sharing tax information of the partners in the Foreign Partnership.

2. For the purposes of paragraph (b) of Clause (7) of Article (16) of the Corporate Tax Law, each partner in the Foreign Partnership shall be considered to be subject to tax if they would be subject to tax on their distributive share of any income in the Foreign Partnership in the jurisdiction in which the partner is a tax resident.

Article (5)
Other Conditions for a Family Foundation to be Treated as an Unincorporated Partnership

For the purposes of paragraph (e) of Clause (1) of Article (17) of the Corporate Tax Law, where one or more of the beneficiaries are public benefit entities, the Family Foundation shall meet one of the following conditions:

1. Such beneficiaries are not deriving income that would be deemed as Taxable Income in the event they had derived it in their own right.
2. Where the condition under Clause (1) of this Article is not met, the income that would be deemed as Taxable Income is distributed to the relevant beneficiaries within (6) six months from the end of the relevant Tax Period.

Article (6)
Publication and Application of this Decision

This Decision shall be published and shall come into effect the day following the date of its publication.

Mohamed bin Hadi Al Hussaini
Minister of State for Financial Affairs

Issued by us:
On: 04/DHU‘L-QI‘DAH/1444
Corresponding to:24/05/2023

Ministerial Decision No. 132 of 2023 on Transfers Within a Qualifying Group for the Purposes of Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses

Minister of State for Financial Affairs:

- Having reviewed the Constitution,
- Federal Law No. 1 of 1972 on the Competencies of Ministries and Powers of the Ministers, and its amendments,
- Federal Decree-Law No. 13 of 2016 on the Establishment of the Federal Tax Authority, and its amendments,
- Federal Decree-Law No. 28 of 2022 on Tax Procedures,
- Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses,

Has decided:

Article (1)
Definitions

Words and expressions in this Decision shall have the same meanings specified in the Federal Decree-Law No. 47 of 2022 referred to above (**"Corporate Tax Law"**), and the following words and expressions shall have the meanings assigned against each, unless the context otherwise requires:

Accounting Standards: The accounting standards specified in a decision issued by the Minister for the purposes of the Corporate Tax Law.

Ordinary Shares: The category of capital stock or equivalent ownership interest, which gives its owner, on a share-by-share basis, equal entitlement to voting rights, profits, and liquidation proceeds.

Preferred Shares: The category of capital stock or equity interest which gives its owner priority entitlement to profits and liquidation proceeds ahead of owners of Ordinary Shares.

Redeemable Shares: The category of capital stock or equity interest which the juridical person issuing this instrument has agreed to redeem or buy back from the owner of this instrument at a future date or after a specific event, for a predetermined amount or with reference to a predetermined amount.

Membership and Partner Interests: The equity interests owned by a member or a partner in the juridical person, which entitles the member or the partner to a share of the profits, determined with reference to the member's or the partner's capital contribution, and which may be transferred to others.

Transferor: A Taxable Person that transfers one or more assets or liabilities to another Taxable Person under Article (26) of the Corporate Tax Law.

Transferee: A Taxable Person to which one or more assets or liabilities of the Transferor is transferred under Article (26) of the Corporate Tax Law.

Islamic Financial Instrument: A financial instrument which is compliant with Sharia principles.

Article (2)
Ownership Interest

1. For the purposes of Article (26) of the Corporate Tax Law, an ownership interest shall include, but not be limited to, holding any one or a combination of the following instruments:

    a) Ordinary Shares.

    b) Preferred Shares.

    c) Redeemable Shares.

    d) Membership and Partner Interests.

    e) Other types of securities, capital contributions and rights that entitle the owner to receive profits and liquidation proceeds.

2. An ownership interest as referred to in Clause (1) of this Article shall only be treated as such if it is classified as equity interest under the Accounting Standards as applied by the Taxable Person holding the ownership interest.

3. For the purposes of Article (26) of the Corporate Tax Law, a Taxable Person shall be treated as holding an ownership interest where the ownership interest is controlled by the Taxable Person and the Taxable Person has the right to the economic benefits produced by the ownership interest under the Accounting Standards applied by the Taxable Person.

4. An Islamic Financial Instrument, or combination of arrangements that form part of the same Islamic Financial Instrument, shall be treated as an ownership interest for the purposes of Article (26) of the Corporate Tax Law where it is classified as equity interest under the Accounting Standards applied by the Taxable Person.

5. The percentage of ownership held through ownership interests as specified under Clause (1) of this Article shall be determined with reference to the total paid up capital of the Taxable Person or the total equity interest contributions made to the Taxable Person, as applicable.

Article (3)
Election to Apply Transfers Within a Qualifying Group

1. An election must be made by the Transferor to apply the provisions of Article (26) of the Corporate Tax Law to a transfer meeting the conditions of that Article. The election shall be in the form and manner as prescribed by the Authority and the Transferor and Transferee must maintain the records specified in Article (6) of this Decision.

2. The election under Clause (1) of this Article shall be made at the time of submission of the Tax Return for the Tax Period in which a transfer occurs for which the Taxable Person elects to apply the provisions of Article (26) of the Corporate Tax Law.

3. An election made under Clause (1) of this Article shall be irrevocable and shall have effect for the purposes of calculating Taxable Income for the Tax Period in relation to which the election is made and all subsequent Tax Periods, unless the Authority, having regard to the circumstances of the case, determines otherwise in response to an application made by the Taxable Person.

4. Where an election under Clause (1) of this Article is made, the provisions of Article (26) of the Corporate Tax Law shall apply to all transfers of assets and liabilities held on the capital account, as defined under paragraphs

(a) and (b) of Clause (4) of Article (20) of the Corporate Tax Law, by the Transferor where the conditions of Article (26) of the Corporate Tax Law are met.

5. Where Clause (1) of Article (26) of the Corporate Tax Law applies, any adjustments to the Taxable Income of the Transferor and the Transferee shall be made in accordance with the Ministerial Decision on the general rules for determining taxable income.

Article (4)
Exchange of Assets and Liabilities

1. Where the consideration paid for the transfer of the asset or liability is in the form of another asset or liability, the transfer shall be treated as two separate transfers for the purposes of applying Article (26) of the Corporate Tax Law.

2. Where Clause (1) of this Article applies, the provisions of Article (26) of the Corporate Tax Law and the Ministerial Decision on the general rules for determining taxable income shall apply to each transfer where at least one of the Taxable Persons that is party to the transfer has elected to apply Article (26) of the Corporate Tax Law.

Article (5)
Subsequent Transfer

1. Any gain or loss that arises as a result of applying Clause (5) of Article (26) of the Corporate Tax Law shall be taken into account for the purposes of calculating the Taxable Income of the Transferor and included in the Tax Return of the Transferor for the Tax Period in which any of the following occurs:

    a) There is a subsequent transfer of the asset or liability outside of the Qualifying Group.

    b) The Transferor or Transferee cease to be members of the same Qualifying Group.

2. Notwithstanding Clause (1) of this Article, any gain or loss that would have accrued to the Transferor under Clause (1) of this Article shall be attributed to the Transferee if the Transferor has ceased to be a Taxable Person.

3. Where Clause (2) of this Article applies, the Transferee shall take into account any gain or loss that arises for the purposes of calculating Taxable Income and such a gain or loss shall be included in the Tax Return of the Transferee for the Tax Period in which any of the following occurs:

    a) There is a subsequent transfer of the asset or liability outside of the Qualifying Group.

    b) The Taxable Persons cease to be members of the same Qualifying Group.

4. Paragraph (a) of Clause (4) of Article (26) of the Corporate Tax Law shall apply proportionately, as the context requires, to a subsequent transfer of part of the asset or liability outside of the Qualifying Group.

5. Where Clause (5) of Article (26) of the Corporate Tax Law applies to a transfer the following shall apply:

    a) The Transferee shall make any necessary adjustments to their Taxable Income during the relevant Tax Period in which Clause (5) of Article (26) of the Corporate Tax Law applies to reverse any depreciation, amortisation or other change in the value of an asset or liability that has been previously adjusted by the Transferee for this transfer subject to the Ministerial Decision on the general rules for determining taxable income.

b) The relevant provisions of the Ministerial Decision on the general rules for determining taxable income shall no longer apply for the current and future Tax Periods in relation to this transfer.

Article (6)
Record Keeping

For the purposes of Article (56) of the Corporate Tax Law, where Clause (1) of Article (26) of the Corporate Tax Law has been applied, both the Transferor and the Transferee must maintain a record of the agreement to transfer the asset or liability at the value prescribed under Article (26) of the Corporate Tax Law and that of the requirements to make any adjustments prescribed under the Ministerial Decision on the general rules for determining taxable income.

Article (7)
Publication and Application of this Decision

This Decision shall be published and shall come into effect the day following the date of its publication.

Mohamed bin Hadi Al Hussaini

Minister of State for Financial Affairs

Issued by us:

On: 05/DHU'L-QI'DAH/1444

Corresponding to: 25/05/2023

Ministerial Decision No. 133 of 2023 on Business Restructuring Relief for the Purposes of Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses

Minister of State for Financial Affairs:

- Having reviewed the Constitution,
- Federal Law No. 1 of 1972 on the Competencies of Ministries and Powers of the Ministers, and its amendments,
- Federal Decree-Law No. 13 of 2016 on the Establishment of the Federal Tax Authority, and its amendments,
- Federal Decree-Law No. 28 of 2022 on Tax Procedures,
- Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses,

Has decided:

Article (1)
Definitions

Words and expressions in this Decision shall have the same meanings specified in the Federal Decree-Law No. 47 of 2022 referred to above ("**Corporate Tax Law**"), and the following words and expressions shall have the meanings assigned against each, unless the context otherwise requires:

Accounting Standards: The accounting standards specified in a decision issued by the Minister for the purposes of the Corporate Tax Law.

Ordinary Shares: The category of capital stock or equivalent ownership interest, which gives its owner, on a share-by-share basis, equal entitlement to voting rights, profits, and liquidation proceeds.

Preferred Shares: The category of capital stock or equity interest which gives its owner priority entitlement to profits and liquidation proceeds ahead of owners of Ordinary Shares.

Redeemable Shares: The category of capital stock or equity interest, which the juridical person issuing this instrument has agreed to redeem or buy back from the owner of this instrument at a future date or after a specific event, for a predetermined amount or with reference to a predetermined amount.

Membership and Partner Interests: The equity interests owned by a member or a partner in the juridical person, which entitles the member or the partner to a share of the profits, determined with reference to the member's or the partner's capital contribution, and which may be transferred to others.

Transferor: A Taxable Person that transfers its entire Business or an independent part of its Business to another Taxable Person under Article (27) of the Corporate Tax Law.

Transferee: A Taxable Person to which the entire Business or an independent part of the Business of the Transferor is transferred under Article (27) of the Corporate Tax Law.

Article (2)
Transfers in Exchange for Shares and Other Forms of Consideration

A transfer will be considered to meet the conditions of Clause (1) of Article (27) of the Corporate Tax Law only where the Market Value of any other forms of consideration received in addition to shares or other ownership interests do not exceed the lower of:

1. The net book value of the assets and liabilities transferred; or

2. 10% (ten percent) of the nominal value of the ownership interests issued.

Article (3)
Ownership Interest

1. For the purposes of Article (27) of the Corporate Tax Law, an ownership interest shall include, but not be limited to, holding any one or a combination of the following instruments:

    a) Ordinary Shares.

    b) Preferred Shares.

    c) Redeemable Shares.

    d) Membership and Partner Interests.

    e) Other types of securities, capital contributions and rights that entitle the owner to receive profits and liquidation proceeds.

2. An ownership interest as referred to in Clause (1) of this Article shall only be treated as such if it is classified as equity interest under the Accounting Standards applied by the Taxable Person holding the ownership interest.

3. For the purposes of Article (27) of the Corporate Tax Law, a Taxable Person shall be treated as holding an ownership interest where the ownership interest is controlled by the Taxable Person and the Taxable Person has the right to the economic benefits produced by the ownership interest under the Accounting Standards applied by the Taxable Person.

Article (4)
Election to Apply Business Restructuring Relief

1. An election must be made by the Transferor to apply the provisions of Article (27) of the Corporate Tax Law to a transfer meeting the conditions of that Article. The election shall be in the form and manner as prescribed by the Authority and the Transferor and Transferee must maintain the records specified in Article (9) of this Decision.

2. Where Clause (1) of Article (27) of the Corporate Tax Law applies, any adjustments to the Taxable Income of the Transferor and the Transferee shall be made in accordance with the Ministerial Decision on the general rules for determining taxable income.

Article (5)
Transfer of Unutilised Tax Losses

1. For the purposes of paragraph (d) of Clause (3) of Article (27) of the Corporate Tax Law, any unutilised Tax Losses incurred by the Transferor prior to the Tax Period in which the transfer under Clause (1) of Article (27) of the Corporate Tax Law takes place may become carried forward Tax Losses of the Transferee provided that the Transferee continues to conduct the same or a similar Business or Business Activity that was conducted by the Transferor prior to the transfer.

2. For the purposes of Clause (1) of this Article, relevant factors for determining whether the Transferee has continued to conduct the same or a similar Business or Business Activity which was conducted by the Transferor prior to the transfer include:

    a) The Transferee uses some or all of the same assets that were used by the Transferor prior to the transfer;

    b) The Transferee has not made significant changes to the core identity or operations of the Business since the transfer; and

    c) Where there have been any changes, these result from the development or exploitation of assets, services, processes, products or methods that existed before the transfer.

Article (6)
Parties to the Transfer

1. For the purposes of paragraph (a) of Clause (4) of Article (27) of the Corporate Tax Law, the shares or other ownership interests must be received by a Person that has a direct or indirect ownership interest of at least 50% (fifty percent) in the Transferor.

2. For the purposes of paragraph (b) of Clause (4) of Article (27) of the Corporate Tax Law, the shares or other ownership interest must be issued by a Person that has a direct or indirect ownership interest of at least 50% (fifty percent) in the Transferee.

Article (7)
Unincorporated Partnerships

For the purposes of paragraph (c) of Clause (4) of Article (27) of the Corporate Tax Law, where an application has been made by an Unincorporated Partnership to be treated as a Taxable Person under Clause (8) of Article (16) of the Corporate Tax Law, no gain or loss needs to be taken into account in determining Taxable Income irrespective of whether any shares or ownership interests are received by the partners in the Unincorporated Partnership or whether all partners in the Unincorporated Partnership are Taxable Persons.

Article (8)
Subsequent Transfer

1. Any gain or loss that arises as a result of applying Clause (7) of Article (27) of the Corporate Tax Law shall be taken into account for the purposes of calculating the Taxable Income of the Transferor and included in the Tax Return of the Transferor for the Tax Period in which any of the following circumstances occurs:

    a) The shares or other ownership interests in the Taxable Person that is the Transferor or the Transferee are sold, transferred or otherwise disposed of, in whole or part, to a Person that is not a member of the Qualifying Group to which the relevant Taxable Persons belong.

b) There is a subsequent transfer or disposal of the Business or the independent part of the Business which was transferred.

2. Notwithstanding Clause (1) of this Article, any gain or loss that would have accrued to the Transferor under Clause (1) of this Article shall be attributed to the Transferee if any of the following applies:

   a) The Transferor has ceased to be a Taxable Person; or

   b) The Transferor is a natural person.

3. Where Clause (2) of this Article applies, the Transferee shall take into account any gain or loss that arises for the purposes of calculating Taxable Income and such a gain or loss shall be included in the Tax Return of the Transferee for the Tax Period in which any of the circumstances set out in paragraphs (a) and (b) of Clause (1) of this Article occurs.

4. Where Clause (7) of Article (27) of the Corporate Tax Law applies to a transfer the following shall apply:

   a) The Transferee shall make any necessary adjustments to their Taxable Income during the relevant Tax Period in which Clause (7) of Article (27) of the Corporate Tax Law applies to reverse any depreciation, amortisation or other change in the value of an asset or liability that has been previously adjusted by the Transferee for this transfer subject to the Ministerial Decision on the general rules for determining taxable income.

   b) The relevant provisions of the Ministerial Decision on the general rules for determining taxable income shall no longer apply for the current and future Tax Periods in relation to this transfer.

Article (9)
Record Keeping

For the purposes of Article (56) of the Corporate Tax Law, where Clause (1) of Article (27) of the Corporate Tax Law has been applied, both the Transferor and the Transferee must maintain a record of the agreement to transfer the Business or the independent part of the Business at the value prescribed under Article (27) of the Corporate Tax Law and that of the requirements to make any adjustments prescribed under the Ministerial Decision on the general rules for determining taxable income.

Article (10)
Publication and Application of this Decision

This Decision shall be published and shall come into effect the day following the date of its publication.

Mohamed bin Hadi Al Hussaini

Minister of State for Financial Affairs

Issued by us:

On: 05/DHU‘L-QI‘DAH/1444

Corresponding to: 25/05/2023

Ministerial Decision No.134 of 2023 on the General Rules for Determining Taxable Income for the Purposes of Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses

Minister of State for Financial Affairs:

- Having reviewed the Constitution,
- Federal Law No. 1 of 1972 on the Competencies of Ministries and Powers of the Ministers, and its amendments,
- Federal Decree-Law No. 13 of 2016 on the Establishment of the Federal Tax Authority, and its amendments,
- Federal Decree-Law No. 28 of 2022 on Tax Procedures,
- Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses,

Has decided:

Article (1)
Definitions

Words and expressions in this Decision shall have the same meanings specified in the Federal Decree-Law No. 47 of 2022 referred to above ("**Corporate Tax Law**"), and the following words and expressions shall have the meanings assigned against each, unless the context otherwise requires:

Accounting Standards: The accounting standards specified in a decision issued by the Minister for the purposes of the Corporate Tax Law.

Financial Statements: A complete set of statements as specified under the Accounting Standards applied by the Taxable Person, which includes, but is not limited to, statement of income, statement of other comprehensive income, balance sheet, statement of changes in equity and cash flow statement.

Accrual Basis of Accounting: An accounting method under which the Taxable Person recognises income when earned and expenditure when incurred.

Financial Asset: Financial asset as defined in the Accounting Standards applied by the Taxable Person.

Financial Liability: Financial liability as defined in the Accounting Standards applied by the Taxable Person.

Equity Method of Accounting: The equity method of accounting as defined in the International Financial Reporting Standards ("**IFRS**"), or an equivalent method of accounting under the Accounting Standards applied by the Taxable Person.

Cost Method of Accounting: The cost method of accounting as defined in the International Financial Reporting Standards ("**IFRS**"), or an equivalent method of accounting under the Accounting Standards applied by the Taxable Person.

Article (2)
Other Adjustments to the Accounting Income for Determining the Taxable Income

For the purposes of paragraph (i) of Clause (2) of Article (20) of the Corporate Tax Law, the Accounting Income shall be adjusted for the following in the calculation of the Taxable Income:

1. To include any realised or unrealised gains and losses that are reported in the Financial Statements insofar as they would not be subsequently recognised in the statement of income.

2. To make adjustments to replace the effect of Equity Method of Accounting, if applied, with the effect of Cost Method of Accounting as allowed under the Accounting Standards.

3. Where the Taxable Person elects to take into account gains and losses on a realisation basis in accordance with paragraph (a) of Clause (3) of Article (20) of the Corporate Tax Law, to make the following adjustments for the assets and liabilities under that paragraph:

    a. In cases other than upon realisation, to exclude any depreciation, amortisation or other change in the value of the asset, other than a Financial Asset, to the extent that the adjustment amount relates to a change in the net book value exceeding the original cost of that asset.

    b. To exclude any change in the value of a liability or a Financial Asset, including any amortisation, except when calculating the gain or the loss upon the realisation of the liability or the Financial Asset.

    c. Upon the realisation of an asset or a liability, to include any amount that has not been recognised for Corporate Tax purposes under paragraphs (a) and (b) of this Clause and paragraph (a) of Clause (3) of Article (20) of the Corporate Tax Law, other than any such amount that arose prior to the most recent acquisition which was not under the application of either Clause (1) of Article (26) or Clause (1) of Article (27) of the Corporate Tax Law.

4. Where the Taxable Person elects to take into account gains and losses on a realisation basis in accordance with paragraph (b) of Clause (3) of Article (20) of the Corporate Tax Law, to make the following adjustments for the assets and liabilities under that paragraph:

    a. In cases other than upon realisation, to exclude any depreciation, amortisation or other change in the value of the asset, other than a Financial Asset, to the extent that the adjustment amount relates to a change in the net book value exceeding the original cost of that asset.

b. To exclude any change in the value of a liability or a Financial Asset, including any amortisation, except when calculating the gain or the loss upon the realisation of the liability or the Financial Asset.

c. Upon the realisation of an asset or a liability, to include any amount that has not been recognised for Corporate Tax purposes under paragraphs (a) and (b) of this Clause and paragraph (b) of Clause (3) of Article (20) of the Corporate Tax Law, other than any such amount that arose prior to the most recent acquisition which was not under the application of either Clause (1) of Article (26) or Clause (1) of Article (27) of the Corporate Tax Law.

Article (3)
Other Adjustments to the Accounting Income for Determining the Taxable Income in Relation to Transactions with Related Parties

1. For the purposes of paragraph (i) of Clause (2) of Article (20) of the Corporate Tax Law, and for the purposes of Chapter Ten of the Corporate Tax Law, the following adjustments shall be made by the transferee when calculating the Taxable Income in case of a transfer of an asset or a liability between Related Parties:

   a. Where the amount of consideration paid by the transferee exceeds the Market Value:

      1) In cases other than upon realisation, to exclude any depreciation, amortisation or other change in value of the asset or liability, to the extent that the adjustment amount relates to a change in value between the net book value of that asset or liability as recognised by the transferee upon the transfer and the Market Value.

      2) Upon the realisation of an asset or a liability by the transferee, to include any amount to which the net book value used by the transferee when calculating the gain or loss, exceeds the Market Value identified under subparagraph (1) of this paragraph.

   b. Where the amount of consideration paid by the transferee is lower than the Market Value, and where the transferor has included the difference between the Market Value and the consideration in its Taxable Income:

      1) In cases other than upon realisation, to exclude any change in value of the asset or liability, to the extent that the adjustment amount relates to a change in the value between the Market Value of that asset or liability and its net book value as recognised by the transferee upon transfer.

      2) Upon the realisation of an asset or a liability by the transferee, to reduce an amount of gain by the difference in the Market Value and the net book value at the time of transfer, other than any net amount that has not been included in the Taxable Income under subparagraph (1) of this paragraph.

2. Where subparagraph (1) of paragraph (a) of Clause (1) of this Article applies, the transferee may elect to recognise the excess derived from the difference between

the net book value of the asset or liability of the transferee and the Market Value as an adjustment in calculating the Taxable Income.

3. Where the net book value of the asset or liability under paragraph (a) of Clause (1) of this Article becomes equal or less than the Market Value, or an election is made under Clause (2) of this Article for that asset or liability, subparagraphs (1) and (2) of paragraph (a) of Clause (1) of this Article shall no longer apply to that asset or liability.

4. Where the net book value of the asset or liability under paragraph (b) of Clause (1) of this Article becomes equal or higher than the Market Value, subparagraphs (1) and (2) of paragraph (b) of Clause (1) of this Article shall no longer apply to that asset or liability.

Article (4)
Other Adjustments to the Accounting Income for Determining the Taxable Income in Relation to Transfers Within a Qualifying Group

For the purposes of paragraph (i) of Clause (2) of Article (20) of the Corporate Tax Law, and where there has been a transfer of assets or liabilities between Taxable Persons that are members of the same Qualifying Group that is not a Tax Group under Article (26) of the Corporate Tax Law, and where Clause (1) of Article (26) of the Corporate Tax Law applies, the following adjustments shall apply in the calculation of the Taxable Income of the transferee:

1. In cases other than upon realisation, to exclude any depreciation, amortisation or other change in the value of an asset or a liability, to the extent that it relates to a gain or loss that arose to the transferor that has not been recognised as a gain or loss under the application of Clause (1) of Article (26) of the Corporate Tax Law.

2. Upon the realisation of an asset or a liability, to include any amount that has not been recognised for Corporate Tax purposes under Clause (1) of this Article and Article (26) of the Corporate Tax Law, other than any such amount that arose prior to the most recent acquisition where Clause (1) of Article (26) of the Corporate Tax Law did not apply.

Article (5)
Other Adjustments to the Accounting Income for Determining the Taxable Income in Relation to Business Restructuring Relief

For the purposes of paragraph (i) of Clause (2) of Article (20) of the Corporate Tax Law, where there has been a transfer of assets or liabilities between a Taxable Person and any other Person that constitute a transfer of an entire Business or an independent part of the Business under Article (27) of the Corporate Tax Law, and where Clause (1) of Article (27) of the Corporate Tax Law applies, the following adjustments shall apply in the calculation of the Taxable Income of the transferee:

1. In cases other than upon realisation, to exclude any depreciation, amortisation or other change in the value of an asset or a liability, to the extent that it relates to a

gain or loss that arose to the transferor that has not been recognised as a gain or loss under the application of Clause (1) of Article (27) of the Corporate Tax Law.

2. Upon the realisation of an asset or a liability, to include any amount that has not been recognised for Corporate Tax purposes under Clause (1) of this Article and Article (27) of the Corporate Tax Law, other than any such amount that arose prior to the most recent acquisition where Clause (1) of Article (27) of the Corporate Tax Law did not apply.

Article (6)
Other Adjustments to the Accounting Income for Determining the Taxable Income of a Partner in an Unincorporated Partnership

For the purposes of paragraph (i) of Clause (2) of Article (20) of the Corporate Tax Law, the following adjustments shall apply in relation to a Taxable Person that is a partner in an Unincorporated Partnership where an application under Clause (8) of Article (16) of the Corporate Tax Law is approved:

1. To exclude from the Taxable Income of the partner any such income or loss that is recognised as Taxable Income for the Unincorporated Partnership.

2. To exclude any gains or losses on the transfer, sale, or other disposal of the interest of the Taxable Person in the Unincorporated Partnership, or part thereof, provided that the interest meets all the conditions under Clause (2) of Article (23) of the Corporate Tax Law.

Article (7)
Other Adjustments on Deductions

1. For the purposes of paragraph (i) of Clause (2) of Article (20) of the Corporate Tax Law, to the extent that any expenditure is determined as deductible under Chapter Nine of the Corporate Tax Law where certain conditions are met, any expenditure that does not meet these conditions shall not be deductible.

2. For the purposes of paragraph (i) of Clause (2) of Article (20) of the Corporate Tax Law, no deduction shall be allowed for depreciation, amortisation or other change related to capitalised expenditure, where such an expenditure would not have been deductible had it been an expenditure that is not capital in nature.

3. For the purposes of paragraph (i) of Clause (2) of Article (20) of the Corporate Tax Law, expenditures that are capital in nature that have not been deducted for the purpose of calculating the Taxable Income, other than those under Clause (2) of this Article, shall be deductible in the calculation of gains or losses upon the realisation of the asset or liability.

4. For the purposes of this Article, expenditures that are capital in nature shall be those treated as such under the Accounting Standards applied by the Taxable Person.

Article (8)
Conditions to Elect the Use of the Realisation Basis

1. For the purposes of Clause (3) of Article (20) of the Corporate Tax Law, a Taxable Person that prepares Financial Statements on an Accrual Basis of Accounting may elect to recognise gains and losses on a realisation basis, subject to the provisions of Clause (2) of this Article.

2. Banks and Insurance Providers that are Taxable Persons and that prepare Financial Statements on an Accrual Basis of Accounting may elect to recognise gains and losses only on a realisation basis in accordance with paragraph (b) of Clause (3) of Article (20).

3. For the purposes of Clauses (1) and (2) of this Article, the decision to make an election, or not to make an election, shall be made by the Taxable Person during the first Tax Period and shall be deemed irrevocable, except under exceptional circumstances and pursuant to approval by the Authority.

Article (9)
Realisation of Assets or Liabilities

1. For the purposes of this Decision, the following transfers of assets or liabilities shall not be considered as a realisation of the assets or the liabilities:

    a. The transfer of assets or liabilities between Taxable Persons that are members of the same Qualifying Group that is not a Tax Group under Article (26) of the Corporate Tax Law, where Clause (1) of Article (26) of the Corporate Tax Law applies.

    b. The transfer of assets or liabilities between a Taxable Person and any other Person that constitute a transfer of an entire Business or an independent part of the Business under Article (27) of the Corporate Tax Law, where Clause (1) of Article (27) of the Corporate Tax Law applies.

2. For the purposes of this Decision, a realisation of an asset or a liability shall include, but is not limited to, the following:

    a. The sale, disposal, transfer, other than the transfers under Clause (1) of this Article, settlement and complete worthlessness of an asset as per the Accounting Standards applied by the Taxable Person.

    b. The settlement, assignment, transfer, other than the transfers under Clause (1) of this Article, and forgiveness of a liability as per the Accounting Standards applied by the Taxable Person.

Article (10)
Publication and Application of this Decision

This Decision shall be published and shall come into effect the day following the date of its publication.

Mohamed bin Hadi Al Hussaini
Minister of State for Financial Affairs

Issued by us:
On: 09/DHU‘L-QI‘DAH/1444
Corresponding to:29/05/2023

Ministerial Decision No. 139 of 2023 Regarding Qualifying Activities and Excluded Activities for the Purposes of Federal Decree Law No. 47 of 2022 on the Taxation of Corporations and Businesses

Minister of State for Financial Affairs:

- Having reviewed the Constitution,
- Federal Law No. 1 of 1972 on the Competencies of Ministries and Powers of the Ministers, and its amendments,
- Federal Decree-Law No. 13 of 2016 on the Establishment of the Federal Tax Authority, and its amendments,
- Federal Decree-Law No. 8 of 2017 on Value Added Tax, and its amendments,
- Federal Decree-Law No. 28 of 2022 on Tax Procedures,
- Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses,
- Cabinet Decision No. 59 of 2017 on Designated Zones for the Purposes of the Federal Decree-Law No. 8 of 2017 on Value Added Tax,
- Cabinet Decision No. 55 of 2023 on Determining Qualifying Income of the Qualifying Free Zone Person for the Purposes of Federal Decree Law No. 47 of 2022 on the Taxation of Corporations and Businesses,

Decided:

Article (1)
Definitions

Words and expressions in this Decision shall have the same meanings specified in the Federal Decree-Law No. 47 of 2022 (**"Corporate Tax Law"**) and Cabinet Decision No. 55 of 2023 referred to above, and the following words and expressions shall have the meanings assigned against each:

Ship: Any structures normally operating, or set for operating in maritime navigation regardless of its power and tonnage.

Aircraft: Any machine that can derive support in the atmosphere from the reactions of the air other than the reactions of the air against the surface of the earth.

Designated Zone: A designated zone as defined in Federal Decree-Law No. 8 of 2017 referred to above, and which has been specified as a Free Zone for the purposes of the Corporate Tax Law.

Article (2)
Qualifying Activities

1. For the purposes of Cabinet Decision No. 55 of 2023 referred to above, and subject to Clause (2) of this Article and Article (3) of this Decision, the following activities conducted by a Qualifying Free Zone Person shall be considered Qualifying Activities:

(a) Manufacturing of goods or materials.

(b) Processing of goods or materials.

(c) Holding of shares and other securities.

(d) Ownership, management and operation of Ships.

(e) Reinsurance services that are subject to the regulatory oversight of the competent authority in the State.

(f) Fund management services that are subject to the regulatory oversight of the competent authority in the State.

(g) Wealth and investment management services that are subject to the regulatory oversight of the competent authority in the State.

(h) Headquarter services to Related Parties.

(i) Treasury and financing services to Related Parties.

(j) Financing and leasing of Aircraft, including engines and rotable components.

(k) Distribution of goods or materials in or from a Designated Zone to a customer that resells such goods or materials, or parts thereof or processes or alters such goods or materials or parts thereof for the purposes of sale or resale.

(l) Logistics services.

(m) Any activities that are ancillary to the activities listed in paragraphs (a) to (l) of this Clause.

2. Unless otherwise prescribed in this Decision or any other decision issued by the Minister, the activities referenced in Clause (1) of this Article shall have the meaning provided under the respective laws regulating these activities.

3. In application of paragraph (k) of Clause (1) of this Article, the activity of distributing goods or materials must be undertaken in or from a Designated Zone and the goods or materials entering the State must be imported through the Designated Zone.

4. For the purposes of paragraph (m) of Clause (1) of this Article, an activity shall be considered ancillary where it serves no independent function but is necessary for the performance of the main Qualifying Activity.

Article (3)

Excluded Activities

1. For the purposes of Cabinet Decision No. 55 of 2023 referred to above, the following activities shall be considered Excluded Activities:

   (a) Any transactions with natural persons, except transactions in relation to the Qualifying Activities specified under paragraphs (d), (f), (g) and (j) of Clause (1) of Article (2) of this Decision.

   (b) Banking activities that are subject to the regulatory oversight of the competent authority in the State.

   (c) Insurance activities that are subject to the regulatory oversight of the competent authority in the State, other than the activity specified under paragraph (e) of Clause (1) of Article (2) of this Decision.

   (d) Finance and leasing activities that are subject to the regulatory oversight of the competent authority in the State, other than those specified under paragraphs (i) and (j) of Clause (1) of Article (2) of this Decision.

   (e) Ownership or exploitation of immovable property, other than Commercial Property located in a Free Zone where the transaction in respect of such Commercial Property is conducted with other Free Zone Persons.

   (f) Ownership or exploitation of intellectual property assets.

   (g) Any activities that are ancillary to the activities listed in paragraphs (a) to (f) of this Clause.

2. For the purposes of paragraph (g) of Clause (1) of this Article, an activity shall be considered ancillary where it serves no independent function but is necessary for the performance of the main Excluded Activity.

3. Unless otherwise prescribed in this Decision or any other decision issued by the Minister, the activities referenced in Clause (1) of this Article shall have the meaning provided under the respective laws regulating these activities.

Article (4)

De Minimis Requirements

For the purposes of Article (4) of Cabinet Decision No. 55 of 2023 referred to above, the de minimis requirements shall be considered satisfied where the non-qualifying Revenue derived by the Qualifying Free Zone Person in a Tax Period does not exceed 5% (five percent) of the total Revenue of the Qualifying Free Zone Person in that Tax Period or AED 5,000,000 (five million dirhams), whichever is lower.

Article (5)

Other Conditions

1. In addition to the conditions set out in Clause (1) of Article (18) of the Corporate Tax Law, a Qualifying Free Zone Person must meet the following two conditions:

   (a) Its non-qualifying Revenue does not exceed the de minimis requirements set out in Article (4) of this Decision.

   (b) It prepares audited financial statements in accordance with any decision issued by the Minister on the requirements to prepare and maintain audited financial statements for the purposes of the Corporate Tax Law.

2. A Qualifying Free Zone Person that at any particular time during a Tax Period fails to meet any of the conditions set out in Clause (1) of Article (18) of the Corporate Tax Law and this Decision and any other conditions prescribed by the Minister shall cease to be a Qualifying Free Zone Person from the beginning of the relevant Tax Period and for the subsequent (4) four Tax Periods.

Article (6)

Publication and Application of this Decision

This Decision shall be published and shall come into effect on 1 June 2023.

Mohamed bin Hadi Al Hussaini

Minister of State for Financial Affairs

Issued by us,
On: 12 Dhi al-Qi`dah 1444 H
Corresponding to: 01/06/2023