

UAE Corporate Tax Overview 2025

This document provides a detailed summary of the corporate tax regime applicable in the United Arab Emirates (UAE) as of 2025. It consolidates legal, procedural, and compliance aspects derived from the UAE Ministry of Finance (MOF), Federal Tax Authority (FTA), and global tax advisors.

1. Legislative Basis & Effective Date

The UAE introduced its federal Corporate Tax regime under Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses. It applies to tax periods commencing on or after 1 June 2023. Businesses with calendar financial years (1 Jan – 31 Dec) fall under the regime starting 1 Jan 2024. The law applies across all Emirates under the authority of the Federal Tax Authority.

2. Scope & Taxable Persons

Corporate Tax applies to UAE-resident juridical persons (companies incorporated or effectively managed in the UAE) and to non-residents with a permanent establishment (PE) or UAE-sourced income. Natural persons are taxable only if they conduct business activities exceeding regulatory thresholds (e.g., AED 1 million annual turnover).

3. Tax Rates & Thresholds

- 0% – on taxable income up to AED 375,000.
- 9% – on taxable income exceeding AED 375,000.
- 15% – minimum top-up tax (from 2025) for multinational groups with global revenues ≥ €750 million (OECD Pillar Two alignment).

4. Free Zones & Qualifying Free Zone Person (QFZP)

Free-zone entities must register for corporate tax even if they expect to benefit from the 0% rate. A company can maintain 0% tax status if it: – earns qualifying income (from transactions with other free-zone entities or foreign customers), – maintains sufficient economic substance in the UAE, – complies with transfer pricing and audit requirements. Non-qualifying income (e.g., from UAE mainland customers) is taxed at 9%. Cabinet Decision No. 55 of 2023 provides further details.

5. Registration, Filing & Compliance

All taxable persons must register with the FTA and obtain a Tax Registration Number (TRN). Corporate tax returns are due within 9 months of the end of each financial year. Records and supporting documents must be kept for at least 7 years. Audited financial statements are mandatory for Qualifying Free Zone Persons and entities above specified thresholds.

6. Exemptions & Special Rules

- Extractive and non-extractive natural resource businesses taxed at the Emirate level remain outside the federal regime.
- Dividend and capital gain exemptions apply under specific 'participation exemption' criteria.
- Certain government entities, pension funds, and public benefit organisations are exempt subject to approval.

7. Penalties & Non-Compliance

Failure to register, file, or maintain records may lead to administrative penalties. Loss of QFZP status results in retrospective 9% tax liability. Timely submission and accurate reporting are essential to retain incentives.

8. Practical Implications for Traders & SMEs

For SMEs and free zone trading companies:

- Exports and cross-border services typically qualify for 0% rate if QFZP criteria met.
- Mainland trading or UAE customer sales → 9% tax.
- Ensure adequate substance (office, staff, local operations).
- Maintain audited accounts and transfer pricing documentation for compliance and FTA inspection.

9. Key Takeaways

UAE's Corporate Tax regime remains competitive and transparent while aligning with global tax standards. Most SMEs in Free Zones can still achieve 0% effective tax with proper planning, documentation, and economic substance. Businesses should review financial structures and consult qualified advisors for compliance under Federal Decree-Law No. 47 of 2022 and related Cabinet Decisions.