UAE Ministerial Decision 96: Conditions to Exempt Real Estate Investment Trusts

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To (inside your company): CFO • Head of Tax • Investment Committee • Legal & Compliance

Executive takeaways

- Introduces new, specific requirements for REITs to qualify for Corporate Tax exemption.
- At least 20% of the REIT's share capital must be publicly floated on a Recognised Stock Exchange.
- The REIT must have a minimum of 10 investors, with no single investor (or consolidated group) holding more than 30%.
- At least 90% of the REIT's total asset value must consist of income-producing real estate.

What changed & why it matters

- **Stricter Exemption Criteria** — Ministerial Decision 96 sets forth detailed conditions for a Real Estate Investment Trust (REIT) to be treated as a Qualifying Investment Fund and thus be exempt from Corporate Tax. *Why it matters:* This decision provides clear, quantitative thresholds, targeting the exemption towards widely-held, publicly-traded, and real-estate-focused funds.
- **Compliance Burden** — REITs must now actively monitor their investor base, public float, and asset mix to maintain their exempt status. *Why it matters:* A breach of these conditions could unexpectedly trigger a corporate tax liability for the fund, fundamentally altering returns.

Action checklist

- Review the current public float percentage; plan for a secondary offering if below 20%.
- Analyze the investor register to confirm the number of investors and check for concentrations above 30%.
- Perform a balance sheet test to verify that income-producing real estate constitutes ≥90% of total assets.
- For new property acquisitions, assess their impact on the 90% asset test before completing the transaction.
- Establish a quarterly compliance monitoring process for all conditions.

Impact matrix

Area	Impact
Compliance	H
Systems/ERP	L
Finance/Cash	H
Operations	M
Documentation	H
Training/Change	M

Timeline

- Now — audit investor register & float
- 30 days — model impact & brief board
- Quarter — implement monitoring

Take Away

The Corporate Tax exemption for REITs is now conditional on being genuinely public and predominantly passive. REIT managers must shift from assuming exemption to actively proving it through continuous monitoring. Failure to meet these specific thresholds will result in the REIT becoming a taxable entity.