UAE Cabinet Decision 63: Unincorporated Partnerships as Taxable Persons

UAE • June 2025

To (inside your company): Head of Tax • Legal Counsel • Partners in JVs/Partnerships

Executive takeaways

- By default, Unincorporated Partnerships (UoPs) are transparent for tax purposes, with partners taxed individually.
- Partners can apply to the FTA for the UoP itself to be treated as a standalone Taxable Person.
- This decision clarifies the specific conditions under which a UoP will be treated as a Taxable Person.
- A key condition is that the UoP would be considered to have a Permanent Establishment in the UAE if it were a non-resident.

What changed & why it matters

- **Tax Treatment Clarified** — Cabinet Decision 63 clarifies the circumstances under which a UoP (like a joint venture or general partnership) is treated as a single taxable entity. *Why it matters:* It provides certainty on the tax treatment of common business structures.
- **Flexibility Provided** — The default "look-through" approach is simple, but the option to be a standalone taxable person provides flexibility for complex commercial arrangements. *Why it matters:* Partners must now make a conscious decision on their preferred tax treatment and compliance model.

Action checklist

- Inventory all Unincorporated Partnerships and Joint Ventures the company is a party to.
- For each UoP, review the partnership agreement to understand the profit/loss sharing mechanism.
- Evaluate the default "look-through" tax treatment versus the option to be a standalone Taxable Person.
- Consider the compliance burden: is it easier for each partner to report, or for the UoP to file one consolidated return?
- If opting to be a Taxable Person, prepare and submit the application to the FTA.

Impact matrix

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

Timeline

- Now — identify all UoPs & current treatment
- 30 days — model tax & compliance impact
- Quarter — prepare FTA applications if changing

Take Away

The tax treatment of partnerships is not one-size-fits-all. While the default is transparency, this decision solidifies the option for a partnership to be a taxpayer in its own right. This choice has significant compliance and financial implications that require careful consideration by all partners.