

UAE Cabinet Decision 55: Foreign Entity Exemption Extension

UAE • June 2025

To (inside your company): CFO • Head of Tax • International Structures • Legal & Compliance

Executive takeaways

- Extends Corporate Tax exemption to foreign entities wholly owned by specific UAE exempt persons.
- Applies to foreign entities owned by UAE Government, Government Controlled Entities, Qualifying Public Benefit Entities, and Qualifying Investment Funds.
- Requires foreign entity activities to be limited to parent activities, asset holding, or ancillary functions.
- Effective retroactively from 1 June 2023, providing consistent treatment throughout the Corporate Tax regime period.

What changed & why it matters

- **Cross-Border Exemption Extension** — Enables foreign entities wholly owned by UAE exempt persons to qualify for Corporate Tax exemption. *Why it matters:* Prevents double taxation and maintains tax neutrality for legitimate international structures used by exempt entities.
- **Activity-Based Qualification** — Limits the exemption to foreign entities conducting parent activities, holding assets, or performing ancillary functions. *Why it matters:* Ensures the exemption applies only to genuine operational extensions of exempt persons, preventing tax avoidance through unrelated foreign activities.

Action checklist

- Identify all foreign entities wholly owned by UAE exempt persons in the current structure.
- Verify the foreign entity's activities qualify under the three permitted categories.
- Document the 100% ownership and control relationship.
- Apply for Corporate Tax exemption for qualifying foreign entities with the FTA.
- Review international structure efficiency with these newly available exemption opportunities.

Take Away

CD 55 addresses an important gap by extending coverage to foreign entities that are genuine operational extensions of UAE exempt persons. This prevents inadvertent double taxation while maintaining appropriate activity-based restrictions to ensure the exemption serves legitimate business purposes. The retroactive effective date provides certainty for existing international structures.

Impact matrix

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

Timeline

- Now — foreign entity review & qualification
- 30 days — exemption applications
- Ongoing — monitor activity compliance

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