

3. The Competent Authority may request the Reporting Entity to do the following:
 - a. Present the records, books, or any other documents;
 - b. Provide information, clarifications, and any other additional data related to such information;
 - c. Provide full assistance as may be required by the Competent Authority in relation to the implementation of any provision of this Resolution, or of any international convention or agreement.

Article (7) : Maintenance and Submission of the Reports

1. Every Reporting Entity under this Resolution must maintain actual records for a period of five (5) years after the date on which its Report was submitted to the Competent Authority. The Reporting Entity may retain such records electronically, provided that those records are prepared in an electronically legible format in accordance with the laws and regulations relating to the retention of electronic records in force in the State.
2. If the Reporting Entity maintains or produces records (as required by this Resolution) in a language other than English, it shall, upon request, provide the Competent Authority with an English translation of these records.
3. Every Reporting Entity, and every Ultimate Parent Entity responsible for notification according to the provisions of Article (2) of this Resolution, shall submit to the Competent Authority the Report or notification (as the case may be) electronically using the technology and systems approved or provided by the Competent Authority, according to the form determined by the Competent Authority.
4. If the Reporting Entity enters into any arrangements or engages in a practice, the main purpose of which can reasonably be considered to avoid its obligations under this Resolution, the Reporting Entity shall remain responsible as if it had not entered into such arrangements or engaged in such practice.

Article (8) : Administrative Offences and Penalties

1. An administrative penalty shall be imposed on the Reporting Entity that fails to comply with the obligations set out in this Resolution as follows:
 - a. If the Reporting Entity fails to meet the deadline specified in Article (4) of this Resolution, it is liable:
 - i. to pay an administrative penalty of UAE Dirhams One Million (AED 10,00,000); and
 - ii. to pay an administrative penalty of UAE Dirhams Ten Thousand (AED 10,000) for each day that the failure continues with a maximum of UAE Dirhams Two Hundred Fifty Thousand (AED 2,50,000).
 - b. An administrative penalty of UAE Dirhams One Hundred Thousand (AED 1,00,000) shall be imposed if the Reporting Entity fails to maintain the documents and information required to be collected in the course of meeting its reporting obligations under this Resolution for a minimum period of five (5) years after the date of reporting the Report to the Competent Authority.
 - c. An administrative penalty of UAE Dirhams One Hundred Thousand (AED 100,000) shall be imposed if the Reporting Entity fails to provide the Competent Authority with any information required in accordance with this Resolution.
 - d. An administrative penalty of a minimum of UAE Dirhams Fifty Thousand (AED 50,000) and with a maximum of UAE Dirhams Five Hundred Thousand (AED

500,000) shall be imposed if the Reporting Entity fails to provide the information required to be reported under this Decision in a complete and accurate manner.

2. If the Ultimate Parent Entity fails to provide the notification referred to in clause (1) of Article (2) of this Resolution within the timeline stipulated in that Clause, it is liable:
 - i. to pay an administrative penalty of UAE Dirhams One Million (AED 10,00,000); and
 - ii. to pay an administrative penalty of UAE Dirhams Ten Thousand (AED 10,000) for each day that the failure continues with a maximum of UAE Dirhams Two Hundred Fifty Thousand (AED 2,50,000).
3. With the exception of the additional penalty provided under Paragraph (2.a) of clause (1) and the additional penalty provided under Paragraph (ii) of clause (2), of this Article, the total penalties imposed on the Reporting Entity or on the Ultimate Parent Entity (as the case may be) in accordance with the provisions of this Resolution for any Reporting Fiscal Year, may not exceed, the amount of UAE Dirhams One Million (AED 10,00,000).

Article (9) : Procedures for Imposing Administrative Penalties

1. The Competent Authority may request certain actions that the Reporting Entity or the Ultimate Parent Entity must take subsequent to a violation of this Resolution as such Competent Authority may deem appropriate to ensure that the offence is not repeated.
2. The Competent Authority shall notify the Reporting Entity or the Ultimate Parent Entity in writing of any violation of any of the provisions of this Resolution, and it shall grant the Reporting Entity or the Ultimate Parent Entity (as the case may be) a grace period of fourteen (14) Business Days to remedy such violation, prior to applying the penalties stipulated in this Resolution.
3. The liability to pay the penalties stated in Article (8) above shall not arise if the Reporting Entity or the Ultimate Parent Entity (as the case may be), is able to convince the Competent Authority that there is a reasonable excuse for its failure to comply with any of the provisions of this Resolution. Such excuse provided to the Competent Authority shall be evaluated according to its absolute discretion.
4. For the purposes of clause (3) of this Article, the below mentioned excuses shall not be considered reasonable:
 - a. That there are insufficient funds to comply with this Resolution;
 - b. That the information required under this Resolution is in the possession of a third party.
5. In the event where the reasonable excuse for the offence ceases to exist, the Reporting Entity or the Ultimate Parent Entity (as the case may be), remains covered by this excuse if it initiates, without any unreasonable delay, to remedy of the offence after its reason has ceased to exist.
6. If the Reporting Entity or the Ultimate Parent Entity (as the case may be) becomes liable to a penalty pursuant to Article (8) of this Resolution, the Competent Authority must determine the payable penalty value and notify the same to the relevant Entity.
7. The penalty value must be determined pursuant to clause (6) of this Article within the period of six (6) months following the date on which the Reporting Entity or the Ulti-



mate Parent Entity (as the case may be) became liable for the payment of the penalty, or from the date on which the Competent Authority became aware of the offence.

8. The penalty imposed under this Article must be paid to the Competent Authority within thirty (30) Business Days from the date on which notification of the penalty was made to the Reporting Entity or the Ultimate Parent Entity (as the case may be), or the date on which a decision to turn down an appeal is issued in the event of such appeal being filed against the decision within the specified deadline.
9. Any other financial resources determined for the Fund according to a Cabinet Resolution.

Article (10) :Procedures of Appeal against the Decision to Impose Penalties

1. The Reporting Entity or the Ultimate Parent Entity (as the case may be), may complain about the decision imposing a penalty or about its value based on one of the following two reasons:
 - a. The relevant Entity did not commit any violation that warrants the imposition of the penalty;
 - b. Appeal against the amount of the penalty imposed on the relevant Entity.
2. The Appellant shall submit its appeal to the Competent Authority in writing within thirty (30) Business Days from the date on which the Reporting Entity is notified of the penalty in accordance with clause (2) of Article (9) of this Resolution, and set out the grounds of such appeal.
3. The Competent Authority considering the appeal filed thereto under clause (2) of this Article may confirm or cancel its decision imposing the penalty, and may as well decide to reduce the amount of the penalty imposed according to Paragraph (d) of clause (1) of Article (8), of this Resolution.
4. The Competent Authority shall consider the appeal and notify the Reporting Entity or the Ultimate Parent Entity (as the case may be) of its decision in this respect within sixty (60) Business Days from the date of submitting the appeal, and shall notify its decision to the relevant Entity. If the Competent Authority fails to give a written notice of its decision on the appeal within the deadline specified in this Clause, then the appeal shall be deemed to have been successful and the penalty imposed shall be cancelled.

Article (11) : Executive Resolutions

The Minister of Finance shall issue the necessary resolutions for the implementation of the provisions of this Resolution.

Article (12) : Cancellations

The Cabinet Resolution No. (32) of 2019 concerning the Regulation of the Submission of Reports by Multinational Companies shall be repealed, as well as every provision contradicting or conflicting with this Resolution.

Article (13) : Publication and Effective Date

This Resolution shall be published in the Official Gazette and shall come into force from date of issuance.



/Official Seal of the Cabinet/

/Original signed by HH Sheikh Mohamed Bin Rashid Al Maktoum/Prime Minister

Issued by us:

Date : Shawal 12, 1441AH
Corresponding to : June 04, 2020AD

ca.basithabdul@gmail.com 21-01-2025
05:12 **TAMMANN**



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:

ca.basithabdul@gmail.com 21-01-2025
05:12 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 June 2023.

Mohammed bin Rashid Al Maktoum

Prime Minister

Issued by us :

Date : 18 Shawwal 1444 AH

Corresponding to : 8 May 2023 AD



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

[Repealed by Cabinet Decision No. 100 of 2003]

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 movable 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

ca.basithabdul@gmail.com 21-01-2025
05:13



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:

ca.basithab.uf@gmail.com 21-01-2025
05:14 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. 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

ca.basithabdul@gmail.com 21-01-2025
05:17 **TAMMANN**



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



Cabinet Decision No. 74 of 2023 on the Executive Regulation of Federal Decree-Law No. 28 of 2022 on Tax Procedures

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 Decree-Law No. (7) of 2017 on Excise Tax, 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,
- Cabinet Decision No. (37) of 2017 on the Executive Regulation of Federal Decree-Law No. (7) of 2017 on Excise Tax,
- Cabinet Decision No. (52) of 2017 on the Executive Regulation of Federal Decree-Law No. (8) of 2017 on Value Added Tax, and its amendments,
- Cabinet Decision No. (36) of 2017 on the Executive Regulation of Federal Law No. (7) of 2017 on Tax Procedures, and its amendments,
- Based on what was presented by the Minister of Finance and approved by the Cabinet.

Has decided:

Article (1) : Definitions

The definitions of the Federal-Decree Law No. (28) of 2022 referred to above shall apply to this Decision, and the following words and expressions shall have the meanings assigned against each, unless the context otherwise requires:

Decree-Law: Federal Decree-Law No. (28) of 2022 on Tax Procedures.

Premises: The place of Business of the Person subject to Tax Audit, any other place in which it conducts his Business, or where it stores goods or records.

Assets: Tangible and intangible assets, including equipment, machinery, goods and others, which the Authority considers to be owned, leased or used in connection with the conduct of Business by any Person.

Article (2) : Keeping Records

1. Accounting records and commercial books shall include the following:

- a. Records and books in relation to Business, which evidence or in which payments and receipts, purchases and sales, revenues and expenditures are recorded, as well as any matters as may be required under the Tax Law or any other applicable law, including but not limited to:

- (1) Balance sheet and profit and loss accounts.
 - (2) Records of wages and salaries.
 - (3) Records of fixed assets.
 - (4) Inventory records and statements (including quantities and values) at the end of any relevant Tax Period and records of stock counts related to inventory statements.
- b. All documents supporting the entries in the accounting records and commercial books, including but not limited to:
- (1) Correspondence, invoices, licences and contracts related to the Business.
 - (2) Documents containing details of any election, assessment, determination or calculation made by a Taxpayer in relation to the Tax affairs of its Business, including the basis, or method of assessment, determination or calculation made.
2. In addition to the accounting records and commercial books referred to in Clause (1) of this Article, the Authority may request any other information in order to verify, through a series of auditable documents, the Person's Tax obligations, including their responsibility to register for Tax purposes.

Article (3) : Period of Record Keeping

1. All accounting records, commercial books and information shall be retained and maintained in a way that enables the Authority or any employee authorised by it to verify the Tax obligations imposed on the Person concerned for the following periods, unless the Tax Law states otherwise:
 - a. A period of (5) five years following the Tax Period to which they relate in respect of a Taxable Person.
 - b. A period of (5) five years from the end of the calendar year in which the concerned document was created in respect of all Persons other than Taxable Persons.
 - c. A period of (7) seven years from the end of the calendar year in which the concerned document was created for real estate records.
2. In addition to the periods specified in Clause (1) of this Article, the Person shall retain the books and records for the following additional periods, in the following cases:
 - a. For an additional period of (4) four years or until the dispute is finally settled, whichever is later in case of dispute between the Person and the Authority in respect of the Person's Tax obligations.
 - b. For an additional period of (4) four years in case the Person is subject to an ongoing Tax Audit.
 - c. For an additional period of (4) four years in case the Authority notified the Person of its intention to conduct a Tax Audit prior to the expiry of the period set out in Clause (1) of this Article.
 - d. For an additional period of (1) one year starting from the date of submission of a Voluntary Disclosure in respect of the Taxable Person that submits a Voluntary Disclosure in the fifth year from the end of the relevant Tax Period.
3. Subject to Clauses (1) and (2) of this Article, the Legal Representative shall retain the books and records of the Person he is representing for a period of (1) one year from the date on which such legal representation expires.



Article (4) : Method of Keeping Accounting Records and Commercial Books

1. The obligation to keep accounting records and commercial books shall be met by either:
 - a. Creating a record and retaining the original documents which support the entries contained in the record.
 - b. Creating a record and retaining the information contained in the original documents, provided that the following is met:
 - (1) The information contained in the record is identical to the data contained in the original document, and shall be available during the periods referred to in Article (3) of this Decision.
 - (2) The information is retained or stored in either photocopy or electronic copy, and an easily readable copy of which can be reproduced, if requested by the Authority, within the period as specified by the Authority in accordance with the provisions Article (48) of the Decree-Law.
 - (3) The information is retained or stored in a manner that enables the Authority to verify the Person's Tax obligations.
2. The Authority may specify the rules for maintaining the information contained in accounting records and commercial books, and impose reasonable requirements for ensuring that the information will be available as if the original records themselves had been preserved.

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Article (5) : Language

1. The Authority may accept data, information, records and any other documents related to any Tax that are submitted to the Authority in English, and the Authority may, at its discretion, request the Person to translate some or all of them into Arabic.
2. The translation of any Tax Return, data, information, records, documents or other books into Arabic must be approved in accordance with the law regulating translation in the State, and submitted to the Authority within the period it specifies.

Article (6) : The Procedures of Tax Registration, Deregistration and Amendment of Registration Data

1. A Tax Registration application shall be submitted to the Authority in the form and manner approved by it, and the Authority may specify any supporting documents to be submitted for that purpose.
2. The Authority shall review the Tax Registration application in accordance with the rules adopted by the Authority in this regard.
3. Tax Registration shall be finalised by issuing the Tax Registration Number for the applicant or by reactivating a previous Tax Registration Number if the applicant has a suspended Tax Registration Number.
4. A Registrant shall notify the Authority, in the form and manner approved by it, within (20) twenty Business Days of any change to its data kept with the Authority, including:
 - a. Name, address and email address.
 - b. Trade licence activities.

- c. Legal entity type, partnership agreement for unincorporated partnerships and articles of association or its equivalent.
 - d. Nature of the Business of the Registrant.
 - e. The address from which any Business is conducted by the Registrant.
5. A Tax deregistration application shall be submitted to the Authority in the form and manner approved by it, and the Authority may specify any supporting documents to be submitted for that purpose.
 6. The Authority shall review the Tax deregistration application, in accordance with the rules approved by it in this regard.
 7. In cases where the Registrant does not submit a deregistration application, the Authority may deregister such Registrant in accordance with the controls and procedures stated in the Tax Law.
 8. Tax deregistration shall be finalised by suspending the Tax Registration Number.
 9. The Authority shall notify the Person of its Tax Registration, deregistration or reactivation based on the mechanism adopted by the Authority in this regard.

Article (7) : Obligations of Licensing Authorities in the State

The government entities that grant licences to Persons carrying out Business shall, within (20) twenty Business Days of the issuance or renewal of the licence, notify the Authority in the manner specified by it. The notification shall include the following:

1. The name of the licensee.
2. The type, number and date of issuance of the trade licence.
3. The registered address of the licensee.
4. Description of the activities of the Business.
5. The details of the owners, partners and directors.
6. Any other information requested by the Authority.

Article (8) : Legal Representative

1. A Person who has been appointed as a Legal Representative of a Taxable Person shall notify the Authority according to the mechanism it specifies, provided that an appropriate document is attached to the Notification to prove his appointment, and the Notification must include the following:
 - a. The name and address of the Legal Representative.
 - b. The name, address and Tax Registration Number, if applicable, of the Taxable Person represented by the Legal Representative.
 - c. The duration of the appointment, in the case of fixed-term appointment.
 - d. The responsibilities of the Legal Representative.
2. The Authority may require additional information about the appointment of the Legal Representative and may obtain such information from the Legal Representative, the relevant Taxable Person and any other Person to verify the appointment.
3. Where the Authority accepts the request of appointment of the Legal Representative, it shall, within (20) twenty Business Days from the date of that, notify the Legal Representative.



Article (9) : Allocation of Payments and Credit

1. If the Taxable Person pays any amount to the Authority without specifying the type of Tax or Tax Period to which it relates, the Authority may allocate the amount, or part thereof, for settling any amounts due to the Authority based on the seniority of such amounts due to the Authority.
2. If the amount received by the Authority under Clause (1) of this Article, exceeds the Taxable Person's existing liabilities, the Authority shall treat the excess amount as a credit against future liabilities of the Taxable Person, unless the Taxable Person requests the excess amount to be refunded pursuant to Article (38) of the Decree-Law.
3. The Authority may allocate the credit balance, or part thereof, to settle any amounts due to the Authority by the Taxable Person according to the seniority of such amounts due to the Authority.
4. The Authority shall notify the Taxable Person of the allocation of payments and credit according to Clauses (1) and (3) of this Article.

Article (10) : Submission of Voluntary Disclosure

1. If a Taxable Person becomes aware that a Tax Return submitted to the Authority or a Tax Assessment issued to the Taxable Person by the Authority is incorrect, resulting in a calculation of the Payable Tax according to the Tax Law being less than it should have been, the following shall apply:
 - a. If the amount is more than (10,000) ten thousand Dirhams, the Taxable Person shall submit a Voluntary Disclosure to the Authority within (20) twenty Business Days from the date when the Taxable Person became aware of the error.
 - b. If the amount is equal to (10,000) ten thousand Dirhams or less, the Taxable Person shall do the following:
 - (1) If the Taxable Person is obligated to submit a Tax Return to the Authority, correct the error in the Tax Return that has not become due for submission for a previous Tax Period or in the Tax Return for the Tax Period in which the error has been discovered, whichever is earlier.
 - (2) Submit a Voluntary Disclosure to the Authority within (20) twenty Business Days from the date of becoming aware of the error, in the event that there is no Tax Return through which the error can be corrected according to sub-paragraph (1) of this paragraph.
2. If a Taxpayer becomes aware that a Tax Refund application submitted to the Authority is incorrect, resulting in a calculation of a Refund to which it is entitled according to the Tax Law being more than the correct amount, the Taxpayer shall submit a Voluntary Disclosure to the Authority within (20) twenty Business Days from the date when the Taxpayer became aware of the error, unless the error was a result of an incorrect Tax Return or Tax Assessment, in which case the provisions of Clause (1) of this Article shall apply.
3. If a Taxpayer becomes aware of an error or omission in the Tax Return submitted to the Authority without there being a difference in Due Tax, the Taxpayer shall correct the error or submit a Voluntary Disclosure to the Authority as may be specified by the Authority.
4. For the purposes of implementing the provisions of this Article, the Voluntary Disclosure shall be submitted in the form and manner specified by the Authority.

Article (11) : Means of Notification

1. The Authority shall notify the Person, its Tax Agent or Legal Representative, as applicable, at the address registered with the Authority by any of the following means:
 - a. Post, registered post, email, mobile text message, smart applications or the electronic system of the Authority.
 - b. Posting in a prominent place in the Premises of the Person.
 - c. Any other means as may be agreed in writing by the Person and the Authority.
2. For the purposes of this Article, the address registered with the Authority includes, but not limited to, the address provided by the Person to the Authority or the address of its usual or last known place of residence or Business.

Article (12) : Conditions and Controls for Registration of Tax Agents

1. A natural person wishing to be listed in the Register of Tax Agents shall satisfy all of the following conditions:
 - a. Be of good conduct and behaviour.
 - b. Have never been convicted of a crime or misdemeanour prejudicial to honour or honesty, even if he has been rehabilitated.
 - c. Have the minimum education and relevant experience in Tax, accounting or law, in any of the following forms:
 - (1) Experience of at least (3) three years obtained in the last (5) five years and hold at least a certified bachelor degree or Masters in tax, accounting or law from an education institution recognised by the competent authority in the State.
 - (2) Experience of at least (3) three years obtained in the last (5) five years and hold a certified bachelor degree in any other field from an educational institution recognised by the competent authority in the State, in addition to a valid professional qualification from a recognised institution, as may be prescribed by the Authority.
 - (3) Experience of at least (5) five years obtained in the last (8) eight years and hold a certified bachelor degree in any other field from an education institution recognised by the competent authority in the State.
 - d. Complete any necessary training specified by the Authority and pass any qualifying examination specified by the Authority.
 - e. Have the ability to communicate orally and in writing in Arabic or English.
 - f. Hold or be covered under a valid professional indemnity insurance that is appropriate to the nature and size of the Tax Agent's Business.
 - g. Has a licence or works for an entity which has a licence from the competent authority.
 - h. Must not be a current member of the Committee.
2. A juridical person wishing to be listed in the Register of Tax Agents shall satisfy all of the following conditions:
 - a. Be licenced as an audit, tax or law firm.
 - b. Hold or be covered under a valid professional indemnity insurance that is appropriate to the nature and size of its Business.

- c. At least one director or partner that meets all of the natural person requirements in Clause (1) of this Article, is supervising the services provided by the juridical person and does not work for another juridical person or for its benefit.
 - d. Meet any additional conditions prescribed by the Authority.
3. The listing application shall be submitted to the Authority in the form and manner prescribed by the Authority.
 4. The Authority may, prior to deciding on the listing application in the Register, request further information from the applicant, request an interview with the natural person in accordance with Clause (1) of this Article, or the partner or director in accordance with paragraph (c) of Clause (2) of this Article, as the case may be, or check references and documents provided in the application.
 5. The Authority may specify the provisions related to procedures for listing Tax Agents, continuation, renewal, suspension and cancellation of the listing.

Article (13) : Procedures for Tax Agent Listing and Delisting in the Register

1. The Authority shall review the listing applications and shall either issue its decision or request further information within (15) fifteen Business Days from the date of receiving the application.
2. If the Authority requests further information under Clause (1) of this Article, the Authority shall issue its decision within (15) fifteen Business Days from the date of receiving the additional information.
3. If the Authority approves the listing application in the Register, it shall inform the applicant within (5) five Business Days and request the payment of due fees.
4. The fees due in accordance with Clause (3) of this Article must be paid within (20) twenty Business Days from the date of Notification of the approval. If the fees due are not paid within this period, the application shall be considered cancelled.
5. The Authority shall list the Person in the Tax Agents Register within (5) five Business Days from the date of payment of the fees.
6. The Authority may reject an application for listing a Person in the Register in any of the following cases:
 - a. The Person fails to meet any of the conditions specified in Article (12) of this Decision.
 - b. If the listing the Person would adversely affect the integrity of the Tax system in the State.
7. If the application is rejected, the Authority shall notify the applicant of that within (5) five Business Days from the date of the Authority's decision to reject the application.
8. The listing in the Register shall be for (3) three years for natural person and (1) one year for a juridical person from the date of listing and the Tax Agent may apply to the Authority to renew the listing no later than (20) twenty Business Days before the expiration of its listing and shall pay the required fees by the date specified by the Authority.
9. Any renewal request submitted after the elapse of the period set out in Clause (8) of this Article shall be treated as a new application and must meet the conditions set out in Article (12) of this Decision.

10. If the Tax Agent does not make an application to renew its listing before the expiration of the durations referred to in Clause (8) of this Article, its registration shall be cancelled and its link to all the Persons it represents with the Authority shall be revoked, as of the expiration date of its listing in the Register.
11. The Tax Agent shall notify the Authority in the event that it has ceased to practise as a Tax Agent in accordance with Clause (2) of Article (13) of the Decree-Law in the form and manner specified by the Authority.
12. The Authority may delist the Tax Agent upon its own request.
13. The Authority shall delist the Tax Agent from the Register in any of the following cases:
 - a. If the Authority has determined that the Tax Agent is unable to fulfil its duties or functions, or is no longer meeting the conditions specified in Article (12) of this Decision.
 - b. If the Authority has serious grounds to believe that the continued listing of the Person as a Tax Agent would adversely affect the integrity of the Tax system in the State.
 - c. If the Tax Agent committed a serious violation of the provisions of the Decree-Law or the Tax Law or committed or participated in Tax Evasion.
 - d. If the Authority found out that the Tax Agent is a current member of the Committee.
14. The Authority shall notify the Tax Agent and its principals of the delisting within (5) five Business Days of the decision, and to notify the Tax Agent of the reasons for this decision.
15. Clause (14) of this Article shall result in the Tax Agent being delinked from all Persons it represents with the Authority, after (5) five Business Days from the date of Notification of the Authority's decision.

Article (14) : Obligations and Rights of Tax Agents

1. In performing its duties, the Tax Agent shall:
 - a. Assist the Person whom the Tax Agent is representing with the Authority with its Tax obligations, according to the agreement concluded between them.
 - b. Maintain the confidentiality of any information obtained in the course of performing its duties as a Tax Agent, without prejudice to any obligation to disclose such information under the law.
 - c. Continue to meet its Continuing Professional Development requirements, as may be specified by the Authority.
 - d. Refuse to participate in any work or plan which may result in a breach of any law by any Person or may adversely impact the integrity of the Tax system.
 - e. Keep information, documents, records and data in respect of any Person represented by the Tax Agent.
2. In the course of performing its duties, the Tax Agent may rely on information provided to it by the Person it represents unless the Tax Agent has grounds to believe that such information is incorrect.



Article (15) : Conducting Tax Audit

1. Prior to deciding to conduct a Tax Audit, the Authority shall consider the following:
 - a. That the Tax Audit is necessary for protecting the integrity of the Tax system.
 - b. The responsibility of the Person, or any Person associated with it, to comply with the Decree-Law and Tax Law.
 - c. Tax revenue expected to be collected.
 - d. The compliance and administrative burdens on both the Person and the Authority, related to performing the Tax Audit.
2. The Authority may decide to audit a Person previously audited and shall take the following into consideration:
 - a. The results of the previous Tax Audit.
 - b. Any new information or data which may change the position of the Authority.
3. The Authority's decision to conduct a Tax Audit is at its sole discretion, and may not be objected or challenged by any Person.

Article (16) : Notice of Tax Audit

1. The Authority shall notify the Person of a Tax Audit, at least (10) ten Business Days prior to the Tax Audit, and the Notification shall set out the possible consequences of obstructing the Tax Auditor in the exercise of his duty.
2. For the purposes of implementing the provisions of Clause (4) of Article (16) of the Decree-Law, the Authority shall notify the Person in writing of the beginning of the Tax Audit through any of the following Persons:
 - a. The occupying tenant of the Premises, if he is present at the time of beginning the Tax Audit.
 - b. The Person who appears to be in charge at the Premises, in the absence of such occupying tenant.
3. If the Authority considers that notifying the Person of the Tax Audit by the means referred to in this Article is ineffective, the Person may be notified by posting the Notification in a prominent place at the Premises where the Tax Audit will take place.

Article (17) : Tax Audit Procedures

1. For the purposes of conducting a Tax Audit, the Authority may inspect:
 - a. The Premises, documents and Assets available at the Premises.
 - b. Data and records stored electronically.
 - c. Accounting systems used by the Person subject to the Tax Audit.
2. For the purposes of application of the provisions of Clause (1) of this Article, the occupying tenant of the Premises, or any Person the Authority considers as having control over the Premises in the absence of such occupying tenant, shall provide the Authority with all facilitations necessary for the effective exercise of its powers.
3. Any employee of the Authority may accompany the Tax Auditor if the Tax Auditor considers the employee's presence necessary for enabling the Tax Auditor exercise of the Tax Auditor's powers effectively.

4. The Authority may notify a Person to provide any information or any documents in relation to itself or another Person, if such documents or information is considered necessary by the Authority.
5. If a Person has been notified under Clause (4) of this Article to provide information or documents, the Person shall do so within the period, by the means and in the form and location specified in the Notification.
6. A Tax Auditor carrying out a Tax Audit based on a permit of the public prosecutor shall present such permit, as well as the approval issued by the Authority, in addition to the proof of identity if requested.

Article (18) : Seizure and Retain of Documents and Assets

1. The Tax Auditor in exercising his functions may do the following:
 - a. Make copies of documents.
 - b. Mark the original documents and Assets for the purpose of indicating that they have been inspected.
 - c. Seize documents and Assets.
 - d. Obtain and record information relating to the Premises, Assets, documents and accounting systems that have been inspected and recorded.
2. The Tax Auditor may seize any Assets or documents for the periods specified by him for the purposes of completing the Tax Audit.
3. Where a document or an Asset is seized under paragraph (c) of Clause 1 of this Article, the Authority shall provide a record of what was seized within (10) ten Business Days or any other period as specified by the Authority, from the date of the seizure to any of the following:
 - a. The owner of the document or the Asset.
 - b. The occupying tenant of the Premises from which the document or the Asset were seized.
 - c. The Person who had custody or control of the document or the Asset immediately prior to its seizure.
4. The record referred to in Clause (3) of this Article shall include the following:
 - a. The purpose for seizing the document or the Asset.
 - b. The nature and description of the document or the Asset.
 - c. The location where the document or the Asset is stored and the conditions of storage.
 - d. The period during which it is expected to be seized by the Authority.
5. The Authority may move, keep and store any document or Asset seized under Clause (1) or (2) of this Article for the duration required for the completion of the Tax Audit in accordance with the following conditions:
 - a. The documents or Assets seized and retained shall be returned to the Person to whom the record under Clause (3) of this Article was provided in a condition as good as practically possible.
 - b. The Authority may dispose of naturally perishable and deteriorating Assets in accordance with the internal procedures of the Authority.

6. The Authority shall notify the owner of the Asset or, if the owner cannot be contacted, any other Persons specified in paragraph (b) or (c) of Clause 3 of this Article of its intention to dispose of the Asset in whole or in part, and give such owner or specified Person an opportunity to take back the Asset in whole or in part, (10) ten Business Days prior to disposing of the Asset, in accordance with paragraph (b) of Clause (5) of this Article.
7. The Authority shall not be liable for any loss resulting from the disposal of Assets under paragraph (b) of Clause (5) of this Article.
8. Where a Person from whom the document or Asset was seized submits a request to access the documents or the Assets seized, the Authority may:
 - a. Allow the Person to access the document or the Asset under the supervision of the Authority or photocopy or photograph the document or photograph the Asset, and provide the photocopy or the photograph to the Person concerned.
 - b. Reject the request where the Authority is of the view that it would prejudice any of the following:
 - (1) The Tax Audit.
 - (2) The Tax Audit of another Person.
 - (3) Any investigation related to any of the documents or Assets requested to be accessed.
 - (4) Any criminal proceedings related to the document or the Asset requested to be accessed.
9. In the event that the Authority needs to keep records and books for a period longer than is the period stated in Clause (3) of Article (3) of this Decision, the Authority may seize and keep them for the period it determines.

Article (19) : Results of the Tax Audit

1. The Person subject to the Tax Audit shall be notified of the results of the Tax Audit within (10) ten Business Days from the end of the Tax Audit.
2. The Person subject to a Tax Audit may request to access or obtain documents, data and information on which the Authority based the assessment of Due Tax contained in the results of the Tax Audit, according to an application submitted in the form specified by the Authority within (20) twenty Business Days from the date of Notification of the results of the Tax Audit.
3. Subject to Clause (4) of this Article, the Authority shall provide the Person with the documents, data and information requested under Clause (2) of this Article within (10) ten Business Days from the receipt of the application in the following manner:
 - a. A paper or electronic copy of the documents, data and information requested.
 - b. An original copy of the documents, data or information requested if such documents, data or information belongs to the Person subject to the Tax Audit who submitted the application.
4. The Authority shall not be obliged to provide the Person with the following:
 - a. The documents, data and information which would reveal any internal correspondence or decisions made by the Authority.
 - b. Any confidential documents, data and information related to any other Person.

- c. Any documents, data or information that can be in the possession of the Person subject to Tax Audit and who submitted the application. In such case, the Authority shall provide the Person subject to Tax Audit with sufficient information allowing him to identify the documents, data and information requested.

Article (20) : Tax Assessments

1. A Tax Assessment shall contain sufficient information to determine Payable Tax, refundable Tax or any other matters specified by the Tax Law, and include the following minimum information relating to the relevant Person:
 - a. The name and address.
 - b. The Tax Registration Number, if applicable.
 - c. The Tax Assessment reference number.
 - d. The Tax type to which the assessment relates.
 - e. A Tax summary, which includes: the details of the Tax reported and adjustments made.
 - f. Reasons on which the Tax Assessment is based.
 - g. Net Tax due to the Authority or that refundable by it.
 - h. The date any Due Tax is payable and the method of payment.
2. Where an amount of Tax due to the Authority has been assessed and notified to a Person, it shall be deemed a payable debt to the Authority, and can be collected accordingly.

Article (21) : Administrative Penalties Assessment

1. An Administrative Penalties Assessment shall include the following minimum information:
 - a. The Person's name and address.
 - b. The Taxable Person's Tax Registration Number, if applicable.
 - c. The violation for which the Administrative Penalty has been assessed.
 - d. The Administrative Penalty summary, including:
 - (1) The amount of Administrative Penalty imposed.
 - (2) The amount of Tax to which the imposed Administrative Penalty relates, if applicable.
 - e. Total of Administrative Penalties due to the Authority.
2. Where an amount of an Administrative Penalty has been assessed and notified to a Person, it shall be deemed a payable debt to the Authority as of the date of Notification, and can be collected accordingly.

Article (22) : Procedures and Measures

1. The Authority may sell seized and abandoned goods that are perishable, subject to shortage or leakage, or that are in a condition that might endanger the safety of other goods or facilities they are in, pursuant to the procedures in this Article.
2. The Authority shall:
 - a. Create a record of the seized goods, including reasons for the seizure.

- b. Provide a copy of the record to the owner or, if the owner cannot be notified, any other Persons specified in paragraph (b) or (c) of Clause (3) of Article (18) of this Decision.
 - c. Notify the owner of the goods or, if the owner cannot be notified, any other Persons specified in paragraph (b) or (c) of Clause (3) of Article (18) of this Decision, of its decision to sell the goods, reason for such sale and the date specified for the sale.
3. The sale under this Article shall be conducted *via* a public auction in accordance with the procedures specified by the Authority.
4. The Authority may destroy or dispose of the seized goods, after notifying the owner, in the following cases:
 - a. The sale of such goods is not possible under this Article.
 - b. The seized goods naturally deteriorate or are perishable and hence cease to have value, in accordance with the internal procedures of the Authority.
5. The owner of seized goods may request their recovery after the payment of all outstanding Payable Tax, all outstanding Administrative Penalties and any other expenses associated with such goods, provided that the goods are of a kind permitted to be sold and circulated in the State, in accordance with the following conditions:
 - a. He shall notify the Authority within (5) five Business Days from the date of being notified of the seizure.
 - b. He shall provide the Authority with evidence of:
 - (1) His ownership of seized goods.
 - (2) Payment of all Tax, Administrative Penalties and associated expenses related to such seized goods.
6. The Authority may prescribe procedures and controls for storage and move of seized goods that are perishable or subject to shortage or leakage or are in a condition that might endanger the safety of other goods or facilities they are in.

Article (23) : Reconciliation in Tax Evasion Crimes

1. Prior to initiation of a criminal case, the Authority may reconcile in Tax Evasion crimes and deliberate failure to settle Administrative Penalties in return for full settlement of Payable Tax and Administrative Penalties.
2. Prior to initiating a criminal case, the Authority may reconcile in Tax crimes stipulated in Clause (4) of Article (25) of the Decree-Law, after the settlement of an amount of (50,000) fifty thousand Dirhams. If any of these crimes resulted in Tax Evasion or facilitated or concealed Tax Evasion, reconciliation shall be made by paying the amount set forth in Clause (1) of this Article.
3. The public prosecution may, after initiating the criminal case, during the investigation and trial phase and before the issuance of a conviction judgment and after seeking the opinion of the Authority, reconcile in Tax crimes in return for the following amounts:
 - a. Full Payable Tax and Administrative Penalties, in addition to an amount equal to (50%) fifty per cent of the evaded Tax in the crimes stipulated in Clause (2) of Article (25) of the Decree- Law.

- b. Full Payable Tax and Administrative Penalties in addition to an amount equal to (50%) fifty per cent of the evaded Tax if applicable, in the crime of deliberate failure to pay Administrative Penalties stipulated in Clause (3) of Article (25) of the Decree-Law.
 - c. An amount of (1,00,000) one hundred thousand Dirhams for each of the crimes stipulated in Clause (4) of Article (25) of the Decree-Law. If any of these crimes resulted in Tax Evasion or facilitated or concealed Tax Evasion, reconciliation shall be made by paying the amount set forth in paragraph (a) of this Clause.
4. The public prosecution may, after issuance of a conviction judgment, and after seeking the opinion of the Authority, reconcile in Tax crimes in return of the following amounts:
 - a. Full Payable Tax and Administrative Penalties, in addition to an amount equal to (75%) seventy five per cent of the Tax evaded in crimes stipulated in Clause (2) of Article (25) of the Decree-Law.
 - b. Full Payable Tax and Administrative Penalties in addition to an amount equal to (75%) seventy five per cent of the evaded Tax if applicable, in the crime of deliberate failure to pay Administrative Penalties stipulated in Clause (3) of Article (25) of the Decree-Law.
 - c. An amount of (2,00,000) two hundred thousand Dirhams for each of the crimes stipulated in Clause (4) of Article (25) of the Decree-Law. If any of these crimes resulted in Tax Evasion or facilitated or concealed Tax Evasion, reconciliation shall be made by paying the amount set forth in paragraph (a) of this Clause.
5. If more than one of the acts stipulated in Clause (4) of Article (25) of the Decree-Law were committed for a single purpose, and they were indivisibly linked to each other, reconciliation for all of these acts shall take place in return for settlement of the amount set forth in paragraph (c) of Clause (3) or paragraph (c) of Clause (4) of this Article, as applicable.

Article (24) : Conditions, Controls and Procedures for Reconciliation

1. A reconciliation application shall be submitted by the Person to the Authority in the form prepared by the Authority for this purpose, before the initiation of a criminal case. The form must include the Person's undertaking to settle the full amounts due from him as consideration for reconciliation.
2. The Authority decides to accept or reject the reconciliation application, if the Authority decides to accept the application, a record shall be issued to that effect containing proof of reconciliation and its consideration, and signed by both parties. A copy of such record shall be handed to the Person after payment of the consideration for reconciliation.
3. A reconciliation application shall be submitted by the accused or convicted Person, as the case may be, at any stage of the criminal case to the competent federal public prosecution.
4. Prior to proceeding with the reconciliation procedures in Tax crimes, the public prosecution shall seek the opinion of the Authority, and in the event that no response is received from the Authority within (20) twenty Business Days, this shall be considered as an implicit approval of the reconciliation.
5. The public prosecution shall issue record of reconciliation after the settlement of full Tax and Administrative Penalties payable and the additional consideration for

reconciliation. Such record shall be signed by both the competent public prosecution member and the accused or convicted Person, and shall be approved by the federal attorney general. The record must include the following:

- a. The details of the accused or convicted Person.
- b. A description of the charges attributed to the accused or convicted Person, the date and place of their occurrence and the articles of law applicable thereto.
- c. The value of the Tax and Administrative Penalties payable.
- d. The percentage and value of the additional amount for reconciliation.

Evidence of settlement of the aforementioned amounts must be attached to the record. In the event that the Administrative Penalties are paid in instalments or waived in accordance with Article (50) of the Decree-Law, or if the payment of the additional consideration for reconciliation is deferred or paid in instalments in accordance with Clause (9) of this Article, a payment plan shall be attached to the record showing the deferred or installed payment, as applicable. The Authority and the Competent Court shall be notified of the approved reconciliation record, as applicable.

6. The public prosecution shall order a stay of execution of the adjudicated penalty if a reconciliation is reached during its execution, even after the sentence becomes conclusive.
7. The completion of the reconciliation in accordance with the foregoing shall result in the termination of the criminal case for the incident subject to the reconciliation and the cancellation of its consequences.
8. The multiplicity of the accused or convicted Persons in a criminal case does not preclude the public prosecution from proceeding with reconciliation procedures with one or more of them. The effect of the reconciliation extends to all the accused or convicted Persons in the same incident.
9. The public prosecution, based on the request of the accused or convicted Person, may order the deferral of the payment of the reconciliation consideration and its payment in instalment according to the following conditions:
 - a. The deferral or instalment does not include Payable Tax or Administrative Penalties.
 - b. The period of deferral or instalment must not exceed (2) two years.
 - c. The accused or convicted Person provide sufficient guarantees.The public prosecution shall have the right to withdraw and cancel the deferral or instalment order if the public prosecution finds a reason for that.
10. Reconciliation is considered as if it has not been taken place, and all effect it bears shall be ceased, in the event that the accused or convicted Person does not comply with Clause (9) of this Article, or if he violates the payment plan referred to in Clause (5) of this Article.
11. In all cases, the settlement of the amount of reconciliation in form of Payable Tax and Administrative Penalties shall be made to the Authority.

Article (25) : Extension of Deadlines

1. The Authority may extend the deadline for deciding on a Tax assessment review request and a request for reconsideration, which fulfil the formalities, for a period of (20) twenty Business Days if the extension is necessary to decide on the request.

2. The Committee may extend the deadline for deciding on a Tax objection, which fulfils the formalities, for a period of (60) sixty Business Days if the extension is necessary to decide on the objection.
3. The Authority may, at the request of the Persons concerned, extend the deadline for accepting the submission of a Tax assessment review request or a reconsideration request, in the cases deemed appropriate by the Authority.
4. The Committee may, upon the request of the Persons concerned, extend the deadline for accepting the submission a Tax objection if there is a reason beyond their control, sudden accident, emergency circumstances or *force majeure* that prevented them from submitting the Tax objection within the specified deadline.
5. For the purposes of Clauses (3) and (4) of this Article, the request must be submitted including justifications for extension and reasons related to the review, reconsideration or objection.

Article (26) : Tax Refund Procedures

1. A Taxpayer who is entitled to refund of Tax under the Tax Law or the Decree-Law may apply for the refund in the form and manner approved by the Authority.
2. The Authority shall decide on the refund application submitted under Clause (1) of this Article and notify the Taxpayer of its decision within (20) twenty Business Days from the date of submission of the refund application, or within any other period required to decide on the refund application, provided that the Taxpayer has been duly notified.
3. Where the Authority approves a refund application, it shall, within (5) five Business Days from the date of the Notification under Clause (2) of this Article, initiate the procedures of repayment to the Taxpayer in accordance with the mechanism determined by the Authority.
4. The Authority may defer the Tax refund until the receipt of Tax Returns that have not been submitted at the time its refund application is received, until such time when all due Tax Returns are submitted to the Authority. Any excess amount shall be refundable once such Tax Returns are submitted, in accordance with the Decree-Law and the Tax Law.

Article (27) : Payment of Tax and Administrative Penalties in Cases of Bankruptcy

1. Where a Business or part thereof is subject to bankruptcy, and a trustee is appointed, the trustee shall be treated as representing the Person in respect of its Business or part thereof until the expiration date of its appointment.
2. The appointed bankruptcy trustee shall notify the Authority of his appointment within (20) twenty Business Days from the appointment date in accordance with Article (8) of this Decision.
3. The Authority shall notify the appointed bankruptcy trustee of the amount of the Due Tax and of its intention to perform a Tax Audit for specific Tax Period(s), within (20) twenty Business Days after being notified of the trustee's appointment under Clause (2) of this Article.
4. The appointed bankruptcy trustee shall settle any Payable Tax to the Authority in accordance with the Payable Tax settlement mechanism under the Decree-Law and the Tax Law.



Article (28) : Confidentiality and Disclosure of Information

1. Employees of the Authority, and those who are mandated by the Authority, to implement the provisions of the Decree-Law or the Tax Law, both during and after cessation of their employment and mandate, shall not disclose information they obtained or to which they accessed during their employment or by virtue of conducting their mandated duties, except in the following cases:
 - a. The disclosure is made pursuant to a decision of a judicial authority for the purposes of a civil or criminal case before the Competent Court with respect to a matter falling within the Authority's scope of work/competencies.
 - b. The disclosure is made to a competent government entity, as determined by a decision of the Board, after concluding a memorandum providing for such disclosure, the permitted use of the information disclosed, the arrangements for the control, security, subsequent disclosure and the accuracy of the information, including the access to that information by the persons.
 - c. The disclosure is made in the implementation of international treaties or agreements.
 - d. The disclosure is requested by a Person, its Legal Representative or Tax Agent in relation to any part of the Person's file held by the Authority.
 - e. The disclosure is made to a competent employee of the Authority, at a place and in accordance with the confidentiality conditions under which the Authority expects that person to perform his duties and functions.
2. For purposes of Clause (1) of this Article, "employees of the Authority" shall mean all of the following:
 - a. The Chairman and members of the Board.
 - b. The Director General.
 - c. Any other employee of the Authority.
3. For the purposes of implementing this Article, the Board may specify:
 - a. The employees of the Authority and the persons who are mandated by the Authority whose functions permit them to disclose information, and the nature or type of information that may be disclosed.
 - b. The date on which disclosure may be made.

Article (29) : Request of Information and Documents

The Authority may request the accounting records, commercial books and any other data and information from any Person in order to fulfil its duties and powers under the Decree-Law and the Tax Law and any executive decisions thereof.

Article (30) : Abrogation

1. The Cabinet Decision No. 36 of 2017 on the Executive Regulation of Federal Law No. 7 of 2017 on Tax Procedures, and its amendments, shall be abrogated.
2. Any provision contrary to or inconsistent with the provisions of this Decision shall be abrogated.
3. Decisions issued by the Authority and procedures applied by it for the implementation of the Cabinet Decision No. 36 of 2017 on the Executive Regulation of Federal

Law No. 7 of 2017 on Tax Procedures and its amendments shall remain in force, insofar as they do not contradict with the provisions of this Decision until the issuance of decisions and procedures replacing them in accordance with the provisions of this Decision.

Article (31) : Publication and Enforcement

1. This Decision shall be published in the Official Gazette and shall come into effect as of 1 August 2023.
2. As an exception to Clause (1) of this Article, Clause (2) of Article (12) of this Decision shall come into effect as of 1 December 2023.

Mohammed Bin Rashid Al Maktoum

Prime Minister

Issued by us:

Date: 22/Dhu Al Hijjah/1444 AH

Corresponding to: 10/July/2023 AD

ca.basithabdul@gmail.com 21-01-2025
05:25 **JAMMANN**



Cabinet Decision No. 75 of 2023 on the Administrative Penalties for Violations Related to the Application 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 Competences 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. (14) of 2016 on Violations and Administrative Penalties in the Federal Government,
- 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. (40) of 2017 on the Administrative Penalties for Violation of Tax Laws in the UAE, and its amendments,
- Pursuant to what was presented by the Minister of Finance and approved by the Cabinet,

Has decided:

Article (1) : Definitions

Definitions in Federal Decree-Law No. (28) of 2022 on Tax Procedures and in Federal Decree-Law No. (47) of 2022 on the Taxation of Corporations and Businesses shall apply to this Decision, otherwise, the following words and expressions shall have the meanings assigned against each, unless the context otherwise requires:

Tax: Corporate Tax.

Tax Procedures Law: Federal Decree-Law No. (28) of 2022 on Tax Procedures.

Corporate Tax Law: Federal Decree-Law No. (47) of 2022 on the Taxation of Corporations and Businesses.

Due Tax: Tax that is calculated and imposed under the provisions of the Corporate Tax Law.

Administrative Penalties: Monetary amounts imposed upon the Person by the Authority for breaching the provisions of the Tax Procedures Law, the Corporate Tax Law or decisions issued by the Cabinet for execution thereof.

Tax Audit: A procedure undertaken by the Authority to inspect the commercial records, information, data or goods related to a Person to determine whether the Person has fulfilled his obligations under the Tax Procedures Law or the Corporate Tax Law.

Declaration: A declaration made pursuant to Clauses (5) and (6) of Article (53) or Clause (1) of Article (55) of the Corporate Tax Law.

Tax Difference: The difference between the Due Tax as calculated and the Due Tax as it should have been calculated.

Article (2) : Scope of Application

Notwithstanding the provisions of Cabinet Decision No. (40) of 2017 referred to above, the Administrative Penalties included in the table annexed to this Decision shall apply to violations related to the application of the Corporate Tax Law.

Article (3) : Date of Application of Monthly Administrative Penalties

For the purposes of Clauses (3), (6), (7), (8), and (13) of the table annexed to this Decision, if any penalty is to be imposed on the same date monthly, the date for a month, that does not have a corresponding date for that date, shall be considered to be the last day of that month, however, the penalty for all other months shall be imposed on the same date the monthly penalty was first imposed.

Article (4) : Publication and Entry into Force

This Decision shall be published in the Official Gazette and shall come into effect on 1 August 2023.

Mohammed bin Rashid Al Maktoum
Prime Minister

Issued by us,

Date: 22/Dhu Al Hijjah/1444 AH

Corresponding to: 10/July/2023 AD

Table of Violations and Administrative Penalties Annexed to Cabinet Decision No. (75) of 2023 on Violations Related to the Application of Federal Decree-Law No. (47) of 2022 on the Taxation of Corporations and Businesses

No.	Description of Violation	Administrative Penalty Amount in AED
1.	Failure of the Person conducting a Business or Business Activity or having a Tax obligation under the Tax Procedures Law or the Corporate Tax Law to keep the required records and other information specified in the Tax Procedures Law and the Corporate Tax Law.	One of the following penalties shall apply: 1. 10,000 for each violation. 2. 20,000 in each case of repeated violation within 24 months from the date of the last violation.
2.	Failure of the Person conducting Business or Business Activity or having a Tax obligation under the Tax Procedures Law or the Corporate Tax Law to submit the data, records and documents related to Tax in Arabic to the Authority when requested.	5,000
3.	Failure of the Registrant to submit a deregistration application within the timeframe specified in the Corporate Tax Law and its implementing decisions.	1,000 in case of late submission of the application and on the same date monthly, up to a maximum of 10,000 .

No.	Description of Violation	Administrative Penalty Amount in AED
4.	Failure of the Registrant to inform the Authority of any case that may require the amendment of the information pertaining to his Tax record kept by the Authority.	One of the following penalties shall apply: 1. 1,000 for each violation. 2. 5,000 in each case of repeated violation within 24 months from the date of the last violation.
5.	Failure of the Legal Representative to provide notification of their appointment within the specified timeframes, in which case the penalties will be due from the Legal Representative's own funds.	1,000
6.	Failure of the Legal Representative to file a Tax Return within the specified timeframes, in which case the penalties will be due from the Legal Representative's own funds.	1. 500 for each month, or part thereof, for the first twelve months. 2. 1,000 for each month, or part thereof, from the thirteenth month onwards. This penalty shall be imposed from the day following the expiry date of the timeframe within which the Tax Return must be submitted, and on the same date monthly thereafter.
7.	Failure of the Registrant to submit a Tax Return within the timeframe specified in the Corporate Tax Law.	1. 500 for each month, or part thereof, for the first twelve months. 2. 1,000 for each month, or part thereof, from the thirteenth month onwards. This penalty shall be imposed from the day following the expiry date of the timeframe within which the Tax Return must be submitted, and on the same date monthly thereafter.
8.	Failure of the Taxable Person to settle the Payable Tax.	1. A monthly penalty of 14% per annum, for each month or part thereof, on the unsettled Payable Tax amount from the day following the due date of payment and on the same date monthly thereafter. 2. For the purposes of this penalty, the due date of payment in the case of the Voluntary Disclosure and Tax Assessment, shall be as follows: a. 20 Business Days from the date of submission, in the case of a Voluntary Disclosure. b. 20 Business Days from the date of receipt, in the case of a Tax Assessment.

No.	Description of Violation	Administrative Penalty Amount in AED
9.	The Registrant submits an incorrect Tax Return.	500, unless the Person corrects his Tax Return before the expiry of the deadline for the submission of the Tax Return according to the Corporate Tax Law.
10.	The submission of a Voluntary Disclosure by the Taxable Person in relation to errors in the Tax Return, Tax Assessment or Tax refund application pursuant to Clauses (1) and (2) of Article (10) of the Tax Procedures Law.	A monthly penalty of 1% on the Tax Difference, for each month or part thereof, to be applied as of the date following the due date of the relevant Tax Return, the submission of the Tax refund application, or the Notification of the Tax Assessment and until the date the Voluntary Disclosure is submitted.
11.	Failure of the Taxable Person to submit a Voluntary Disclosure in relation to errors in the Tax Return, Tax Assessment or Tax refund application pursuant to Clauses (1) and (2) of Article (10) of the Tax Procedures Law, before being notified by the Authority that it will be subject to a Tax Audit.	<p>The following penalties shall apply:</p> <ol style="list-style-type: none"> 1. A fixed penalty of 15% on the Tax Difference. 2. A monthly penalty of 1% on the Tax Difference, for each month or part thereof, to be applied as follows: <ol style="list-style-type: none"> a. Where the Taxable Person submits a Voluntary Disclosure after being notified that it will be subject to a Tax Audit by the Authority, the penalty shall be imposed for the period from the day following the due date of the relevant Tax Return, or the submission of the Tax refund application or Notification of the Tax Assessment and until the date the Voluntary Disclosure is submitted. b. Where the Taxable Person fails to submit a Voluntary Disclosure, the penalty shall be imposed as of the date following the due date of the relevant Tax Return, or the submission of the Tax refund application or Notification of the Tax Assessment and until the date of issuance of the Tax Assessment.
12.	Failure of a Person subject to Tax Audit, his Tax Agent or Legal Representative to offer facilitation to the Tax Auditor in violation of the provisions of Article (20) of the Tax Procedures Law, in which case the	20,000



No.	Description of Violation	Administrative Penalty Amount in AED
	penalties will be due from the Person's, Legal Representative's or Tax Agent's own funds, as applicable.	
13.	Failure of a Person to submit, or late submission of a Declaration to the Authority, as required in accordance with the provisions of the Corporate Tax Law.	<ol style="list-style-type: none">1. 500 for each month, or part thereof, for the first twelve months.2. 1,000 for each month, or part thereof, from the thirteenth month onwards. <p>This penalty shall be imposed from the day following the expiry date of the timeframe within which the Declaration must be submitted, and on the same date monthly thereafter.</p>



Cabinet Decision No. 81 of 2023

On Conditions for Qualifying Investment Funds for the Purposes of Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses

The Cabinet :

- Having reviewed the Constitution,
- 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 apply to this Decision, and the following words and expressions shall have the meaning assigned against each, unless the context requires otherwise:

Investment Business	:	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 resulting from the entity's acquisition, holding, management or disposal of investments, in accordance with the applicable legislation of the State.
Real Estate Gains	:	Gains derived from the sale or disposal of land or real estate.
Real Estate Income	:	Income derived from renting of land or real estate, excluding Real Estate Gains.
Real Estate Asset Percentage	:	The portion of the Real Estate Income generating assets as a percentage of the total value of the assets of the investment fund.
Real Estate Investment Trust ("REIT")	:	A real estate fund as defined in the applicable legislation of the State.
Corporate Tax Law	:	Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses.

Article (2) : Conditions to Exempt an Investment Fund from Corporate Tax

- Without prejudice to the conditions under Clause (1) of Article (10) of the Corporate Tax Law, an investment fund, excluding a Real Estate Investment Trust ("REIT"), shall meet all of the following conditions to apply to the Authority to be exempt from Corporate Tax as a Qualifying Investment Fund:

- a. The main Business or Business Activities conducted by the investment fund are Investment Business activities, and any other Business or Business Activities conducted by the investment fund are ancillary or incidental.
 - b. A single investor and its Related Parties do not own the following:
 - (1) More than 30% (thirty per cent) of the ownership interests in the investment fund, where the investment fund has less than ten investors.
 - (2) More than 50% (fifty per cent) of the ownership interests in the investment fund, where the investment fund has ten or more investors.
 - c. The investment fund is managed or advised by an Investment Manager that has a minimum of three investment professionals.
 - d. The investors shall not have control over the day-to-day management of the investment fund.
2. For the purposes of applying paragraph (a) of Clause (1) of this Article, the following must be observed:
 - a. Where Business or Business Activities of a resident Investment Manager are attributed to a resident investment fund, the Taxable Income of the Investment Manager shall be adjusted to include the income attributed to the investment fund, in accordance with Article (20) of the Corporate Tax Law.
 - b. Business or Business Activities of an Investment Manager that are attributed to a resident investment fund shall be considered to be Investment Business activities where they meet at least one of the following conditions:
 - (1) To be subject to Corporate Tax in the State through the Investment Manager.
 - (2) To be undertaken by an Investment Manager that would meet the conditions under Clause (1) of Article (15) of the Corporate Tax Law, had the reference to the Non-Resident Person in that Clause been related to a Resident Person.
 - c. Other Business or Business Activities that the investment fund conducts shall be considered as ancillary or incidental if the combined Revenue of such Business or Business Activities does not exceed 5% (five per cent) of the total Revenue of the investment fund in the same Financial Year.
 3. The investment fund shall be considered to have met any of the ownership interests conditions under paragraph (b) of Clause (1) of this Article as the case may be, in the first two Financial Years of the establishment of the investment fund if there is sufficient evidence to demonstrate the intention of the investors to meet these conditions after the first two Financial Years, as determined by the Authority.
 4. Where an investment fund does not meet the conditions under Clause (3) of this Article, the investment fund shall cease to be treated as an Exempt Person from the beginning of the third Financial Year of its establishment.

Article (3) : Conditions to Exempt a Real Estate Investment Trust from Corporate Tax

Notwithstanding the provisions of Article (2) of this Decision, a Real Estate Investment Trust (“REIT”) shall meet all of the following conditions, in addition to the conditions under Clause (1) of Article (10) of the Corporate Tax Law, to apply to the Authority to be exempt from Corporate Tax as a Qualifying Investment Fund:

1. The value of real estate assets, excluding land, under the management or ownership of the Real Estate Investment Trust ("REIT") exceeds AED 1,00,000,000 (one hundred million United Arab Emirates dirhams).
2. At least 20% (twenty per cent) of the share capital of the Real Estate Investment Trust ("REIT") is floated on a Recognised Stock Exchange, or it is directly wholly owned by two or more institutional investors specified in Article (5) of this Decision, provided that at least two of those institutional investors are not Related Parties.
3. The Real Estate Investment Trust ("REIT") has an average Real Estate Asset Percentage of at least 70% (seventy per cent) during the relevant Gregorian calendar year, or the relevant (12) twelve-months period for which the financial statements are prepared.

Article (4) : Investor Income

1. Where a Taxable Person is an investor in the Qualifying Investment Fund in a Tax Period, the income of that Taxable Person for that relevant Tax Period shall be adjusted to include the income and the expenditure of the Qualifying Investment Fund as reflected in the financial statements of the Qualifying Investment Fund, and in proportion to its ownership interest, in accordance with Article (20) of the Corporate Tax Law.
2. The income of the investor shall not include any distribution they receive from a Qualifying Investment Fund in case it has been previously included as their income under Clause (1) of this Article.

ca.basitabdul@gmail.com 21-01-2025
05:28 **Article (5) : Institutional Investor**

An institutional investor is any of the following:

1. The Federal Government.
2. A Local Government.
3. A Government Entity.
4. A Government Controlled Entity.
5. A foreign government, its institutions and authorities or the companies fully owned by any of them.
6. International organisations.
7. A Bank.
8. An Insurance Provider.
9. A pension or social security fund.
10. An investment entity licensed by a relevant competent authority or a similar regulatory authority in or outside of the State.
11. Any other juridical person determined by the Authority.

Article (6) : Unincorporated Partnership

An Unincorporated Partnership that is considered a Taxable Person in its own right in accordance with Article (16) of the Corporate Tax Law shall be considered an entity under the definition of the Qualifying Investment Fund under the Corporate Tax Law.



Article (7) : Implementing Decisions

The Minister may issue the necessary decisions to implement 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 effect the day following the date of its publication.

Mohammed bin Rashid Al Maktoum

Prime Minister

Issued by us:

Date: 30 Dhu Al-Hijjah 1444 H

Corresponding to: 18 July 2023

ca.basithabdu@gmail.com 21-01-2025
05:28 TAXMANN





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:

ca.basithab 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:

ca.basithabdul@gmail.com 21-01-2025
05:29

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



This is not an official translation :

Determination of Tax Residency

Cabinet Decision No. 85 of 2022 - Issued 2 Sept. 2022 (Effective 1 Mar 2023)

The Cabinet has decided:

- 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, and
- Pursuant to the presentation of the Minister of Finance and approval of the Cabinet,

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 requires otherwise:

State	: United Arab Emirates.
Minister	: Minister of Finance.
Authority	: Federal Tax Authority.
Person	: Natural or juridical person.
Tax Resident	: The Person who is resident of the State as specified in Articles 3 and 4 of this Decision.
Business	: Any activity conducted regularly, on an ongoing and independent basis by any Person, such as industrial, commercial, agricultural, professional, vocational, service or excavation activities or anything related to the use of tangible or intangible properties.
Residence Permit	: The permit or authorisation issued by the competent authorities in the State granting the natural person the right to reside or work within the territory of the State and does not include any temporary permit to enter the State for a specified period for the purposes of temporary travel, tourism, sport, medical treatment or any other purpose.
Permanent Place of Residence	: The place located in the State and available to the natural person at all times.
International Agreement	: Any bilateral or multilateral agreement, or any other agreement to which the State is a party, that has been ratified by the parties.

Tax Residency Certificate	: A certificate issued by the Authority proving that the Person is a Tax Resident in the State.
Tax	: Every federal Tax imposed under the Tax Law, that the Authority is mandated to administer, collect and enforce.
Tax Law	: Any federal law whereby the Tax is imposed.

Article 2 - Objectives of the Decision

This Decision is intended to determine the requirements and conditions for identifying a Person as a Tax Resident in the State.

Article 3 - Juridical Person

A juridical person shall be considered a Tax Resident in the State in either of the following cases:

1. It was incorporated, formed or recognised in accordance with the legislation in force in the State, and that does not include the branch that is registered by a foreign juridical person in the State.
2. It is considered a Tax Resident in accordance with the Tax Law in force in the State.

Article 4 - Natural Person

A natural person shall be considered a Tax Resident in the State where any of the following conditions are met:

1. If his usual or primary place of residence and the centre of his financial and personal interests are in the State, or he meets the conditions and criteria determined by a decision from the Minister.
2. If he has been physically present in the State for a period of (183) one hundred and eighty-three days or more, within the relevant (12) twelve consecutive months.
3. If he has been physically present in the State for a period of (90) ninety days or more, within the relevant (12) twelve consecutive months, and he is a UAE national, holds a valid Residence Permit in the State or holds the nationality of any member state of the Gulf Cooperation Council, and meets any of the following:
 - a. He has a Permanent Place of Residence in the State.
 - b. He carries on an employment or Business in the State.

Article 5 - Tax Residency Certificate

1. The Person who is considered a Tax Resident in the State in accordance with the provisions of Article 3 or 4 of this Decision, may make an application to the Authority for the purpose of issuing a Tax Residency Certificate to that Person.
2. The application referred to in clause 1 of this Article shall be submitted in accordance with the form and manner specified by the Authority.
3. If the Authority is satisfied that the applicant meets the requirements set out in Article 3 or 4 of this Decision and that the application was submitted in accordance with clause 2 of this Article, the Authority may approve the application and issue the Tax Residency Certificate.



Article 6 - International Agreements

1. If any International Agreement sets out certain conditions for determining the tax residency, the provisions of that International Agreement on determining the tax residency shall apply for the purposes of this International Agreement.
2. The Minister shall issue a decision specifying the form and manner of issuing certificates for determining the tax residency for the purposes of the International Agreement.

Article 7 - Competencies of and Cooperation with the Authority

1. The Authority may request all information, data, and documents relating to any Person from all government entities of the State, for the purposes of implementing the provisions of this Decision.
2. All government entities of the State must fully cooperate with the Authority for the purposes of implementing the provisions of this Decision, including providing the Authority with all information, data, and documents relating to any Person as requested by the Authority.

Article 8 - Executive Decisions

1. The Minister shall issue the decisions required to determine the conditions, controls and criteria for implementing any of the provisions of this Decision.
2. The Authority has jurisdiction to issue clarifications and directives for implementing any of the provisions of this Decision.

Article 9 - Publication and Enforcement

This Decision shall be published in the Official Gazette and shall come into effect as of 01 March, 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:

ca.basithabdul@gmail.com 21-01-2025
05:48

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



Cabinet Decision No. 100 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

[Repealing Cabinet Decision No. 55 of 2023]

The Cabinet:

- Having reviewed the Constitution,
- Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses,
- 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,
- 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 apply to this Decision, otherwise 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.

Qualifying Intellectual Property: Patents, Copyrighted Software and any right functionally equivalent to a Patent that is both legally protected and subject to a similar approval and registration process to a Patent, such as utility models, intellectual property assets that grant protection to plants and genetic material, orphan drug designations, and extensions of Patent protection, but not including any marketing related intellectual property assets, such as trademarks.

Patents: Any patent granted under the law regulating patents in the State or granted under the relevant law of a foreign jurisdiction.



Copyrighted Software: Any copyright subsisting in software granted under the law regulating copyrights in the State or granted under the relevant law of a foreign jurisdiction.

Commercial Property: Immovable property or part thereof used exclusively for a Business or Business Activity and not used as a place of residence or accommodation including hotels, motels, bed and breakfast establishments, serviced apartments and the like.

Designated Zone: A designated zone according to what is stated in Federal Decree-Law No. (8) of 2017 on Value Added Tax, and which has been included as a Free Zone in accordance with the Corporate Tax Law.

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 derived from the ownership or exploitation of immovable property in accordance with Article (6) of this Decision, or considered Taxable Income under Clause (2) of Article (7) of this Decision:
 - a. Income derived from transactions with a Free Zone Person, 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. Income derived from the ownership or exploitation of Qualifying Intellectual Property under Clause (1) of Article (7) of this Decision.
 - d. 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 supply such service or Good to another person and the term “Good” shall mean tangible or intangible property that has economic value in dealing including movable and immovable property.
4. 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.
 - (3) Transactions with a Free Zone Person where such Free Zone Person is not the Beneficial Recipient of the relevant services or Goods.
 - 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 derived from the following transactions in relation to immovable property located in a Free Zone:
 - (1) Transactions with a Non-Free Zone Person 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.
 - c. Revenue derived from the ownership or exploitation of intellectual property, except for the Revenue related to the Qualifying Income referred to in Clause (1) of Article (7) of this Decision.
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 the Qualifying Free Zone Person for a Tax Period is the Taxable Income attributable to 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 Derived From Immovable Property Located in a Free Zone

1. Income derived from immovable property located in a Free Zone 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 a Non-Free Zone Person 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 derived from 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) : Income Derived from Qualifying Intellectual Property

1. Qualifying Income derived from the ownership or exploitation of Qualifying Intellectual Property shall be calculated in accordance with a decision issued by the Minister.
2. Income derived from the ownership or exploitation of intellectual property that is not Qualifying Intellectual Property and income in excess of Qualifying Income calculated in accordance with Clause (1) of this Article, shall be considered Taxable Income and taxed in accordance with paragraph (b) of Clause (2) of Article (3) of the Corporate Tax Law.

Article (8) : Maintaining Adequate Substance and Outsourcing in a Free Zone

1. A Qualifying Free Zone Person shall undertake its core income-generating activities in a Free Zone or a Designated Zone, depending on where such activities are required to be conducted, and having regard to the level of the activities carried out, have adequate assets, an adequate number of qualified full-time employees in a Free Zone or a Designated Zone depending on where such activities are required to be conducted, and incur an adequate amount of operating expenditures, in relation to each activity.
2. Core income-generating activities can be outsourced to another Person in a Free Zone or a Designated Zone depending on where such activities are required to be conducted, provided the Qualifying Free Zone Person has adequate supervision of the outsourced activity.
3. Notwithstanding Clause (2) of this Article, core income-generating activities in respect of Qualifying Intellectual Property can be outsourced to any other Person in the State and to any other Person who is not a Related Party outside the State, provided the Qualifying Free Zone Person has adequate supervision of the outsourced activity.
4. For the purposes of this Article, core income-generating activities may vary according to the specific activity but mainly consist of those significant functions that drive the business value for each activity carried out by a Qualifying Free Zone Person and are not exclusively or mostly support activities.

Article (9) : Implementing Decisions

The Minister shall issue the necessary decisions to implement the provisions of this Decision.



Article (10) : Repeals

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 shall be repealed.

Article (11) : 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/ Rabi‘ al-Akhir/1445 H

Corresponding to: 25/October/2023

ca.basithabdul@gmail.com 21-01-2025
05:49 **TAKMANN**



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:

ca.basithabdul@gmail.com 21-01-2025
05:50 AM

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:

05:51

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 per cent.
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 per cent.
 - 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 per cent.
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 per cent 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 per cent 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.
 - 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.

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:

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Corresponding to: 16/05/2023

ca.basithabdul@gmail.com 21-01-2025
05:59 **HAKMANN**





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 clause (2) 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 Article (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/DHUL-QI1DAH/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 Article (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/DHUL-QI'DAH/1444

Corresponding to: 23/05/2023

ca.basithabdul@gmail.com 21-01-2025
06:03 TAXMANN



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/DHUL-QI'DAH/1444

Corresponding to: 25/05/2023

ca.basithabdul@gmail.com 21-01-2025
06:06



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 per cent) 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 per cent) 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 per cent) 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 sub-paragraph (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 sub-paragraph (1) of this paragraph.
2. Where sub-paragraph (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, sub-paragraphs (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, sub-paragraphs (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

ca.basithabdul@gmail.com 21-01-2025
07:28 **TAMMANN**



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

[Repealed by Ministerial Decision No. 265 of 2023]

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 rotatable 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 per cent) 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



Ministerial Decision No. 265 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

[Repealing Ministerial Decision No. 139 of 2023]

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. 6 of 2007 on the Organization of Insurance Operations, 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. 14 of 2018 Regarding the Central Bank and Organization of Financial Institutions and Activities, 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, and its amendments,
- Cabinet Decision No. 100 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,
- 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,

Decided:

Article (1) : Definitions

Definitions in Federal Decree-Law No. 47 of 2022 and Cabinet Decision No. 100 of 2023 referred to above shall apply to this Decision, otherwise the following words and expressions shall have the meaning assigned against each, unless the context requires otherwise.

Qualifying Commodities: Metals, minerals, energy and agriculture commodities that are traded on a Recognised Commodities Exchange Market in raw form.

Recognised Commodities Exchange Market: Any commodities exchange market established in the State that is licensed and regulated by the relevant Competent Authority, or any commodities exchange market established and recognised outside the State of equal standing.



Ship: Any structure 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.

Competent Authority: The Central Bank of the United Arab Emirates, the Dubai Financial Services Authority of the Dubai International Financial Centre, the Financial Services Regulatory Authority of the Abu Dhabi Global Market and the Securities and Commodities Authority as applicable.

Corporate Tax Law: Federal Decree-Law No. 47 of 2022 referred to above.

Article (2) : Qualifying Activities and Excluded Activities

1. For the purposes of Cabinet Decision No. 100 of 2023 referred to above, and subject to Clauses (2) and (3) of this Article, 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. Trading of Qualifying Commodities.
 - d. Holding of shares and other securities for investment purposes.
 - e. Ownership, management and operation of Ships.
 - f. Reinsurance services.
 - g. Fund management services.
 - h. Wealth and investment management services.
 - i. Headquarter services to Related Parties.
 - j. Treasury and financing services to Related Parties.
 - k. Financing and leasing of Aircrafts.
 - l. Distribution of goods or materials in or from a Designated Zone.
 - m. Logistics services.
 - n. Any activities that are ancillary to the Qualifying Activities specified in paragraphs (a) to (m) of this Clause.
2. For the purposes of Cabinet Decision No. 100 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 (e), (g), (h) and (k) of Clause (1) of this Article.
 - b. Banking activities.
 - c. Insurance activities, without prejudice to the Qualifying Activities specified under paragraphs (f) and (i) of Clause (1) of this Article.
 - d. Finance and leasing activities without prejudice to the Qualifying Activities specified in paragraphs (e), (j) and (k) of Clause (1) of this Article.
 - 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 a Free Zone Person.

- f. Any activities that are ancillary to the Excluded Activities specified in paragraphs (a) to (e) of this Clause.
- 3. For the purposes of Clauses (1) and (2) of this Article, the following shall apply:
 - a. Manufacturing of goods or materials includes the production, improvement or assembly of products and materials from raw materials or components.
 - b. Processing of goods or materials includes the preparation, treatment, transformation or conversion of goods or materials into another form of good or material for commercial or industrial use or sale.
 - c. Trading of Qualifying Commodities means the physical trading activities of Qualifying Commodities and associated derivative trading used to hedge against risks involved in such activities.
 - d. Holding of shares and other securities for investment purposes includes the holding of the following:
 - (1) Shares of any class in the share capital of another juridical person or other types of equitable interests that entitle the holder to receive profits and liquidation proceeds, whether as a legal or beneficial owner.
 - (2) Negotiable or non-negotiable financial instruments, including, derivative instruments, financial commodities, and other investment instruments that are or can be traded in a public or private market or that are convertible or exchangeable into a security or which confer a right to purchase a security, with the exception of the holding of financial or investment instruments that are issued pursuant to a securitization of receivables from a non-financial asset.
- e. Ownership, management and operation of Ships includes the ownership, management and operation of Ships used in the international transportation of passengers, goods or livestock, towing activities and the provision of general assistance to Ships at sea, dredging activities at sea, and leasing and chartering of Ships on a bareboat basis used in the international transportation of passengers, goods or livestock. This activity shall not include Ships used for local transportation or leisure or recreational purposes, or as floating hotels, restaurants or casinos.
- f. Reinsurance services means reinsurance operations that are regulated under Federal Law No. 6 of 2007 referred to above.
- g. Fund management services includes the activities of portfolio management, risk management, discretionary and non-discretionary fund management services and other services relating to the day-to-day management and operation of an investment fund by a fund manager that is appointed by the fund or its investors, including those activities that are delegated by an investment fund or its fund manager to an investment advisor or sub-advisor, that are subject to the regulatory oversight of the Competent Authority in the State.
- h. Wealth and investment management services includes the activities of providing discretionary and non-discretionary investment management and advisory services, portfolio management and wealth and investment advisory services, that are subject to the regulatory oversight of the Competent Authority in the State.
- i. Headquarter services to Related Parties includes the administering, overseeing and managing of Business Activities of Related Parties, including the provision of

senior and general management, captive insurance services, administrative services, procurement services, business planning and development, risk management, coordination of group activities, and in general incurring expenditures on behalf of Related Parties and providing other support services to Related Parties.

- j. Treasury and financing services to Related Parties includes the provision of cash and liquidity management, financing, debt management, and financial risk management and related advisory services to Related Parties, including centralised payment and collection activities for or on behalf of Related Parties.
 - k. Financing and leasing of Aircraft includes the financing, leasing and securitisation of the financing and leasing of Aircraft, Aircraft engines or rotatable components, granting the right to use Aircraft, Aircraft engines or rotatable components in exchange for rental or other consideration pursuant to a finance lease, operating lease or other arrangement and related advisory and agency services for the procurement, sale or leasing of Aircraft, Aircraft engines or rotatable components undertaken by the Qualifying Free Zone Person.
 - l. Distribution of goods or materials in or from a Designated Zone, includes the buying and selling of goods, materials, component parts or any other items that are tangible or movable and may include the importation, storage, inventory management, handling, transportation and exportation of those goods or materials 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, provided such activities are conducted in or from a Designated Zone and the goods or materials entering the State are imported through the Designated Zone.
 - m. Logistics services includes the storage and transportation of goods or materials on behalf of another Person without taking title to the good or material of that other Person, including cargo handling, warehousing, container storage, transport agency services, customs brokerage services, order and inventory management, freight forwarding and brokerage services, document preparation, packing and unpacking and other related services.
 - n. Banking activities means the regulated financial activities specified under Article (65) of Federal Decree-Law No. 14 of 2018.
 - o. Insurance activities means insurance operations that are regulated under Federal Law No. 6 of 2007 referred to above.
 - p. Finance and leasing activities means the provision of credit or financing for any kind of consideration, and the letting or otherwise granting the right to use an asset in exchange for rental or other consideration pursuant to a finance lease, operating lease or other arrangement, that are subject to the regulatory oversight of the Competent Authority in the State.
4. For the purposes of paragraph (n) of Clause (1) and paragraph (f) of Clause (2) of this Article, an activity shall be considered ancillary where it is necessary for the performance of the main activity or where it makes a minor contribution to it and is so closely related to the main activity that it should not be regarded as a separate activity.

Article (3) : De Minimis Requirements

For the purposes of Article (4) of Cabinet Decision No. 100 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 per cent) 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 (4) : Income Derived from Qualifying Intellectual Property

1. For the purposes of Clause (1) of Article (7) of Cabinet Decision No. 100 of 2023 referred to above, subject to the application of Clause (3) of this Article, the Qualifying Income shall be determined as follows:

$$\text{Qualifying Income} = \frac{\text{Qualifying Expenditures} + \text{Up-lift Expenditures}}{\text{Overall Expenditures}} \times \text{Overall Income}$$

2. For the purpose of Clause (1) of this Article the following provisions shall apply:
 - a. 'Qualifying Expenditures' means expenditures incurred to fund research and development activities, conducted either by the Qualifying Free Zone Person or outsourced to any Person in the State or any Person outside the State that is not a Related Party, directly connected with the creation, invention or significant development of the Qualifying Intellectual Property.
 - b. 'Overall Expenditures' means total expenditures incurred to fund research and development activities, conducted either by the Qualifying Free Zone Person or outsourced to any Person, directly connected with the creation, invention or significant development of the Qualifying Intellectual Property, including acquisition costs of the Qualifying Intellectual Property.
 - c. 'Overall Income' means royalties or any other income derived from Qualifying Intellectual Property as determined according to the provisions of the Corporate Tax Law, including embedded intellectual property income derived from the sale of products and the use of processes directly related to the Qualifying Intellectual Property as determined in accordance with the arm's length principle under Article (34) of the Corporate Tax Law.
 - d. "Uplift Expenditures" means the Qualifying Expenditure increased by 30% (thirty per cent), subject to the application of Clause (3) of this Article.
3. The Up-lift Expenditures shall be applicable only to the extent that Qualifying Expenditures, after being up-lifted is less than or equal to Overall Expenditures.
4. For the purposes of determining what income from Qualifying Intellectual Property is to be considered Qualifying Income, the Qualifying Free Zone Person must maintain all records, books and documents that prove the following and make them available to the Authority:
 - a. Ownership and the right to exploit the Qualifying Intellectual Property.
 - b. Qualifying Expenditures and Overall Expenditures incurred.
 - c. Overall Income derived from the Qualifying Intellectual Property.
 - d. The link between Qualifying Expenditures and Overall Income derived from Qualifying Intellectual Property.

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 (3) 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) : Repeals

Ministerial Decision 139 of 2023 referred to above shall be repealed.

Article (7) : 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/Rabi' al-Akhir 1445 H

Corresponding to: 27/10/2023

ca.basithabdul@gmail.com 21-01-2025
06:43 **TAMMANN**

