



### **9.7-2b Fines and penalties, other than compensation for damages or breach of contract**

Fines and penalties paid to the government for violation of the statute shall not be allowed as a deduction. However, any payment in the form of compensation for damages or breach of contract shall be allowed in the computation of income. Rather than the nomenclature, the nature of the transaction will be relevant.

*For example,* A LLC had entered into a supply contract with B LLC. As per the agreement, if A LLC fails to provide the contract quantity within a period of 1 month, it has to pay compensation of AED 10,000. A LLC could not match the target and failed to meet the timeline. The penalty/liquidated damages payable as per the agreement would be allowed as a deduction in the computation of the taxable income, as it represents compensation for damages or breach of contract.

*For example,* B LLC violated pollution control regulations and was subjected to a fine of 25,000 AED. The payment of the fine would not be allowed as a deduction.

### **9.7-2c Bribes or other illicit payments**

Bribe and illicit payments in violation of the law are discouraged. The payments in violation of the law cannot be permissible as a deduction in the computation of taxable income. The bribe and any payments to any government authorities or any other organisations in violation of the law shall be disallowed.

### **9.7-2d Dividends, profit distributions or similar benefits to an owner of the taxable person**

Dividends, profit distributions, or benefits of a similar nature paid to an owner of the taxable persons shall be an appropriation of profits and not charged to the profits. Appropriation of profits cannot be considered as expenditure incurred wholly and exclusively for the purpose of profits and gains.

The explanatory guide to CT clearly provides that if any payment is made to the owner or shareholder which is contingent on the financial performance of the business, then such payments will be treated as profit distributions and not allowed as deductions to the taxable person.

### **9.7-2e Amount withdrawn from the business by a natural person**

A natural person is a taxable person if he conducts a business or business activity in the State or is a partner in an Unincorporated Partnership. A natural person may withdraw the business funds for household purposes. Such withdrawal cannot be regarded as expenditure incurred for the purpose of the business and is not eligible for deduction. Similarly, the amount withdrawn from the business by a partner in an unincorporated partnership shall also be not allowed as a deduction.

### **9.7-2f Corporate tax imposed on a taxable person**

The corporate tax imposed on a taxable person cannot be allowed as a deduction in the computation of taxable income.



### **9.7-2g Input VAT that is recoverable**

Input Value Added Tax (VAT) collected and paid to the government by a taxable person shall not be allowed as a deduction if such amount is recoverable as input credit. However, if the amount is not recoverable and is to be borne by the taxable person only, it will be allowed as a deductible expenditure.

### **9.7-2h Tax on income imposed outside the State**

Article 47 allows foreign tax credits against the corporate tax payable in the state. However, if any part or whole of the foreign tax credit is not available against the corporate tax payable under the CT Law, then the value of the foreign tax credit shall not be allowed as a deduction in the computation of taxable income.

### **9.7-2-i Such other expenditure as may be prescribed**

Any other expenditure, as prescribed by the Cabinet at the suggestion of the Minister, would not be permissible as a deduction.



## CHAPTER

# 10

# Transactions with Related Parties and Connected Persons

## 10.1 Introduction

Chapter 10 of the CT Law deals with transactions with related parties and connected persons. The controlled transactions between related parties and connected persons can be manipulated to achieve tax evasion. The UAE CT Law adopts the transfer pricing provisions and arm's length principle to counteract such arrangements. Accordingly, the transactions with the related parties shall be subject to the arm's length principle under the transfer pricing regulations. In contrast, the transactions with the connected persons shall be allowed as a deduction in the computation of taxable income only to the extent the payment or benefit corresponds with the market value of the service or benefit provided by the connected person and is incurred wholly and exclusively for the purposes of the business of the taxable person. Chapter 10 comprises of following Articles:

- (a) Article 34: Arm's Length Principle
- (b) Article 35: Related Parties and Control
- (c) Article 36: Payments to Connected Persons

The transfer pricing regulation under Articles 34 and 35 applies to any transactions or arrangement, including income, capital and revenue expenditure, issue of shares, transfer of business undertaking, etc. In comparison, only expenditure transactions with connected persons are covered under Article 36.

## 10.2 Article 34: Arm's Length Principle

Article 34 reads as follows:

1. In determining Taxable Income, transactions and arrangements between Related Parties must meet the arm's length standard as specified in Clauses 2, 3, 4 and 5 of this Article and any conditions that may be prescribed in a decision issued by the Authority.
2. A transaction or arrangement between Related Parties meets the arm's length standard if the results of the transaction or arrangement are consistent with the results that would have been realised if Persons who were not Related Parties had engaged in a similar transaction or arrangement under similar circumstances.

3. The arm's length result of a transaction or arrangement between Related Parties must be determined by applying one or a combination of the following transfer pricing methods:
  - (a) The comparable uncontrolled price method.
  - (b) The resale price method.
  - (c) The cost-plus method.
  - (d) The transactional net margin method.
  - (e) The transactional profit split method.
4. The Taxable Person may apply any transfer pricing method other than the methods listed in Clause 3 of this Article where the Taxable Person can demonstrate that none of the above methods can be reasonably applied to determine an arm's length result and that any such other transfer pricing method used satisfies the condition of Clause 2 of this Article.
5. The choice and application of a transfer pricing method or combination of transfer pricing methods under Clause 3 or 4 of this Article must be made having regard to the most reliable transfer pricing method and taking into account following factors:
  - (a) The contractual terms of the transaction or arrangement.
  - (b) The characteristics of the transaction or arrangement.
  - (c) The economic circumstances in which the transaction or arrangement is conducted.
  - (d) The functions performed, assets employed, and risks assumed by the Related Parties entering into the transaction or arrangement.
  - (e) The business strategies employed by the Related Parties entering into the transaction or arrangement.
6. The Authority's examination as to whether income and expenditures resulting from the Taxable Person's relevant transactions or arrangements meet the arm's length standard shall be based on the transfer pricing method used by the Taxable Person in accordance with Clause 3 or 4 of this Article, provided such transfer pricing method is appropriate having regard to the factors mentioned in Clause 5 of this Article.
7. Application of the selected transfer pricing method or combination of transfer pricing methods in accordance with Clause 3 or 4 of this Article may result in an arm's length range of financial results or indicators acceptable for establishing the arm's length result of a transaction or arrangement between Related Parties, subject to any conditions specified in a decision issued by the Authority.
8. Where the result of the transaction or arrangement between Related Parties does not fall within the arm's length range, the Authority shall adjust the Taxable Income to achieve the arm's length result that best reflects the facts and circumstances of the transaction or arrangement.



9. Where the Authority makes an adjustment to the Taxable Income pursuant to Clause 8 of this Article, the Authority shall rely on information that can or will be made available to the Taxable Person.
10. Where the Authority or a Taxable Person adjusts the Taxable Income for a transaction or arrangement to meet the arm's length standard, the Authority shall make a corresponding adjustment to the Taxable Income of the Related Party that is party to the relevant transaction or arrangement.
11. Where a foreign competent authority makes an adjustment to a transaction or arrangement involving a Taxable Person to meet the arm's length standard, such Taxable Person can make an application to the Authority to make a corresponding adjustment to its Taxable Income.

### **10.2-1 Overview**

Article 34 provides as under:

- (a) The transactions and arrangements between related parties shall be governed by the arm's length principle;
- (b) The arm's length result of the transaction or arrangement between related parties shall be determined by applying the most reliable transfer pricing methods;
- (c) If the result of the transaction or arrangement does not fall within the range determined by applying the most reliable transfer pricing method, the FTA shall make an adjustment to achieve the arm's length result that best reflects the facts and circumstances of the transaction or arrangement;
- (d) The FTA shall also give a corresponding adjustment to the taxable income of the related party in the relevant transaction or arrangement.

### **10.2-2 Overview of arm's length principle**

When independent parties transact with each other, the transaction price is generally governed by market forces and commercial rationale. When the related parties transact with each other, the transaction price may be manipulated by the parties to achieve lower taxes.

*For example*, 'A' and 'B' are commonly owned by an individual. A is an exempt person, whereas B is a taxable person. A is engaged in the sale of plant and machinery. The market price of the machine 'X' is AED 1,000,000. A has sold two units of 'X' to B and U for consideration of AED 1,200,000 and 1,000,000, respectively. The sale of machinery for consideration of AED 1,200,000 will result in higher profits in the hands of A and a higher deduction for expenditure to B. Since the income of A is exempt under the CT law, no taxes are payable on the inflated profits. This results in artificial pricing and tax avoidance.

### **10.2-3 International transfer pricing regulations**

Under the international transfer pricing regulations, the related parties are referred to as 'Associated enterprises', and the transactions between the related parties are referred to as 'controlled transactions'.

Like the global tax jurisdictions, the UAE CT law has also adopted transfer pricing regulations and the arm's length principle to restrict tax avoidance practices. All related party transactions and transactions with connected persons will need to comply with transfer pricing rules and the arm's length principle as set out in the OECD Transfer Pricing Guidelines.

In common parlance, arm's length price means the price at which a willing buyer and a willing unrelated seller would freely agree to transact or trade. The arm's length principle presupposes the absence of factors affecting the commercial decisions of the parties. The authoritative statement of the arm's length principle is found in Article 9 of the OECD model convention, which reads as under:

"Where -

- (a) *an enterprise of a Contracting State participates directly or indirectly in the management, control or capital of an enterprise of the other Contracting State, or*
- (b) *the same persons participate directly or indirectly in the management, control or capital of an enterprise of a Contracting State and an enterprise of the other Contracting State,*

*and in either case conditions are made or imposed between the two enterprises in their commercial or financial relations which differ from those which would be made between independent enterprises, then any profits which would, but for those conditions, have accrued to one of the enterprises, but, by reason of those conditions, have not so accrued, may be included in the profits of that enterprise and taxed accordingly."*

### **10.2-4 Comparability analysis**

'Comparability analysis' is at the heart of the application of the arm's length principle. Application of the arm's length principle is based on comparing the conditions in a controlled transaction with the conditions that would have been made between unrelated independent parties undertaking a comparable transaction under comparable circumstances.

There are two following key aspects of such an analysis:

- (a) The first aspect is to identify the commercial or financial relations between the related parties and the conditions and economically relevant circumstances attaching to those relations so that the controlled transaction is accurately identified;
- (b) The second aspect is to compare the conditions and the economically relevant circumstances of the controlled transaction with the conditions and the economically relevant circumstances of comparable transactions between the independent parties.



## 10.2-5 Transfer Pricing Methods

The CT Law prescribes five transfer pricing methods to determine the arm's length result of a transaction or arrangement between related parties. Transfer pricing methods are ways of establishing arm's length prices or profits from transactions between associated enterprises. The arm's length price can be determined by applying one or a combination of the following methods:

- (a) Comparable Uncontrolled Price method.
- (b) Resale price method.
- (c) Cost-plus method.
- (d) Transactional Net Margin method.
- (e) Transactional Profit Split method.

The first three methods are categorised as 'Traditional Transaction Methods' whereas the remaining two methods are considered as 'Transactional Profit method'. The traditional transaction methods are considered the most direct methods of transfer pricing. In traditional transaction methods, any difference in the price of a controlled transaction from the price in a comparable uncontrolled transaction can normally be traced directly to the commercial and financial relations made or imposed between the enterprises, and the arm's length conditions can be established by directly substituting the price in the comparable uncontrolled transaction for the price of the controlled transaction.

However, transactional profit methods are more appropriate in certain scenarios than traditional transaction methods. *For example*, where each of the related parties makes unique and valuable contributions (e.g. intellectual property, etc.) in relation to the controlled transaction, or where the related parties engage in highly integrated activities, may make a transactional profit split more appropriate than the traditional transaction method.

### 10.2-5a Comparable Uncontrolled Price ('CUP') Method

The CUP method compares the price charged for property or services transferred in a controlled transaction to the price charged for property or services transferred in a comparable uncontrolled transaction in comparable circumstances. Where there is any difference between the two prices, this may indicate that the conditions of the commercial and financial relations of the associated enterprises are not at arm's length and that the price in the uncontrolled transaction may need to be substituted for the price in the controlled transaction.

The broad methodology of CUP can be summarised as under:

1. The price charged or paid for property transferred or services provided in a comparable uncontrolled transaction, or a number of such transactions, is identified;
2. Such price is adjusted to account for differences, if any, between the controlled transaction and the comparable uncontrolled transactions or between the parties entering into such transactions, which could materially affect the price in the open market;

3. Such adjusted price is taken to be an arm's length price in respect of the property transferred or services provided in the controlled transaction.

An uncontrolled transaction is comparable to a controlled transaction for purposes of the CUP method if one of two conditions is met: (a) none of the differences between the transactions being compared or between the parties undertaking those transactions could materially affect the price in the open market; or, (b) reasonably accurate adjustments can be made to eliminate the material effects of such differences.

The CUP method would generally be an appropriate transfer pricing method for establishing the arm's length price for the transfer of commodities between related parties. For commodities, the economically relevant characteristics include, among others, the physical features and quality of the commodity, the contractual terms of the controlled transaction, such as volumes traded, the period of the arrangements, the timing and terms of delivery, transportation, insurance, and foreign currency terms. For some commodities, certain economically relevant characteristics (e.g. prompt delivery) may lead to a premium or a discount. Where there are differences between the conditions of the controlled transaction and the conditions of the uncontrolled transactions or the conditions determining the quoted price for the commodity that materially affect the price of the commodity transactions being examined, reasonably accurate adjustments should be made to ensure that the economically relevant characteristics of the transactions are comparable. Contributions made in the form of functions performed, assets used, and risks assumed by other entities in the supply chain should be compensated.

*For example*, an unrelated party sells unbranded almonds of a similar type, quality, and quantity as those sold between two related parties, assuming that the controlled and uncontrolled transactions occur at about the same time, at the same stage in the production/distribution chain, and under similar conditions. If the only available uncontrolled transaction involved unbranded almonds, it would be appropriate to inquire whether the difference in the almonds has a material effect on the price or whether the source of almonds commands a premium or requires a discount generally in the open market. If this difference does have a material effect on price, some adjustments would be appropriate. If a reasonably accurate adjustment cannot be made, the reliability of the CUP method will be reduced.

*For example*, the taxpayer sells 1,000 tons of a product for AED 80 per ton to a related party and, at the same time, sells 500 tons of the same product for AED 100 per ton to an unrelated party. This case requires an evaluation of whether the different volumes should result in an adjustment of the transfer price.

The comparable uncontrolled transaction can be 'internal comparable' or 'external comparable'. Internal comparable refers to the comparable wherein one party to the controlled transaction is involved. In contrast, external comparable refers to the comparable transaction undertaken between two independent parties, wherein no party to the controlled transaction is involved.

*For example*, A LLC is engaged in the business of selling sewing machines. A LLC has sold a sewing machine to its related party B LLC. If A LLC also sells the same product on the same day, the sales price of unrelated buyers shall be considered



as internal comparable. However, if A LLC sells only to related parties, such a controlled transaction cannot be taken as comparable. In such case, the sale of similar sewing machines between two independent parties, *e.g.* C LLC and D LLC, should be considered external comparable.

### 10.2-5b Resale Method

The resale price method begins with the price at which a product purchased from a related party is re-sold to an independent enterprise. The resale price is then reduced by an appropriate resale price margin representing the amount out of which the reseller would seek to cover its selling and other operating expenses and, in the light of the functions performed (taking into account assets used and risks assumed), make an appropriate profit. After subtracting the gross margin, what is left can be regarded, after adjustment for other costs associated with the purchase of the product (*e.g.* customs duties), as an arm's length price for the original transfer of property between the associated enterprises. This method is probably most useful when it is applied to marketing and distribution operations.

The methodology can be briefly summarised below:

- (a) The price at which property purchased or services obtained from a related party is re-sold or are provided to an unrelated party can be identified;
- (b) Such resale price is reduced by the amount of a normal gross profit margin accruing to the tested party or to an unrelated party from the purchase and resale of the same or similar property or from obtaining and providing the same or similar services in a comparable uncontrolled transaction, or a number of such transactions;
- (c) The price is further reduced by the expenses incurred in connection with the purchase of property or obtaining of services;
- (d) The price is adjusted for the functional and other differences, including differences in accounting practices, if any, between the controlled transaction and the comparable uncontrolled transactions or between the parties entering into such transactions, which could materially affect the amount of gross profit margin in the open market;
- (e) Such adjusted price is taken to be an arm's length price in respect of the purchase of the property or obtaining of the services in a controlled transaction.

The resale price margin of the reseller-tested party in the controlled transaction may be determined by reference to the resale price margin that the same reseller earns on items purchased and sold in comparable uncontrolled transactions ("internal comparable"). Also, the resale price margin earned by an unrelated party in comparable uncontrolled transactions may serve as a guide ("external comparable").

An appropriate resale price margin is easiest to determine where the reseller does not add substantially to the value of the product and re-sells within a short time. In contrast, it may be more difficult to use the resale price method to arrive at an arm's length price where, before resale, the goods are further processed or incorporated into a more complicated product so that their identity is lost or trans-



formed (e.g. where components are joined together in finished or semi-finished goods). The amount of the resale price margin will be influenced by the level of activities performed by the reseller.

The resale price margin should also be expected to vary according to whether the reseller has the exclusive right to re-sell the goods. Arrangements of this kind are found in transactions between independent enterprises and may influence the margin. Thus, this type of exclusive right should be taken into account in any comparison. The value to be attributed to such an exclusive right will depend to some extent upon its geographical scope and the existence and relative competitiveness of possible substitute goods.

*For example*, a company sells a product through independent distributors in five countries with no subsidiaries. The distributors market the product and do not perform any additional work. In one country, the company has set up a subsidiary. Because this particular market is strategically important, the company requires its subsidiary to sell only its product and perform technical applications for the customers. Even if all other facts and circumstances are similar, if the margins are derived from independent enterprises that do not have exclusive sales arrangements or perform technical applications like those undertaken by the subsidiary, it is necessary to consider whether any adjustments must be made to achieve comparability.

### 10.2-5c Cost-plus Method

The cost-plus method begins with the costs incurred by the supplier of property (or services) in a controlled transaction for property transferred or services provided to a related purchaser. An appropriate cost-plus mark-up is then added to this cost to make an appropriate profit in light of the functions performed and the market conditions. After adding the cost plus mark upto the above costs, what is arrived at may be regarded as an arm's length price of the original controlled transaction. This method is probably the most useful where semi-finished goods are sold between associated parties, where associated parties have concluded joint facility agreements or long-term buy-and-supply arrangements, or where the controlled transaction is the provision of services.

The methodology can be briefly summarised below:

- (a) The direct and indirect costs of production incurred in respect of property transferred or services provided to related party, are determined;
- (b) Normal gross profit mark-up to such costs (computed according to the same accounting norms) arising from the transfer or provision of the same or similar property or services by the tested party, or by an unrelated party, in a comparable uncontrolled transaction, or a number of such transactions, is determined;
- (c) Normal gross profit mark-up is further adjusted to take into account the functional and other differences, if any, between the controlled transaction and the comparable uncontrolled transactions or between the parties entering into such transactions, which could materially affect such profit mark-up in the open market;



- (d) The direct and indirect costs are increased by the adjusted profit mark-up so arrived;
- (e) The sum so arrived at is taken to be an arm's length price in relation to the supply of the property or provision of services by the tested party.

The cost-plus mark-up of the supplier in the controlled transaction should ideally be established by reference to the cost-plus mark-up that the same supplier earns in comparable uncontrolled transactions ("internal comparable"). In addition, the cost-plus mark-up that would have been earned in comparable transactions by an independent enterprise may serve as a guide ("external comparable").

*For example*, Company A manufactures and sells toasters to a distributor that is a related party. Company B manufactures and sells irons to a distributor that is an unrelated party. The profit margins for manufacturing basic toasters and irons are generally the same in the small household appliance industry. (The use of the cost-plus method here presumes that there are no highly similar independent toaster manufacturers). If the cost-plus method is applied, the mark-ups being compared in the controlled and uncontrolled transactions would be the difference between the selling price by the manufacturer to the distributor and the costs of manufacturing the product, divided by the costs of manufacturing the product. However, Company A is much more efficient in its manufacturing processes than Company B, thereby enabling it to incur lower costs. As a result, even if Company A is making irons instead of toasters and charging the same price as Company B is charging for irons (*i.e.* no special condition exists), it would be appropriate for Company A's profit level to be higher than that of Company B. Thus, unless it is possible to adjust for the effect of this difference on the profit, the application of the cost-plus method would not be wholly reliable in this context.

It is particularly important to consider differences in the level and types of expenses – operating expenses and non-operating expenses, including financing expenditures – associated with functions performed and risks assumed by the parties or transactions being compared. Another important aspect of comparability is accounting consistency. Where the accounting practices differ in the controlled transaction and the uncontrolled transaction, appropriate adjustments should be made to the data used to ensure that the same type of costs are used in each case to ensure consistency.

While precise accounting standards and terms may vary, the costs and expenses of an enterprise are understood to be divisible into three broad categories. First, there are the direct costs of producing a product or service, such as the cost of raw materials. Second, there are indirect costs of production, which, although closely related to the production process, may be common to several products or services (*e.g.* the costs of a department that maintains the equipment used to produce different products). Finally, there are the operating expenses of the enterprise as a whole, such as supervisory, general, and administrative expenses.

In general, the cost-plus method will use mark ups computed after direct and indirect costs of production, while a net profit method will use profits computed after the operating expenses of the enterprise as well.



## *Transactions with Related Parties and Connected Persons*

For example, A LLC is a domestic manufacturer of timing mechanisms for mass-market clocks. A LLC sells this product to its foreign subsidiary B. A earns a 5% gross profit mark up with respect to its manufacturing operation. X, Y, and Z are independent domestic manufacturers of timing mechanisms for mass-market watches. X, Y, and Z sell to independent foreign purchasers. X, Y, and Z earn gross profit mark-ups for their manufacturing operations that range from 3% to 5%. A LLC accounts for supervisory, general, and administrative costs as operating expenses, and thus these costs are not reflected in the cost of goods sold. The gross profit mark ups of X, Y, and Z, however, reflect supervisory, general, and administrative costs as part of the costs of goods sold. Therefore, the gross profit mark ups of X, Y, and Z must be adjusted to provide accounting consistency.

### **10.2-5d Transactional Net Margin Method**

The Transactional Net Margin Method (TNMM) examines the net profit that a taxpayer realises from a controlled transaction. This means, in particular, that the net profit indicator of the taxpayer from the controlled transaction should ideally be established by reference to the net profit indicator that the same taxpayer earns in comparable uncontrolled transactions, *i.e.* by reference to "internal comparables". Where this is not possible, the net margin that would have been earned in comparable transactions by an independent enterprise ("external comparable") may serve as a guide. Functional analysis of the controlled and uncontrolled transactions is required to determine whether the transactions are comparable and what adjustments may be necessary to obtain reliable results.

A one-sided method (traditional transaction method or transactional net margin method) may be applicable in cases where one of the parties makes all the unique and valuable contributions involved in the controlled transaction. However, the other party does not make any unique and valuable contribution. In such a case, the tested party should be the less complex one. The methodology can be briefly summarised below:

- (a) The net profit margin realised from a controlled transaction entered into with a related party is computed in relation to costs incurred or sales effected, or assets employed or to be employed by the enterprise or having regard to any other relevant base;
- (b) The net profit margin realised by the tested party or by an unrelated party from a comparable uncontrolled transaction or a number of such transactions is computed having regard to the same base;
- (c) The net profit margin arising in comparable uncontrolled transactions is further adjusted to take into account the differences, if any, between the controlled transaction and the comparable uncontrolled transactions or between the parties entering into such transactions, which could materially affect the amount of net profit margin in the open market;
- (d) The net profit margin realised by the tested party is established to be the same as the net profit margin as computed in uncontrolled comparable;
- (e) The net profit margin thus established is then taken into account to arrive at an arm's length price in relation to the controlled transaction.



While applying the transactional net margin method, it is necessary to conduct a comparative analysis of the products and functions. Various factors other than products and functions can significantly influence net profit indicators. Depending on the effect of the functional differences on the cost structure and the revenue of the potential comparable, net profit indicators can be less sensitive than gross margins to differences in the extent and complexity of functions and to differences in the level of risks. On the other hand, depending on the facts and circumstances of the case and in particular on the proportion of fixed and variable costs, the transactional net margin method may be more sensitive than the cost-plus or resale price methods to differences in capacity utilisation because differences in the levels of absorption of indirect fixed costs (*e.g.* fixed manufacturing costs or fixed distribution costs) would affect the net profit indicator but may not affect the gross margin or gross mark-up on costs if not reflected in price differences.

Net profit indicators may be directly affected by various forces operating in the industry, such as the threat of new entrants, competitive position, management efficiency and individual strategies, the threat of substitute products, varying cost structures (as reflected, for example, in the age of plant and equipment), differences in the cost of capital (*e.g.* self-financing versus borrowing), and the degree of business experience (*e.g.* whether the business is in a start-up phase or is mature), etc.

While applying the transactional net margin method, the selection of the net profit indicator is relevant. While determining the net profit, only those operating items that are directly or indirectly related to the controlled transaction should be considered in the determination of the net profit indicator for the application of the transactional net margin method. Costs and revenues that are unrelated to the controlled transaction should be excluded where they materially affect comparability with uncontrolled transactions. Non-operating items such as interest income, expenses, and income taxes should be excluded from the determination of the net profit indicator. Exceptional and extraordinary items of a non-recurring nature should generally also be excluded.

Adjustment of foreign exchange gains/losses would depend upon its nature. It is relevant to understand whether the foreign exchange gains and losses are of a trading nature (*e.g.* exchange gain or loss on a trade receivable or payable) and whether or not the tested party is responsible for them. Any hedging of the foreign currency exposure on the underlying trade receivable or payable also needs to be considered.

The denominator should be capable of being measured reliably and consistently at the level of the taxpayer's controlled transactions. In addition, the appropriate base should be capable of being measured reliably and consistently at the level of comparable uncontrolled transactions.

### 10.2-5e Profit Split Method

The profit split method applies mainly in the controlled transaction involving the transfer of unique intangibles or in multiple transactions which are so interrelated that they cannot be evaluated separately to determine the arm's length price of any one transaction. The methodology can be briefly summarised below:

- (a) The combined net profit of all the related parties arising from controlled transactions in which they are engaged is determined;
- (b) The relative contribution made by each of the related parties to the earning of such combined net profit is then evaluated on the basis of the functions performed, assets employed or to be employed and risks assumed by each related party and on the basis of reliable external market data which indicates how such contribution would be evaluated by unrelated parties performing comparable functions in similar circumstances;
- (c) The combined net profit is then split amongst the related parties in proportion to their relative contributions;
- (d) The profit thus apportioned to the related parties is considered to arrive at an arm's length price in relation to the controlled transaction

Alternatively, the combined net profit may, in the first instance, be partially allocated to each related party so as to provide them with a basic return appropriate for the type of controlled transaction in which it is engaged, with reference to market returns achieved for similar types of transactions by unrelated parties. Thereafter, the residual net profit remaining after such allocation may be split amongst the related parties in proportion to their relative contribution. The aggregate of the net profit allocated to the related parties in the first instance, together with the residual net profit apportioned basis of its relative contribution, shall be taken to be the net profit arising to that related party from the controlled transaction.

#### **10.2-5f Residual Method**

The Taxable Person may apply any other transfer pricing method if none of the preceding methods can be reasonably applied to determine an arm's length result.

#### **10.2-6 Selection of most appropriate method**

The CT Law does not provide any preference or order for the selection of the transfer pricing method. The most appropriate method relevant to the transaction or arrangement can be adopted. The choice and application of a transfer pricing method or combination of transfer pricing methods must be made having regard to the most reliable transfer pricing method and considering the following factors:

- (a) The contractual terms of the transaction or arrangement;
- (b) The characteristics of the transaction or arrangement;
- (c) The economic circumstances in which the transaction or arrangement is conducted;
- (d) The functions performed, assets employed, and risks assumed ('FAR analysis') by the Related Parties entering into the transaction or arrangement;
- (e) The business strategies employed by the related parties entering into the transaction or arrangement.

The contractual terms and characteristics of the transaction or arrangement are important aspects. In the case of the sale of goods, the Comparable Uncontrolled



Price may provide direct guidance. Further, it would be important to conduct the FAR analysis. The functions performed by each related party, e.g. procurement of raw material, manufacturing, supply chain, research and development activities, marketing and sales promotion activities, etc., are relevant to select the most appropriate method. Similarly, which related party has invested funds in the assets to support the activities are relevant to select the most appropriate method.

*For example,* A LLC and B LLC are related parties. A LLC enters into a contract manufacturing arrangement with B LLC, wherein A LLC shall provide all necessary equipment, plant and machinery for setting up the necessary infrastructure. Here, the assets are employed by A LLC, and A LLC should be remunerated for the assets employed. Assumption of risk is also an important aspect.

As per the OECD Transfer Pricing Guidelines, the method selection process should take account of the respective strengths and weaknesses of the methods; the appropriateness of the method considered in view of the nature of the controlled transaction determined in particular through a functional analysis; the availability of reliable information (in particular on uncontrolled comparable) needed to apply the selected method and/or other methods; and the degree of comparability between controlled and uncontrolled transactions, including the reliability of comparability adjustments that may be needed to eliminate material differences between them. No one method is suitable for every possible situation.

The OECD Guidelines do not require the tax authorities or taxpayers to perform analysis under more than one method. However, in some cases, the selection of a method may not be straightforward, and hence the CT Law provides flexibility to consider a combination of more than one method, which can be apt to provide the best estimation of an arm's length price.

Further, where no one approach is conclusive, the CT Law allows to adopt a flexible approach. An attempt should be made to reach a conclusion consistent with the arm's length principle that is satisfactory from a practical viewpoint to all the parties involved, taking into account the facts and circumstances of the case, the mix of evidence available, and the relative reliability of the various methods under consideration. The taxable person may apply any other transfer pricing method if it can be demonstrated that none of the specified methods can be reasonably applied to determine an arm's length result and such other transfer pricing method can be used to test whether the results of the transaction or arrangement between the related parties are consistent with the results that would have been realised if persons who were not related parties had engaged in a similar transaction or arrangement under similar circumstances.

The FTA can examine whether the income and expenditures resulting from the taxable person's relevant transactions or arrangements meet the arm's length standard basis. While testing the arm's length principle, the FTA shall apply the same transfer pricing method as adopted by the taxable person. Such a transfer pricing method should have been applied basis the factors discussed above. However, if the transfer pricing method adopted by the taxable person is not appropriate in accordance with aforesaid factors, then the FTA can apply any other transfer pricing method as seems more appropriate.

Application of the most appropriate transfer pricing method, or any combination thereof, may result in an arm's length range of financial results or indicators. Such range shall be adopted subject to the conditions specified in a decision issued by the FTA. Where the result of the transaction or arrangement between related parties does not fall within the arm's length range, the FTA shall adjust the taxable income to achieve the arm's length result. The adjustment should best reflect the facts and circumstances of the transaction or arrangement.

Wherever the FTA makes an adjustment to the taxable income, it shall rely upon the information that can be made to the taxable person. The FTA can also make such information available to the taxable person.

### ***10.2-7 Corresponding adjustment***

A transfer pricing adjustment to the income or expenditure may increase the profit of one related party. In a related party transaction, if one related party earns a higher income, it results in higher expenditure/lower profits for another party. If the transfer pricing adjustment is made to increase the income of one related party, it may result in double taxation in the hands of another related party.

To avoid double taxation, in line with international standards, the UAE CT Law provides for a corresponding adjustment to the income/expenditure of another related party for domestic and international transactions. Accordingly, where the FTA or a taxable person adjusts the taxable income for a transaction or arrangement to meet the arm's length standard, the FTA shall make a corresponding adjustment to the taxable income of the related party that is a party to the relevant transaction or arrangement.

*For example,* A LLC and B LLC are commonly controlled related party. A LLC has sold goods at a price of 1,000 AED to B LLC. The arm's length price of the goods is calculated at 1,200 AED. A LLC is making an adjustment under Article 34 by an amount of 200 AED. As a result, FTA shall increase the expenditure/purchase cost of B LLC by AED 200. This would eliminate double taxation.

Further, where a foreign competent authority makes an adjustment to a transaction or arrangement involving a taxable person to meet the arm's length standard, such a taxable person can make an application to the FTA to make a corresponding adjustment to its taxable income.

*For example,* A LLC, a resident of UAE and I Co., a resident of India, are commonly controlled related parties. I Co. provided services to A LLC for a price of 1,00,000 AED. The Indian tax authorities examined the transaction and, applying the transfer pricing provisions, determined an arm's length price at 1,20,000 AED. A LLC shall apply to FTA to make a corresponding adjustment to its taxable income. The FTA, on application, shall verify the adjustment made by the Indian authorities and shall increase the cost of A LLC upto 1,20,000 AED.



### 10.3 Article 35: Related Parties and Control

Article 35 reads as follows

- “1. For the purposes of this Decree - Law, “Related Parties” means any of the following:
- (a) Two or more natural persons who are related within the fourth degree of kinship or affiliation, including by way of adoption or guardianship.
  - (b) A natural person and a juridical person where:
    - 1. the natural person or one or more Related Parties of the natural person are shareholders in the juridical person, and the natural person, alone or together with its Related Parties, directly or indirectly owns a 50% (fifty per cent) or greater ownership interest in the juridical person; or
    - 2. the natural person, alone or together with its Related Parties, directly or indirectly Controls the juridical person.
  - (c) Two or more juridical persons where:
    - 1. one juridical person, alone or together with its Related Parties, directly or indirectly owns a 50% (fifty per cent) or greater ownership interest in the other juridical person;
    - 2. one juridical person, alone or together with its Related Parties, directly or indirectly Controls the other juridical person; or
    - 3. any Person, alone or together with its Related Parties, directly or indirectly own sa 50% (fifty per cent) or greater ownership interest in or Controls such two or more juridical persons.
  - (d) A Person and its Permanent Establishment or Foreign Permanent Establishment.
  - (e) Two or more Persons that are partners in the same Unincorporated Partnership.
  - (f) A Person who is the trustee, founder, settlor or beneficiary of a trust or foundation, and its Related Parties.
2. For the purposes of this Decree-Law, “Control” means the ability of a Person, whether in their own right or by agreement or otherwise to influence another Person, including:
- (a) The ability to exercise 50% (fifty percent) or more of the voting rights of another Person.
  - (b) The ability to determine the composition of 50% (fifty per cent) or more of the board of directors of another Person.
  - (c) The ability to receive 50% (fifty per cent) or more of the profits of another Person.
  - (d) The ability to determine, or exercise significant influence over, the conduct of the business and affairs of another Person.”

### **10.3-1 Overview**

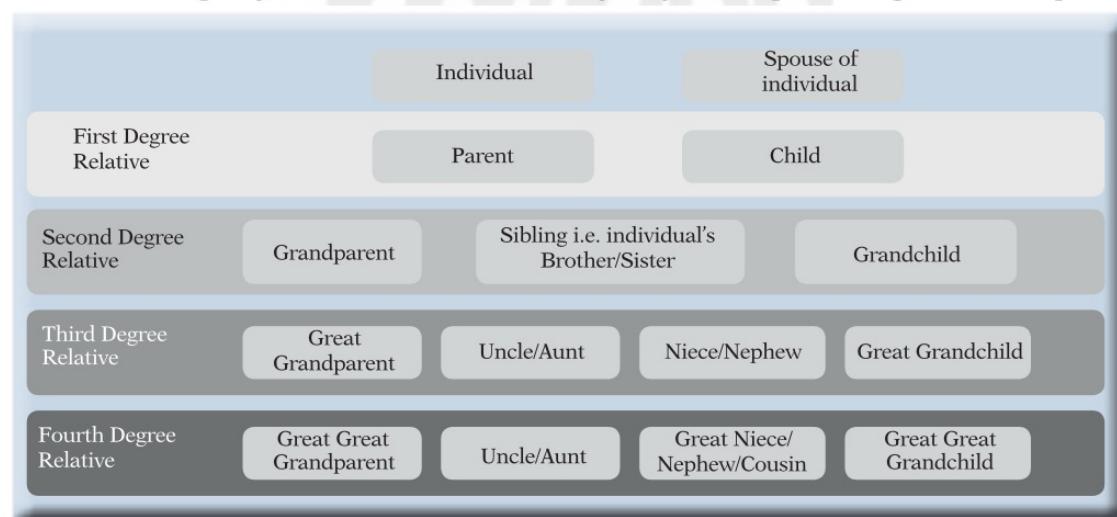
As per Article 9(1) of the OECD Model Convention, where the conditions are made or imposed between the two enterprises in their commercial or financial relations which differ from those which would be made between independent enterprises, then any profits which would, but for those conditions, have accrued to one of the enterprises, but, by reason of those conditions, have not so accrued, may be included in the profits of that enterprise and taxed accordingly.

Thus, the arm's length principle eliminates the controlled conditions imposed between two dependent or related persons and treats such transactions at par with the transactions between independent persons. The CT Law lays down the objective and definitive criteria to identify 'related parties'.

The persons shall be regarded as related parties based on the below criteria. The transactions or arrangements between the related parties shall satisfy the arm's length principle. A transaction or arrangement meets the arm's length standard if it results in the same effect as arising from a similar transaction or arrangement under similar circumstances between two unrelated persons.

### **10.3-2 Related Parties (Two natural persons)**

Two or more natural persons (Individuals) who are connected within the fourth degree of kinship or affiliation shall be regarded as '*related parties*'. The definition of the related party also includes relation by way of adoption or guardianship.



### **10.3-3 Related Parties (Natural and Juridical persons)**

A natural person and a juridical person shall be considered 'related parties' if they fulfil either ownership or control criteria.



### 10.3-3a Ownership criteria

Where an individual or his related parties are a shareholder in a juridical person, and the individual, alone or together with his related parties, directly or indirectly owns a 50% or greater ownership interest in the juridical person, then the individual and the juridical person shall be regarded as a related party of each other.

The ownership criteria are to be tested by the individual and his related parties. Such related parties of an individual may include other individuals and juridical persons. An individual may directly or indirectly own more than 50% stake in a juridical person. Similarly, the individual may own more than 50% ownership in a juridical person jointly with other natural persons who are connected within the fourth degree of kinship or affiliation.

*For example*, Mr. A owns 90% stake in A LLC. Whether Mr. A and A LLC are related parties? Yes. Since a natural person owns more than 50% stake in the juridical person, Mr. A and A LLC shall be related party.

*For example*, Mr. A owns 100% stake in A LLC and 15% stake in B LLC. A LLC also holds 60% stake in B LLC. Whether Mr. A and B LLC are related parties? Yes. Mr. A holds more than 50% stake in A LLC; hence, Mr. A and A LLC are related parties. Since Mr. A and his related party (A LLC) own more than 50% ownership interest in B LLC, Mr. A and B LLC shall be regarded as 'related parties'.

*For example*, Mr. A owns 100% stake in A LLC. A LLC holds 40% ownership interest in B LLC. The father of Mr. A also holds 15% shares of B LLC. Whether Mr. A and B LLC are related parties? Yes. Mr. A holds more than 50% stake in A LLC; hence, Mr. A and A LLC are related parties. Mr. A and his father are also related parties. Since Mr. A with his related party (A LLC and his father), indirectly own more than 50% ownership interest in B LLC, Mr. A and B LLC shall be regarded as 'related parties'.

### 10.3-3b Control criteria

If the natural person, alone or together with his related parties, directly or indirectly controls the juridical person, then such natural person and the juridical person shall be regarded as a 'related party' of each other.

'Control' means the direction and influence over one person by another person. It implies ability to influence the conduct of the other person. 'Control' can be exercised by way of right or agreement or otherwise. The CT Law provides following criteria to test 'Control'.

#### (a) 50% or more voting rights

If a person has the ability to exercise 50% or more of the voting rights of another person, then it has control over another person.

*For example*, Mr. A and Mr. B are friends. They jointly own a company. Mr. A has 20% shares of the company, whereas Mr. B owns the remaining 80% shares. As per the shareholders' agreement, Mr. A can exercise the voting right to the extent of 51%. In such case, although Mr. A owns less than 50%



ownership interest in the company since he has the ability to exercise more than 50% voting right, he satisfies the test of 'Control', and accordingly, Mr. A and the company shall be regarded as a related party. Further, since Mr. B satisfies the ownership criteria, Mr. B and the company shall be regarded as a related party.

(b) *Determination of 50% or more composition of the board of directors*

If a person has the ability to determine the composition of 50% or more of the Board of Directors of another person, then it has control over another person.

*For example*, Company Z has issued Class A and Class B shares. Class A and Class B shareholders are entitled to appoint 5 directors each on the board. Class A shares are wholly owned by Mr. A. Whether Mr. A and Company A are related party? Since Mr. A has the ability to determine the composition of 50% of the board of directors, he has control over Company A. Thus, Mr. A and Company A are related parties.

(c) *Ability to receive 50% or more profits*

If a person has the ability to receive 50% or more of the profits of another person, then it has control over another person.

(d) *Ability to exercise significant influence*

An ability to determine, or exercise significant influence over the conduct of the business and affairs of another person, is regarded as 'control'. This criterion has two aspects:

- ◆ Ability to determine the conduct and affairs of another person; and
- ◆ Ability to exercise significant influence over the conduct of business and affairs of another person.

If a person satisfies any of the above criteria, it has 'control' over another person, and in such case, both persons shall be regarded as related parties.

### **10.3-4 Related Parties (Two or more juridical persons)**

Two or more juridical persons shall be considered 'related parties' if they fulfil either ownership or control criteria.

#### **10.3-4a Ownership criteria**

If one juridical person, alone or together with its related parties, directly or indirectly owns a 50% or more ownership interest in the other juridical person, then both shall be regarded as related parties. The ownership criteria are to be tested by the juridical person and its related parties. Such related parties may include natural persons and juridical persons.

*For example*, A LLC owns a 90% stake in B LLC. Whether A LLC and B LLC are related parties? Yes, since a juridical person owns more than 50% ownership interest in another juridical person, A LLC and B LLC are related party.



*For example*, Mr. A owns 100% stake in A LLC and 15% stake in B LLC. A LLC also holds 45% stake in B LLC. Whether A LLC and B LLC are related parties? Yes. Mr. A holds more than 50% stake in A LLC; hence Mr. A and A LLC are related parties. A LLC together with Mr. A owns more than 50% ownership interest in B LLC. Hence, A LLC and B LLC shall be regarded as 'related parties'.

#### **10.3-4b Control criteria**

If one juridical person, alone or together with its related parties, directly or indirectly exercises control over the other juridical person, both the juridical person shall be regarded as related parties.

*For example*, 'A LLC' and 'B LLC' form a company C LLC to undertake construction activities. A LLC owns 55%, and B LLC owns 45% of shares of C LLC. Both shareholders shall appoint the board of directors in equal proportion. Since A LLC owns more than 50% ownership interest in C LLC, A LLC and C LLC shall be regarded as related parties. B LLC has the ability to determine 50% composition of the board of directors of C LLC. Hence, B LLC and C LLC shall be considered related parties.

#### **10.3-4c Common ownership or control criteria**

If any person, alone or together with its related parties, directly or indirectly owns a 50% or more ownership interest in or controls such two or more juridical persons, then both the juridical persons shall be regarded as related parties. Thus, sister concerns of a business group shall be related parties. Here the relation between two juridical persons can be established because of common ownership or control. The common owner or controller can be a natural person or a juridical person.

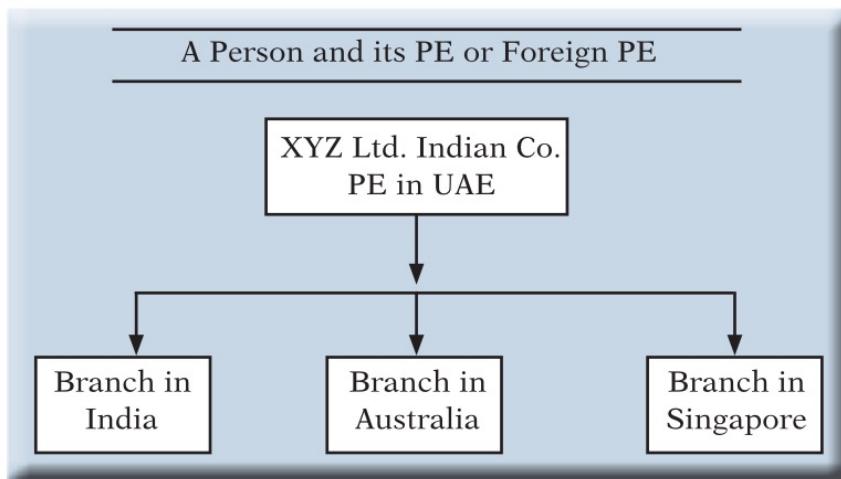
*For example*, A LLC is a holding company. It has two subsidiaries B LLC and C LLC. It owns 70% ownership interest in B LLC and 60% ownership interest in C LLC. Whether B LLC and C LLC are related parties? Yes, since B LLC and C LLC are commonly owned by A LLC, both shall be related parties. Important to note that, A LLC is also a related party of B LLC and C LLC.

*For example*, Mr. A and Mrs. A each own 50% ownership interest in A LLC. They also own 10% ownership interest in B LLC and C LLC. A LLC also owns 45% ownership interest in B LLC and C LLC. Whether B LLC and C LLC are related parties? Yes. Mr. A and Mrs. A are related parties. Since they jointly own 100% ownership interest in A LLC, Mr. A, Mrs. A and A LLC are related parties. Mr. A, Mrs. A and A LLC jointly own 55% ownership interest in B LLC and C LLC. B LLC and C LLC are commonly owned juridical persons. Hence, both shall be regarded as related parties.

#### **10.3-5 Related Parties (Person and its PE or foreign PE)**

A person and its permanent establishment shall be regarded as related parties. Accordingly, if a non-resident person has a permanent establishment in UAE, the permanent establishment in UAE and other branches/offices of the same non-resident outside UAE shall be regarded as related parties.

Similarly, if the UAE tax resident sets up a permanent establishment outside UAE, then the tax resident and its foreign permanent establishment shall be regarded as related parties.



#### ***10.3-6 Related Parties (Partners in unincorporated partnership)***

The partners of the unincorporated partnership shall be regarded as related parties of each other. An unincorporated partnership may have two or more partners. Each partner shall be a related party to the other. It may be noted that natural persons, as well as a juridical person, can be a partner in an unincorporated partnership.

*For example*, Ms. A, Ms. B and Ms. C are colleagues at Alpha LLC. While working together, they formed an unincorporated partnership to work on a start-up idea. Since Ms. A, Ms. B, and Ms. C are related parties as they are partners in an unincorporated partnership.

#### ***10.3-7 Related Parties (Trustee, founder, settlor or beneficiary of a trust)***

The trustees, founders, settlor or beneficiary of a trust or foundation shall be related parties of the trust or foundation. Further, related parties of such trustees, founders, settlor, or beneficiaries shall also be related parties of the trust or foundation.

*For example*, Mr. Prem has set up W Foundation. Since Mr. Prem is a founder of the foundation, he is a related party of the W Foundation. Along with him, the spouse of Mr. Prem is also a related party of the W Foundation.

### **10.4 Article 36: Payments to Connected Persons**

Article 36 reads as follows:

- “1. Without prejudice to the provisions of Article 28 of this Decree-Law, a payment or benefit provided by a Taxable Person to its Connected Person shall be deductible only if and to the extent the payment or benefit corresponds with the Market Value of the service, benefit or otherwise provided by the



Connected Person and is incurred wholly and exclusively for the purposes of the Taxable Person's Business.

2. For the purposes of this Decree-Law, a Person shall be considered a Connected Person of a Taxable Person if that person is:
  - (a) An owner of the Taxable Person.
  - (b) A director or officer of the Taxable Person.
  - (c) A Related Party of any of the Persons referred to in paragraphs (a) and (b) of Clause 2 of this Article.
3. For the purposes of paragraph (a) of Clause 2 of this Article, an owner of the Taxable Person is any natural person who directly or indirectly owns an ownership interest in the Taxable Person or Controls such Taxable Person.
4. Where the Taxable Person is a partner in an Unincorporated Partnership, a Connected Person is any other partner in that same Unincorporated Partnership, and any Person that is a Related Party of that partner.
5. To determine that a payment or benefit provided by the Taxable Person corresponds with the Market Value of the service or otherwise provided by the Connected Person in exchange, the relevant provisions of Article 34 of this Decree-Law shall apply as the context requires.
6. Clause 1 of this Article shall not apply to any of the following:
  - (a) A Taxable Person whose shares are traded on a Recognised Stock Exchange.
  - (b) A Taxable Person that is subject to the regulatory oversight of a competent authority in the State.
  - (c) Any other Person as may be determined in a decision issued by the Cabinet at the suggestion of the Minister.”

#### **10.4-1 Overview**

Article 36 provides as under:

- (a) Payments to connected persons shall be deductible expenditures only if and to the extent the payment or benefit corresponds with the market value of the service, benefit or otherwise provided by the connected person and is incurred wholly and exclusively for the purposes of the business;
- (b) To determine that a payment or benefit provided by the taxable person corresponds with the market value of the service, an arm's length standard shall apply;
- (c) These conditions do not apply to a listed company or taxable person subject to the regulatory oversight of a competent authority in the UAE.

#### **10.4-2 General rule of deduction**

As a general rule of deduction, any revenue business expenditure incurred wholly and exclusively for the purposes of the taxable person's business is deducted in

the computation of taxable income for the tax period in which expenditure is incurred. No deduction is allowed in respect of expenditure not incurred for the purposes of the taxable person's business or expenditure incurred in deriving exempt income or loss not connected with or arising out of the taxable person's business.

#### ***10.4-3 Deductibility of payment made to connected persons***

Article 36 imposes additional conditions for the deduction of payments made to connected persons. Payment to connected person shall be allowed in computation of taxable income only if such expenditure is incurred wholly and exclusively for the purposes of the taxable person's business. Further, the deduction shall be restricted to the payment or market value of such service, benefit or otherwise provided by the connected person. The market value of the service or benefit shall be determined by applying the arm's length principle in accordance with Article 34. Accordingly, the taxable person shall apply the arm's length principle to the benefit or services received from the connected person, and if the payment is higher than such market value, the deduction shall be restricted to such market value.

*For example*, Mr. A and A LLC are connected persons. Mr. A has provided certain professional services to A LLC for an agreed consideration of 1,00,000 AED. The market value, as determined in accordance with the arm's length principle, is 75,000 AED. Since the payment amount exceeds the market value, the deduction shall be restricted to the market value, and hence, the deduction to the extent of 25,000 AED shall be disallowed.

#### ***10.4-4 Connected Persons***

The following persons shall be regarded as 'Connected Persons'.

##### ***10.4-4a Owner of taxable person***

An owner of the Taxable Person shall be regarded as a 'connected person'. The following two criteria are used to identify the 'Owner' of a taxable person.

- (a) Ownership interest; and
- (b) Control.

Such ownership interest or control can be exercised directly or indirectly. CT Law does not define the per cent of an ownership interest to qualify as an owner of the taxable person. Hence, it may be argued that every person holding any ownership interest in the taxable person shall be regarded as 'Owner'.

If a person can issue direction and influence the taxable person, the former has control over the taxable person, and it shall be regarded as the 'Owner' of the taxable person. To test whether a person has control over another taxable person or not, the criteria discussed under Article 35 can be applied, namely:

- (a) 50% or more voting rights;
- (b) Determination of 50% or more composition of the Board of Directors;



- (c) Ability to receive 50% or more profits; and
- (d) Ability to exercise significant influence.

#### **10.4-4b Director or officer of taxable person**

The director or officer of the taxable person shall be considered as connected with the taxable person. Such a director can be an executive director or even an independent director.

#### **10.4-4c A Related Party of Owner or Director or Officer of taxable person**

Even a related party of the owner, director or officer of the taxable person shall be regarded as a connected person. Hence, any natural person related to the owner, director or officer within the fourth degree of kinship or affiliation shall also be considered a connected person with the taxable person. Similarly, any juridical person in which the owner, director or officer or their one or more related parties are shareholders, individually or jointly, directly or indirectly owning a 50% or greater ownership interest shall be a connected person.

*For example,* Mr. A is a director of A LLC. Mr. A has two sons, Mr. B and Mr. C. Mr. A, Mr. B and Mr. C hold certain shares of B LLC and C LLC. The ownership structure of B LLC and C LLC is as below:

Shareholder	B LLC	C LLC
Mr. A	10%	5%
Mr. B	25%	20%
Mr. C	25%	20%
Other shareholders	40%	55%
Total	100%	100%

In the instant case, Mr. B and Mr. C are a related party of Mr. A. Mr. A is also the director of A LLC.

The related party of Mr. A, *i.e.* Mr. B and Mr. C shall be connected persons of A LLC. Further, since the director, along with his related party, holds more than 50% ownership interest in B LLC, A LLC and B LLC shall be connected persons. However, A LLC neither controls C LLC nor more than 50% ownership interest is held by the director and/or its related party. Hence, A LLC and C LLC are not connected persons.

#### **10.4-4d Connected Person in an Unincorporated Partnership**

If the taxable person is a partner in an Unincorporated Partnership, any other partner in the same Unincorporated Partnership and any related party of such partner shall be connected person of the taxable person.



### **19.2-2a Gains or loss in respect of Immovable property**

A taxable person may elect to adjust its taxable income related to gains recognised on immovable property owned before the first tax period if all of the following conditions are met:

- (a) The asset is owned prior to the first tax period;
- (b) The asset is accounted for on a historical cost basis; and
- (c) The asset is disposed of or deemed to be disposed of at a profit, *i.e.* at a value exceeding the net book value.

Upon disposal of each qualifying immovable property, the taxable person shall make one of the following adjustments in respect of each Qualifying Immovable Property:

- (a) Exclude the difference between the market value at the start of the first tax period (as determined by the relevant Government competent authority in UAE) and the higher of the original cost and the net book value; or
- (b) Exclude the gain computed in the following steps:

*Step 1:* Calculate the amount of gain at a deemed cost (higher of the original cost and the net book value at the start of the first Tax Period).

*Step 2:* 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.

*Step 3:* Multiply the amount calculated in *Step 1* by the number calculated in *Step 2*.

*Step 4:* The amount calculated in *Step 3* shall be the amount of gain on the Qualifying Immovable Property to be excluded from the Taxable Income during the relevant Tax Period.

The election 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.

### **19.2-2b Gains or loss in respect of Intangible assets**

A taxable person may elect to adjust its taxable income related to gains recognised on Intangible Assets owned before the first tax period if all of the following conditions are met:

- (a) The asset is owned prior to the first tax period;
- (b) The asset is accounted for on a historical cost basis; and
- (c) The asset is disposed of or deemed to be disposed of at a profit, *i.e.* at a value exceeding the net book value.

Upon disposal of the qualifying intangible asset, the taxable person shall exclude the gain computed in the following steps:

*Step 1:* Calculate the amount of gain at a deemed cost (higher of the original cost and the net book value at the start of the first Tax Period).



#### ***10.4-5 Persons to whom this provisions shall not apply***

Article 36 shall not apply to the following categories of taxable persons:

- (a) A taxable person whose shares are traded on a recognised stock exchange.
- (b) A taxable person that is subject to the regulatory oversight of a competent authority in the UAE.
- (c) Any other person as may be determined in a decision issued by the Cabinet at the suggestion of the Minister.

Accordingly, the provisions shall not apply to a company whose shares are listed on a recognised stock exchange in the UAE or any other country. Further, a taxable person regulated by competent authorities in the UAE shall also not be subjected to the provisions of Article 36. The Cabinet, at the suggestions of the Minister, may issue a list of persons to whom these provisions shall not apply.

#### ***10.4-6 Adjustments in the value of transactions between related persons***

*Ministerial Decision No. 134 of 2023* addresses the tax treatment of transfers between Related Parties and the corresponding adjustments to be made by the transferee when calculating Taxable Income. It aims to ensure that the transfer is conducted at a fair Market Value, taking into account any differences between the consideration paid and the actual value of the asset or liability.

The adjustments described reflect the recognition or exclusion of certain changes in value, such as depreciation and amortisation, based on the relationship between the consideration paid and the Market Value. These adjustments are intended to align the Taxable Income with the economic reality of the transfer and prevent any potential tax manipulation. Accounting income arising from the transfer of assets and liabilities amongst related parties shall be further adjusted to the following effect.

##### ***10.4-6a Consideration paid exceeds the market value***

Where consideration paid exceeds the market value, the accounting income shall be further adjusted with the following:

- (a) In cases other than upon realisation, to the extent of changes in value (e.g., depreciation, amortisation) as relate to the difference between the net book value recognised by the transferee upon transfer and the market value shall be excluded.
- (b) Upon realisation, any amount by which the net book value exceeds the market value shall be included.

##### ***10.4-6b Consideration paid is lower than the market value***

Where consideration paid is lower than the market value, and the transferor has included the difference in taxable income, the accounting income shall be further adjusted with the following:



- (a) In cases other than upon realisation, any changes in value to the extent that they relate to the difference between the market value and the net book value recognised by the transferee upon transfer shall be excluded.
- (b) Upon realisation, reduce the gain to the extent of the difference between the market value and the net book value at the time of transfer. However, any net amount that has not been included in the taxable income shall not be reduced.

#### **10.4-6c Net book value does not exceed the market value**

Where the net book value becomes equal to or less than the market value or if the taxable person elects 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 the calculation of taxable income, no further adjustments shall be carried out.

#### **10.4-6d Net book value exceeds the market value**

Where the net book value of an asset or liability becomes equal to or higher than the market value, no further adjustments shall be carried out.

#### **10.4-6e Conclusion**

The decision allows the transferee to elect to recognise the excess derived from the difference between the net book value and the Market Value as an adjustment in calculating Taxable Income. This provides flexibility for the transferee in managing their tax obligations. Once the net book value of the asset or liability reaches a certain threshold or if an election is made, specific adjustments will no longer apply. This helps ensure consistency and avoids continuous adjustments for assets or liabilities that have reached a certain value.

A detailed guide has been issued on Transfer Pricing provisions in line with OECD guidelines. This needs to be referred to for practical application and Transfer Pricing Compliance.





## CHAPTER

# 11

# Tax Loss Provisions

## 11.1 Introduction

Chapter 11 of the CT Law deals with tax loss provisions. The business may suffer losses in the initial years. The CT Law follows the ‘tax period’ concept and levies tax on the taxable income earned during the period and allows the taxable person to carry forward the losses to subsequent tax periods.

Chapter 11 comprises the following Articles:

- (a) Article 37: Tax Loss Relief
- (b) Article 38: Transfer of Tax Loss
- (c) Article 39: Limitation on Tax Losses Carried Forward

Article 37 of the CT Law allows the taxable person to carry forward tax loss to subsequent years. Such carried forwarded loss can be set off against the income of the subsequent tax period to the extent of 75% of the income of such tax period. Article 38 provides for the transfer of tax loss to other taxable persons. While the CT Law allows to carry forward and set off tax loss for an indefinite period, Article 39 imposes restrictions on the trading of losses. The taxable person shall not be allowed to carry forward losses unless the same person or persons continuously owned at least a 50% ownership interest in the taxable person or the taxable person continued to conduct the same or a similar business or business activity.

## 11.2 Article 37: Tax Loss Relief

Article 37 reads as follows:

- “1. A Tax Loss can be offset against the Taxable Income of subsequent Tax Periods to arrive at the Taxable Income for those subsequent Tax Periods.
2. The amount of Tax Loss used to reduce the Taxable Income for any subsequent Tax Period cannot exceed 75% (seventy-five per cent) or any other percentage as specified in a decision issued by the Cabinet at the suggestion of the Minister of the Taxable Income for that Tax Period before any Tax Loss relief, except in circumstances that may be prescribed in a decision issued by the Cabinet at the suggestion of the Minister.
3. A Taxable Person cannot claim Tax Loss relief for:
  - (a) Losses incurred before the date of commencement of Corporate Tax.
  - (b) Losses incurred before a Person becomes a Taxable Person under this Decree-Law.

- (c) Losses incurred from an asset or activity the income of which is exempt, or otherwise not taken into account under this Decree-Law.
4. A Tax Loss carried forward to a subsequent Tax Period must be set off against the Taxable Income of that subsequent Tax Period, before any remainder can be carried forward to a further subsequent Tax Period, or any Tax Loss transferred under Article 38 of this Decree-Law can be utilised.

### ***11.2-1 Overview***

Article 37 provides that the tax loss can be set off against the taxable income of the taxable person for the subsequent year. However, the brought forward tax loss can be set off to the extent of 75% of the income of the subsequent tax period.

### ***11.2-2 Set off of business loss***

Businesses typically have variations in profit levels over time, and it is not uncommon for a business to incur losses during the start-up phase or because of market circumstances. A fundamental principle behind the UAE corporate tax regime is that corporate tax is levied on the total profit of a business over its entire life cycle, as opposed to a single financial period.

Accordingly, and in line with international best practices, a taxable person will be able to offset a loss incurred in one period against the taxable income of future periods.

However, the loss can be set off to the extent of 75% of the taxable income of the subsequent tax period before any tax loss relief. The brought forward loss in excess of 75% of such income can be further carried forward for set off against income of subsequent years.

The CT law does not provide any restriction on the number of years for which the tax relief would be set off. Accordingly, the tax loss can be carried forward for an indefinite period.

### ***11.2-2a Illustration***

The taxable income of A Ltd. is determined as under:

<i>Tax Period</i>	<i>Amount (in AED)</i>
Calendar Year 2024	(5,000,000)
Calendar Year 2025	3,000,000
Calendar Year 2026	2,000,000

In the above case, the tax loss for the tax period 2024 can be utilised against the taxable income of the tax period 2025. However, the maximum amount to be set off will be restricted to 75% of the income of the tax period 2025.

<b><i>Net taxable income for tax period 2025</i></b>	
<i>Particulars</i>	<i>Amount (in AED)</i>
Taxable income before set-off[A]	3,000,000
Brought forward loss [B]	(5,000,000)
75% of the current tax period income [C = 75% of A]	(2,250,000)
Loss to be set-off [D = Lower of (B) or (C)]	(2,250,000)
Net taxable income after set-off [E = A – D]	750,000
<b>Unutilised loss to be carried forward to Tax Period 2026 [F = B – D]</b>	<b>2,750,000</b>
<b><i>Net taxable income for tax period 2026</i></b>	
<i>Particulars</i>	<i>Amount (in AED)</i>
Taxable income before set-off [A]	2,000,000
Brought forward loss [B]	(2,750,000)
75% of the current tax period income [C = 75% of A]	(1,500,000)
Loss to be set-off [D = Lower of (B) or (C)]	(1,500,000)
Net taxable income after set-off [E = A – D]	500,000
<b>Unutilised loss to be carried forward to Tax Period 2027 [F = B – D]</b>	<b>1,250,000</b>

The restriction of set off to the extent of 75% of the taxable income of the subsequent years implies that to set off tax loss to the tune of 100 AED, the taxable person has to earn taxable income to the tune of 133 AED in subsequent years.

The Cabinet may also prescribe any other percentage, at the suggestion of the Minister, to restrict the set off of losses against the taxable income of the subsequent years.

### **11.2-3 When is set-off not allowed?**

The CT Law restricts tax loss relief in respect of the loss pertaining to the period/income for which no corporate tax is leviable. Accordingly, the taxable person cannot claim tax loss relief in respect of the following losses:

- (a) Losses incurred before the date of commencement of corporate tax;
- (b) Losses incurred before a person becomes a taxable person;
- (c) Losses incurred from an asset or activity, the income of which is exempt or otherwise not considered under corporate tax law.

Accordingly, the tax relief in respect of the loss incurred before the applicability of the corporate tax law (1 June 2023) or before the commencement of the first tax period would not be available. The loss incurred from the asset or activity exempt under the corporate tax law would not be available.



#### ***11.2-4 Mandatory to set-off the losses***

The set off of loss is a mandatory provision. A tax loss carried forward to a subsequent tax period must be set off against the taxable income of that subsequent tax period before any remainder can be carried forward to a further subsequent tax period, or any tax loss can be transferred to another taxable person.

### **11.3 Article 38: Transfer of tax loss**

Article 38 reads as follows:

- “1. A Tax Loss or a portion thereof may be offset against the Taxable Income of another Taxable Person where all of the following conditions are met:
  - (a) Both Taxable Persons are juridical persons.
  - (b) Both Taxable Persons are Resident Persons.
  - (c) Either Taxable Person has a direct or indirect ownership interest of at least 75% (seventy-five per cent) in the other, or a third Person has a direct or indirect ownership interest of at least 75% (seventy-five per cent) in each of the Taxable Persons.
  - (d) The common ownership under paragraph (c) of Clause 1 of this Article must exist from the start of the Tax Period in which the Tax Loss is incurred to the end of the Tax Period in which the other Taxable Person offsets the Tax Loss transferred against its Taxable Income.
  - (e) None of the Persons are an Exempt Person.
  - (f) None of the Persons are a Qualifying Free Zone Person.
  - (g) The Financial Year of each of the Taxable Persons ends on the same date.
  - (h) Both Taxable Persons prepare their financial statements using the same accounting standards.
2. Where a Taxable Person transfers its Tax Loss to another Taxable Person under Clause 1 of this Article:
  - (a) the Taxable Person which the Tax Loss is transferred to shall reduce its Taxable Income for the relevant Tax Period;
  - (b) the total Tax Loss offset shall not exceed the amount allowed under Clause 2 of Article 37 of this Decree-Law; and
  - (c) the Taxable Person shall reduce its available Tax Losses by the amount of the Tax Loss transferred to the other Taxable Person for the relevant Tax Period.”

#### ***11.3-1 Overview***

Article 38 allows, subject to certain conditions, the taxpayer to transfer its tax loss to another taxable person and set off the same against the profits of the specified person.

### ***11.3-2 Conditions to transfer tax loss***

The CT Law allows the taxable person to transfer its tax loss or portion thereof in favour of another taxable person. Such benefit of transfer and set off of loss is subject to conditions prescribed under the Act. Accordingly, if both the taxable person satisfies the following conditions, then the transfer of loss shall be permissible.

#### ***11.3-2a Both taxable persons are juridical persons***

Both taxable persons, transferor and transferee, should be juridical persons. No loss can be transferred from/to a natural person.

<i>Transferor</i>	<i>Transferee</i>	<i>Is transfer allowed?</i>
Company	Company	Yes
Company	Shareholder	No
Shareholder	Company	No
Mother	Son	No

#### ***11.3-2b Both taxable persons are resident persons***

Both taxable persons should be tax residents of the UAE. The loss cannot be transferred from/to any non-resident person.

<i>Transferor</i>	<i>Transferee</i>	<i>Is transfer allowed?</i>
Resident	Resident	Yes
Resident	Non-resident	No
Non-resident	Non-resident	No
Non-resident	Resident	No

#### ***11.3-2c Common Ownership test***

The taxable person should have an ownership interest of at least 75% in another taxable person directly or indirectly. The CT Law does not prescribe any flow of transfer of losses. Thus, a subsidiary can also transfer the tax loss to a parent company or *vice versa*, subject to the fulfilment of 75% ownership criteria.

*For example*, A Ltd., B Ltd. and C Ltd. are the UAE-based company. A Ltd. holds 75% of B Ltd., and B Ltd. holds 75% of C Ltd. Since A Ltd. indirectly holds 75% of C Ltd., it can transfer losses to C Ltd. or *vice versa*.

Further, the transfer of loss is allowed to a sister concern, commonly controlled by a third person directly or indirectly. Accordingly, if both the taxable persons are controlled by common ownership interest to the extent of 75%, then the transfer of loss shall be permissible. In such cases, the transferor and transferee should be a resident juridical person. However, the common owner can be a non-resident or natural person.

*For example*, X Ltd., an Indian company, holds 80% of two UAE-based companies – Y Ltd. and Z Ltd. Y Ltd. and Z Ltd. can transfer the tax loss internally as both the



companies are controlled by a common ownership interest to the extent of 75% or more by a common company X Ltd.

*For example,* Advise whether A Ltd. can transfer tax loss to B Ltd. and C Ltd.

Company	Group holding (%)	Profit/(Loss) in AED	Applicable CT Rate
A Ltd.	Holding company	(1,000,000)	9%
B Ltd.	85% held by A Ltd.	1,200,000	9%
C Ltd.	60% held by A Ltd.	1,100,000	9%

Subject to other conditions, the losses can be transferred from A Ltd. to B Ltd. or *vice versa* because A Ltd. satisfies the condition of common ownership interest of 75% or more. However, no losses can be transferred from C Ltd. to A Ltd. or B Ltd. or *vice versa*.

### 11.3-2d Continuous Ownership Interest Test

The ‘common ownership’ of 75% in both taxable persons should exist from the start of the tax period in which the tax loss is incurred to the end of the tax period in which the loss is transferred.

*For example,* Company X and Company Y are unrelated entities. Company X has a tax period from January 1, 2024, to December 31, 2024. In this tax period, Company X incurs a tax loss of 10 million AED. To utilise the tax loss, Company X enters into an agreement to transfer the loss to Company Y. The tax period of Company Y is from April 1, 2024, to March 31, 2025.

According to the Continuous Ownership Interest Test, a “common ownership” of 75% should exist in both taxable persons from the start of the tax period in which the tax loss is incurred to the end of the tax period in which the loss is transferred.

In this example, for the Continuous Ownership Interest Test to be met, Company X and Company Y should have at least 75% common ownership from January 1, 2024 (start of the tax period in which the tax loss is incurred) to March 31, 2025 (end of the tax period in which the loss is transferred).

Suppose Company A owns 80% of Company X and also holds an 80% ownership interest in Company Y throughout the relevant period. In this case, the Continuous Ownership Interest Test is satisfied, as the common ownership of 75% is maintained throughout the specified tax period.

Further, as per the explanatory guide to CT law, the transfer of losses could take place from one company (where the loss is incurred) to more than one company within the same qualifying group and not just any one company. So, if one company’s profits are not sufficient to absorb all of the losses, it can be given to another group company meeting all conditions too.

It appears that the condition of continuous ownership interest is not applicable for the direct or indirect ownership of 75% by one taxable person in another taxable person. Hence, even if during the year in which the loss is incurred, neither of the taxable person holds a minimum 75% ownership interest in the other, the transfer of loss shall be permissible if, at the time of the transfer, the ownership conditions are satisfied.

For example, Company X and Company Y are unrelated entities. Company X has a tax period from January 1, 2024, to December 31, 2024. In this tax period, Company X incurs a tax loss of 10 million AED.

Company X and Company Y enter into an agreement to transfer the loss from Company X to Company Y. At the time of the transfer, the ownership conditions are satisfied, even though neither of the taxable persons holds a minimum 75% ownership interest in each other during the tax period in which the loss is incurred.

Suppose at the time of the transfer, Company A acquires 100% ownership interest in both Company X and Company Y. Company A now holds 100% direct or indirect ownership interest in both companies.

In this case, even though during the tax period in which the loss is incurred, neither Company X nor Company Y individually holds a minimum 75% ownership interest in each other, the transfer of the loss is permissible because, at the time of the transfer, the ownership conditions are satisfied. Company A's acquisition of 100% ownership interest in both companies enables the transfer of the loss.

### **11.3-2e None of the persons is an exempt person**

The CT Law does not permit to utilise the loss of the exempt person against the income of the taxable person. Both persons should be subject to tax under the CT Law, and none of the persons should be exempt from the CT Law.

### **11.3-2f None of the persons is a Qualifying Free Zone Person**

None of the taxable persons should be a Qualifying Free Zone person eligible for 0% corporate tax for qualifying income. The loss incurred by a qualifying free zone person cannot be set off against the income of any other taxable person or *vice versa*.

### **11.3-2g Financial year of each person ends on the same date**

The CT Law provides liberty to follow a flexible financial year depending upon the period for which the financial statements are prepared. Accordingly, the financial year of a taxable person shall be the Gregorian calendar year or 12 months period for which the taxable person prepares the financial statements.

For the purpose of transfer and set off of tax loss, the CT Law mandates that the financial year of each of the taxable persons should end on the same date. The transferor and transferee cannot follow two different financial years separately.

### **11.3-2h Both persons prepare financial statements using same accounting standards**

Consistency of accounting standards for the preparation of financial statements is an important aspect for transfer and set off of losses. Both the taxable person should have prepared their financial statements using the same accounting standards.



### **11.3-3 How much losses can be transferred?**

The total tax loss set-off cannot exceed 75% of taxable income. The threshold of 75% should be satisfied in the case of the transferor and transferee taxable person.

### **11.3-4 Adjustment after transfer of losses**

After the transfer of losses, the transferor and transferee shall make the following adjustments in their respective financial statements and tax returns:

- (a) The transferor taxable person shall reduce its available tax losses by the amount of the tax loss transferred to the other taxable person for the relevant tax period; and
- (b) The transferee taxable person shall utilise and set off the losses in the same tax period in which the loss is received from the transferor taxable person. The transferee taxable person cannot carry it forward in its tax return.

### **11.3-5 Transfer of Unutilised Tax Losses in Business Restructuring**

Any unused Tax Losses incurred by the Transferor before the Tax Period in which the transfer occurs can be carried forward as Tax Losses for the Transferee. This is subject to the condition that the Transferee continues to engage in the same or a similar Business or Business Activity that was conducted by the Transferor before the transfer.

In determining whether the Transferee has continued the same or a similar Business or Business Activity as the Transferor, the following relevant factors specified in *Ministerial Decision No. 133* are considered:

- (a) Transferee uses some or all of the same assets that were previously used by the Transferor;
- (b) Transferee has not made significant changes to the core identity or operations of the Business since the transfer;
- (c) Any changes that have occurred result from the development or exploitation of pre-existing assets, services, processes, products, or methods.

This provision addresses the treatment of Tax Losses incurred by the Transferor and their potential utilisation by the Transferee. It allows the Transferee to carry forward unused Tax Losses of the Transferor, but this is subject to the condition that the Transferee continues a similar business and meets specific criteria.

The factors outlined in determining whether the Transferee has continued the same or a similar Business are designed to assess the continuity and nature of the transferred business. The use of the same assets, the absence of significant changes in core operations, and any changes resulting from developing existing assets or methods are considered. These factors aim to ensure that the Transferee genuinely continues the transferred business and does not engage in substantial changes that might affect the eligibility for carrying forward Tax Losses.

### **11.3-6 Comprehensive illustration**

Quantify the maximum amount of loss which can be transferred and utilised in the following scenario.

- ◆ Period 2, A Ltd. generated a taxable income of AED 75,000,000.
- ◆ In tax period 2, B Ltd. earned a taxable income of AED 50,000,000.

Tax Period	A Ltd. Tax Loss	A Ltd. Taxable Income	Loss set-off	B Ltd. Taxable Income	Maximum Loss Transferable to B Ltd.	Loss Carried forward
1	150,000,000	-	-	-	-	150,000,000
2	-	75,000,000	75,000,000 x 75% = 56,250,000	50,000,000	37,500,000 (75% of 50,000,000)	56,250,000 (150,00,000 – 56,250,000 – 37,500,000)

In the above scenario, A Ltd. has brought forward loss of AED 150,000,000 in tax period 1, which shall be carried forward to tax period 2. As per Article 37(4), the brought forward loss shall be utilised first against the taxable income of A Ltd. Accordingly, the maximum loss which can be offset against the taxable income of tax period 2 is 56,250,000 AED (75% of 75,000,000 AED).

Since A Ltd. owns more than 75% of shares of B Ltd., a resident taxable person, the tax loss of A Ltd. can be transferred and utilised to offset the taxable income of B Ltd. However, the quantum of loss cannot be more than 75% of the taxable income of B Ltd. Hence, A Ltd. can transfer a tax loss of upto 37,500,000 AED (75% of 50,000,000 AED).

The remaining tax loss of 56,250,000 AED (150,000,000 AED – 56,250,000 AED – 37,500,000 AED) can be carried forward by A Ltd. to the tax period 3.

### **11.4 Article 39: Limitation of carry forward of loss**

Article 39 reads as follows

- “1. Tax Losses can only be carried forward and utilised in accordance with the provision of Clause 2 of Article 37 of this Decree-Law provided that:
  - (a) From the beginning of the Tax Period in which the Tax Loss is incurred to the end of the Tax Period in which the Tax Loss or part thereof is offset against Taxable Income of that period, the same Person or Persons continuously owned at least a 50% (fifty per cent) ownership interest in the Taxable Person.
  - (b) The Taxable Person continued to conduct the same or a similar Business or Business Activity following a change in ownership of more than 50% (fifty per cent).
2. For the purposes of paragraph (b) of Clause 1 of this Article, relevant factors for determining whether a Taxable Person has continued to conduct the



same or a similar Business or Business Activity following a change in the direct or indirect ownership include:

- (a) The Taxable Person uses some or all of the same assets as before the ownership change;
  - (b) The Taxable Person has not made significant changes to the core identity or operations of its business since the ownership change; 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 ownership change.
3. Clause 1 of this Article shall not apply to a Taxable Person whose shares are listed on a Recognized Stock Exchange.

#### ***11.4-1 Overview***

Article 39 provides that the tax loss of any taxable person (other than a listed taxable person) can be carried forward to the subsequent tax period if the following conditions are satisfied:

- (a) Same person or persons continuously owned at least a 50% ownership interest in the taxable person; or
- (b) The taxable person continued to conduct the same or a similar business or business activity.

#### ***11.4-2 Minimum holding of interest***

The CT Law discourages trading of loss. Acquisition of an entity just for the sake of utilisation of the tax loss is not permissible. The CT law allows carry forward and set off of loss only if the same person or persons continues to hold at least 50% ownership interest in the taxable person throughout from the beginning of the tax period in which the tax loss is incurred to the end of the tax period in which the tax loss or part thereof is offset against taxable income.

*For example*, Company X and Company Y are unrelated entities. Company X, incorporated in the UAE, incurs a tax loss of 5 million AED in its tax period. Company Y approaches Company X with the intention of acquiring it solely for the purpose of utilising Company X's tax loss.

According to the CT Law, the trading of losses is discouraged, and acquiring an entity solely for the purpose of utilising its tax loss is not permissible. The law requires that the same person or persons maintain at least a 50% ownership interest in the taxable person throughout the relevant period for the carry forward and set off of losses.

In this scenario, Company Y's acquisition of Company X solely for the purpose of utilising its tax loss would not be permissible under the CT Law. Even if Company Y were to acquire Company X, it would not be eligible to carry forward and set off the tax loss unless it continues to hold at least a 50% ownership interest in Company X from the beginning of the tax period in which the tax loss was incurred

to the end of the tax period in which the tax loss or a part thereof is offset against taxable income.

This provision aims to discourage artificial transactions aimed solely at exploiting tax benefits associated with losses. By requiring continued ownership and a genuine business purpose, the CT Law ensures that tax losses are utilised within the legitimate framework of ongoing business operations rather than being used as a means of tax avoidance.

In the case of a company, the ownership interest shall be represented by the shareholding pattern, whereas in the case of a partnership, the partner interest can be taken as a base for testing 50% ownership criteria.

#### ***11.4-3 Change of ownership interest***

In case of a change in ownership interest, the taxable person shall be allowed to carry forward and set off the losses if the taxable person continues to conduct the same or similar business or business activity in which the loss was incurred. The following factors would be relevant to determine the continuity of the same or similar business or business activity:

- (a) The taxable person uses some or all of the same assets as before the ownership change; and
- (b) The taxable person has not made significant changes to the core identity or operations of the business since the ownership change.

The loss can be allowed to be carried forward and set off in case of change in the core identity or operations of the business if such changes result from the development or exploitation of assets, services, processes, products, or methods that existed before the ownership change.

*For example,* A LLC is a resident of the UAE. A LLC has suffered a tax loss of AED 10,00,000 during the tax period ending on 30 June 2024. The owners representing 70% of ownership interest have transferred their interest in favour of new investors before 30 June 2025. Whether the tax loss can be carried forward and set off against the taxable income earned for the financial year ending on 30 June 2025?

As per Article 39, no loss can be carried forward to subsequent years unless the same person or persons continues to hold at least 50% ownership interest in the taxable person throughout from the beginning of the tax period in which the tax loss is incurred to the end of the tax period in which the tax loss or part thereof is offset against taxable income. Since the ownership interest of existing investors has been reduced below 50%, no loss shall be carried forward to the subsequent year. However, as an exception, if A LLC is engaged in the same business activity, the loss can be carried forward and set off against the income of the subsequent year.

#### ***11.4-4 Relaxation for Listed Company***

In the case of listed companies, the shares are freely transferable to the public. Further, the transfer of the shareholding of the listed companies is generally not



driven by the set-off of tax loss. Hence, relaxation has been provided in respect of taxable persons whose shares are listed on a recognised stock exchange. The benefit of the relaxation would be available to taxable persons listed on UAE or foreign stock exchange.

#### **11.4-5 Comprehensive illustration**

Company XYZ, incorporated in the UAE, incurred a tax loss of 2 million AED in Tax Period 1. The company is considering a change in ownership in Tax Period 2. We will analyse whether the tax loss can be carried forward and set off against the taxable income earned in Tax Period 2.

Ownership and Business Activity Details:

- (a) *Before the ownership change:* Company A and Company B jointly owned Company XYZ, each with a 50% ownership interest.
- (b) *After the ownership change:* Company A and Company B sell their entire ownership interest to Company C, resulting in a change in ownership.

Let's analyse the scenario step by step:

1. *Determine the Minimum Holding of Interest:* According to Article 39, the same person or persons must continuously own at least a 50% ownership interest in the taxable person from the beginning of the tax period in which the tax loss is incurred until the end of the tax period in which the tax loss or part thereof is offset against taxable income.

In this case, we need to check if Company C, the new owner, maintains at least a 50% ownership interest in Company XYZ throughout the relevant period.

Ownership Interest Calculation:

Tax Period	Ownership Interest in Company XYZ
Tax Period 1	Company A: 50%
	Company B: 50%
Tax Period 2	Company C: 100%

Since Company C acquires a 100% ownership interest in Company XYZ in Tax Period 2, it does not fulfil the minimum holding of interest requirement.

2. *Determine Continuity of Business Activity:* According to Article 39, if there is a change in ownership interest, the taxable person must continue to conduct the same or similar business or business activity in which the loss was incurred.

To determine the continuity of business activity, we consider the relevant factors mentioned in the law:

- (a) The taxable person uses some or all of the same assets as before the ownership change;
- (b) The taxable person has not made significant changes to the core identity or operations of the business since the ownership change.

Let's assess whether Company XYZ meets these factors:

- (a) *Same Assets*: We need to determine if Company XYZ continues to use some or all of the same assets before and after the ownership change. If there are no significant changes in the asset usage, it indicates continuity of business activity;
  - (b) *Core Identity and Operations*: We need to evaluate whether Company XYZ has made significant changes to its core identity or operations since the ownership change. If there are no substantial alterations, it indicates continuity of business activity.

Based on the specific details of the assets and operations of Company XYZ, you can assess the continuity of business activity according to the factors mentioned above.

3. *Carrying Forward and Setting Off Tax Loss:* After confirming the fulfilment of the minimum holding of interest and continuity of business activity, we can determine if the tax loss can be carried forward and set off against the taxable income earned in Tax Period 2.

Since Company C meets test of the business activity remaining the same or similar, the tax loss of 2 million AED incurred by Company XYZ in Tax Period 1 can be carried forward and set off against the taxable income of Tax Period 2, subject to any applicable limitations or provisions.



## CHAPTER

# 12

# Tax Group Provisions

## 12.1 Introduction

Few countries across the world allow taxable persons to constitute a tax group and offer taxable income at the consolidated group level. UAE CT regime is also progressive and offers the flexibility to tax income at a standalone level or at a consolidated group level.

Chapter 12 of the CT Law, dealing with the provisions regarding the formation of tax group and computation of taxable income of the tax group, comprises of following Articles:

- (a) Article 40: Tax Group
- (b) Article 41: Date of Formation and Cessation of a Tax Group
- (c) Article 42: Taxable Income of a Tax Group

Article 40 provides stringent conditions to form a ‘Tax Group’ like direct or indirect 95% interest in share capital, voting rights, profits and net assets of the subsidiary company. Article 41 deals with the timeline with effect from which the tax group shall be formed and when the tax group shall cease to exist. Generally, the taxable income of the taxable person is calculated based on a standalone financial statement prepared in accordance with applicable accounting standards. However, the taxable income of the tax group shall be computed basis of consolidated financial statements prepared in accordance with applicable accounting standards, eliminating transactions between the parent company and each subsidiary that is a member of the tax group.

## 12.2 Article 40: Tax Group

Article 40 reads as follows:

- “1. A Resident Person, which for the purposes of this Decree-Law shall be referred to as a “Parent Company”, can make an application to the Authority to form a Tax Group with one or more other Resident Persons, each referred to as a “Subsidiary” for the purposes of this Chapter, where all of the following conditions are met:
  - (a) The Resident Persons are juridical persons.
  - (b) The Parent Company owns at least 95% (ninety-five per cent) of the share capital of the subsidiary, either directly or indirectly through one or more Subsidiaries.

- (c) The Parent Company holds at least 95% (ninety-five per cent) of the voting rights in the subsidiary, either directly or indirectly through one or more Subsidiaries.
  - (d) The Parent Company is entitled to at least 95% (ninety-five per cent) of the subsidiary's profits and net assets, either directly or indirectly through one or more Subsidiaries.
  - (e) Neither the Parent Company nor the Subsidiary is an Exempt Person.
  - (f) Neither the Parent Company nor the Subsidiary is a Qualifying Free Zone Person.
  - (g) The Parent Company and the Subsidiary have the same Financial Year.
  - (h) Both the Parent Company and the Subsidiary prepare their financial statements using the same accounting standards.
2. Notwithstanding paragraph (e) of Clause 1 of this Article, one or more Subsidiaries in which a Government Entity directly or indirectly owns at least a 95% (ninety-five per cent) ownership interest as specified in paragraphs (b), (c) and (d) of Clause 1 of this Article can form a Tax Group, subject to the conditions to be prescribed by the Authority.
  3. An application made under Clause 1 of this Article shall be made to the Authority by the Parent Company and each Subsidiary seeking to become members of the Tax Group.
  4. A Tax Group formed under Clause 1 of this Article is treated as a single Taxable Person for the purposes of this Decree-Law, represented by the Parent Company.
  5. The Parent Company shall comply with all obligations set out in Chapters Fourteen, Sixteen and Seventeen of this Decree-Law on behalf of the Tax Group.
  6. The Parent Company and each Subsidiary shall be jointly and severally liable for Corporate Tax Payable by the Tax Group for those Tax Periods when they are members of the Tax Group.
  7. The joint and several liability under Clause 6 of this Article for a Tax Period can be limited to one or more members of the Tax Group following approval by the Authority.
  8. The Parent Company and each Subsidiary shall remain responsible for complying with the provisions under Article 45 of this Decree-Law.
  9. A Subsidiary can join an existing Tax Group following submission of an application to the Authority by the Parent Company and the relevant Subsidiary.
  10. A Subsidiary shall leave the Tax Group in the following circumstances:
    - (a) Following approval by the Authority of an application by the Parent Company and the relevant Subsidiary.
    - (b) Where the relevant subsidiary no longer meets the conditions to be a member of the Tax Group as specified in Clause 1 of this Article.

11. A Tax Group shall cease to exist in any of the following circumstances:
  - (a) Following approval by the Authority of an application by the Parent Company.
  - (b) Where the Parent Company no longer meets the conditions to form a Tax Group as specified in Clause 1 of this Article, subject to the provisions of Clause 12 of this Article.
12. The Parent Company of a Tax Group can make an application to the Authority to be replaced by another Parent Company without a discontinuation of the Tax Group, in any of the following circumstances.
  - (a) The new Parent Company meets the conditions under Clause 1 of this Article relating to the former Parent Company.
  - (b) The former Parent Company ceases to exist and the new Parent Company or a Subsidiary is its universal legal successor.
13. Notwithstanding Clauses 11 and 12 of this Article, the Authority may, at its discretion, dissolve a Tax Group or change the Parent Company of a Tax Group based on information available to the Authority, and notify the Parent Company of such action taken.”

### **12.2-1 Overview**

Article 40 allows the taxable persons to form a ‘Tax group’, and the taxable income of such ‘Tax group’ shall be subjected to CT Law. The taxable parent company can form ‘Tax Group’ along with one or more taxable resident subsidiaries.

### **12.2-2 Conditions to form a tax group**

Large businesses often conduct their operations through a group of companies consisting of parent company and subsidiary companies. These group structures are generally formed to limit or ring-fence liabilities associated with certain activities and facilitate the reporting and management of different business lines.

Operating through a group of companies can increase the overall tax compliance cost, where each entity needs to report its taxable income on a standalone basis. It can result in a higher effective tax rate for the group where some companies are profit-making, and others make losses.

The UAE CT Law allows full consolidation for tax purposes (tax grouping) for essentially wholly-owned groups of companies and to form a ‘Tax group’ wherein the parent company and one or more subsidiaries would be taxed as a single taxable entity.

The CT Law provides restrictive and stringent criteria to form a ‘Tax Group’. The conditions include residency criteria, ownership interest, voting rights, entitlement to profits and assets, etc. The ‘Parent Company’ can form a ‘Tax Group’ with the subsidiaries subject to the satisfaction of all of the following conditions cumulatively:

### **12.2-2a Each subsidiary is a juridical person**

Each person forming part of the 'Tax Group' should be a juridical person. The natural persons (Individuals) cannot constitute a 'Tax Group'.

### **12.2-2b Each subsidiary is a tax resident**

Each subsidiary should be a tax resident of the UAE. Non-resident persons or foreign companies cannot be added to the tax group.

In the case of UAE indirect subsidiaries ultimately owned by a foreign parent company, the UAE subsidiaries can form a Tax Group along with an intermediary UAE parent company. The intermediary UAE company shall be recognized as a 'Parent' of the tax group.

<i>Parent Company</i>	<i>Subsidiary</i>	<i>Allowed?</i>
Resident	Resident	Yes
Resident	Non-resident	No
Non-resident	Non-resident	No
Non-resident	Resident	No

As per *Ministerial Decision No. 125 of 2023*, the parent company and subsidiary forming the Tax Group should not have been considered A resident person in another country. Where a member of the tax group becomes a tax resident of another country, the member shall be treated as leaving the Tax Group from the beginning of the tax period in which it becomes a resident of another country.

A foreign juridical person effectively managed and controlled in the UAE would be treated as a resident person for the purpose of tax grouping subject to maintenance of the following documentation that such an entity is not a resident in any other country:

- (a) A confirmation from the relevant tax authority of the other country; or
- (b) A confirmation from the relevant competent authorities for the purpose of the application of tax treaties in force supporting non-residency in another country.

### **12.2-2c Parent company should own at least 95% of ownership interest**

The tax group of UAE-based companies can be formed if the parent company of the group owns, directly or indirectly through one or more subsidiaries, at least 95% of the:

- (a) Share capital of the subsidiary;
- (b) Voting rights in the subsidiary;
- (c) Profits of the Subsidiary;
- (d) Net assets of the subsidiary.

The above condition of 95% threshold of share capital, voting rights and the subsidiary's profits and net assets are to be satisfied cumulatively.



As per *Ministerial Decision No. 125 of 2023*, the ‘share capital’ shall mean the nominal issued and paid-up share capital or membership or partnership capital of each subsidiary.

#### **12.2-2d None of the companies is an Exempt Person**

None of the parent company or subsidiaries should be exempt from the CT Law. The CT Law does not permit the formation of a group with an exempt person and to utilise the loss of the exempt person against the income of the taxable person. Both persons should be subjected to tax under the CT Law. Accordingly, the following persons cannot constitute a tax group:

- (a) Wholly Government-owned entities that carry mandated activity and are listed in a Cabinet Decision;
- (b) Businesses engaged in the extraction business of UAE natural resources and related non-extractive activities that are subject to Emirate-level taxation subject to specified conditions;
- (c) Charities and other public benefit organizations that are listed in a Cabinet Decision;
- (d) Investment Funds, subject to specified conditions;
- (e) Public or private pension or social security funds, subject to conditions prescribed by the Minister;
- (f) UAE juridical persons that are wholly owned and controlled by a government entity, government-controlled entity, public or private pension funds or social security funds, subject to fulfilment of certain conditions; and
- (g) Any other person decided by Cabinet at the suggestion of the Minister.

Subject to the conditions prescribed by the FTA, subsidiaries in which the government entities own at least 95% ownership interest in share capital and voting rights in the subsidiary and are entitled to 95% of the subsidiary’s profits and net assets can form a Tax group.

#### **12.2-2e None of the company is a Qualifying Free Zone Person**

None of the parent company or subsidiaries should be a Qualifying Free Zone person eligible for 0% corporate tax for qualifying income. The loss incurred by a qualifying free zone person cannot be set off against the income of any other taxable person or *vice versa*. Further, the income of the qualifying free zone person cannot be taxed as a part of the tax group.

#### **12.2-2f Financial Year of each company ends on the same date**

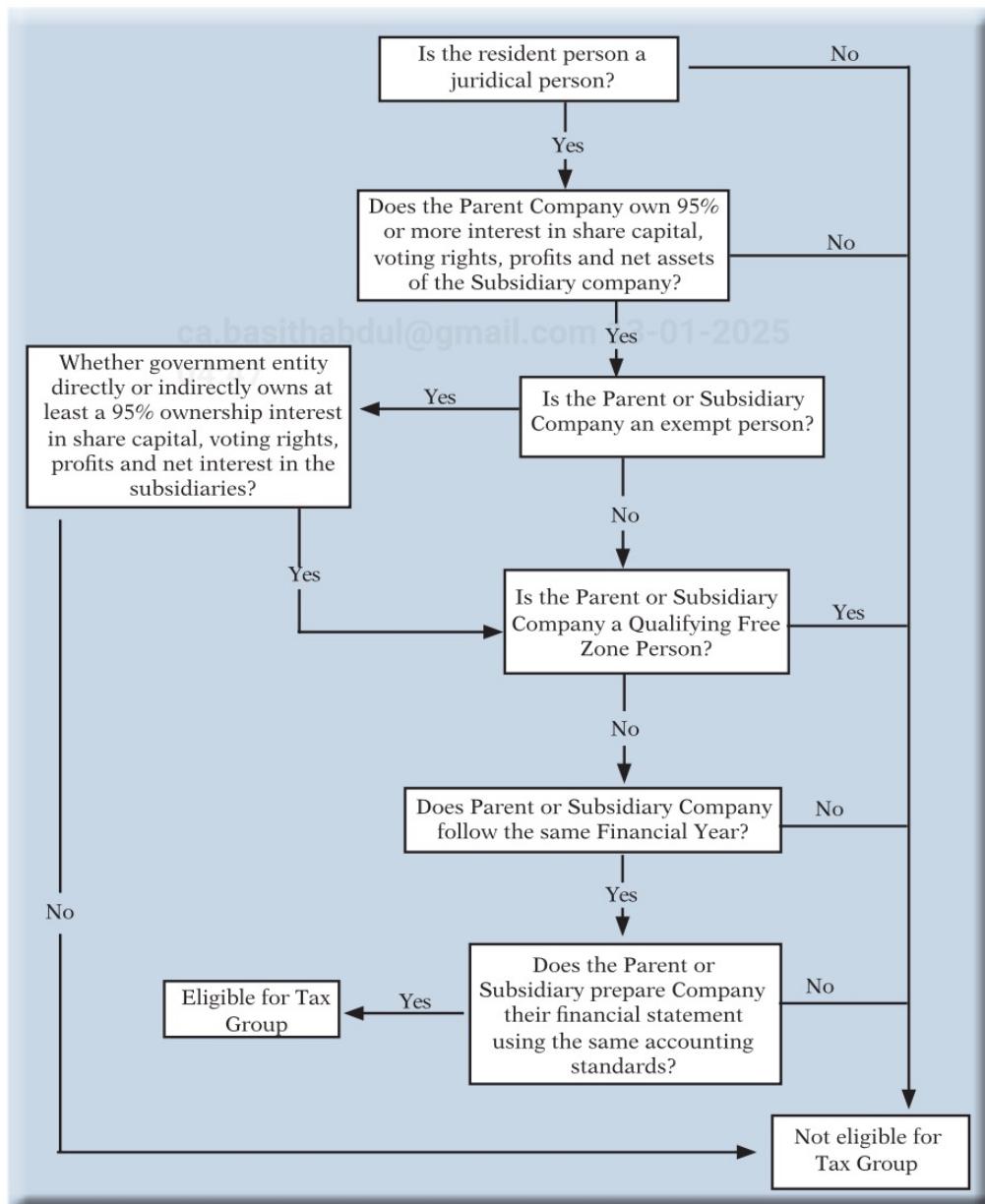
The CT Law provides liberty to follow a flexible financial year depending upon the period for which the financial statements are prepared. Accordingly, the financial year of a taxable person can be the Gregorian calendar year or 12 months period for which the Taxable Person prepares the financial statements.

For the purpose of 'Tax group', the CT Law mandates that the financial year of each taxable person should end on the same date. The Parent Company and subsidiaries cannot follow two different financial years.

### **12.2-2g Both companies prepare the financial statements using same accounting standards**

Consistency of accounting standards for the preparation of financial statements is an important aspect of forming a 'Tax group'. Each tax group member should have prepared their financial statements using the same accounting standards.

### **12.2-2h Overview**





As per *Ministerial Decision No. 125 of 2023*, the above conditions for the formation of the tax group must be met continuously throughout the relevant tax period.

### **12.2-3 Reporting to FTA**

The parent company and each subsidiary shall furnish an application to the FTA to become members of the tax group. The tax group shall be treated as a single taxable person and shall be represented by the parent company.

### **12.2-4 Compliance**

The parent company shall comply with all compliance obligations regarding payment of taxes and refunds, tax registration and re-registration and tax returns on behalf of the tax group. The parent company shall discharge the payment of taxes and shall be entitled to receive the tax due. The parent company shall file tax returns on behalf of the tax group. No subsidiaries shall be required to file the tax returns separately. However, the parent company and each subsidiary shall remain responsible for complying with withholding provisions.

### **12.2-5 Liability of the companies forming a tax group**

The parent company and each subsidiary shall be jointly and severally liable for the corporate tax payable for those tax periods when they are members of the tax group. Accordingly, if the parent company fails to discharge the tax liability of the tax group, the tax due can be collected from the parent as well as each subsidiary, jointly or individually. The joint and several liabilities of each tax group member can expose one group member against the tax liability of other group members. The joint and several liabilities can be limited to one or more members of the tax group subject to approval by the FTA.

### **12.2-6 Addition in a tax group**

Post-formation of the tax group, a new subsidiary can be added to the tax group by filling out an application to the FTA. The application shall be filed by the parent company and the relevant subsidiary.

### **12.2-7 Leaving a tax group**

A subsidiary can leave the tax group after filling out an application to the FTA. The application shall be filed by the parent company and relevant subsidiary. Similarly, the parent company can file an application for cessation of the tax group. On approval by the FTA, the tax group shall be dissolved.

As per *Ministerial Decision No. 125 of 2023*, where a Subsidiary leaves a Tax Group, or where a Tax Group ceases to exist because of non-satisfaction of required conditions, the Tax Group shall notify the FTA within 20 business days from the date the conditions are no longer met.

On exit of a subsidiary from a Tax Group or on cessation of a Tax Group, 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.

### **12.2-8 Complying Conditions**

The eligibility conditions are continuous conditions. The subsidiary shall cease to be part of the tax group if it no longer meets the conditions to be a member of the tax group. Similarly, the tax group shall cease to exist if the parent company no longer meets the conditions to form a tax group.

### **12.2-9 Replacement of a parent company**

The parent company can be replaced in certain circumstances without compromising the existence of the tax group. A parent company can make an application to the FTA to be substituted by another parent company in any of the following circumstances:

- (a) The new parent company meets the 'eligibility conditions'; or
- (b) The new parent company or a subsidiary is the previous parent company's universal legal successor when the former parent company ceases to exist.

The CT Law grants the FTA powers to dissolve the tax group or replace the parent company based on the information available and notify the parent company of such action taken.

### **12.2-10 Illustrations**

*For example*, a mainland company, ABC LLC, holds 96% of PQR LLC, 97% of MNP LLC and 75% of KKP LLC. Whether they can form a Tax Group? ABC LLC, PQR LLC and MNP LLC can elect to form a Tax Group. KKP LLC cannot be a part of Tax Group as the shareholding is less than 95%

*For example*, a mainland company, ABC LLC, holds 96% of PQR LLC, 97% of MNP LLC and 98% of KKP FZE (Free Zone Entity) that avails 0% CT rate benefit. Whether they can form a Tax Group? ABC LLC, PQR LLC and MNP LLC can elect to form a Tax Group. KKP FZE cannot be a part of Tax Group as it is a free zone entity availing 0% CT rate benefit.

## **12.3 Article 41: Date of Formation and Cessation of a Tax Group**

Article 41 reads as follows:

1. For the purposes of Article 40 of this Decree-Law, a Tax Group shall be formed, or a new Subsidiary shall join an existing Tax Group 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 10 of Article 40 and paragraph (a) of Clause 11 of Article 40 of this Decree-Law, the relevant member of a Tax Group shall be treated as leaving that Tax Group 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 10 of Article 40 and paragraph (b) of Clause 11 of Article 40 of this Decree-Law, the relevant member of a Tax Group shall be treated as leaving that Tax Group from the beginning of the Tax Period in which the conditions under Clause 1 of Article 40 of this Decree-Law are no longer met.”

### **12.3-1 Overview**

The below table outlines the effective date of formation and cessation of the tax group:

<i>Event</i>	<i>Scenario</i>	<i>Effective from</i>
Formation of a tax group	An application filed for the formation of the tax group and approved by FTA	<ul style="list-style-type: none"> <li>◆ Beginning of the tax period specified in the application; or</li> <li>◆ Beginning of any other tax period determined by the FTA</li> </ul>
New subsidiary Joining	An application filed by a new subsidiary to join the existing tax group and approved by the FTA	<ul style="list-style-type: none"> <li>◆ Beginning of the tax period specified in the application; or</li> <li>◆ Beginning of any other tax period determined by the FTA</li> </ul>
Subsidiary exiting the tax group	An application filed by the subsidiary to exit the tax group and approved by the FTA	<ul style="list-style-type: none"> <li>◆ Beginning of the tax period specified in the application; or</li> <li>◆ Beginning of any other tax period determined by the FTA</li> </ul>
	The subsidiary no longer meets the conditions to be a member of the tax group	Beginning of the tax period in which the eligibility conditions to be a member of the tax group are no longer met.

<i>Event</i>	<i>Scenario</i>	<i>Effective from</i>
Cessation of Tax Group	An application filed by the parent company to cease the tax group and approved by the FTA	<ul style="list-style-type: none"> <li>◆ Beginning of the tax period specified in the application; or</li> <li>◆ Beginning of any other tax period determined by the FTA</li> </ul>
	The parent company no longer meets the eligibility conditions to form the tax group	Beginning of the tax period in which the eligibility conditions to be a member of the tax group are no longer met.

As per *Ministerial Decision No. 125 of 2023*, the application to form or join a tax group must be submitted before the end of the tax period within which formation or joining of tax group is requested. The limitation period shall also apply where the new parent company replaces the old parent company or where the new parent company is the legal successor of the former parent company. The new parent company shall be required to satisfy the eligibility conditions from the beginning of the tax period.

A newly established juridical person, a subsidiary, or a new Parent (replacing the old one) may join an existing Tax Group from the date of incorporation subject to an application being filed before the end of the tax period.

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.

## 12.4 Article 42: Taxable Income of a Tax Group

Article 42 reads as follows:

1. For the purposes of determining the Taxable Income of a Tax Group, the Parent Company shall consolidate the financial results, assets and liabilities of each subsidiary for the relevant Tax Period, eliminating transactions between the Parent Company and each subsidiary that is a member of the Tax Group.
2. The relevant provisions of this Decree-Law shall apply as the context requires to the Tax Group.
3. Unutilised Tax Losses of a Subsidiary that joins a Tax Group (referred to in this Article as “pre-Grouping Tax Losses”) shall become carried forward Tax Losses of the Tax Group, and can be used to offset the Taxable Income of the Tax Group insofar this income is attributable to the relevant subsidiary.
4. Where a new Subsidiary joins an existing Tax Group, unutilised Tax Losses of the existing Tax Group cannot be used to offset the Taxable Income of the Tax Group insofar this income is attributable to the new subsidiary.

5. The application of Clauses 3 and 4 of this Article is subject to the conditions of Articles 37 and 39 of this Decree-Law.
6. Where a Subsidiary leaves a Tax Group, Tax Losses of the Tax Group shall remain with the Tax Group, with the exception of any unutilised pre-Grouping Tax Losses of the relevant Subsidiary.
7. On cessation of a Tax Group, unutilised Tax Losses of the Tax Group shall be allocated as follows:
  - (a) Where the Parent Company continues to be a Taxable Person, all Tax Losses shall remain with the Parent Company.
  - (b) Where the Parent Company ceases to be a Taxable Person, Tax Losses 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 Tax Losses of such Subsidiaries.
8. Paragraph (b) of Clause 7 of this Article shall not apply where there is a continuation of the Tax Group under Clause 12 of Article 40 of this Decree-Law.
9. Clause 1 of this Article shall not apply where an asset or liability has been transferred between members of the Tax Group and either the transferor or transferee leaves the Tax Group within (2) two years from the date of the transfer, unless the associated income would have been exempt from Corporate Tax or not taken into account under any other provisions of this Decree-Law.
10. Any income that was not taken into account with regards to a transfer described in Clause 9 of this Article shall be taken into account on the date the transferor or transferee leaves the Tax Group, and shall result in a corresponding adjustment of the cost base for Corporate Tax purposes of the relevant asset or liability.
11. The Tax Group must prepare consolidated financial statements in accordance with accounting standards applied in the State.”

#### **12.4-1 Overview**

Article 42 provides that:

- (a) The parent company shall consolidate its financial statements with its essentially wholly-owned subsidiaries in accordance with applicable accounting standards, eliminating transactions between the parent company and each subsidiary that is a member of the tax group.
- (b) The CT Law prescribes the manner of utilisation of pre-grouping tax loss and distribution of unutilised tax losses upon the termination of the tax group.

#### **12.4-2 Computation of taxable income of the tax group**

When parent and subsidiary companies form a tax group, the total taxable income of all the members of the tax group is taxed as a single taxable entity. For the purpose of determining the taxable income of the tax group, the parent

company shall consolidate the financial results, assets, and liabilities of each subsidiary for the relevant tax period, eliminating transactions between the parent company and each subsidiary member of the tax group (*i.e.* intra-group transactions shall be eliminated). The consolidated financial statement shall be prepared following the applicable accounting standards. The provisions relating to the computation of taxable income shall apply to such consolidated income. Further, the following factors, specified in *Ministerial Decision 125 of 2023*, shall be considered for the computation of the consolidated taxable income.

#### **12.4-2a Transactions before forming or joining a Tax Group**

The following are the rules in relation to transactions before Forming or Joining a Tax Group

The transactions between members of a tax group shall not be eliminated, where a member has recognised a deductible loss before joining or forming the tax group, until such deductible loss is reversed in full. Where such transaction is not eliminated, income on such transaction to be included as part of the taxable income of the tax group up to the amount of deductible loss that was previously deducted prior to joining or forming the tax group.

#### **12.4-2b Computation as per Arm's Length Provisions**

The Taxable Income attributable to the members of Tax Group shall be computed as per arm's length provisions in any of the following instances:

- (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 the tax liability under the Corporate Tax Law;
- (c) A member of the Tax Group benefits from any Corporate Tax incentives or relief available for a Qualifying Business Activity (yet to be prescribed by Cabinet);
- (d) A member of the Tax Group has unutilised carried forward Net Interest Expenditure.

The Tax Group must also disclose any information as may be required by notice or by a decision by the FTA regarding transactions and arrangements between members of the Tax Group and their related parties and connected persons.

#### **12.4-2c Adjustments to the Accounting Income**

If the gains or loss arising on the transfer of an asset within a qualifying group is claimed as exempt transaction under Article 26, such gain or loss shall be excluded from the computation of taxable income of the transferee. Such gain or loss shall be recognised as income or loss of the transferee upon realisation of asset or liability.

The adjustments aim to align the taxable income of the transferee with the economic reality of the transfer. The first adjustment excludes any unrealized



gains or losses that arose to the transferor and have not been recognized under the applicable clause of the corporate tax Law. This ensures that the transferee is not taxed on gains or losses that have not yet been realized.

The second adjustment focuses on the realization of assets or liabilities. It includes any previously unrecognized gains or losses related to the transfer in the transferee's taxable income upon realization. However, it excludes any amounts that arose before the most recent acquisition where the specific clause of the corporate tax law did not apply. This adjustment ensures that the transferee appropriately accounts for any gains or losses realized from the transfer.

#### **12.4-3 Consequences of exiting from the tax group**

Where an asset or liability is transferred between members of the tax group, and either the transferor or transferee leaves the tax group within 2 years from the date of such transfer, the transactions between the transferor and transferee shall not be eliminated during the consolidation exercise. Such transaction shall be adjusted during the tax period in which the transferor or transferee leaves the tax group. An adjustment shall be made to the cost base of the relevant asset or liability only for corporate tax purposes. However, no adjustment shall be made in respect of the transaction if the associated income is exempt from corporate tax or is not considered under any other provisions of the CT Law.

Since the transferor and transferee are related parties at the time of transfer, the transfer pricing provisions and arm's length principle shall be applied to such transactions if one of the parties leaves the group.

*For example,* A Ltd. and B Ltd. are part of tax group C. A had sold a capital asset worth 1,000,000 AED to B for a profit of 100,000 AED on 01st April 2024. However, because of the consolidation of the financial results, assets and liabilities, the profits of 100,000 AED were excluded from the taxable income. Similarly, the cost of acquisition of the capital asset of 1,000,000 AED is reduced to 900,000 AED. The tax group is entitled to claim depreciation on the value of 900,000 AED. A Ltd. left the tax group on 31st March 2025 (within 2 years from the date of transfer). In such case, an adjustment shall be made in the financial year corresponding to 31st March 2025. Accordingly, the profit of 100,000 AED shall be offered to tax, and the cost of the capital asset shall be increased to 1,000,000 AED, leading to higher depreciation.

#### **12.4-4 Offsetting the unutilised tax loss**

Since the tax group is taxed as a single entity for the consolidated income, the loss suffered by one group member is generally utilised against the profits of other group members in the same year. The CT Law restricts the formation of a tax group to offset the accumulated unutilised tax loss ('pre-grouping tax losses') of one group member against the profits of another group member for the current year. Similarly, the CT Law provides checks and balances to ensure that the group tax loss is not diverted towards the taxable income of a group subsidiary to achieve tax avoidance.

As per *Ministerial Decision No. 125 of 2023*, where the members would have met conditions provided for reliefs on transfers within a Qualifying Group or Business structuring relief, the associated income need not be offered to tax, and it shall be considered as the members have chosen to apply for the relevant relief subject to other conditions related to transfers within Qualifying Group or Business structuring relief.

#### **12.4-4a Unutilised losses of subsidiary company**

The pre-grouping tax losses shall become carried forward tax losses of the tax group. However, such losses can be used to offset the taxable income of the tax group against the income attributable to the relevant subsidiary. The pre-grouping loss cannot be offset against the income of the parent company or other subsidiaries. However, there is no restriction on offsetting pre-grouping tax losses of the parent company. Accordingly, such tax loss of the parent company arguably could be utilised against the profits of the subsidiaries. A clarification in this regard can provide clarity on the issue.

As per *Ministerial Decision No. 125 of 2023*, the maximum losses that can be used to offset the taxable income of tax group in a tax period shall be lower of the following:

- (a) The taxable income of the tax group that is attributable to that subsidiary; or
- (b) The tax loss that can be used to reduce the taxable income of the tax group in the relevant Tax Period, *i.e.*, either 75% of the Taxable Income or any other percentage as specified in a decision issued by the Cabinet.

*For example*, a tax group consisting of a parent company (Company A) and two subsidiaries (Company B and Company C). In the previous year, both subsidiaries incurred losses while the parent company generated profits. The losses incurred by the subsidiaries are referred to as pre-grouping tax losses. Company B incurred a pre-grouping tax loss of AED 100,000 and Company C incurred a pre-grouping tax loss of AED 150,000. Meanwhile, Company A (the parent company) generated a profit of AED 200,000.

Now, let's examine how these pre-grouping tax losses can be utilised within the tax group:

##### *Offset against the taxable income of the tax group*

The pre-grouping tax losses of the subsidiaries (Company B and Company C) cannot be used to offset the taxable income of the tax group. In this case, the taxable income of the tax group is the profit generated by the parent company (Company A) since the losses cannot be offset against the parent company's income. So, the total taxable income of the tax group is AED 200,000.

##### *Utilisation against income attributable to the relevant subsidiary*

The pre-grouping tax losses of the subsidiaries can be used to offset the income attributable to each subsidiary. Let's say Company B generated a profit of AED 50,000 in the current year, and Company C generated a profit of AED 80,000. The pre-grouping tax loss of Company B (AED 100,000) can be used to offset the profit of AED 50,000 to the extent of 75%. Similarly, the pre-grouping tax loss of



Company C (AED 150,000) can be used to offset the profit of AED 80,000 to the extent of 75%.

*No offset against the income of the parent company or other subsidiaries*

As per the given information, the pre-grouping tax losses cannot be offset against the income of the parent company (Company A) or any other subsidiaries within the tax group.

*Summary:* In this example, the pre-grouping tax losses of the subsidiaries (Company B and Company C) cannot be utilised to offset the taxable income of the tax group, which is the profit generated by the parent company (Company A) and other group entities.

#### **12.4-4b Unutilised losses of the tax group**

The unutilised accumulated tax loss of the tax group cannot be utilised against the profits of the subsidiary subsequently added to the tax group. Accordingly, where a new subsidiary joins an existing tax group, unutilised tax losses of the existing tax group cannot be used to offset the taxable income of the tax group in relation to income attributable to the new subsidiary. The utilised tax loss can be offset against the taxable income of the parent company or existing subsidiaries.

*For example*, an existing tax group consisting of a parent company (Company A) and two subsidiaries (Company B and Company C). The tax group has unutilised accumulated tax losses of AED 300,000. A new subsidiary (Company D) joins the tax group. Company D generates a profit of AED 100,000 in the current year.

Let's examine how the unutilised accumulated tax losses can be utilised within the tax group:

*Offset against taxable income of the tax group*

The unutilised accumulated tax losses of AED 300,000 can be used to offset the taxable income of the tax group, which includes the profits generated by the parent company (Company A) and the existing subsidiaries (Company B and Company C). Assuming the tax group has a total taxable income of AED 500,000 (excluding the profit of Company D), the unutilised tax losses can be utilised to reduce the taxable income to AED 200,000.

*No utilisation against the income attributable to the new subsidiary*

The unutilised accumulated tax losses of the tax group cannot be used to offset the taxable income of the tax group against the income attributable to the new subsidiary (Company D). In this case, the profit of AED 100,000 generated by Company D cannot be reduced using the unutilised tax losses of the tax group.

*Offset against the taxable income of the parent company or existing subsidiaries*

The utilised tax losses can be used to offset the taxable income of the parent company (Company A) or the existing subsidiaries (Company B and Company C) within the tax group. If any of these entities generate profits, the utilised tax losses can be utilised to reduce their respective taxable incomes.

*Summary:* In this example, the unutilised accumulated tax losses of the tax group can be utilised to offset the taxable income of the tax group, but they cannot be

used to offset the income attributable to a new subsidiary that joins the tax group. However, the utilised tax losses can be offset against the taxable income of the parent company or existing subsidiaries within the tax group.

#### **12.4-5 Limit to offset the loss**

The offset limit of 75% would be applicable at the group level. The tax group shall determine its taxable income at the consolidated level for the financial year. Such income can be offset against the unutilised brought forward loss of the group. However, the tax loss used to reduce the taxable income cannot exceed 75% of the taxable income of the tax group for the relevant tax period.

*For example*, a tax group consisting of a parent company (Company A) and two subsidiaries (Company B and Company C). The tax group has unutilised brought forward losses of AED 1,000,000. The tax group determines its consolidated taxable income of AED 1,500,000 for the current tax period.

Now, let's apply the offset limit of 75% at the group level:

##### *Calculate the offset limit*

The offset limit is 75% of the taxable income of the tax group. In this case, the offset limit is  $75\% \times \text{AED } 1,500,000 = \text{AED } 1,125,000$ .

##### *Utilise the unutilized brought forward losses*

The tax group can utilise its unutilised brought forward losses to reduce its taxable income. However, the amount of tax loss used cannot exceed the offset limit of AED 1,125,000. Let's assume two scenarios.

- ◆ Unutilised brought forward losses are less than or equal to the offset limit

The unutilised brought forward losses are AED 800,000. In this case, the tax group can use the full AED 800,000 to offset its taxable income, resulting in a reduced taxable income of  $\text{AED } 1,500,000 - \text{AED } 800,000 = \text{AED } 700,000$ .

- ◆ Unutilised brought forward losses exceed the offset limit

The unutilised brought forward losses are AED 1,500,000. In this case, even though the tax group has AED 1,500,000 in unutilised losses, it can only utilise AED 1,125,000 (the offset limit) to offset its taxable income. Therefore, the reduced taxable income would be  $\text{AED } 1,500,000 - \text{AED } 1,125,000 = \text{AED } 375,000$ .

*Summary*: In this example, the tax group can offset its taxable income at the consolidated level using its unutilised brought forward losses. However, the tax loss utilised cannot exceed 75% of the taxable income of the tax group for the relevant tax period.

#### **12.4-6 Sequence of set off**

As per *Ministerial Decision No. 125 of 2023*, 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, before other carried forward tax losses of the tax group attributable to period post-formation. Where pre-grouping tax losses available to be utilised, exceed the amount available for set-off in a tax period, the parent company



shall determine which subsidiary's pre-grouping tax losses shall remain carried forward tax losses of the tax group.

#### ***12.4-7 Treatment of unutilised losses on change in tax group constitution***

##### ***12.4-7a Where a subsidiary exits***

If the subsidiary exits from the tax group, the loss of the tax group shall remain with the tax group only. The tax group shall utilise such tax loss to offset the income of the tax group (comprising of the parent and remaining subsidiary) in subsequent years. However, the unutilised pre-grouping tax losses of the exiting subsidiary shall be reduced from the loss of the tax group. The CT Law is silent on whether such pre-grouping tax loss of the exiting subsidiary can be carried forward by the exiting subsidiary to offset against its taxable income.

*For example*, Company A is the parent company, and it has three subsidiaries: Company B, Company C, and Company D. They form a tax group. The tax group has a cumulative loss of AED 500,000. However, Company C decides to exit the tax group.

In this case, the loss of the tax group, which is AED 500,000, remains with the tax group comprising Company A, Company B, and Company D. They can utilise this tax loss to offset their income in subsequent years. However, the unutilised pre-grouping tax losses of Company C, let's say AED 200,000, will be reduced from the overall loss of the tax group. The CT Law is silent on whether Company C can carry forward its pre-grouping tax loss to offset its taxable income.

##### ***12.4-7b Where tax group ceases to exist***

Upon termination of the tax group, all the loss of the tax group shall travel with the parent company. The parent company can offset its taxable income against such tax loss. However, if the parent company ceases to be a taxable person, such group loss shall lapse. However, the unutilised pre-grouping tax loss of the individual subsidiary can be carried forward by the individual subsidiary.

*For example*, Company X is the parent company, and it has two subsidiaries, Company Y and Company Z. They form a tax group. The tax group has a cumulative loss of AED 1,000,000. However, the tax group ceases to exist.

Upon termination of the tax group, all the loss of the tax group, which is AED 1,000,000, travels with the parent company, Company X. Company X can offset its taxable income against the unutilised tax loss. However, if Company X ceases to be a taxable entity, the group loss of AED 1,000,000 shall lapse. Meanwhile, Company Y has unutilised pre-grouping tax losses of AED 300,000, and Company Z has unutilised pre-grouping tax losses of AED 150,000. Both Company Y and Company Z can carry forward their respective pre-grouping tax losses to offset their taxable income.

#### **12.4-7c Where parent company ceases to exist**

Where the former parent company ceases to exist, and the new parent company or a subsidiary is its universal legal successor, the former parent company can file an application for its replacement by the new parent company. The tax group continues to exist on approval by the FTA. In such cases, the tax group shall continue to carry forward and offset its unutilised loss.

*For example*, Company P is the parent company, and it has two subsidiaries, Company Q and Company R. They form a tax group. The tax group has an unutilised loss of AED 800,000. However, Company P undergoes a merger with Company S, which becomes the new parent company.

In this scenario, the former parent company, Company P, ceases to exist due to the merger with Company S. Company S becomes the universal legal successor and takes over as the new parent company. The tax group can file an application for the replacement of the former parent company with Company S. If approved by the tax authorities, the tax group continues to exist with Company S as the new parent company. The tax group can continue to carry forward and offset its unutilised loss of AED 800,000.

#### **12.4-8 Calculation of the direct or indirect ownership interest**

As per *Ministerial Decision No. 125 of 2023*, for the purposes of the ownership requirements for qualifying group or transfer of tax loss, 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 eliminating inter-se transactions.

#### **12.4-9 Business Restructuring and Tax Group**

Where a member of the Tax Group transfers its entire business to another member of the same Tax Group and the transferor member ceases to exist, the transferor 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.

Where the Tax Group has only two members, and one member transfers its entire business to the other member, because of which the first member ceases to exist, the tax group shall be considered to cease to exist on the date that the transfer is effective.

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 the new juridical transferee person joins the existing Tax Group, from the date of its establishment, the transfer shall be considered as having taken place within the Tax Group. No election under Business Structuring Relief needs to be made for the aforesaid transfer.



### **12.4-10 Cost-benefit analysis**

Forming a tax group is more efficient when compared to each legal entity in a group filing on a standalone basis. Consolidation reduces administration costs and enables seamless offsetting of tax losses and profits within the group. Elimination of intra-group transactions reduces transfer pricing compliance obligations.

In the tax group, the taxable income is derived after consolidation. Hence, each member shall not be subject to the threshold of 75% prescribed under Article 37 to set-off the losses. The consolidated taxable income of the group shall be subject to the threshold of 75% to offset the carried forward loss of the tax group.

However, it would be pertinent to note that the basic threshold of AED 375,000 will apply to the tax group as a single taxpayer, irrespective of the number of entities that form part of the tax group. Hence, the benefit of the basic threshold of group members shall be lost.

### **12.4-11 Comprehensive Illustrations**

#### ***12.4-11a Illustration 1***

Company A and Company B can form a tax group. Determine whether it is beneficial for the companies to form a tax group.

*All figures in thousand (in AED)*

Particulars	Company A	Company B	Tax Group
Revenue (non-intra group)	1,000	4,000	5,000
Revenue (intra-group)	1,500	-	-
Cost (non-intra group)	500	1,500	<b>2,000</b>
Cost (intra-group)	-	1,500	-
Net taxable Income [A]	2,000	1,000	3,000
Tax rate [B]	9%	9%	9%
Exemption Threshold [C]	375	375	<b>375</b>
Tax Liability [D = (A – C) × 9%]	146.25	56.25	236.25
Comparative Liability	202.50		236.25

Individual companies' tax liability can be lower than the Tax Group as they have the benefit of availing separate exemption threshold, whereas in the case of a Tax Group, the benefit of threshold exemption is available at the consolidation level.

#### ***12.4-11b Illustration 2***

Company A and Company B can form a tax group. Determine whether it is beneficial for the companies to form a tax group or the transfer of losses of Company A to Company B.

All figures in thousand (in AED)

Particulars	Company A	Company B	Tax Group	Transfer of loss to Company B
Revenue (non-intra group)	1,000	4,000	<b>5,000</b>	<b>4,000</b>
Revenue (intra-group)	1,500	-	-	-
Cost (non-intra group)	3,900	1,500	<b>5,400</b>	<b>1,500</b>
Cost (intra-group)	-	1,500	-	<b>1,500</b>
Net taxable Income [A]	(1,400)	1,000	(400)	1,000
Transfer of loss from Company A [B]	-	-	-	(1,400)
Offset of loss [C = A × 75%]	-	-	-	<b>(750)</b>
Taxable income [D = A – C]	-	-	-	<b>250</b>
Loss to be carried forward [D = B – C]	-	-	(400)	(650)
Tax rate	9%	9%	<b>9%</b>	<b>9%</b>
Exemption Threshold	375	375	<b>375</b>	<b>375</b>
Tax Liability	-	56.25	-	-
Comparative Liability		56.25	-	-

Tax Grouping can be beneficial in cases where individual companies are loss-making. Alternatively, the loss-making group company can transfer the loss to the profit-generating company to offset the liability.

A detailed guide has been issued on Tax Grouping provisions. This needs to be referred to for practical application and Tax Grouping Compliance.



## CHAPTER

# 13 Calculation of Corporate Tax Payable

## 13.1 Introduction

Chapter XIII of the CT Law deals with calculating corporate tax payable. A taxable person shall calculate the corporate tax payable at the end of every financial year. The CT Law provides guidelines to calculate the corporate tax payable with respect to the currency in which all the amounts are to be quantified, withholding tax obligation, withholding tax credit, foreign tax credit and net tax payable to the FTA.

Chapter XIII comprises the following Articles:

- (a) Article 43: Currency
- (b) Article 44: Calculation and Settlement of Corporate Tax
- (c) Article 45: Withholding Tax
- (d) Article 46: Withholding Tax Credit
- (e) Article 47: Foreign Tax Credit

Article 43 provides that all the amounts shall be quantified in AED. Article 44 lays down the order of adjustment and settlement of tax payable. Articles 45 and 46 prescribes the incomes which are subject to withholding tax and the computation of withholding tax credit available, respectively. Article 47 provides credit in respect of taxes paid in foreign jurisdictions for an amount up to taxes payable in the UAE.

## 13.2 Article 43: Currency

Article 43 reads as follows:

*"For the purposes of this Decree-Law, all amounts must be quantified in the United Arab Emirates dirham. Any amount quantified in another currency must be converted at the applicable exchange rate set by the Central Bank of the United Arab Emirates, subject to any conditions that may be prescribed in a decision issued by the Authority."*

### 13.2-1 Computation of income in local currency

For the purpose of the UAE CT law, all amounts shall be quantified in United Arab Emirates Dirham ('AED')

For simplification and consistency, the CT Law follows a single currency, *i.e.* AED. The income, deductions and credits of the taxable person must be measured in the

AED. Where the income is derived and expense is incurred in a foreign currency, it will be translated into AED.

The Federal Tax Authority has issued Decision No. 13 of 2023, dated 16 August 2023, which became effective on 01 June 2023 for all taxable persons using a currency for accounting purposes other than the UAE Dirham. This decision applies to the conversion of amounts quantified in a currency other than the United Arab Emirates Dirham. Therefore, all taxable persons, as per UAE CT Law, shall adhere to the following guidelines:

**1. Order of currency conversion:**

- a. Utilise the spot rate published by the Central Bank of the UAE on the transaction date if the accounting system allows or if manual conversion is practical.
- b. If the spot rate is impractical, use the average monthly exchange rate of the Central Bank, considering the number and timing of transactions within the Financial Year.
- c. If both (a) and (b) are impractical, resort to the average annual exchange rate of the Central Bank.

**2. Continuous Currency Conversion:**

The Taxable Person must consistently employ a currency conversion method for calculating all relevant amounts throughout the Tax Period.

**3. Record-Keeping:**

The Taxable Person shall maintain detailed records specifying the method chosen for currency conversion, the rates used, the rationale behind the selection, and the mechanisms applied to all currency conversion accounts

**4. Changes in Currency Conversion Method:**

If the Taxable Person changes the currency conversion method within a Tax Period, they must document the reasons and rationale behind the modification

### **13.3 Article 44: Calculation and Settlement of Corporate Tax**

Article 44 reads as follows:

*"The Corporate Tax due under this Decree-Law is settled in the following order:*

1. First, by using the Taxable Person's available Withholding Tax Credit, as determined under Article 46 of this Decree-Law.
2. To the extent there is a residual amount after Clause 1 of this Article, by using the Taxable Person's available Foreign Tax Credit as determined under Article 47 of this Decree-Law.
3. To the extent there is a residual amount after Clause 2 of this Article, by using any credits or other forms of relief as specified in a decision issued by the Cabinet at the suggestion of the Minister.
4. To the extent there is a residual amount after Clause 3 of this Article, this amount of Corporate Tax Payable must be settled in accordance with Article 48 of this Decree-Law."



### **13.3-1 Overview**

Article 44 provides that the taxable person shall follow the below order to pay the corporate tax liability:

- (a) Utilizing the withholding tax credit;
- (b) Utilizing the foreign tax credit;
- (c) Utilizing any other credit or relief, as may be prescribed by the cabinet as per the Minister's suggestion.

After utilizing all the above credits and reliefs, the taxable person shall pay the remaining tax liability on a self-assessment basis.

### **13.3-2 Self Assessment System**

The CT law follows the 'Self-assessment' system. The taxable person computes taxable income and corporate tax payable under the CT Law. The tax liability can be discharged by utilising withholding tax credit, foreign tax credit or any other credit or relief prescribed by the Cabinet. The sequence of the settlement of the corporate tax is as under:

<i>Particulars</i>	<i>Amount</i>
Calculate taxable income	***
Calculate corporate tax liability	***
Less:	
◆ Withholding tax credit	(***)
◆ Foreign tax credit	(***)
◆ Any other credit or relief	(***)
Tax payable or refundable on a self-assessment	***

### **13.3-3 Illustration**

XYZ LLC has a corporate tax liability of AED 250,000, withholding tax credit of AED 100,000 and a foreign tax credit of AED 75,000. Calculate the tax payable on a self-assessment basis.

<i>Particulars</i>	<i>Amount (AED)</i>
Corporate Tax Liability	250,000
Less: Withholding Tax Credit	(1,00,000)
Less: Foreign Tax Credit	(75,000)
Tax payable on a self-assessment	75,000

## 13.4 Article 45: Withholding Tax

- "1. The following income shall be subject to Withholding Tax at the rate of 0% (zero per cent) or any other rate as specified in a decision issued by the Cabinet at the suggestion of the Minister:
  - (a) The categories of State Sourced Income derived by a Non-Resident Person as prescribed in the decision issued by the Cabinet pursuant to this Article, insofar such income is not attributable to a Permanent Establishment of the Non-Resident Person in the State.
  - (b) Any other income as specified in a decision issued by the Cabinet at the suggestion of the Minister.
2. The Withholding Tax payable under Clause 1 of this Article shall be deducted from the gross amount of the payment and remitted to the Authority in the form and manner and within the timeline prescribed by the Authority."

### 13.4-1 Overview

Article 45 provides that the UAE sourced income derived by non-residents insofar as it is not attributable to a permanent establishment or any other income may be subjected to withholding taxes. Withholding tax will be deducted from the gross amount of the payment and remitted to FTA. The withholding tax rate shall be 0% or any other rate as specified in a decision issued by the Cabinet.

### 13.4-2 Rate of withholding tax

The CT Law prescribes 0% (zero per cent) withholding tax rate in respect of specified state-sourced income derived by a non-resident person, not attributable to a permanent establishment or any other income specified by Cabinet. However, the Cabinet may specify any other rate for withholding of taxes. Under the withholding tax system, the payer is liable to deduct taxes and deposit with the authority. The withheld taxes are available as a credit against the tax liability of the payee. However, since the current prescribed rate is 0% for withholding tax credit, practically no obligation of withholding taxes at source or any compliance in relation thereto shall apply. Given the position of the UAE as a global financial centre and an international business hub, a 0% (zero per cent) withholding tax will apply to domestic and cross-border payments made by UAE businesses.

### 13.4-3 Obligation to withhold the Tax

The obligation to withhold the tax shall apply to a payer, being a resident taxable person. The withholding obligation shall not apply to a non-resident payer. Withholding tax, if any, shall be deducted from the gross amount and shall be remitted to the FTA in the prescribed form and manner and within the prescribed timeline.



## 13.5 Article 46: Withholding tax credits

Article 46 reads as follows:

- “1. If a Person becomes a Taxable Person in a Tax Period, the Person’s Corporate Tax due under Article 3 of this Decree-Law can be reduced by the amount of Withholding Tax Credit for that Tax Period.
2. The maximum Withholding Tax Credit under this Decree-Law is the lower of:
  - (a) The amount of Withholding Tax deducted under Clause 2 of Article 45 of this Decree-Law.
  - (b) The Corporate Tax due under this Decree-Law.
3. Any excess Withholding Tax Credit for a Tax Period as a result of Clause 2 of this Article shall be refunded to the Taxable Person in accordance with Article 49 of this Decree-Law.”

### **13.5-1 Withholding tax credit and refund**

A taxable person’s tax liability shall be reduced by the withholding tax credit for the relevant tax period. The maximum withholding credit shall be lower of corporate tax due or withholding tax deducted. Any excess withholding tax credit shall be refunded to the taxable person by making an application for a refund to FTA.

### **13.5-2 Illustrations**

*For example,* XYZ LLC has a corporate tax liability of AED 250,000 and a withholding tax credit of AED 100,000. Calculate net tax payable/refundable.

Particulars	Amount (AED)
Corporate Tax Liability	250,000
Less: Withholding Tax Credit	(1,00,000)
Tax payable	150,000

The Taxable Person shall settle the Corporate Tax Payable of AED 150,000 within nine months from the end of the relevant tax period.

*For example,* ABC LLC has a corporate tax liability of AED 250,000 and a withholding tax credit of AED 300,000. Calculate net tax payable/refundable.

Particulars	Amount (AED)
Corporate tax liability [A]	250,000
Withholding tax credit [B]	3,00,000
Allowable withholding tax credit [C = lower of A and B]	250,000
Tax payable [D = A - C]	-
Tax refundable to the taxable person [E = B - C]	50,000

## 13.6 Article 47: Foreign tax credits

Article 47 reads as follows:

- “1. Corporate Tax due under Article 3 of this Decree-Law can be reduced by the amount of Foreign Tax Credit for the relevant Tax Period.
2. The Foreign Tax Credit under this Decree-Law cannot exceed the amount of Corporate Tax due on the relevant income.
3. Any unutilised Foreign Tax Credit as a result of Clause 2 of this Article cannot be carried forward or carried back.
4. A Taxable Person shall maintain all necessary records for the purposes of claiming a Foreign Tax Credit.”

### 13.6-1 Double taxation under the UAE CT Law

UAE resident companies will be subject to UAE CT on their worldwide income, which includes foreign-sourced income that may have been subject to a tax in the source country which is similar to the UAE CT.

To avoid double taxation, the UAE CT regime will allow a credit for the tax paid in a foreign jurisdiction against the UAE CT liability on the foreign-sourced income that has not been otherwise exempt. This is known as the ‘Foreign Tax Credit’.

### 13.6-2 Avoidance of double taxation internationally

Internationally, double taxation may be avoided by the exemption method or credit method. Under the exemption method, the residence jurisdiction may exempt the income of its resident, which has already suffered taxes in a foreign source jurisdiction. Alternatively, the source country may allow credit to the extent of taxes payable in the residence country on the doubly taxed income and hence, no tax consequence may arise in the residence country. Under the credit method, the taxes paid in the source jurisdiction are allowed as a credit against the taxes payable in the residency jurisdiction.

### 13.6-3 Method adopted by UAE CT Law

The CT Law has adopted the foreign tax credit method under the domestic tax law. The taxable person shall be allowed a foreign tax credit, irrespective of the fact whether an international agreement has been entered between the UAE and foreign source jurisdiction.

Tax paid under the laws of a foreign jurisdiction on income or profits shall be deducted from the Corporate Tax due under the CT Law. However, the foreign tax credit cannot exceed the amount of corporate tax due on the relevant income. The term ‘corporate tax due’ is not defined under the CT Law.

### 13.6-4 Set off of foreign tax credit

The foreign credit has to be set off only in the relevant tax period. Unutilised foreign credit cannot be carried forward or carried back. Further, the taxes paid in

foreign jurisdictions cannot be refunded under the CT Law. The difference between foreign taxes paid and the foreign tax credit available shall lapse and shall be the cost of the taxable person.

### **13.6-5 Illustrations**

#### ***13.6-5a Illustration 1***

During the Financial Year 2024-25, XYZ LLC, a UAE tax resident, has earned two incomes:

Income from UAE: AED 5,00,000

Income from foreign jurisdiction: AED 2,00,000

XYZ LLC has paid a tax of 25,000 AED in the foreign jurisdiction. Please calculate the tax liability net of the foreign tax credit.

Particulars	Amount (AED)
Income from UAE [A]	5,00,000
Income from A foreign jurisdiction [B]	2,00,000
Total taxable income [C = A + B]	7,00,000
Tax on income upto 3,75,000 AED	-
Tax on income above 3,75,000 AED at the rate of 9%	29,250
Total tax before foreign tax credit [D]	29,250

(a) Computation of foreign tax credit as per “Incremental tax method”

Particulars	Amount (AED)
Tax on total income [D]	29,250
UAE-sourced income [E]	5,00,000
Tax on UAE-sourced income [F = 9% of E – 3,75,000]	11,250
Balance tax on foreign-sourced income [G = D – F]	18,000
Taxes paid in foreign jurisdiction [H]	25,000
Eligible foreign tax credit [I = lower of G and H]	18,000
Net tax liability [J = D – I]	11,250

(b) Computation of foreign tax credit as per “Average tax method”

Particulars	Amount (AED)
Total income [A]	7,00,000
Taxes payable on total income [B = 9% of A – 3,75,000]	29,250
Average tax rate [C = B/A%]	4.18%
Foreign income [D]	2,00,000
Taxes on foreign-sourced income [E = D × C]	8,357

Particulars	Amount (AED)
Taxes paid in foreign jurisdiction [F]	25,000
Eligible foreign tax credit [G = lower of E and F]	8,357
Net tax liability [H = B – G]	20,892

### 13.6-5b Illustration 2

A LLC is a company incorporated in the UAE. It has business operations in the UAE and India. UAE has DTAAs in force with India. A LLC has ended the tax year in UAE with the following financial results (in a million AED):

Particulars	Income earned from India	Taxes paid in India	Rate
Net business income/(loss)	100	30	30%
Royalty	100	5	5%
Total	200	35	17.5%

Compute the foreign tax credit allowed under the UAE CT law.

- (a) Source-wise calculation of available foreign tax credit (basic exemption limit of 3,75,000 AED has been ignored for calculating the UAE CT)

04:58 Particulars	Business income	Royalty
Taxable income [A]	100	100
Tax payable in UAE at 9% [B = A × 9%]	9	9
Tax paid in India [C]	30	5
Foreign tax credit [D = lower of B and C]	9	5
Total foreign tax credit		14

- (b) Jurisdiction-wise calculation of available foreign tax credit (basic exemption limit of 3,75,000 AED has been ignored for calculating the UAE CT)

Particulars	Business income	Royalty	Total
Taxable income [A]	100	100	<b>200</b>
Tax payable in UAE at 9% [B = A × 9%]	9	9	<b>18</b>
Taxes paid in India [C]	30	5	<b>35</b>
Foreign tax credit [D = lower of B and C]	18		
Total foreign tax credit	18		



### 13.6-5c Illustration 3

A LLC is a company incorporated in the UAE. A LLC has earned income from royalties from 3 different countries as under.

Particulars	India	UK	USA
Royalty income	200	400	250
Rate of tax	15%	20%	5%
Tax Payable	30	80	12.5

Compute the foreign tax credit allowed under the UAE CT law.

- (a) Source-wise calculation of foreign tax credit (basic exemption limit of 3,75,000 AED has been ignored for calculating the UAE CT)

Particulars	India	UK	USA
Taxable income [A]	200	400	250
Taxes payable in UAE at 9% [B = A × 9%]	18	36	22.5
Taxes paid in a foreign jurisdiction [C]	30	80	12.5
Foreign tax credit [D = lower of B and C]	18	36	12.5
Total foreign tax credit allowed		66.5	

- (b) Jurisdiction-wise calculation of available foreign tax credit (basic exemption limit of 3,75,000 AED has been ignored for calculating the UAE CT)

Particulars	India	UK	USA	Total
Taxable income [A]	200	400	250	850
Taxes payable in UAE at 9% [B = A × 9%]	18	36	22.5	76.5
Taxes paid in a foreign jurisdiction [C]	60	80	12.5	152.5
Foreign tax credit [D = lower of B and C]		76.5		
Total foreign tax credit		76.5		

**A Corporate Tax guide has been issued on “Taxation of foreign sourced income” by Federal Tax Authority (FTA). The guide provides following guidance on foreign tax credit :-**

### 13.6-6 Foreign taxes for which Foreign Tax Credit is available

A Foreign Tax Credit is available for foreign taxes that are akin to Corporate Tax. To be deemed similar, the following conditions shall be met:

1. The foreign tax is imposed and payable to a foreign government (federal or state).
2. Payment is compulsory and enforceable by tax laws in that jurisdiction.
3. The tax is applied to profit or net income (including foreign withholding tax).

Factors not relevant in determining if a foreign tax is of similar character to Corporate tax include:

1. The taxing legislation of the foreign jurisdiction under which the amount is imposed.
2. The name given to the foreign tax.
3. The method of collection, including withholding tax, as long as it is on business income.

Taxes not considered similar to Corporate Tax include:

1. Consumption taxes (e.g., value-added tax, goods and services tax).
2. Customs duty, excise tax, or import duties.
3. Transaction taxes (e.g., stamp tax, capital duty).
4. Property and wealth taxes unrelated to income.
5. Estate or inheritance taxes.

Some jurisdictions impose taxes on various components of the tax base. If these taxes primarily target a taxpayer's income and it's impractical to separate income and non-income components, they are considered similar to UAE Corporate Tax. An example is the corporate Zakat in Saudi Arabia, which taxes income or equity.

Amounts paid as interest, fines, penalties, or similar obligations to a foreign government are not considered taxes on income. These payments, resulting from defaults like late tax payment, are not akin to Corporate Tax and do not qualify for a Foreign Tax Credit.

### ***13.6-7 When will foreign tax be considered as "paid"?***

To qualify for a Foreign Tax Credit, it's crucial to determine when taxes are deemed "paid" in a foreign jurisdiction. In this regard, "paid" means the following:

- (a) **Remitted Amount:** The amount remitted to foreign tax authorities.  
**or**  
(b) **Accrued Amount:** The amount that has accrued to foreign tax authorities and represents committed amount to the foreign tax authorities, but it is not yet paid.

**In certain scenarios, the amount is not considered as "paid" under the following circumstances:**

- ◆ When tax liability in the foreign jurisdiction is contingent or not formally accrued, or
  - ◆ When the tax paid in the foreign jurisdiction has been refunded or has been confirmed as being refundable.
1. If a foreign tax credit that has been claimed is subsequently refunded in a foreign jurisdiction, then it will result reduction of foreign tax credit available under Corporate Tax Law.

2. In case where this result in an increase in Corporate Tax payable in excess of AED 10,000, a Voluntary Disclosure is required to be submitted within 20 Business Days to the FTA.
3. In case where this result in increase in Corporate Tax payable of AED 10,000 or less, correction must be made in the earlier of the following:
  - (a) The tax return that has been become due for submission for the previous tax period, or
  - (b) The Tax return for the tax period in which foreign tax is refunded.

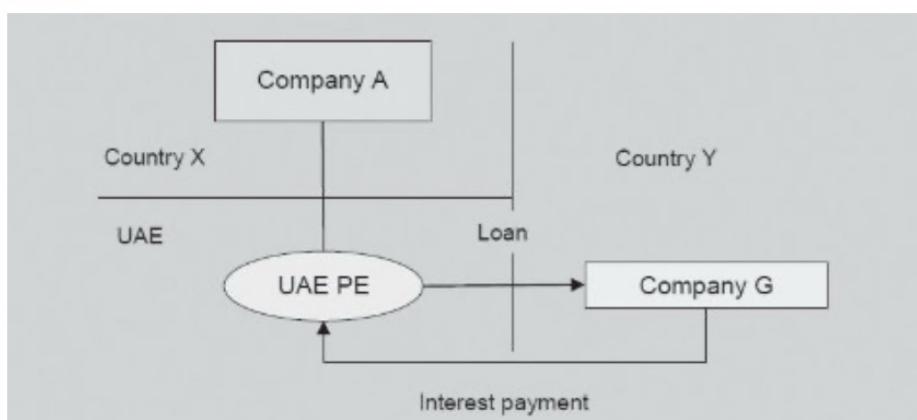
Conversely, if foreign tax paid increases with the result that a higher foreign Tax credit could be claimed, a Taxable Person may submit a Voluntary Disclosure along with a Corporate Tax refund application. The FTA will assess the impact on the Corporate Tax position.

### ***13.6-8 Who can claim Foreign Tax Credit?***

If a Taxable Person is subject to Corporate Tax Law on foreign source income, they can apply for a Foreign Tax Credit for taxes paid in a foreign jurisdiction. Following taxable persons are eligible for this credit:

- i. Resident juridical persons.
- ii. Resident natural persons, but only for foreign source income linked to Business or Business Activities carried out in the UAE, provided the total Turnover exceeds AED 1 million in the Gregorian calendar year.
- iii. Non-Resident Persons with a Permanent Establishment in the UAE, where the foreign source income is connected to that Permanent Establishment.

### ***Illustration***



Company A is a business incorporated and taxed in Country X but managed outside the UAE. Despite being a non-resident under UAE Corporate Tax Law, it has a Permanent Establishment (UAE PE) in the UAE. This UAE PE has given a loan to Company G, located in Country Y. The interest earned on this loan is considered foreign income linked to Company A's UAE PE. The interest is subject to withholding tax in Country Y when paid to Company A's UAE PE.

To alleviate the corporate tax burden on Company A's UAE PE for the foreign income, a Foreign Tax Credit can be applied. This credit is based on the taxes already paid in Country Y.

### **13.6-9 How to calculate the Foreign Tax Credit?**

#### **1. General Approach:**

- Foreign Tax Credit cannot exceed the amount of Corporate Tax owed on the relevant foreign income. The amount of foreign tax credit to be claimed shall be **lower of the following**:
  - (a) The **actual amount of tax paid on foreign source income** in the foreign jurisdiction, and
  - (b) The **Corporate Tax due** on foreign source income:

$$\text{Corporate Tax due on relevant foreign source income} = \frac{X \times Y}{Z}$$

X = Corporate Tax due on total Taxable Income of the Taxable Person before any Foreign Tax Credit

Y = Relevant foreign source income

Z = Total Taxable Income of the Taxable Person.

#### **Illustration**

Company A (a company incorporated and resident in the UAE) has total net Taxable Income of AED 10 million during the relevant Tax Period out of which AED 1 million is net Interest income earned from Country X, *i.e.* foreign source income. In Country X, Company A has paid withholding tax equivalent to AED 50,000.

The Corporate Tax Payable of Company A will be as follows:

Particulars	Amount (AED)
Taxable Income (including foreign source income of AED 1 million)	10,000,000
Corporate Tax due on Taxable Income (A): [(10,000,000 - 3,75,000) × 9%]	8,66,250
Less: Foreign Tax Credit (B): [lower of the following: ◆ AED 50,000 (being the actual amount of foreign tax paid in the foreign jurisdiction) ◆ AED 86,625 [8,66,250 × 1 million/10 million] (being the amount of the UAE Corporate Tax due on the foreign source income)]	(50,000)
<b>Corporate Tax Payable (C) = (A-B)</b>	<b>8,16,250</b>



## 2. Income-by-income approach:

- ◆ Foreign Tax Credit is to be calculated on an income-by-income basis. Thus, where a Taxable Person has multiple sources of foreign income, the excess Foreign Tax Credit of one foreign source income cannot be set off against the Corporate Tax due on another foreign source income.

### Illustration

Company A, a company incorporated and resident in the UAE, has earned foreign source income as follows:

Particulars	Foreign source income (net of expense) (AED)	Foreign Tax (AED)
Interest earned from Country X	1,00,000	1,000
Interest earned from Country Y	5,00,000	50,000
<b>Total</b>	<b>6,00,000</b>	<b>51,000</b>

Assuming that Company A does not have any other income and does not elect for Small Business Relief, the Corporate Tax Payable by Company A will be as follows:

Particulars	Amount (AED)
Taxable Income	6,00,000
Corporate Tax due on Taxable Income $[(600,000 - 375,000) \times 9\%]$	20,250
Less: Foreign Tax Credit for tax paid in Country X [lower of the following: <ul style="list-style-type: none"><li>◆ AED 1,000 (being the actual amount of foreign tax paid in the foreign jurisdiction)</li><li>◆ AED 3,375 [100,000/600,000 of 20,250] (being the amount of the Corporate Tax due on the foreign source income)]</li></ul>	(1,000)
Less: Foreign Tax Credit for tax paid in Country Y [lower of the following: <ul style="list-style-type: none"><li>◆ AED 50,000 (being the actual amount of foreign tax paid in the foreign jurisdiction)</li><li>◆ AED 16,875 [500,000/600,000 of 20,250] (being the amount of the Corporate Tax due on the foreign source income)]</li></ul>	(16,875)
Corporate Tax Payable	2,375
Unutilised Foreign Tax Credit in relation to foreign tax paid in Country Y (which is forfeited)	33,125

Note that the excess Foreign Tax Credit in relation to Country Y cannot be set off against the tax due on income from Country X.

### **13.6-10 Unutilised Foreign Tax Credit**

Any unutilised Foreign Tax Credit cannot be carried forward to future Tax Periods or carried back to earlier Tax Periods. Thus, unutilised Foreign Tax Credit will be Forfeited. Further, a deduction from taxable profits for the unutilised Foreign Tax Credit is not possible.

#### **Illustration**

If we assume that in the above example mentioned in the para 13.6-5 (General Approach) the company has paid withholding tax equivalent to AED 900,000 in the Country X. In this scenario the calculation of the Corporate Tax Payable of Company A will be as follows:

Particulars	Amount (AED)
Taxable Income (including foreign source income of AED 1 million)	10,000,000
Corporate Tax due on Taxable Income (A): [(10,000,000 - 375,000) × 9%]	866,250
Less: Foreign Tax Credit (B): [lower of the following: ◆ AED 900,000 (being the actual amount of foreign tax paid in the foreign jurisdiction) ◆ AED 866,250 (being the amount of the Corporate Tax due on the foreign source income)]	(866,250)
<b>Corporate Tax Payable (C) = (A-B)</b>	<b>NIL</b>
<b>Balance unutilised Foreign Tax Credit (which will be forfeited)</b>	<b>33,750</b>

### **13.6-11 Scenarios where no Foreign Tax Credit is allowed**

Foreign Tax Credit is not available

- ◆ in respect of Exempt Income.
- ◆ where no Corporate Tax is payable due to an election for Small Business Relief or a natural person's Turnover being below AED 1 million.
- ◆ where foreign source income is Qualifying Income of a Qualifying Free Zone Person, i.e. subject to 0% Corporate Tax.
- ◆ where a Taxable Person has made a loss in particular tax period.

#### **Illustration**

##### **1. Exempt Income:**

Company A, based in the UAE, owns all shares in Company B in Country X. Company B qualifies for a tax exemption, but Country X imposes withholding tax on the dividends paid to Company A. Despite the withholding tax, Company A



doesn't pay corporate tax in the UAE due to the Participation Exemption, and no Foreign Tax Credit is applicable for the withholding tax paid in Country X.

## **2. Loss Scenario:**

Company A, a company incorporated and resident in the UAE, has the following Taxable Income in the Tax Period ending 31 December 2024:

Particulars	Taxable Income (AED)
UAE source net income/(loss)	(1,000,000)
Net interest income from Country X	500,000
Net Taxable Income/(loss)	(500,000)

Foreign source Interest income has been subject to withholding tax in Country X of AED 5,000.

Since Company A has an overall tax loss in the Tax Period, there is no Corporate Tax Payable. Accordingly, a Foreign Tax Credit cannot be claimed in respect of the tax paid in Country X and as such the unutilised Foreign Tax Credit is forfeited.

## **3. Qualifying Free Zone Person's Qualifying Income derived from foreign source:**

Company A, a company incorporated and resident in the UAE, is a Qualifying Free Zone Person. Company A makes a loan to its wholly owned foreign subsidiary (Company F) in Country F and receives Interest income from Company F. Withholding tax is deducted from its Interest income in Country F.

In the UAE, the Interest income is income derived from a transaction with a Non-Free Zone Person in respect of a Qualifying Activity. Hence it is Qualifying Income which is subject to tax at the rate of 0% in the hands of Company A. Accordingly, a Foreign Tax Credit is not available in respect of the withholding tax paid in Country F as the credit is limited to the amount of UAE Corporate Tax, which is NIL.

## ***13.6-12 Timing mismatches***

There may be a mismatch of relevant Tax Periods between the UAE and the foreign jurisdiction. To address any timing mismatch issues, a symmetrical approach is applied, where foreign tax paid follows the corresponding foreign source income on which such tax is paid. Accordingly, credit for foreign tax paid will be allowed in the Tax Period in which the foreign source income forms part of Taxable Income under the Corporate Tax Law.

### **Illustration**

#### **1. Accrual basis vs. realisation basis:**

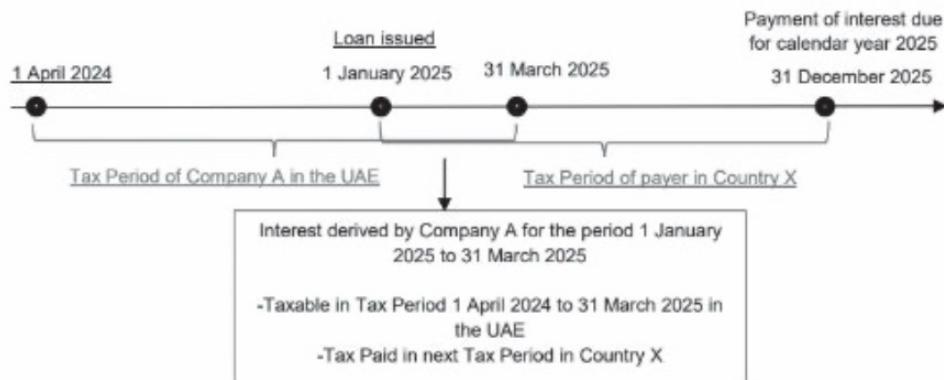
- ◆ Company A, a company incorporated and resident in the UAE, has a Permanent Establishment in a foreign country, Country X. In Year 1, the assets of the Permanent Establishment are revalued to fair market value in accordance with the applicable Accounting Standards, resulting in an unrealised gain. In Year 2, Company A sells the assets of the Permanent Establishment, thereby realising the gain.

- ◆ In Year 1, the unrealised gain is taxed in Country X on an accrual basis and Company A pays tax on such income in Country X.
- ◆ In the UAE, Company A has not elected for the Foreign Permanent Establishment exemption under Article 24 of the Corporate Tax Law. It has elected to take into account gains and losses on a realisation basis under Article 20(3) of the Corporate Tax Law. Hence, the unrealised gain is taxable in the UAE only in Year 2 when the gain is realised on sale of asset.
- ◆ In Year 1, the unrealised gain is not part of the Taxable Income of Company A, so credit for foreign tax paid in Country X cannot be claimed in Year 1. However, when the gain is taxable in the UAE in Year 2, a Foreign Tax Credit for the tax paid in Country X can be claimed in Year 2.

## 2. Income accrued and paid in different Tax Periods:

- ◆ Company C, a company incorporated and resident in the UAE, holds 2% of the shares of Company D, a company incorporated and managed outside the UAE, which were acquired for AED 1 million.
- ◆ Company D is tax resident of Country Z which follows a Gregorian calendar year for tax purposes. Company C also follows the Gregorian calendar year as its Tax Period in the UAE and follows the Accrual Basis of Accounting for the purposes of the Corporate Tax Law.
- ◆ On 1 June 2024 Company D declares a Dividend and at that time, Company C records a Dividend receivable of AED 50,000 in its Financial Statements. However, this Dividend is paid by Company D on 1 March 2025 and at the time when the payment is made, tax is withheld and paid to the tax authorities of Country D.
- ◆ The ownership interest held by Company C in Company D does not qualify as a Participating Interest and hence, income received from Company D is not exempt under the Participation Exemption. Company C includes the foreign Dividend income in its Taxable Income for the Tax Period ending 31 December 2024.
- ◆ For the purposes of a Foreign Tax Credit under the Corporate Tax Law, the withholding tax on the Dividend income will be considered to be “paid” in the Tax Period when the Dividend income is accrued in the Financial Statements and accordingly, included in the Taxable Income. It is not relevant that the Tax Period when the income is actually paid out and tax is remitted to the foreign tax authority is different. Accordingly, even though the withholding tax is actually levied and remitted to the tax authority of Country Z in the Gregorian calendar year 2025, Company C can claim a Foreign Tax Credit in respect of that withholding tax in the Tax Period ending 31 December 2024 when the Dividend income is included in Taxable Income.
- ◆ Company C is required to maintain appropriate documentation in respect of the Foreign Tax Credit claimed. If the FTA conducts a tax audit of Company C for the Tax Period ending 31 December 2024, Company C should be able to provide proof of the withholding tax which has been paid to the tax authority of Country Z.

### 3. Different Financial Years in UAE and foreign jurisdiction:



- ◆ Company A, a company incorporated and resident in the UAE, issued a loan on 1 January 2025 to Company B, a company incorporated and managed in Country X and tax resident of Country X. Under the terms of the loan, Interest is payable at the end of each Gregorian calendar year in respect of that year. Thus, for the Gregorian calendar year 2025, the Company B will pay Interest on 31 December 2025.
- ◆ Company A follows 1 April to 31 March as its Tax Period in the UAE and uses the Accrual Basis of Accounting. Accordingly, Interest income on the loan is first taxable in the Tax Period beginning 1 April 2024 and ending on 31 March 2025. Company A's Corporate Tax for that period is to be paid by 31 December 2025 under Article 48 of the Corporate Tax Law.
- ◆ Country X follows a Gregorian calendar year for tax purposes. Under the tax laws of Country X, tax is to be withheld on Interest at the time of payment of Interest and upon deduction, the tax is to be immediately remitted to the foreign tax authority. Thus, when Company B pays Interest due for the Gregorian calendar year 2025 on 31 December 2025, it withholds taxes on such Interest payment and remits the same with tax authority of Country X on 31 December 2025.
- ◆ For Company A, the foreign Interest accrued during the period 1 January 2025 to 31 March 2025 is one quarter (*i.e.* 3 out of 12 months) of the 2025 period and will be included in Company A's Taxable Income for the Tax Period 1 April 2024 to 31 March 2025. However, this Interest will be paid by Company B only on 31 December 2025 and the withholding tax will be remitted only at the time of payment. Thus, while the Interest income will form part of Company A's Taxable Income for the Tax Period 1 April 2024 to 31 March 2025, withholding tax on such income will be actually remitted to tax authority of Country X only in the next Tax Period.
- ◆ However, for the purposes of a Foreign Tax Credit under Article 47 of the Corporate Tax Law, the foreign tax (*i.e.* withholding tax in Country X) will be considered to be "paid" when the Interest income is accrued in the Financial Statements of Company A and not when the income is actually paid out and withholding tax is remitted in Country X. Accordingly, Company A can claim a Foreign Tax Credit in respect of the proportionate withholding tax in the

Tax Period ending 31 March 2025 when the Interest income is included in Taxable Income.

- ◆ Company A is required to maintain appropriate documentation in respect of Foreign Tax Credit claimed. If the FTA conducts a tax audit of Company A for the Tax Period ending 31 March 2025, Company C should be able to provide proof of the withholding tax paid to the tax authority of Country Z.

### ***13.6-13 Maintenance of records***

A Taxable Person is required to maintain all necessary records for the purposes of claiming a Foreign Tax Credit. The Record shall include the following:

- ◆ the amount of foreign source income subject to tax in the foreign jurisdiction in the currency adopted in the foreign jurisdiction.
- ◆ the exchange rate used to convert the foreign income to AED.
- ◆ the financial year in which the foreign source income was derived.
- ◆ the nature and amount of foreign tax levied on the foreign source income.
- ◆ the date on which the foreign tax was paid.
- ◆ whether the tax paid in the foreign jurisdiction represents an advance instalment of tax or withholding tax or final tax payment.

The following documents are acceptable evidence of the payment of tax in a foreign jurisdiction:

- ◆ Official receipt issued by the relevant foreign tax authority evidencing payment of tax.
- ◆ In case of withholding tax, a certificate of deduction of withholding tax issued by the relevant foreign tax authority.
- ◆ A copy of a tax return filed in the foreign jurisdiction, accompanied by calculations of taxable income and corporate tax on such income when relevant.
- ◆ A letter from the relevant tax authority stating all taxes for that income year have been paid.

If the above documents are not available in Arabic or English, a certified translation must be provided.

### ***13.6-14 Impact of Double Taxation Agreements***

The UAE's Corporate Tax Law, specifically Article 47, allows for a Foreign Tax Credit, even in the absence of a Double Taxation Agreement with the relevant jurisdiction. However, if a Double Taxation Agreement exists, Article 66 of the Corporate Tax Law states that the terms of the agreement take precedence over the Corporate Tax Law. This means that if the agreement prescribes a specific rate for taxing foreign source income (e.g., 5% for dividends), the UAE Foreign Tax Credit is limited to that specified rate, unless the foreign income qualifies for exemption under the Participation Exemptions.



## CHAPTER

# 14 Payment and Refund of Corporate Tax

## 14.1 Introduction

Chapter XIV of the CT Law deals with the payment of corporate tax and refund of excess corporate taxes deducted or paid. At the end of every tax period, corporate tax under the UAE CT Law becomes due for a taxable person, which is referred to as 'Corporate Tax Payable'.

The CT Law provides guidelines for the payment of Corporate Tax Liability and prescribes the timeline within which such liability is to be settled. Additionally, there might be a situation where the taxpayer has paid the Corporate tax to the FTA, which is in excess of its Corporate Tax Liability due under the Law. In such a situation, the taxable person can file an application for a refund of such Corporate Tax.

Chapter XIV comprises of following Articles:

- (a) Article 48: Corporate Tax Payment
- (b) Article 49: Corporate Tax Refund

Article 48 lays down the time limit within which the taxable person shall pay taxes to the FTA. Article 49 provides for a refund of additional corporate taxes paid.

## 14.2 Article 48: Corporate Tax Payment

Article 48 reads as follows:

*"A Taxable Person must settle the Corporate Tax Payable under this Decree-Law within nine months from the end of the relevant Tax Period, or by such other date as determined by the Authority."*

### 14.2-1 Timeline to settle the CT payment

Every taxable person to whom the CT Law applies shall settle the corporate tax liability within 9 months from the end of the relevant tax period or by such other dates that may be decided by the authority from time to time in future. The CT Law does not provide for payment of advance tax during the relevant tax period.

### **14.2-2 Illustration**

Illustrative timetable for tax return filing, and tax payment deadlines are given below.

<i>Financial year ending on</i>	<i>30 June</i>	<i>31 December</i>	<i>31 March</i>
<b>First Tax Period</b>	1 July 2023 to 30 June 2024	1 January 2024 to 31 December 2024	1 April 2024 to 31 March 2025
<b>Due date of filling tax return and payment of taxes</b>	31 March 2025	30 September 2025	31 December 2025

### **14.2-3 Specification of type and tax period**

When paying the corporate tax to FTA, the taxable person shall specify the type of tax and the relevant tax period to which the amount relates, and the FTA shall allocate the amount paid accordingly.

If the taxable person makes any payment without specifying the type of tax or the tax period, the FTA shall have the right to allocate the full amount or part thereof for settlement of tax or amounts due. If the taxable person pays an amount greater than the tax liability or has a credit with the FTA, such amount or credit may be allocated by the FTA to settle any tax or amounts due, as specified in the Executive Regulation.

## **14.3 Article 49: Corporate Tax Refund**

Article 49 reads as follows:

- “1. A Taxable Person may make an application to the authority for a Corporate Tax refund in accordance with the provisions of the Tax Procedures Law in the following circumstances:
  - (a) The Withholding Tax Credit available to a Taxable Person exceeds the Taxable Person’s Corporate Tax Payable.
  - (b) Where the authority is otherwise satisfied that the Taxable Person has paid Corporate tax in excess of the Taxable Person’s Corporate Tax Payable.
2. The authority shall issue the Taxable Person a notice of the authority’s decision on an application under Clause 1 of this Article in accordance with the Tax Procedures Law.”

### **14.3-1 Cases of corporate tax refund**

There may be instances where payment by a taxable person to the FTA, by way of withholding or actual payment, has been made more than the corporate tax due under the law. In such a case, the taxable person can claim a corporate tax refund.



It may apply to the FTA for a refund in line with the requirements of the Tax Procedures Law in the following instances:

- (a) If the withholding tax credit exceeds the corporate tax payable under the UAE CT Law; or
- (b) If the taxable person has paid corporate tax in excess of its corporate tax liability.

For example, the corporate tax liability of Mr. X under the UAE CT Law is AED 8,500. The withholding tax credit of AED 10,000 is available to him. Calculate the CT refund of Mr. X. He shall be eligible for a refund of AED 1,500 (AED 10,000 less AED 8,500).

#### **14.3-2 Application of refund**

A taxpayer may apply for a tax refund if it is entitled to a refund under the tax law, and it appears that the amount he has paid is more than the tax payable and administrative penalties.

#### **14.3-3 Set-off of refund against tax payable**

The FTA shall set-off the amount requested to be refunded against any non-disputed tax or administrative penalties payable by the applicant taxpayer before refunding any amount.

#### **14.3-4 When can a refund be denied?**

The FTA may decline to refund the tax in the following situations:

- (a) It finds that there are other disputed tax amounts in relation to that taxpayer;
- (b) The taxable person is subject to a tax audit, and the conditions set out in a decision of FTA's board of directors have been met; and
- (c) In accordance with an order of the Competent Court.

#### **14.3-5 Intimation by the FTA to the taxpayer**

The FTA shall refund the tax pursuant to the procedures and controls specified in the Executive Regulation. The FTA shall notify the taxpayer of its decision as to whether it has accepted or rejected the application.



## CHAPTER

# 15 Anti-Abuse Rules

## 15.1 Introduction

To counteract the tax evasion practices and arrangements adopted by the taxable person, countries across the globe adopt anti-abuse rules. Anti-abuse rules protect the exchequer against tax leakages, and it acts as a deterrent against tax evasion mischief. The law may contain Specific Anti-Abuse Rules ('SAAR') or General Anti-Abuse Rules ('GAAR'). The applicability of SAAR is restricted to specific tax evasion practices, whereas the GAAR shall be applicable to all tax evasion practices. The CT Law contains a few SAAR provisions like interest deduction of only up to 30% of EBITDA (Article 30 - General Interest Deduction Limitation Rule), Transfer Pricing provisions and Arm's Length principle (Article 34 - Arm's Length Principle). The GAAR provisions can apply in case of any tax evasion transaction. Under GAAR provisions, the authorities get wide power to deny the tax advantage.

Like foreign jurisdictions, UAE CT Law also contains GAAR provisions in Chapter 15 of the CT Law containing Article 50. Under the CT Law, the GAAR provisions apply to transactions or arrangements not for a valid commercial or other non-fiscal reason which reflects economic reality and the main purpose or one of the main purposes of the transaction or arrangement, or any part of it, is to obtain a Corporate Tax advantage.

## 15.2 Article 50 : General Anti-Abuse Rule

Article 50 reads as follows:

1. This Article applies to a transaction or an arrangement if, having regard to all relevant circumstances, it can be reasonably concluded that:
  - (a) The entering into or carrying out of the transaction or arrangement, or any part of it, is not for a valid commercial or other non-fiscal reason which reflects economic reality; and
  - (b) The main purpose or one of the main purposes of the transaction or arrangement, or any part of it, is to obtain a Corporate Tax advantage that is not consistent with the intention or purpose of this Decree-Law.
2. For the purposes of this Article, a Corporate Tax advantage includes, but is not limited to the following:
  - (a) A refund or an increased refund of Corporate Tax.
  - (b) Avoidance or reduction of Corporate Tax Payable.

- (c) Deferral of a payment of Corporate Tax or advancement of a refund of Corporate Tax.
- (d) Avoidance of an obligation to deduct or account for Corporate Tax.
3. Where the provisions of this Article apply to a transaction or arrangement, the authority may make a determination that one or more specified Corporate Tax advantages obtained as a result of the transaction or arrangement are to be counteracted or adjusted.
4. If a determination is made under Clause 3 of this Article, the authority must issue an assessment giving effect to the determination, which may include:
- (a) Allowing or disallowing any exemption, deduction or relief in calculating the Taxable Income or the Corporate Tax Payable, or any part thereof;
  - (b) Allocating any such exemption, deduction or relief, or any part thereof, to any other Persons;
  - (c) Recharacterising for the purposes of this Decree-Law the nature of any payment or other amount, or any part thereof; or
  - (d) Disregarding the effect that would otherwise result from the application of other provisions of this Decree-Law, and can make compensating adjustments to the Corporate Tax liability of any other Person affected by the determination made by the authority.
5. For the purpose of determining whether this Article applies to a transaction or arrangement, the following must be considered:
- (a) The manner in which the transaction or arrangement was entered into or carried out.
  - (b) The form and substance of the transaction or arrangement.
  - (c) The timing of the transaction or arrangement.
  - (d) The result of the transaction or arrangement in relation to the application of this Decree-Law.
  - (e) Any change in the financial position of the Taxable Person that has resulted, will result, or may reasonably be expected to result, from the transaction or arrangement.
  - (f) Any change in the financial position of another Person that has resulted, will result, or may reasonably be expected to result, from the transaction or arrangement.
  - (g) Whether the transaction or arrangement has created rights or obligations which would not normally be created between Persons dealing with each other at arm's length in respect of the relevant transaction or arrangement.
  - (h) Any other relevant information and circumstances.
6. In any proceeding concerning the application of this Article, the authority must demonstrate that the determination made under Clause 3 of this Article is just and reasonable."

### **15.2-1 Overview**

Article 50 provides as under:

- (1) The provisions of the GAAR apply where it can be reasonably ascertained that:
  - (a) Taxable persons conduct transactions or arrangements without any valid commercial or other non-fiscal reason, and they fail to reflect economic reality;
  - (b) The primary purpose of the transaction, arrangement, or any part thereof is to obtain a corporate tax advantage that is inconsistent with the intention or purpose of the CT Law.
- (2) The 'tax advantage' includes refund or increased refund of the CT, avoidance or reduction in CT payable, deferral of tax payment or preponement of refund, avoidance of obligation to deduct taxes.
- (3) Where provisions of Anti Abuse Rules apply, then FTA shall determine that one or more specified CT advantages obtained as a result of the transaction or arrangement are to be counteracted or adjusted.
- (4) The FTA shall issue an assessment to give effect to the determination, which may include:
  - (a) Granting or disallowing any exemption, deduction, or relief in determining the taxable income or the CT Payable, or any portion thereof;
  - (b) All or any part of the deductions, exemptions, or relief is to be allocated to another person;
  - (c) Redefining the nature of the payment or amount for the purpose of the CT Law;
  - (d) To disregard the effect resulting from the application of the provisions of CT Law
- (5) Such assessment, issued by the FTA should be just and reasonable.
- (6) The following factors are to be considered for determining the applicability of Anti Abuse Rules:
  - (a) Manner of transaction
  - (b) Nature of the transaction
  - (c) Timing of the transaction
  - (d) Result of the transaction
  - (e) Change in Financial Position of Taxable Person
  - (f) Change in Financial Position of another Taxable Person
  - (g) Creation of rights or obligations of transacting parties
  - (h) Any other mitigating facts or circumstances.

### **15.2-2 BEPS Action Plan 6**

The Base Erosion and Profit Shifting (BEPS) Action Plan 6 (Prevention of Tax Treaty Abuse) aims to prevent multinational enterprises (MNEs) from abusing tax



treaties to reduce their overall tax liability. The action plan focuses on the use of treaty shopping, which is the practice of routing investments through a third country to access more favourable tax treatment than that would otherwise be available under domestic law or bilateral tax treaties.

The main objective of the BEPS Action Plan 6 is to ensure that tax treaties are not used for tax avoidance purposes and are used only for their intended purpose of eliminating double taxation. To achieve this objective, the Action Plan proposes a minimum standard for the prevention of treaty abuse, which includes two components:

- (a) The inclusion of an anti-abuse provision in tax treaties, and
- (b) The development of a minimum standard to design domestic rules to prevent treaty abuse.

The anti-abuse provision proposed in the BEPS Action Plan 6 is the Principal Purpose Test (PPT), which intends to prevent treaty abuse by denying treaty benefits where it is reasonable to conclude that one of the principal purposes of the arrangement or transaction was to obtain those benefits. The second component of the minimum standard is developing a domestic rule to prevent treaty abuse. The domestic rule may take various forms, such as a Limitation on Benefits (LOB) provision or a General Anti-Abuse Rule (GAAR). The LOB provision sets out specific conditions that must be met for a taxpayer to be entitled to treaty benefits. The GAAR is a broad anti-abuse rule that can apply to any tax arrangement considered abusive.

### **15.2-3 GAAR v. BEPS**

GAAR is a tax legislation designed to prevent abusive tax arrangements. It is aimed at tackling the most aggressive and artificial tax avoidance schemes, where the arrangements entered into have little or no economic substance or commercial purpose, and tax avoidance is the main or one of the main purposes.

In line with international best practice, the CT Law includes General Anti-Abuse Rules ('GAAR') under Article 50, which apply to transactions giving rise to a tax advantage where no valid commercial reason exists and where the tax advantage was the main or one of the main purposes of the transaction.

The following table displays the summary of Article 50 of the UAE CT Law and BEPS Action Plan 6:

<i>Particular</i>	<i>GAAR (Article 50 of the UAE CT Law)</i>	<i>BEPS Action Plan 6 (Prevention of Tax Treaty Abuse)</i>
Why?	To prevent the taxpayers from obtaining unfair tax advantages under the CT Law	To prevent granting of treaty benefits in unintended circumstances
When?	<ul style="list-style-type: none"> <li>◆ Absence of valid commercial substance or non-fiscal reasons reflecting economic reality; and</li> </ul>	<ul style="list-style-type: none"> <li>◆ Treaty shopping</li> <li>◆ Double non-taxation</li> </ul>

<i>Particular</i>	<i>GAAR (Article 50 of the UAE CT Law)</i>	<i>BEPS Action Plan 6 (Prevention of Tax Treaty Abuse)</i>
	<ul style="list-style-type: none"> <li>◆ Main purpose is to obtain a corporate tax advantage that is not consistent with the intention or purpose of this Decree-Law</li> </ul>	<ul style="list-style-type: none"> <li>◆ Main purpose is to indirectly access the benefits of a tax treaty between two jurisdictions without being a resident of one of those jurisdictions.</li> </ul>
What is the impact?	<ul style="list-style-type: none"> <li>◆ Authority will assess the GAAR applicability on any transaction or arrangement of the taxpayer</li> <li>◆ Tax authorities can make adjustments to deny the unfair tax advantage</li> </ul>	<ul style="list-style-type: none"> <li>◆ Taxpayers engaged in treaty abuse strategies undermine tax sovereignty by claiming treaty benefits in situations where these benefits were not intended to be granted</li> <li>◆ Tax authorities can apply the Principal Purpose Test or the Limitation of Benefit</li> </ul>

#### ***15.2-4 Conditions for applicability of GAAR***

Article 50 provides two conditions to apply the GAAR provisions, and both conditions are cumulative and should apply to invoke GAAR. There should be a reasonable conclusion about the satisfaction of both conditions, and mere suspicion about the satisfaction of conditions cannot trigger GAAR provisions. This twin test should be tested for the entire transaction, arrangement or any part thereof. GAAR applies even if only part of the transaction or arrangement satisfies the twin conditions.

##### ***15.2-4a Absence of commercial or non-fiscal reason***

The transaction or arrangement should lack valid commercial or other non-fiscal reason which reflects economic reality. GAAR provisions do not apply to transactions carried with valid commercial or non-fiscal reasons reflecting economic reality. While testing the presence of valid commercial or non-fiscal reason, the intent of the parties and surrounding circumstances should be examined.

##### ***15.2-4b Purpose is corporate tax advantage***

The main or one of the main purposes of a transaction or arrangement is to obtain a corporate tax advantage. Corporate tax advantage includes a refund, an increase in the refund of corporate tax or an advancement of the corporate tax. Avoidance or reduction of tax payable or deferral of corporate tax payment shall also be regarded as a corporate tax advantage. If the transaction or arrangement results in the avoidance of an obligation to deduct corporate tax, it shall also be regarded as a corporate tax advantage arising from the transaction or arrangement.

#### ***15.2-5 Relief where tax advantage is consistent with UAE CT Law***

If the corporate tax advantage is intended and consistent with the intent and purpose of the CT Law, then the GAAR provisions cannot be invoked to deny the relief.



*For example*, taxable persons form a ‘Tax group’ to set off the loss within the group and avoid transfer pricing implications. In such case, the tax benefit cannot be denied as such corporate tax advantage is intended and consistent with the purpose of the CT Law.

To avoid the rigours of GAAR, the taxable person needs to demonstrate that the transaction or arrangement is carried out for commercial reasons, and one of the main purposes of the transaction or arrangement is not to acquire corporate tax advantage.

### **15.2-6 Consequences of applying GAAR**

#### ***15.2-6a Determination by the FTA***

Applying GAAR provisions, the FTA can determine one or more specified corporate tax advantages to be counteracted or adjusted. The FTA should determine such corporate tax advantages on a just and reasonable basis. The corporate tax advantages cannot be determined and denied arbitrarily. On determining the unintended corporate tax advantage taken by the taxable person, the FTA shall have wide powers to issue an assessment allowing or denying any exemption, deduction, or relief in calculating CT payable by the taxable person. The FTA may deny exemption, deduction, or relief the taxable person claims due to tax avoidance transactions or arrangements. The invocation of GAAR to one taxable person can also affect the income computation of another person. The FTA can allocate exemption, deduction or relief or any part thereof, denied to one taxable person to another taxable person and, accordingly, reduce the tax liability of another person.

#### ***15.2-6b Recharacterisation of payment***

GAAR provisions give wide powers to FTA to re-characterise payment or any part thereof. The FTA can also disregard the effect that would otherwise result from the application of other provisions of the CT Law.

*For example*, FTA can re-characterise Compulsorily Convertible Debentures ('CCD') as equity and the interest payable on such quasi-equity instrument as dividend/profit distribution.

#### ***15.2-6c Corresponding compensating adjustment***

The CT Law provides for a corresponding compensating adjustment to the Corporate Tax liability of any other person affected by the determination made by the FTA.

*For example*, if the CCD is classified as 'Equity' and the conditions under Article 23 are fulfilled, the capital gain arising on the transfer of such equity shall be exempt.

### **15.2-7 How to invoke GAAR?**

For the purpose of determining whether the GAAR applies to a transaction or arrangement, specific facts and circumstances should be analysed, such as the

form and substance of the transaction or arrangement, the manner in which the transaction or arrangement was entered into, the timing of the transaction or arrangement, whether the transaction or arrangement has created rights or obligations which would not normally be created between independent persons dealing with each other at arm's length in respect of the relevant transaction or arrangement. The result of the transaction or arrangement in relation to the application of CT Law shall also be examined. The GAAR provisions shall also analyse the change in the financial position of the taxable person and another person that has resulted, will result, or may reasonably be expected to result from the transaction or arrangement.

#### **15.2-8 GAAR will not apply if business purpose is bona fide**

Considering that GAAR aims to counteract any abusive tax arrangements, taxpayers should ensure that all their transactions have bona fide business purposes by considering the following:

- (a) Manner of the transaction;
- (b) Nature of the transaction;
- (c) Timing of the transaction;
- (d) Result of the transaction;
- (e) Change in the financial position of the taxable person;
- (f) Change in the financial position of another taxable person;
- (g) Creation of rights or obligations of transacting parties; and
- (h) Any other mitigating facts or circumstances.

All the details of the transactions and arrangements should be properly documented. All the information and circumstances should be analysed properly. Each transaction should be supported by commercial rationale, which may also include regulatory requirements. The taxable person should be cautious undertaking aggressive tax positions. 'What cannot be done directly, cannot be done indirectly'. However, where the CT law provides an option to undertake transactions in different forms and methods, and the taxable person, having regard to commercial considerations, selects the method which gives optimal tax result, then the GAAR provisions cannot be invoked as it does not lack valid or non-fiscal reason reflecting commercial reality.

*For example, X LLC will earn AED 6,00,000 from its business. If it does not artificially split up its business, it shall be liable to pay a corporate tax of AED 20,000. However, it artificially splits up its business and transfers it to Y LLC. X LLC retains a profit of 3,75,000 AED and Y LLC gets a profit of AED 2,25,000. In this situation, GAAR provisions may be invoked as the main purpose of splitting up business is to obtain corporate tax advantage and there is no commercial rationale.*



### **15.2-9 Applicability of various Ministerial Decisions**

Sr. No.	Particulars	Decision No.	Article
1	Annual Taxable Income subject to Corporate Tax	116	2
2	Small Business Relief	73	6

### **15.2-10 Comprehensive Example**

Case 1	No Tax Planning	Case 2	Tax Planning by splitting Business
X LLC		X LLC	
Total Income	AED 600,000	Total Income	AED 375,000
CT Liability	AED 20,000 [9% of (600,000 – 375,000)]	CT Liability	NIL
		Y LLC	
		Total Income	AED 225,000
	05:04	CT Liability	NIL

GAAR provisions may be invoked if the main purpose of splitting up business is to obtain corporate tax advantage and there is no commercial rationale.



# 16 Tax Registration and De-Registration

## 16.1 Introduction

Chapter XVI of the CT Law deals with the registration and de-registration under the CT Law. All taxable persons are required to register with FTA under CT Law, and failure to register invites penal implications.

The registered taxable person can apply for de-registration on cessation of business or dissolution. The de-registration process involves submitting an application to the FTA and paying any outstanding tax obligations.

Chapter XVI comprises of following Articles:

- (a) Article 51: Tax Registration
- (b) Article 52: De-registration

Article 51 deals with registration requirements under the CT Law. Every taxable person registered under the CT Law shall be allotted a tax registration number. Article 52 provides for de-registration in case of discontinuation of business.

## 16.2 Article 51: Tax registration

Article 51 reads as follows:

- “1. Any Taxable Person shall register for Corporate Tax with the authority in the form and manner and within the timeline prescribed by the authority and obtain a Tax Registration Number, except in circumstances prescribed by the Minister.
2. For the purposes of an exemption from Corporate Tax under this Decree-Law or for purposes of Clause (6) of Article 53 of this Decree-Law, the authority may require the relevant person under paragraphs (e), (f), (g), (h) and (i) of Clause (1) of Article 4 of this Decree-Law, or the Unincorporated Partnership, as applicable, to register for Corporate Tax and obtain a Tax Registration Number.
3. The authority shall, at its discretion and based on information available to the authority, have the ability to register a Person for Corporate Tax effective from the date the person became a Taxable Person.”

### 16.2-1 Obtaining Tax Registration

Article 51 imposes a compliance obligation on every taxable person to register with the FTA under the CT Law. The taxable person shall be required to obtain the registration number under the CT and VAT laws. The VAT law provides a threshold



of turnover of 3,75,000 AED per annum. However, the CT law does not provide a threshold of turnover/profits for registration requirements. Every person carrying out business or business activities in the UAE under the license shall be required to obtain a tax registration number.

### ***16.2-2 Tax Registration for Exempt Person***

The FTA may even require exempt entities to register under the CT Law and file a 'nil' return for the tax period. Every taxable person to whom the provisions of the UAE CT Law apply shall make an application to obtain tax registration. The application shall be filed to the FTA in the prescribed forms. If deemed fit based on information available, the FTA can automatically register a taxable person under UAE CT Law. The application for tax registration can be filed till the last date of filing the tax return.

The following exempt persons shall be liable to register under the UAE CT Law to claim exemption from corporate tax liability:

- (a) A qualifying public benefit entity;
- (b) A qualifying investment fund;
- (c) A public pension or social security fund;
- (d) A private pension or social security fund that is subject to regulatory oversight of the competent authority in the State and meets any other conditions that may be prescribed by the Minister;
- (e) A juridical person incorporated in the UAE and wholly owned and controlled by the government entity, government-controlled entity, exempt public or private pension funds or social security funds and qualifying investment fund, if such person:
  - a. undertakes part or whole of the activity of the exempt person;
  - b. is engaged exclusively in holding assets or investing funds for the benefit of the exempt person; or
  - c. only carries out activities that are ancillary to those carried out by the exempt person.
- (f) Any other person as may be determined in a decision issued by the Cabinet at the suggestion of the Minister.

The FTA may also require the unincorporated partnership to register under the CT Law.

### ***16.2-3 Exemption from the registration requirement***

Ministry of Finance issued Ministerial Decision No. 43 of 2023, dated 10th March 2023, to grant exemption from the registration requirement under the CT Law. The decision is issued in accordance with Article 51 of the CT Law, which requires taxable persons to register for Corporate Tax, before the FTA, except in certain circumstances prescribed by the Minister. As per the decision, the following persons will not be required to apply for CT registration:

- (a) Government entity;
- (b) Government-controlled entity;

- (c) Person engaged in extractive business;
- (d) Person engaged in non-extractive natural resource business; and
- (e) Non-residents earning UAE-sourced income and do not have a permanent establishment (PE) in the UAE.

However, the above persons (except non-residents not having PE in UAE) who do not fulfil the conditions for exemption under CT law will be required to register for Corporate Tax.

For example, a Government or Government-controlled entity conducting business and business activities under a license issued by a licensing authority shall be required to obtain a tax registration number.

#### ***16.2-4 Timelines for registration***

Federal Tax Authority has released Decision No. 3 of 2024 stating the timeline for registration of taxable persons for the purpose of Federal Decree Law No. 47 of 2022 on the Taxation of Corporations and Businesses.

Additionally, in line with FTA Decision No. 3 of 2024, the FTA provided following clarification through public clarification (CTP001) as follows:

- (a) CT registration timelines shall apply equally to juridical persons whose first Tax Period has already begun, irrespective of the person intending to or having ceased Business or Business Activities, or liquidating after the start of their first Tax Period.
- (b) Where a juridical person does not hold a license as at 1st March, 2024, the Tax Registration application deadline is 31st May, 2024. i.e. three months from the effective date of FTA Decision No. 3 of 2024.
- (c) If a Non-Resident Person has both a Permanent Establishment and a nexus in the UAE, the deadline for submitting a Tax Registration application for Corporate Tax to the FTA shall be the earliest deadline.

### **16.3 Article 52: De-registration**

Article 52 reads as follows:

- “1. A Person with a Tax Registration Number shall file a Tax De-registration application with the authority where there is a cessation of its Business or Business Activity, whether by dissolution, liquidation, or otherwise, in the form and manner and within the timeline prescribed by the authority.
2. A Taxable Person shall not be de-registered unless it has paid all Corporate Tax and Administrative Penalties due and filed all Tax Returns due under this Decree-Law, including its Tax Return for the Tax Period up to and including the date of cessation.
3. If the Tax De-registration application is approved, the authority shall de-register the Person for Corporate Tax purposes with effect from the date of cessation or from such other date as may be determined by the authority.
4. Where a Person does not comply with the Tax De-registration requirements under this Article, the authority may, at its discretion and based on information available to the authority, de-register the Taxable Person effective from the later of either:

- (a) *the last day of the Tax Period in which it became apparent to the authority that the conditions under Clause 2 of this Article have been met; or*
- (b) *the date the Taxable Person ceases to exist."*

### **16.3-1 Overview**

Article 52 provides that a taxable person may apply for de-registration on cessation of its business or business activity, whether by dissolution, liquidation, or otherwise. However, the taxable person shall not be de-registered unless it has paid all dues under the law and filed returns to date.

### **16.3-2 Application to the FTA for de-registration**

A registered taxable person may make an application to the FTA on cessation of business or business activity as a result of dissolution, liquidation or otherwise. The juridical person may apply for de-registration in case of dissolution or liquidation. Similarly, a natural person may apply for de-registration in case of closure of business activities.

### **16.3-3 Time Limit for filing of application**

As per the *Federal Tax Authority Decision No. 6 of 2023* dated 7 April 2023 (effective from 1 June 2023), the application for tax de-registration shall be filed with the FTA within the following time limit:

- (a) Where the application is a natural person, the application shall be filed with the FTA within 3 months of the date of cessation of the business or business activity;
- (b) Where the application is a juridical person, the application shall be filed with the FTA within 3 months from the date the entity ceases to conduct business, whether by dissolution or liquidation of the business or otherwise.

### **16.3-4 Approval of de-registration**

The de-registration application shall be approved if the taxable person has filed all the tax returns and settled all his corporate tax liabilities and penalties (if any) due for all periods up to and including the date of cessation. The de-registration application approved by the FTA shall be effective with effect from the date of cessation or from such other date as may be determined by the authority.

### **16.3-5 De-registration without application**

Even if a taxable person does not apply for the de-registration, the FTA may, if it deems fit, can automatically de-register a taxable person effective from any of the following dates, whichever occurs later:

- (a) the last day of the tax period in which it became apparent to the FTA that the tax dues are paid and the tax returns are filed up to the period of cessation; or
- (b) the date the taxable person ceases to exist.



## CHAPTER

# 17 Tax Returns and Clarifications

## 17.1 Introduction

Chapter XVII of the UAE Corporate Tax legislation covers various compliance requirements under the CT Law, *viz.* tax returns, financial statements, transfer pricing documentation, record-keeping, tax period, change of tax period, and clarifications.

Compliance with the provisions of Chapter XVII is critical for taxable persons operating in the UAE to ensure the smooth operation of their businesses. Violation of these compliances shall attract penal implications.

Chapter 17 comprises of following articles:

- (a) Article 53: Tax Returns
- (b) Article 54: Financial Statements
- (c) Article 55: Transfer Pricing Documentation
- (d) Article 56: Record Keeping
- (e) Article 57: Tax Period
- (f) Article 58: Change of Tax Period
- (g) Article 59: Clarifications

Article 53 deals with the requirement of filling annual returns for corporate tax liability. Since the computation of taxable income starts with the standalone profits, Article 54 requires maintaining and auditing/certifying financial statements. Article 55 deals with documentation and reporting requirements in relation to transfer pricing provisions, *i.e.* determination of the arm's length principle in relation to transactions with related parties. Article 56 provides that all the records and documentation required shall be maintained by the taxable person for a period of 7 years from the end of the relevant tax period. Article 57 defines the tax period and Article 58 gives an option to the taxable persons to change the tax period. The clarifications under Article 59 pertain to Advance Pricing Agreements (APAs), which are arrangements made between a taxpayer and the tax authority to determine the appropriate transfer pricing methodology for related party transactions. Article 59 provides guidelines on the procedures for requesting APAs and the information that must be submitted to the tax authorities for their consideration.



## 17.2 Article 53: Tax Returns

Article 53 reads as follows:

- “1. *Subject to Article 51 of this Decree-Law, a Taxable Person must file a Tax Return, as applicable, to the authority in the form and manner prescribed by the authority no later than (9) nine months from the end of the relevant Tax Period, or by such other date as directed by the authority.*
2. *The Tax Return shall include at least the following information, as applicable:*
  - (a) *The Tax Period to which the Tax Return relates.*
  - (b) *The name, address and Tax Registration Number of the Taxable Person.*
  - (c) *The date of submission of the Tax Return.*
  - (d) *The accounting basis used in the financial statements.*
  - (e) *The Taxable Income for the Tax Period.*
  - (f) *The amount of Tax Loss relief claimed under Clause 1 of Article 37 of this Decree-Law.*
  - (g) *The amount of Tax Loss transferred under Article 38 of this Decree-Law.*
  - (h) *The available tax credits claimed under Articles 46 and 47 of this Decree-Law.*
  - (i) *The Corporate Tax Payable for the Tax Period.*
3. *A Taxable Person shall provide the authority with any such information, documents or records as shall be reasonably required by the authority for the purposes of implementing the provisions of this Decree-Law.*
4. *As an exception to the provisions of this Article and any other relevant provision of this Decree-Law, the Minister may prescribe the form and manner in which a Tax Return and other information is to be filed with the authority by a Taxable Person where the disclosure of information may impede national security or may be contrary to the public interest.*
5. *The authority may request a Person under paragraphs (e), (f), (g), (h) and (i) of Clause 1 of Article 4 of this Decree-Law to submit a declaration.*
6. *The authority may, by notice or through a decision issued by the authority, request the authorized partner in an Unincorporated Partnership that has not had an application approved under Clause 8 of Article 16 of this Decree-Law to be treated as a Taxable Person to file a declaration on behalf of all the partners in the Unincorporated Partnership.*
7. *The Parent Company must file a Tax Return to the authority on behalf of the Tax Group.”*

### 17.2-1 Overview

Article 53 provides that every taxable person is liable to file a return of income within 9 months from the end of the tax period or by any other such date as directed by the FTA. The tax return shall be filed in a prescribed form and manner,

disclosing prescribed particulars. In the case of 'Tax Group', the parent entity shall file the tax return of the 'Tax Group'.

### ***17.2-2 Information to be submitted in the tax return***

Every person subject to the UAE corporate tax must file a tax return online to the FTA in the prescribed form and format. The FTA may decide on the different forms and particulars to be submitted by different categories of the taxable person.

### ***17.2-3 Due date to submit the tax return***

The person responsible for filing the tax return shall file it within the time period of 9 months from the end of the relevant tax period or by such other date as may be decided by the FTA.

### ***17.2-4 Information to be disclosed in the tax return***

It is mandatory for the taxable person to disclose the following information in the tax return:

- (a) The tax period to which such tax return relates;
- (b) The name, address, and tax registration number of the taxable person;
- (c) Date of submission of the tax return;
- (d) The accounting basis used in the financial statements;
- (e) Taxable income for the tax period;
- (f) Particulars of the brought forward loss;
- (g) Particulars of the tax loss transferred and set off against the income of another taxable person;
- (h) Particulars of withholding tax credit and foreign tax credit;
- (i) Corporate tax payable for the tax period.

In addition to the above particulars, the taxable person shall provide any additional information/particulars which are reasonably required by the FTA for the purpose of implementing the provisions of the CT Law.

The Minister may prescribe the form and manner in which a tax return and other information are to be filed with the FTA by a taxable person where the disclosure of information may impede national security or may be contrary to the public interest.

### ***17.2-5 List of exempt persons required to file a declaration***

The following categories of persons are exempt from corporate tax liability under the Act. However, such exempt persons shall be required to obtain a registration number for Corporate Tax:

- (a) A Qualifying Public Benefit Entity;
- (b) A Qualifying Investment Fund;

- (c) A public pension or social security fund, or specified private pension or social security fund;
- (d) Specified juridical person incorporated in the UAE that is wholly owned and controlled by a Government entity, Government-controlled entity, Qualifying investment fund, Public pension or social security fund or specified private pension or social security fund and fulfils specified criteria;
- (e) Any other person as may be determined in a decision issued by the Cabinet at the suggestion of the Minister.

The FTA may require the above exempt entities to file a declaration.

The objective of filing a declaration, even for exempt persons, is to provide transparency and accountability to the tax authorities. Although certain categories of persons are exempt from corporate tax liability under the Act, they are still required to obtain a registration number for Corporate Tax and may be required to file a declaration by the Federal Tax Authority (FTA).

The filing of a declaration serves several purposes:

- (a) *Identification and verification*: By requiring exempt persons to file a declaration, the tax authorities can identify and verify the existence and status of these entities. This helps in maintaining accurate records and ensuring compliance with tax laws.
- (b) *Monitoring and oversight*: Filing a declaration allows the tax authorities to monitor and exercise oversight over exempt entities. It enables the FTA to track and evaluate the activities and financial information of these entities, ensuring they are operating within the boundaries of their exempt status.
- (c) *Data collection*: The declaration filing process enables the collection of relevant data and information about exempt persons. This data can be analyzed to gain insights into the economic landscape, contribute to economic research, and aid in policy formulation.
- (d) *Prevention of misuse or abuse*: Requiring exempt persons to file a declaration is a preventive measure against potential misuse or abuse of the exemption status. It helps to ensure that only eligible entities benefit from the tax exemption and discourages fraudulent practices.
- (e) *Compliance and enforcement*: Even though exempt persons are not subject to corporate tax liability, they still have obligations to meet certain regulatory requirements. Filing a declaration helps to ensure compliance with these obligations and facilitates effective enforcement of tax regulations.

### **17.2-6 Unincorporated Partnership Firms**

The CT Law provides a special regime for the taxation of unincorporated partnership firms. An unincorporated partnership or Joint Venture may opt to be considered a separate taxable person, or the person carrying taxable person in the name and style of an unincorporated partnership may be treated as an individual taxable person. The FTA may require unincorporated joint ventures to register for

corporate tax and obtain a tax registration number, even if its partners are treated as individual taxable persons.

### **17.2-7 Filing of declaration**

The pass-through unincorporated partnerships may be required to file a declaration on behalf of all the partners in the unincorporated partnership. Also, in cases where unincorporated joint ventures or partnership has applied for being treated as taxable person and which is yet to be approved, in such cases, the partners may be asked to submit a declaration on behalf of all partners.

### **17.2-8 Tax return of Tax Group**

The parent shall file the tax return for the ‘Tax Group’. See Para 12.2 for the meaning of Tax Group.

## **17.3 Article 54: Financial Statements**

Article 54 reads as follows:

- “1. *The authority may, by notice or through a decision issued by the authority, request a Taxable Person to submit the financial statements used to determine the Taxable Income for a Tax Period in the form and manner and within the timeline prescribed by the authority.*
2. *The Minister may issue a decision requiring categories of Taxable Persons to prepare and maintain audited or certified financial statements.*
3. *For the purposes of Clause 1 of this Article, the authority may request a partner in an Unincorporated Partnership to provide financial statements showing all of the following:*
  - (a) *The total assets, liabilities, income and expenditure of the Unincorporated Partnership.*
  - (b) *The partner's distributive share in the Unincorporated Partnership's assets, liabilities, income and expenditure.”*

### **17.3-1 Overview**

Article 54 provides the following:

- (a) The FTA may request a taxable person to submit the financial statements in the prescribed form and manner;
- (b) The Minister may also issue audit/certification requirements for the financial statements; and
- (c) The partner of the unincorporated partnership may be required to furnish particulars regarding the unincorporated partnership and distributive share in the partnership.



### **17.3-2 Maintenance of Financial Statements**

A taxable person will be required to maintain financial and other records explaining the information furnished in the tax return and other documents submitted to the FTA. The International Financial Reporting Standards ('IFRS') are accepted in the UAE for the maintenance of accounts. Certain exempted persons will also be required to maintain records to allow the FTA to ascertain the person's exempt status.

### **17.3-3 Submission of Financial Statement**

To verify the correctness of the financial statement and the taxable income offered by the taxable person in its tax return, the FTA, on request or through decision, may request a taxable person to submit the financial statements used to determine the taxable income for a tax period in prescribed form and manner within the prescribed timeline.

### **17.3-4 Persons required to prepare and maintain Audited Financial Statements**

As per the *Ministerial Decision No. 82 of 2023 dated 10 April 2023 (effective from 25 April 2023)* following persons shall be required to prepare and maintain Audited Financial Statements:

- (a) If the revenue of the taxable persons (other than Qualifying Free Zone Person) exceeds AED 50,000,000 during the relevant Tax Period;
- (b) Qualifying Free Zone Person, without any threshold limit.

### **17.3-5 Reporting requirement for unincorporated partnerships**

An unincorporated partnership is a business structure where two or more individuals or entities come together to carry on a business for profit. Unlike a corporation or a Limited Liability Company (LLC), an unincorporated partnership is not a separate legal entity from its partners. Each partner is severally and jointly liable for the debts and obligations of the partnership. Under UAE tax law, partners in an unincorporated partnership may be required to report their share of the partnership's profits or losses in their personal tax returns, along with additional details about the partnership, such as its name, address, and tax identification number. The FTA may request the partners in an unincorporated partnership to furnish details of total assets, liabilities, income and expenditure of the unincorporated partnership along with their distributed share in the assets, liabilities, income and expenditure of the partnership.

## **17.4 Article 55: Transfer Pricing Documentation**

Article 55 reads as follows:

- "1. The authority may, by notice or through a decision issued by the authority, require a Taxable Person to file together with their Tax Return a disclosure con-

taining information regarding the Taxable Person's transactions and arrangements with its Related Parties and Connected Persons in the form prescribed by the authority.

2. If a Taxable Person's transactions with its Related Parties and Connected Persons for a Tax Period meet the conditions prescribed by the Minister, the Taxable Person must maintain both a master file and a local file in the form prescribed by the authority.
3. The documentation under Clause 2 of this Article must be submitted to the authority within (30) thirty days following a request by the authority, or by any such other later date as directed by the authority.
4. Upon request by the authority, a Taxable Person shall provide the authority with any information to support the arm's length nature of the Taxable Person's transactions or arrangements with its Related Parties and Connected Persons, within (30) thirty days following the request by the authority, or by any such other later date as directed by the authority."

#### **17.4-1 Overview**

Article 55 provides as under:

- (a) A taxable person shall submit disclosure containing information regarding the taxable person's transactions and arrangement with the related parties and connected persons;
- (b) The taxable person shall maintain the master file and local file in the prescribed form;
- (c) The master file and local file shall be submitted to the FTA on request; and
- (d) The taxable person shall furnish information supporting the arm's length nature of the transactions with related parties and connected persons within 30 days from the date of request by the FTA.

#### **17.4-2 Documents to be maintained**

The taxable person shall also need to maintain a master and local file (in line with requirements prescribed under OECD BEPS Action 13) if the arm's length value of their related party transactions exceeds a prescribed threshold in the relevant tax period. The master and local file shall be submitted to the FTA within 30 days following the request by the FTA or any such later date prescribed by the FTA.

The taxable person shall also furnish the information to support arm's length nature of the transactions or arrangement with the related parties and connected persons within 30 days following the request by the FTA or any such later date prescribed by the FTA. The disclosure requirements and forms are yet to be prescribed by the FTA.

Ministry of Finance has issued *Ministerial Decision No. 97 of 2023* on the requirements for maintaining Transfer Pricing (TP) Documentation.



#### **17.4-2a Local and Master File**

It provides that the following persons shall maintain both a master file and a local file if they meet either of the following conditions:

- (a) Taxable persons whose revenues are AED 200 million or above in a relevant tax period;
- (b) Taxable persons that are part of a Multinational Enterprises Group that has a total consolidated group revenue of AED 3.15 billion or above in the relevant tax period.

However, any taxable person that is a part of a UAE Headquartered group that is not an MNE group (*i.e.* group that does not have business establishments outside the UAE) is not required to maintain a master file, though local file has to be maintained.

#### **17.4-2b Related party transactions to be included in Local File**

Transactions or arrangements with the following Related Parties and Connected Persons shall be included in the local file:

- (a) Non-Resident Person;
- (b) An Exempt Person;
- (c) Resident Person that has elected for Small Business Relief; and
- (d) Resident Person whose income is subject to a different Corporate Tax rate.

#### **17.4-2c Related party transactions not to be included in Local File**

Transactions or arrangements with the following Related Parties and Connected Persons shall not be required to be included in the local file:

- (a) Resident Person other than those specified above;
- (b) A Natural Person as long as the parties to the transaction or arrangement are acting independently;
- (c) A Judicial Person who is a Related Party or a Connected Person because of being a partner in an Unincorporated Partnership as long as the parties to the transaction or arrangement are acting independently;
- (d) A Non-resident person having a Permanent Establishment in the UAE and whose income is subjected to the same corporate tax rate;

The parties engaged in the transaction or arrangement shall be considered as independent of each other when the following two conditions are satisfied:

- ◆ The transaction or arrangement is held in the ordinary course of Business; and
- ◆ The parties are not exclusively or almost exclusively transacting with each other.

#### **17.4-3 Disclosure requirements for related parties internationally**

The UAE CT Law adopts the Transfer Pricing regulations and Arm's Length Principle from OECD. The taxable person will be required to submit a prescribed disclosure containing information regarding their transactions with related parties and

connected persons, along with the tax return. Disclosure requirements for related party transactions vary by jurisdiction, but generally, disclosures are sought about the nature, terms, and financial impact of such transactions. While the FTA is yet to prescribe the form and manner of filling the transfer pricing documentation, a reference may be taken from international practices of transfer pricing reporting.

The Indian Income Tax requires the filling of audit reports in Form 3CEB in respect of international or specified domestic related party transactions during the financial year. Form 3CEB requires disclosure of extensive details about such transactions, including *the nature and purpose of the transaction, the name and address of the related party, and the amount and terms of the transaction*. The form also requires the taxpayers to provide a detailed analysis of the arm's length nature of the transaction and explain the methodology used to determine the arm's length price. The following details are sought in the form:

- (a) Details of the transaction, including the date of the transaction, the name of the related party, and the amount involved.
- (b) Description of the business activities of the related party and the nature of the relationship with the company.
- (c) Information about the terms and conditions of the transaction, including the pricing, payment terms, and other significant terms.
- (d) Explanation of the methodology used to determine the arm's length price and the comparables used for the analysis.
- (e) Details of any adjustments made to the arm's length price and the reasons for such adjustments.
- (f) Information about any advance pricing agreements or other agreements with tax authorities related to the transaction.

Similarly, in line with international reporting practices of three-tier reporting standards (master file, local file and country-by-country reporting), the transfer pricing regulations require the filling of the master file and local file in a prescribed form and manner. The Master File requires disclosure of the multinational group's business and the nature of global operations, overall transfer pricing policies, allocation of income and economic activity along with the group structure, description of the business, intangibles, and inter-company financial activity between members of the group.

The Country-by-Country Reporting (CbCR) deals with the disclosure of jurisdiction-wise information on the global allocation of income, taxes paid/accrued, the stated capital, accumulated earnings, number of employees and tangible assets.

## 17.5 Article 56: Record Keeping

Article 56 reads as follows:

- "1. Notwithstanding the provisions of the Tax Procedures Law, a Taxable Person shall maintain all records and documents for a period of (7) seven years following the end of the Tax Period to which they relate that:
  - (a) Support the information to be provided in a Tax Return or in any other document to be filed with the authority.



- (b) Enable the Taxable Person's Taxable Income to be readily ascertained by the Authority.
2. Notwithstanding the provisions of the Tax Procedures Law, an Exempt Person shall maintain all records that enable the Exempt Person's status to be readily ascertained by the authority for a period of (7) seven years following the end of the Tax Period to which they relate."

### ***17.5-1 Maintenance of Records under UAE CT Law***

Every taxable person shall be required to maintain records and documents to support the information provided in the tax return and to enable readily ascertainment of taxable income of taxable persons by FTA. The exempt person shall also maintain necessary records to enable the FTA to ascertain the exempt person's status under the Act.

Under the VAT laws, registered persons are required to maintain accurate records of their business transactions. Under the prevalent practices under the VAT Laws, the records maintained in electronic form are accepted by the authorities. While the CT Law is silent on the form of record keeping, the records maintained in electronic forms should suffice the requirement under Article 56.

*Ministerial Decision No. 133 of 2023* provides for record-keeping under business Restructuring. When Article 27(1) of the CT law applies, both the Transferor and the Transferee are required to maintain a record of the agreement to transfer the Business or the independent part of the Business. The record should include the value prescribed under Article 27 of the Corporate Tax Law for the transfer and the requirements to make any adjustments as specified in the Ministerial Decision on the general rules for determining taxable income.

Maintaining such records ensures transparency and facilitates compliance with tax regulations. It enables tax authorities to review and verify the details of the transfer, including the assigned value and any adjustments made, if applicable. By documenting these aspects, both the Transferor and the Transferee fulfil their obligations and can provide supporting evidence if required during tax audits or assessments.

### ***17.5-2 Time period***

According to the UAE CT Law, the records shall be maintained for a period of 7 years following the end of the relevant tax period. These records should be kept and must be readily available for inspection by the FTA. The FTA may impose penalties on taxable persons who fail to maintain adequate records or fail to provide them when requested.

### ***17.5-3 Tax Procedure***

Federal Decree-Law No. 28 of 2022 on Tax Procedures ("Decree-Law") and its Executive Regulation Cabinet Decision No. 74 of 2023 ("New Executive Regulation") repealed Cabinet Decision No. 36 of 2017 on the Executive Regulation of Federal

Law No. 7 of 2017 on **Tax Procedures**, and its amendments with effect from 1 August 2023.

The main changes in the New Executive Regulation are in relation to the following topics:

1. **Definitions (Article 1)** : The definition of the term “assets” has been expanded to include intangible assets, which now includes patents, brands, licenses, trademarks, computer programs, copyrights, goodwill and also customer lists.
2. **Accounting records and commercial books (Article 2)** : In addition to the records and books of the business, businesses must also retain all documents which includes, but is not limited to: tax invoices, licenses, agreements/ contracts, documents containing details of any election, tax related calculations, transfer pricing documents, etc.
3. **Period of record keeping (Article 3)** : The New Executive Regulation specifies that,
  - For real estate records, the retention period is **seven years** from the end of the calendar year in which such record or document was created.
  - General document retention period of **five years** will be extended by one year starting from the date of submission of a voluntary disclosure in the fifth year from the end of the relevant tax period.
  - Legal representatives are required to retain the required books and records of the person they are representing for a period of 1 year from the date on which such legal representation ends.
4. **Language (Article 5)** : The FTA may now accept the tax return, data, information, records and any other tax related documents can be submitted in English or Arabic. If the documents are submitted in English, FTA may request to translate some or all documents into Arabic. The translation into Arabic must be approved by the translator defined in the translators list.
5. **Procedures relating to Tax Registration, Deregistration, and Amending details of Registration (Article 6)** : Registrant shall notify the Authority within **20** Business Days of any change in name, business address, email address, nature of business, trade licence activities & legal status.  
FTA may, deregister a registrant where the person is required to deregister for a specific tax type but fails to submit a deregistration application while continuously submitting *nil* returns for Excise Tax, ceases to manufacture or import excise goods or where the value of supplies, taxable expenses do not meet the voluntary registration threshold for VAT registration.
6. **UAE Licensing bodies (Article 7)** : Licensing bodies in the UAE must now also notify the FTA, within 20 business days of any issuance or renewal, of a number of data regarding license.
7. **Voluntary disclosure (Article 10)** : If a taxpayer becomes aware of an error or omission in a tax return submitted to the FTA – following course of action is prescribed:

- i. if the payable tax amount is more than **AED 10,000**, the Taxable Person shall submit a Voluntary Disclosure to the Authority within **20** business days from the date when the Taxable Person became aware of the error.
  - ii. Whereas, the amount is less than **AED 10,000** than the error can be corrected in 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.
  - iii. If a refund application that has been submitted which is found to be incorrect, that too can be amended by submitting a voluntary disclosure within 20 days from the date when taxpayer became aware of the error.
  - iv. In case where there is error or omission without there being difference in due tax, such error may be corrected in a manner to be specified by the FTA.
8. **Means of notification (Article 11)** : The FTA may now in addition also use text messages and mobile application to notify a Taxable person.
  9. **Registration of Tax Agents (Article 12)** : A natural person can Register as Tax Agents with minimum education and relevant experience in Tax of at least 3 years obtained in the last 5 years and holds at least a certified bachelor degree or Masters in tax, accounting or law from an education institution recognised by the competent authority in the UAE. The natural person shall need to pass a qualification test and complete proper training on ongoing basis. The natural person must have the ability to communicate **orally and in writing in Arabic or English and** must be medically fit to perform his duties.
  10. **Tax audits (Article 16)** : The FTA is now required to give a person at least **10** business-day notice before conducting a tax audit. Further,
    - FTA auditor will mark original documents for indicating that they have been inspected.
    - FTA in its record will provide description of the documents that were removed.
    - If FTA intends to dispose of an asset, it can also notify other specified persons if owner of asset is unavailable.
    - FTA will provide documents, data and information on which the FTA based assessment of due tax within **10** business days from the date of receiving the request.
  11. **Reconciliation process – Tax Evasion crimes (Articles 23 and 24)** : For tax evasion crimes and the deliberate failure to settle administrative penalties, a person may submit a reconciliation application to the FTA before the initiation of the criminal case.

Also, before a criminal case is initiated, for the specific tax crimes that are specified under Article 25(4) of the Decree-Law, and where these crimes resulted in tax evasion the person must first make a payment of AED 50,000 before the FTA may reconcile. Reconciliation should be made by settling the full amounts of payable tax and administrative penalties.

The accused or convicted person may submit a reconciliation application to the competent federal public prosecution at any stage of the criminal case.

12. **Extension of deadlines (Article 25) :** The FTA may extend the deadline for deciding on a Tax assessment review request and a request for reconsideration for a period of **20** business days and **60** business days for deciding on a Tax objection.
13. **Bankruptcy (Article 27) :** Where a Business is subject to bankruptcy, and a trustee is appointed than the FTA shall notify the appointed bankruptcy trustee of the amount of the due Tax and of its intention to perform a Tax Audit within **20** business days.

## 17.6 Article 57: Tax Period

Article 57 reads as follows:

- “*1. A Taxable Person’s Tax Period is the Financial Year or part thereof for which a Tax Return is required to be filed.*
- “*2. For the purposes of this Decree-Law, the Financial Year of a Taxable Person shall be the Gregorian calendar year, or the (12) twelve-months period for which the Taxable Person prepares financial statements.”*

### 17.6-1 Tax Period

The Tax Period is not specified anywhere, and it can be a calendar year or any twelve months for which the taxable person prepares a financial statement. Depending upon the period for which the taxable person prepares a financial statement, the tax period shall be decided.

In order to keep the administrative burden on taxpayers to a minimum, a taxable person will need to prepare and file one tax return and other related supporting schedules with the FTA for each tax period. It is different from the existing VAT Laws whereby taxable businesses have to file VAT returns with FTA on a regular basis and usually within 28 days of the end of the ‘tax period’ as defined for each type of business. Under the existing VAT laws, businesses having an annual turnover of 150 Million AED or more are required to file monthly returns, whereas businesses having lower annual turnover are allowed to file quarterly returns.

## 17.7 Article 58: Change of Tax Period

Article 58 reads as follows:

“*Notwithstanding Article 57 of this Decree-Law, a Taxable Person can make an application to the Authority to change the start and end date of its Tax Period, or use a different Tax Period, subject to conditions to be set by the Authority.”*



### **17.7-1 Request to FTA**

The CT Law grants flexibility to change the tax period. The taxable person can file an application to FTA to change the start and end date of its tax period. Further, the different tax periods may be used by the taxable person to discharge its CT liability.

### **17.7-2 Application to FTA**

The FTA has issued the *Federal Tax Authority Decision No. 5 of 2023 dated 7 April 2023 (effective from 1 June 2023)* stipulating the following conditions for change in tax period.

- (a) The application for change in the tax period or use different tax period is filed for one of the following reasons:
  - ◆ The Liquidation of the taxable person;
  - ◆ A resident taxable person aligning financial year with another resident person to form or join a tax group;
  - ◆ A taxable person (whether resident or non-resident) aligning its financial year with its domestic or foreign head office, subsidiary, parent, or ultimate parent company for financial reporting purposes;
  - ◆ To avail a tax relief available under the UAE CT Law or foreign tax legislation; or
  - ◆ Valid commercial, economic, or legal reason.
- (b) The Taxable Person should not have filed the tax return for the tax period for which the application is sought to be filed;
- (c) The change can be made to extend the current tax period up to 18 months or shorten the next tax period between 6 and 12 months. However, the request cannot be filed to shorten the prior or current tax period.
- (d) The application shall be made on or before six months from the end of the original tax period.

### **17.8 Article 59: Clarifications**

Article 59 reads as follows:

- “1. A Person may make an application to the authority for a clarification regarding the application of this Decree-Law or the conclusion of an advance pricing agreement with respect to a transaction or an arrangement proposed or entered into by the person.
2. The application under Clause 1 of this Article shall be made in the form and manner prescribed by the authority.”

### **17.8-1 Ideal Tax System**

Adam Smith, the Father of Economics, prescribed four canons of an ideal tax system: (i) Canon of equality or equity, (ii) Canon of certainty, (iii) Canon of economy, and (iv) Canon of convenience.

Clarity around how to comply with CT is essential for a well-functioning CT regime. Therefore, the CT Law provides a window to resolve the uncertainty in relation to proposed or existing arrangements or transactions. A person may make an application in the prescribed form and manner to the FTA for clarification regarding the application of the law or the conclusion of an advance pricing agreement.

### **17.8-2 Advance Pricing Agreement**

The FTA may be approached for Advance Pricing Agreement ('APA') which is an agreement between a taxpayer and tax authorities that sets out the method for determining the transfer pricing for transactions between the taxpayer and its associated enterprises. APAs are designed to provide certainty and predictability to taxpayers regarding their transfer pricing arrangements, which can be complex and involve significant financial risk. By obtaining an APA, taxpayers can avoid the risk of double taxation and the potential penalties and costs associated with transfer pricing disputes. Tax litigation can be avoided, and certainty can be achieved under the APA.

### **17.8-3 Process of obtaining an APA**

The process of obtaining an APA involves negotiations between the taxpayer and tax authorities. The taxpayer must provide detailed information about its business operations, the nature of the transactions, and the transfer pricing methodology used. The tax authorities will review the information and may request additional information or clarification before finalising the APA.

### **17.8-4 Validity of APA**

Once an APA is agreed upon, it will typically be valid for a fixed period (generally, as per international practices, usually between three and five years). During this time, the taxpayer can follow the agreed transfer pricing methodology without fear of audit or penalty. However, the taxpayer must comply with the terms of the APA and report any material changes in its business operations or the nature of the transactions to the tax authorities.

### **17.8-5 Types of APA**

Such APAs can be unilateral, bilateral or even multilateral. In the case of unilateral APA, the transfer pricing methods are negotiated by a taxable person with the only tax authority. In the case of the transfer pricing involving tax authorities of two countries, the bilateral APA negotiation is initiated. In such cases, the taxable



person negotiates with two tax authorities. In the case of complex transactions involving multiple jurisdictions and tax authorities, the multilateral APAs are negotiated and signed.

The APAs and clarification issued under this article shall be binding on the taxable person and the FTA for the prescribed time, provided the facts and circumstances outlined in a clarification continue to apply.

### 17.9 Illustration

Illustrative time table for tax return filing, payment deadlines and record maintenance requirement

Financial year ending on	30 June	31 December	31 March
<b>First Tax Period</b>	1 July 2023 - 30 June 2024	1 January 2024 - 31 December 2024	1 April 2024 - 31 March 2025
<b>Due date of filing tax return and payment of taxes</b>	31 March 2025	30 September 2025	31 December 2025
<b>Records to be maintained till</b>	30 June 2031	31 December 2031	31 March 2032

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## CHAPTER

# 18 Violations and Penalties

## 18.1 Introduction

The CT Law requires taxable persons to file income tax returns on a self-assessment basis. Chapter 18 of the CT Law deals with the assessment procedure to be undertaken by the FTA and the penalty imposed for violation of the CT Law requirement.

Chapter 18 contains Article 60 (Assessment of Corporate Tax and Penalties). Article 60 adopts provisions of the Tax Procedures Law Federal Decree-Law No. 28 of 2022 relating to tax audits, tax assessments, penalties, assessment reviews, tax dispute resolution committee, etc.

## 18.2 Article 60 : Assessment of Corporate Tax and Penalties

Article 60 reads as follows:

- "1. A Person may be subject to a Corporate Tax assessment in accordance with the Tax Procedures Law and the decisions issued in the implementation of its provisions.*
- 2. Notwithstanding the provisions of the Tax Procedures Law and the decisions issued in the implementation of its provisions, the authority may prescribe the circumstances and conditions under which a Corporate Tax assessment may be requested by a Taxable Person or issued by the authority.*
- 3. The Tax Procedures Law referred to in the preamble and the decisions issued in the implementation of its provisions shall determine the relevant penalties and fines relevant to the implementation of this Decree-Law."*

### 18.2-1 Overview

Article 60 provides that:

- (a) The taxable person shall be subjected to corporate tax assessment in accordance with the UAE CT law and decisions issued thereunder;
- (b) The FTA may notify some circumstances and conditions under which the taxable person may request authority to conduct a corporate tax assessment of his account or the FTA can conduct the assessment;
- (c) The FTA may determine relevant penalties and fines wherever necessary with respect to any taxable persons who are found guilty under the assessment procedure conducted by the FTA.



### ***18.2-2 Assessment by the FTA***

Once the taxpayer files the return of income, the next step is the processing of the return of income by the FTA. The FTA examines the return of income for its correctness, which is commonly referred to as 'Assessment'.

The UAE CT Regime will be based on a self-assessment basis, which means that the taxable person is responsible for ensuring that the tax return and any supporting schedules submitted to the FTA are correct, complete and comply with the UAE CT law. To ensure the integrity of the CT regime, the FTA may review a CT return filed and may issue an assessment within the timeframe prescribed in the Tax Procedures Law.

Here Tax procedures law shall mean the Tax Procedures as defined under Federal Decree-Law No. 28 of 2022, which was issued on 30 September 2022 and effective from 1 March 2023.

### ***18.2-3 Issue of Tax assessment***

The FTA shall issue a tax assessment to determine the corporate tax payable, corporate tax refundable or any other matters as prescribed by the CT law and notify the taxable person within 10 business days of its issuance in any of the following cases:

- (a) The taxable person fails to apply for registration within the prescribed time frame;
- (b) The registrant fails to submit a tax return within the prescribed timeframe;
- (c) The taxable person fails to pay the payable tax as per the tax return submitted within 9 months from the end of the tax period;
- (d) The taxable person submits an incorrect tax return;
- (e) The registrant fails to calculate tax on behalf of another person when he is obligated to do so under the tax law;
- (f) There is a shortfall in the payment of tax as a result of a person evading tax or as a result of a tax evasion in which such person was involved;
- (g) Any other cases in accordance with the CT Law.

### ***18.2-4 Issue of Estimated Tax Assessment***

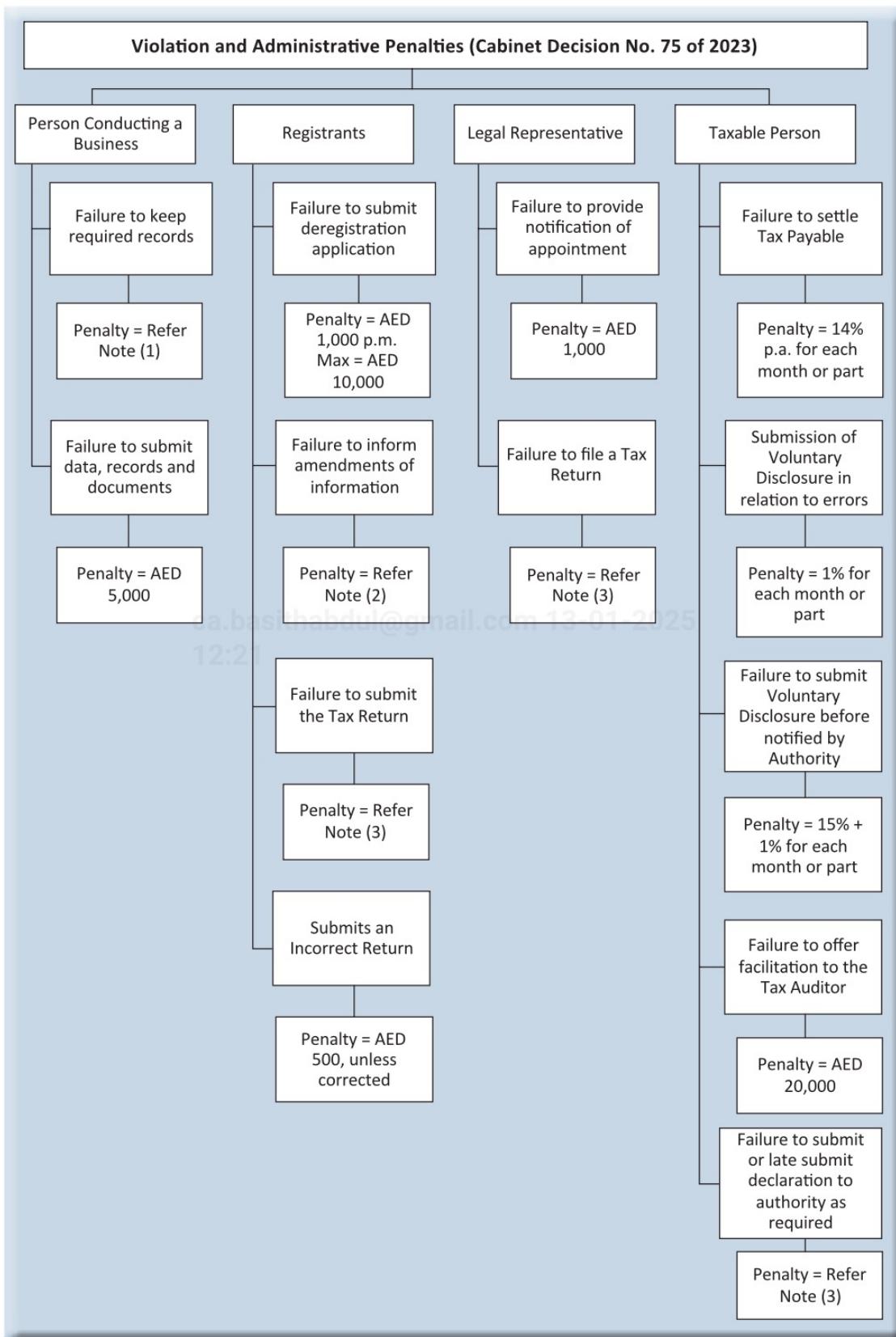
The FTA may issue an estimated tax assessment if it is not possible to determine the actual amount of due tax or the correctness of the tax return. The estimated tax assessment shall contain the payable tax and the refundable tax on a provisional basis, in which case the FTA shall:

- (a) Amend the estimated tax assessment, where new relevant information surfaces which affect the tax assessment; and
- (b) Notify the concerned person of such amendments within 10 business days from the date of amendment.

### **18.2-5 Issue of Administrative Penalties Assessment**

The FTA shall issue an administrative penalty assessment separately from the corporate tax assessment. The FTA shall issue an administrative penalties assessment for the person and notify him of the within 5 business days for any of the following violations:

- (a) The taxable person conducting business or having a tax obligation under the CT Law fails to keep the required specified records and other information;
- (b) The taxable person conducting business or having a tax obligation under the CT Law fails to submit the data, records and documents related to Tax in Arabic to the FTA when requested;
- (c) The taxable person fails to submit a tax registration application within the prescribed time limit;
- (d) The registrant fails to submit a de-registration application within the prescribed time frame;
- (e) The registrant fails to inform the FTA of any case that requires the amendment of the information pertaining to his tax record kept by the FTA;
- (f) The Legal Representative fails to inform the FTA of his appointment within the specified timeframe, in which case the penalties will be due from the Legal Representative's own funds;
- (g) The Legal Representative fails to file a tax return within the specified time frame, in which case the penalties will be due from the Legal Representative's own funds;
- (h) The registrant fails to submit the Tax Return within 9 months from the end of the relevant tax period;
- (i) The Taxable Person fails to settle the payable tax within 9 months from the end of the relevant tax period;
- (j) The registrant submits an incorrect tax return;
- (k) The taxable person or the taxpayer submits a voluntary disclosure in relation to errors in the tax return or the tax assessment or refund application;
- (l) The taxable person or the taxpayer fails to submit a voluntary disclosure in relation to errors in the tax return or the tax assessment or refund application before being notified that he will be subject to a tax audit;
- (m) The person subject to a tax audit, his tax agent or legal representative failing to offer facilitation to the tax auditor, in which case the penalties will be due from the person's, tax agent's or legal representative's own funds, as applicable;
- (n) The registrant fails to account for tax on behalf of another person when the registered taxable person is obligated to do so under the tax law; and
- (o) Any other violation specified under the tax law or a Cabinet decision.



Note No.	Administrative Penalty Amount in AED
1.	<p>1. 10,000 for each violation Or 2. 20,000 in each case of repeated violation within 24 months from the date of the last violation</p>
2.	<p>1. 1,000 for each violation Or 2. 5,000 in each case of repeated violation within 24 months from the date of the last violation</p>
3.	<p>1. 500 p.m. or part thereof, for first 12 months. 2. 1,000 p.m. or part thereof, from 13th months onwards. From the day following the expiry date of and on the same date monthly thereafter.</p>

A penalty of AED 10,000 shall be levied on a taxable person for failure to submit a Tax Registration application within the timeframe specified by the Authority vide FTA Decision No. 3 of 2024.

## **18.2-6 Penalty and Prosecution**

### ***18.2-6a Maximum Administrative Penalty***

The Cabinet shall issue a decision that specifies the Administrative Penalties for each of the violations above violations. However, the amount of any Administrative Penalty shall not exceed two times the amount of tax in respect of which the Administrative Penalties Assessment was issued. The imposition of any Administrative Penalty shall not exempt any Person from the responsibility of settling the payable tax. However, in case of following violations in the nature of 'tax evasions', an imprisonment sentence or a monetary penalty not less than the amount of evaded tax and not exceeding 3 times of evaded tax, or both, shall be imposed on any person who has committed Tax Evasion by any of the following acts:

- (a) Deliberately failing to settle any payable tax.
- (b) Deliberately understating the actual value of his business or his revenues or failing to consolidate his related business, with the intent of remaining below the relevant registration threshold, tax rate or other tax thresholds, as specified in the tax law.
- (c) Deliberately decreasing the due tax or participating in any form of tax evasion.
- (d) Deliberately committing or omitting any other activities which may constitute tax evasion under this Decree-Law or the Tax Law.



### ***18.2-6b Imprisonment Sentence***

An imprisonment sentence or a monetary penalty not less than the amount of the penalty and not exceeding (3) three times of evaded tax, or both, shall be imposed on any person who deliberately does not settle a due Administrative Penalty unless a decision is issued for its waiver.

An imprisonment sentence or a monetary penalty not exceeding one million Dirhams or both shall be imposed on anyone who commits any of the following acts:

- (a) Deliberately providing false information, data and incorrect documents to the FTA;
- (b) Deliberately concealing or destroying documents, information and data or other material that he is required to keep and provide to the FTA;
- (c) Stealing documents or other materials that are in the possession of the FTA or deliberately misusing or destroying them;
- (d) Deliberately preventing or hindering the FTA's employees from performing their duties.

However, if the above situation has resulted in tax evasion or facilitating or concealing tax evasion, the penalty set out for tax evasion shall apply.

### ***18.2-6c Criminal Participation***

Any Person proven to have directly participated in or caused any of the crimes shall be penalised with the penalty prescribed in this Decree-Law in accordance with the provisions on criminal participation stated in Federal Law No. 31 of 2021. Everyone who has participated in a tax evasion crime shall be jointly and severally liable with the person with whom he participated in settling the payable tax and Administrative Penalties. If a monetary penalty has been imposed on several accused in one judgment and for one crime, whether they are perpetrators or accomplices, the accused shall be jointly liable for such monetary penalty.

### ***18.2-6d Reoffending***

Reoffending is considered an aggravating circumstance. If a taxable person has been sentenced by a final judgment in one of the stipulated crimes, whatever the imposed penalty is, and then committed any of these crimes before the expiration of 5 years from the date of the issuance of the final judgment referred to, shall be considered as reoffender.

### ***18.2-7 Judgment by the Court***

The Court may, upon conviction, publish the judgment or its summary by a suitable means, and the convicted person shall bear the cost on the condition that such publication is upon request by the FTA to the Public Prosecution. The judgment imposing a penalty shall not exempt any person from the liability to settle any payable tax or Administrative Penalties.

## ***18.2-8 Review and Reconsideration of decision***

### ***18.2-8a Tax assessment review request***

A person may submit a request to the FTA to reconsider any decision, or part thereof, in connection to the person, provided that the request specifies reasons, in a prescribed form and manner, within 40 business days from the date of notification of the decision.

The FTA shall review the reconsideration request and issue a decision, including reasons within 40 business days from the date of receiving the application and inform the applicant of its decision within 5 business days from the date of issuing the decision.

If the review request is submitted, the taxable person cannot submit a request for reconsideration of a tax assessment until a decision is issued by the FTA or the period during which the FTA must issue a decision on the request has been expired.

### ***18.2-8b Request for reconsideration***

A person may submit a request to FTA to reconsider any decision, or part thereof, issued in connection to the person, provided that the request specifies reasons, in prescribed form and manner, within 40 business days from the date he was notified of the decision.

The FTA shall review the reconsideration request and issue a decision including reasons, within 40 business days from the date of receiving the application and inform the applicant of its decision within 5 business days from the date of issuing the decision.

It shall not be permissible to submit a request for reconsideration of a tax assessment if a request for review is submitted to the FTA in this regard until a decision is issued by the FTA or the expiry of the period during which the FTA must issue a decision on the request and inform the applicant of it.

## ***18.2-9 Dispute Resolution Committee***

The 'Tax Dispute Resolution Committee' shall be formed for the resolution of tax disputes between the taxable persons and the FTA. The Committee shall be chaired by a member of the judicial authority and two expert members registered in the register of tax experts. The members shall be appointed by a decision by the Minister of Justice in coordination with the Minister of Finance. A Cabinet decision shall be issued regarding the Committee's by laws, the remuneration of its members, and the procedures to be followed.

### ***18.2-9a Matters to be decided by the Committee***

The Committee shall decide matters in respect of objections submitted regarding the reconsideration requests. The objections can be filed before the Committee regarding FTA's decisions on reconsideration requests and the reconsideration



requests submitted to the FTA where the FTA has not made a decision on them according to the provisions of the tax procedure law and other jurisdictions entrusted by the Cabinet. An objection to the FTA's decision in respect of a reconsideration request shall be submitted within 40 business days from the date of being notified of the FTA's decision.

#### ***18.2-9b Matters the Committee cannot accept***

An objection submitted to the Committee shall not be accepted if:

- (a) Reconsideration request has not been previously submitted to the FTA;
- (b) If the tax in connection with the objection has not been paid in full; or
- (c) If the objection is not submitted within the period of 40 business days.

On admission of the objection, the Committee shall review the objection submitted to it and make a decision within 20 business days. The Committee shall inform the person submitting the objection and the FTA of its decision within 5 business days of its issuance. The Committee's decision on the objection shall be final if the total amount of due tax and administrative penalties in respect of the decision does not exceed 1,00,000 Dirhams. Such a decision shall be considered as an executory instrument.

In all cases, tax disputes will not be accepted before the Competent Court if an objection has not been previously submitted to the Committee. The tax disputes involving an amount exceeding 1,00,000 Dirhams can be filed before the Federal Court within whose jurisdiction the Authority's Head Office or Branch is located.

The decisions issued in disputes exceeding 1,00,000 Dirhams shall be deemed as executory instruments if they are not appealed before the Court within 40 business days from the date of the notification of the outcome of the objection. The final decisions of the Committee, which have the power of executory instruments, shall be enforced through the execution judge at the Competent Court.

#### ***18.2-10 Procedures of Appeal before Courts***

The FTA and the person, as the case may be, may appeal the Committee's decision before the Competent Court within 40 business days from the date the Authority or the Person, as the case may be, was notified of the Committee's decision, in any of the two following cases:

- (a) Objecting to the Committee's decision in whole or in part;
- (b) Non-issuance of a decision by the Committee regarding an objection submitted to it in accordance with the provisions of this Decree-Law.

#### ***18.2-11 Inadmissible Appeal***

The appeal against the FTA filed before the Court shall be inadmissible if:

- (a) The Committee has not accepted the objection for non-filing of reconsideration request to FTA, or the tax in connection with the objection has not been

paid in full, or if the objection is not submitted before the Committee within the period of 40 business days;

- (b) If the person does not present proof of settlement of full tax to the FTA; and
- (c) If the person does not present proof of settling at least 50% of the administrative penalties determined pursuant to the Committee's decision or the Court's ruling.

The Cabinet shall, at a suggestion by the Finance Minister, issue a decision adopting an alternative mechanism for objection and appeal if the parties to the dispute are any of the federal or local Government entities specified in that decision.

## CHAPTER

# 19

# Transitional Rules



## 19.1 Introduction

The UAE is introducing the CT regime for the first time. While the CT Law provides for the computation of taxable income, exemptions, reliefs, registration, and compliance requirements, it is of utmost importance to prescribe provisions for the smooth transition to the CT regime. Chapter XIX of the UAE CT legislation outlines the transitional rules and procedures related to implementing Corporate Tax in the UAE. These rules provide guidance to taxable persons already operating in the UAE before the introduction of Corporate Tax.

Under Chapter 19, Article 61 lays down the transitional rules dealing with preparing the opening balance sheet and applying the GAAR provisions to the transactions entered before the commencement of the CT Law.

## 19.2 Article 61: Transitional Rules

Article 61 reads as follows:

- “1. A taxable person’s opening balance sheet for Corporate Tax purposes shall be the closing balance sheet prepared for financial reporting purposes under accounting standards applied in the State on the last day of the Financial Year that ends immediately before their first Tax Period commences, subject to any conditions or adjustments that may be prescribed by the Minister.
2. The opening balance sheet referred to in Clause 1 of this Article shall be prepared taking into consideration the arm’s length principle in accordance with Article 34 of this Decree-Law.
3. For the purposes of Clauses 1 and 2 of this Article, and as an exception to the provisions of Article 70 of this Decree-Law, the provisions of Article 50 of this Decree-Law shall apply to transactions or arrangements entered into on or after the date this Decree-Law is published in the Official Gazette.
4. The Cabinet may, at the suggestion of the Minister, issue a decision prescribing other transitional measures related to the implementation of this Decree-Law and the application of its provisions.”

### 19.2-1 Adjustments in respect of the closing balance sheet

The UAE CT regime does not require businesses to restate their balance sheet on the transition to the CT regime. A taxable person’s opening balance sheet for CT purposes would generally be their closing balance sheet for financial reporting purposes for the period that ends immediately before their first tax period begins.



## Transitional Rules

The following adjustments should be carried out in respect of the closing balance sheet drawn for the financial reporting purpose:

### **19.2-1a Arm's Length Principle**

The balance sheet shall be prepared after taking into consideration the arm's length pricing of the transactions between related parties and connected persons. For instance, the inter-company balances of the group concerns shall be subjected to adjustment under the arm's length principle. Similarly, all the items recorded in the opening balance sheet need to pass the test of the 'arm's length principle'.

### **19.2-1b General Anti-Abuse Rules 'GAAR'**

For preparing the opening balance sheet, the transactions or arrangements entered on or after the publication of the CT Law shall be subjected to GAAR under Article 50. The transactions or arrangements entered or after the publication of the CT Law must pass the scrutiny of GAAR. When it can reasonably be concluded that the entering into or carrying out of the transaction or arrangement, or any part of it, is not for a valid commercial or other non-fiscal reason which reflects economic reality; and the main purpose or one of the main purposes of the transaction or arrangement, or any part of it, is to obtain a Corporate Tax advantage that is not consistent with the intention or purpose of the CT Law, the balance sheet shall be updated to give effect to the determination of authority under GAAR provisions. Similarly, all the transactions or arrangements entered into after publication of the CT Law shall be subjected to GAAR provisions.

As per Article 70, the CT Law shall come into effect 15 days following the date of publication, whereas as per Article 61, the GAAR provisions shall apply for all the transactions or arrangements entered after publication of the CT Law in the Official Gazette. Thus, the GAAR provisions shall be applicable with retrospective effect.

### **19.2-2 Any other prescribed conditions**

The Cabinet, at the suggestion of the Minister, can issue any additional transitional measures related to the implementation of the CT Law and application of the provisions for the transitional phase.

In the exercise of the above powers, the *Ministerial Decision No. 120 of 2023* prescribes transitional adjustments. A taxable person holding any of the following assets may elect to adjust its taxable income for gains or losses recognised upon disposal:

- (a) Immovable property;
- (b) Intangible assets; and
- (c) Financial assets and liabilities.

These adjustments shall be allowed in respect of assets/liabilities owned before the first tax period by the Taxable Person, a member of the qualifying group or a tax group of the Taxable Person.



### **19.2-2a Gains or loss in respect of Immovable property**

A taxable person may elect to adjust its taxable income related to gains recognised on immovable property owned before the first tax period if all of the following conditions are met:

- (a) The asset is owned prior to the first tax period;
- (b) The asset is accounted for on a historical cost basis; and
- (c) The asset is disposed of or deemed to be disposed of at a profit, *i.e.* at a value exceeding the net book value.

Upon disposal of each qualifying immovable property, the taxable person shall make one of the following adjustments in respect of each Qualifying Immovable Property:

- (a) Exclude the difference between the market value at the start of the first tax period (as determined by the relevant Government competent authority in UAE) and the higher of the original cost and the net book value; or
- (b) Exclude the gain computed in the following steps:

*Step 1:* Calculate the amount of gain at a deemed cost (higher of the original cost and the net book value at the start of the first Tax Period).

*Step 2:* 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.

*Step 3:* Multiply the amount calculated in *Step 1* by the number calculated in *Step 2*.

*Step 4:* The amount calculated in *Step 3* shall be the amount of gain on the Qualifying Immovable Property to be excluded from the Taxable Income during the relevant Tax Period.

The election 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.

### **19.2-2b Gains or loss in respect of Intangible assets**

A taxable person may elect to adjust its taxable income related to gains recognised on Intangible Assets owned before the first tax period if all of the following conditions are met:

- (a) The asset is owned prior to the first tax period;
- (b) The asset is accounted for on a historical cost basis; and
- (c) The asset is disposed of or deemed to be disposed of at a profit, *i.e.* at a value exceeding the net book value.

Upon disposal of the qualifying intangible asset, the taxable person shall exclude the gain computed in the following steps:

*Step 1:* Calculate the amount of gain at a deemed cost (higher of the original cost and the net book value at the start of the first Tax Period).

*Step 2:* 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. The number of days the Qualifying Intangible Asset is owned before the first Tax Period shall not exceed 10 years, except under exceptional circumstances and pursuant to approval by the Authority.

*Step 3:* Multiply the amount calculated in *Step 1* by the number calculated in *Step 2*.

*Step 4:* The amount calculated in *Step 3* shall be the amount of gain on the Qualifying Intangible Asset to be excluded from the Taxable Income during the relevant Tax Period.

The election shall be made in respect of each Qualifying Intangible Asset 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.

### **19.2-2c Gains or loss in respect of Financial Assets and Liabilities**

A taxable person may adjust its taxable income for the purposes of calculating the gains and losses arising with regards to qualifying financial assets and qualifying financial liabilities, if such asset/liability is owned prior to the first tax period and accounted for on a historical cost basis.

A taxable person may exclude any gains/losses arising from the sale of qualifying financial assets and qualifying financial liabilities had such asset/liability been disposed at market value with the cost of assets or liabilities equal to net book value.

The election shall be made in respect of each Qualifying Financial Assets and Liabilities 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.



## CHAPTER

# 20 Closing Provisions

## 20.1 Introduction

Chapter XX of the CT Law contains a few Articles which are important for the operation of the law. The Chapter covers the Articles with respect to the powers of the Cabinet, the Minister and the Authority. It also contains provisions regarding the delegation of powers and powers pertaining to administrative policies and procedures.

The Chapter gives statutory force to revenue sharing amongst the federal and State Governments. The Chapter clarifies that in case of inconsistency, the text and provisions contrary to the CT Law shall be repealed. However, the International Agreements shall prevail over the CT Law.

The CT Law applies to all financial years commencing on or after 1 June 2023. The CT Law shall come into effect 15 days following the date of publication in the official gazette.

The Chapter comprises of following Articles:

- (a) Article 62: Delegation of Power
- (b) Article 63: Administrative Policies and Procedures
- (c) Article 64: Cooperating with the Authority
- (d) Article 65: Revenue Sharing
- (e) Article 66: International Agreements
- (f) Article 67: Implementing Decisions
- (g) Article 68: Cancellation of Conflicting Provisions
- (h) Article 69: Application of this Decree-Law to Tax Periods
- (i) Article 70: Publication and Application of this Decree-Law

## 20.2 Article 62: Delegation of Power

Article 62 reads as follows:

*"The Minister may delegate his powers under this Decree-Law, in full or in part, to the Authority, where the Minister deems appropriate."*

### 20.2-1 Overview

The Cabinet and the Ministry of Finance assume high statutory authority under the CT Law. However, it would be practically difficult and challenging for the Cab-

inet and Ministry to deal with each matter arising from implementing the CT Law. Hence, to ease the administrative difficulties, the Minister may delegate the powers to the Federal Tax Authority (FTA) where it deems appropriate.

## 20.3 Article 63: Administrative Policies and Procedures

Article 63 reads as follows:

*"The administrative policies, procedures and general instructions in relation to the requirements imposed on a Person under this Decree-Law shall be issued by the Authority in coordination with the Ministry."*

### 20.3-1 Overview

The CT Law grants powers to the FTA to issue administrative policies, procedures, and general instructions in relation to the requirements imposed on a person under the CT Law. The FTA shall issue the policies, procedures, and instructions in coordination with the Ministry of Finance. The policies, procedures and instructions issued by the FTA shall be binding on the persons.

## 20.4 Article 64: Cooperating with the Authority

Article 64 reads as follows:

*"All Governmental authorities in the State shall fully cooperate with the Authority to carry out whatever is required to implement the provisions of this Decree-Law and provide the Authority with any data, information and documentation in respect of a Taxable Person or an Exempt Person as may be requested by the Authority."*

### 20.4-1 Overview

In the age of technology and communication, Government departments collect data through various sources. For example, the VAT department may have access to the turnover and expenditure (input tax credit) of the taxable person. Such data can be further analysed to identify and attack revenue leakages and tax avoidance practices. Smooth integration and seamless exchange of information amongst Government authorities are very important for the success of taxing statutes.

Article 64 states that all Governmental authorities in UAE shall fully cooperate with the FTA to implement the provisions of the CT Law and provide the FTA with any data, information, and documentation in respect of a taxable or exempt person as may be requested by the FTA.

## 20.5 Article 65: Revenue Sharing

Article 65 reads as follows:

*"Corporate Tax revenues and Administrative Penalties collected under this Decree-Law shall be subject to sharing between the Federal Government and*



*the Local Governments based on the provisions of a federal law issued in this regard."*

### **20.5-1 Overview**

Levy and collection of the corporate tax and penalties under the CT Law shall be an important revenue source for the exchequer. The collection of the corporate tax shall provide more funds for the Government for the economic and overall development of the state. The corporate tax collection is likely to reduce the dependence of the UAE on oil revenue.

While the CT Law is federal law and is levied by the Cabinet and the Minister of Finance in the Federal Government, the revenue shall be shared between the Federal Government and the Local Governments. The sharing ratio and amount shall be decided based on the provisions of the federal law issued in this regard.

## **20.6 Article 66: International Agreements**

Article 66 reads as follows:

*"To the extent the terms of an international agreement that is in force in the State are inconsistent with the provisions of this Decree-Law, the terms of the international agreement shall prevail."*

### **20.6-1 Overview of DTAA**

To avoid double taxation and to stimulate economic relations, countries enter into double-tax avoidance agreements (known as 'DTAA' or 'tax treaties'). The tax treaties allocate taxing rights between the residence and the source country. In a few cases, the source country may give up its right to tax or agree to apply a lower rate on the income earned by a resident of the treaty partner jurisdiction. The residence country may follow either a credit or exemption method to avoid double taxation of the income.

### **20.6-2 International Agreements and UAE CT Law**

As per the provisions of the UAE CT Law, the income may be taxable in the source country. However, the UAE Government might have agreed with the foreign country not to tax the income in the UAE. Similarly, against the higher tax rate under domestic law, UAE may agree to tax specific income at a lower/concessional tax rate. Which shall prevail in such cases of conflict between the CT Law and the international double tax avoidance agreements? The CT Law is federal law, and it has a force of the law of the land, whereas the international agreement is the commitment of the Government.

To clarify, Article 66 of the CT Law provides that the terms of an international agreement shall prevail over the CT Law to the extent of the inconsistency. Where the international agreement is silent, or the CT Law is not in conflict with the agreement, the CT Law shall hold the ground.

For example, Article 14 defines permanent establishment under the CT Law, whereas the international agreement may have a different scope of determination of permanent establishment. In such a scenario, the definition and scope as per the treaty shall prevail over Article 14 of the CT Law.

### **20.6-3 List of Double Taxation Avoidance Agreements (DTAA) the UAE has signed with other Countries**

No.	Country	Final Sign	Ministerial Decree	Federal Decree	Date of Decree Issuance	Entry into force
1	Albania	13/3/2014	(6/1/6) 2015	(37) 2015	25/3/2015	26/3/2015
2	Algeria	24/4/2001	(320/9) 2001	(84) 2001	28/11/2001	25/6/2004
3	Andorra	28/7/2015	(61/4/9) 2016	(166) 2016	1/11/2016	1/8/2017
4	Angola	8/2/2018	(16/3) 2019	(153) 2019	19/12/2019	28/3/2020
5	Antigua and Barbuda	15/1/2017	(10/9) 2017	(32) 2018	1/2/2018	24/2/2022
6	Argentina	3/11/2016	(16/5) 2017	(58) 2017	31/5/2017	20/1/2019
7	Armenia	22/4/2002	(549/9) 2003	(74) 2004	29/12/2004	11/1/2005
8	Austria	23/9/2003	(521/13) 2003	(26) 2004	27/4/2004	23/9/2004
	Austria (Protocol Amendment)	1/7/2021	(9/9) 2021	(13) 2022	31/1/2022	
9	Azerbaijan	20/11/2006	(332/3) 2006	(42) 2007	30/4/2007	12/6/2007
10	Bangladesh	17/1/2011	(221/11/20) 2011	(17) 2012	2/2/2012	13/6/2011
11	Barbados	22/9/2014	(174/7/12) 2015	(141) 2015	18/11/2015	18/2/2016
12	Belarus	27/3/2000	(300/9) 2000	(2) 2001	2/1/2001	1/2/2001
	Belarus (Protocol Amendment)	29/3/2019	(7/9) 2019	(145) 2019	19/12/2019	1/5/2020
13	Belgium	30/9/1996	(527/9) 1996	(83) 1997	26/6/1997	22/12/2003
14	Belize	1/10/2015	(11/6) 2016	(230) 2016	29/11/2016	24/10/2017
15	Benin	4/3/2013	(55/2/22) 2014	(71) 2014	23/7/2014	
16	Bermuda	12/2/2015	(62/4/10) 2016	(140) 2016	16/10/2016	5/7/2019
17	Bosnia and Herzegovina	18/9/2006	(331/2) 2006	(39) 2007	30/4/2007	19/5/2009
18	Botswana	12/10/2018	(8/4) 2019	(143) 2019	19/12/2019	27/3/2020
19	Brazil	10/11/2018	(15/3) 2019	(151) 2019	19/12/2019	15/3/2021
20	Brunei Darussalam	21/5/2013	(16/1/16) 2014	(49) 2014	4/5/2014	21/11/2014
21	Bulgaria	26/6/2007	(211/11) 2007	(5) 2008	21/1/2008	16/11/2008
22	Burkina Faso	28/1/2020	(6/14) 2020	(195) 2020	21/12/2020	
23	Burundi	6/2/2017	(7/11) 2017	(65) 2018	14/3/2018	
24	Cameroon	13/7/2017	(8/10) 2017	(49) 2018	18/2/2018	8/7/2021

No.	Country	Final Sign	Ministerial Decree	Federal Decree	Date of Decree Issuance	Entry into force
25	Canada	9/6/2002	(587/10) 2002	(3) 2004	7/1/2004	25/5/2004
26	Chad	4/9/2018	(11/3) 2019	(150) 2019	19/12/2019	
27	Chile	31/12/2019	(10/13) 2020	(192) 2020	21/12/2020	28/7/2022
28	China	1/7/1993	(260/5) 1993	(38) 1994	5/6/1994	22/7/1994
29	Colombia	12/11/2017	(35/7) 2018	(198) 2018	18/12/2018	
30	Commonwealth of Dominica	21/1/2020				
31	Comoro Islands	26/3/2015	(10/6) 2016	(231) 2016	29/11/2016	2/1/2018
32	Costa Rica	3/10/2017	(17/3) 2019	(152) 2019	19/12/2019	9/6/2021
33	Cote D'ivoire	24/11/2021				
34	Croatia	13/7/2017	(7/1) 2018	(85) 2018	25/4/2018	1/1/2019
35	Cyprus	27/2/2011	(164/9/29) 2011	(24) 2013	14/2/2013	17/3/2013
36	Czech	30/9/1996	(526/8) 1996	(84) 1997	26/6/1997	1/1/2005
	Czech (new)	24/5/2023				
37	Democratic Republic of the Congo	12/10/2021	(20/2) 2022	(49) 2022	11/4/2022	24/1/2023
38	Ecuador	9/11/2016	(8/9) 2017	(31) 2018	1/2/2018	1/8/2021
39	Egypt (New)	14/11/2019	(11/13) 2020	(198) 2020	21/12/2020	19/4/2021
40	Equatorial Guinea	19/10/2016	(14/5) 2017	(59) 2017	31/5/2017	
41	Estonia	20/4/2011	(286/13/22) 2011	(30) 2012	26/2/2012	29/3/2012
42	Ethiopia	12/4/2015	(273/10/9) 2015	(40) 2016	8/3/2016	6/11/2018
43	Fiji	2/9/2012	(80/4/9) 2013	(64) 2013	11/6/2013	20/12/2013
44	Finland	12/3/1996	(244/10) 1996	(23) 1997	24/2/1997	26/12/1997
45	France	19/7/1989	(453/7) 1989	(83) 1989	15/11/1989	8/11/1994
46	Gabon	1/3/2019	(7/6) 2019	(139) 2019	19/12/2019	16/2/2023
47	Gambia	27/7/2015	(11/4) 2017	(57) 2017	31/5/2017	
48	Georgia	24/11/2010	(29/2/9) 2011	(32) 2011	28/3/2011	28/4/2011
49	Ghana	18/11/2019	(7/14) 2020	(201) 2020	21/12/2020	
50	Guinea	13/11/2011	(71/3/12) 2012	(50) 2012	21/5/2012	9/7/2014
51	Guinea- Bissau	7/8/2019	(10/4) 2020	(174) 2020	10/11/2020	
52	Hellenic	18/1/2010	(42/3/15) 2010	(60) 2010	27/6/2010	16/12/2014
	Hellenic (Protocol Amendment)	27/6/2013	(148/5/19) 2014	(130) 2014	20/11/2014	16/12/2014
53	Hong Kong	11/12/2014	(121/5/8) 2015	(104) 2015	3/11/2015	10/12/2015
54	Hungary	30/4/2013	(96/3/24) 2014	(73) 2014	23/7/2014	4/10/2014
55	India	29/4/1992	(245/8) 1992	(39) 1993	21/8/1993	15/9/1993
	India (Protocol)	27/3/2007	(105/7) 2007	(80) 2007	3/10/2007	3/10/2007

No.	Country	Final Sign	Ministerial Decree	Federal Decree	Date of Decree Issuance	Entry into force
	India (Protocol)	16/4/2012	(232/11/9) 2012	(17) 2013	11/2/2013	12/3/2013
56	Indonesia (New)	24/7/2019	(12/4) 2020	(173) 2020	10/11/2020	19/8/2021
57	Iraq	3/10/2017	(8/12) 2017	(62) 2018	14/3/2018	
58	Ireland	1/7/2010	(95/6/11) 2011	(66) 2011	6/7/2011	19/7/2011
59	Israel	31/5/2021	(26/5) 2021	(153) 2021	8/12/2021	29/12/2021
60	Italy	22/1/1995	(83/5) 1995	(62) 1995	20/11/1995	5/10/1997
61	Jamaica	20/10/2022				
62	Japan	2/5/2013	(56/2/23) 2014	(70) 2014	23/7/2014	24/12/2014
63	Jersey	20/4/2016	(11/9) 2016	2017	9/1/2017	25/9/2017
64	Jordan	5/4/2016	(15/7) 2016	(224) 2016	29/11/2016	10/1/2017
65	Kazakhstan	22/12/2008	(255/15) 2009	(47) 2009	30/6/2009	27/11/2013
66	Kenya	21/11/2011	(70/3/11) 2012	(51) 2012	21/5/2012	22/2/2017
67	Kingdom of Saudi Arabia	23/5/2018	(39/7) 2018	(193) 2018	18/12/2018	1/1/2020
68	Korea	22/9/2003	(520/12) 2003	(30) 2004	4/5/2004	9/3/2005
69	Korea	27/2/2019	(8/7) 2019	(142) 2019	19/12/2019	29/2/2020
70	Kosovo	20/5/2016	(3/1) 2017	(33) 2017	16/4/2017	3/7/2017
71	Kyrgyzstan	7/12/2014	(198/8/6) 2015	(142) 2015	18/11/2015	16/12/2015
72	Latvia	11/3/2012	(11/1/11) 2013	(54) 2013	26/5/2013	11/6/2013
73	Lebanon	17/5/1998	(308/16) 1998	(106) 1998	25/10/1998	23/3/1999
74	Liberia	30/4/2019	(11/4) 2020	(172) 2020	10/11/2020	
75	Libya	1/4/2013	(15/1/15) 2014	(50) 2014	4/5/2014	
76	Liechtenstein	1/10/2015	(8/10) 2016	2017	9/1/2017	24/2/2017
77	Lithuania	30/6/2013	(172/6/16) 2014	(127) 2014	20/11/2014	19/12/2014
78	Luxembourg	20/11/2005	(658/7) 2005	(31) 2006	7/5/2006	19/6/2009
	Luxembourg (Protocol Amendment)	26/10/2014	(122/5/9) 2015	(102) 2015	3/11/2015	1/1/2016
79	Macedonia	26/10/2015	(9/6) 2016	(232) 2016	29/11/2016	7/2/2017
80	Magnolia	21/2/2001	(493/6) 2001	(70) 2002	29/11/2002	24/2/2004
81	Malaysia	28/11/1995	(14/14) 1996	(35) 1996	17/6/1996	24/9/1996
82	Maldives	17/10/2017	(7/12) 2017	(68) 2018	14/3/2018	9/8/2018
83	Mali	6/3/2018				
84	Malta	13/3/2006	(99/5) 2006	(53) 2006	13/8/2006	13/9/2006
85	Mauritania	21/10/2015	(64/4/12) 2016	(169) 2016	1/11/2016	18/7/2019
86	Mauritius	18/9/2006	(319/9) 2006	(51) 2007	20/6/2007	25/9/2007
87	Moldova	10/7/2017	(6/1) 2018	(86) 2018	25/4/2018	26/7/2018
88	Monaco	13/11/2021	(13/10) 2022	(11) 2023	10/1/2023	
89	Montenegro	26/3/2012	(212/10/10) 2012	(16) 2013	11/2/2013	11/2/2013

No.	Country	Final Sign	Ministerial Decree	Federal Decree	Date of Decree Issuance	Entry into force
90	Morocco	9/2/1999	(119/10) 1999	(90) 1999	26/9/1999	1/7/2000
91	Mozambique	24/9/2003	(489/6) 2003	(28) 2004	4/5/2004	4/6/2004
92	Netherlands	8/5/2007	(138/6) 2007	(102) 2007	29/11/2007	2/6/2010
93	New Zealand	24/9/2003	(519/11) 2003	(29) 2004	4/5/2004	29/7/2004
94	Niger	9/12/2018	(9/7) 2019	(140) 2019	19/12/2019	18/8/2021
95	Nigeria	18/1/2016	(6/1) 2017	(34) 2017	16/4/2017	
96	Pakistan	7/2/1993	(58/12) 1993	(3) 1994	29/1/1994	20/11/2000
97	Palestine	24/9/2012	(81/4/10) 2013	(63) 2013	11/6/2013	
98	Panama	13/10/2012	(12/1/12) 2013	(53) 2013	26/5/2013	23/10/2013
99	Paraguay	16/1/2017	(12/9) 2017	(6) 2018	8/1/2018	20/1/2019
100	Philippine	23/9/2003	(548/8) 2003	(73) 2004	29/12/2004	2/10/2008
101	Poland	31/1/1993	(103/5) 1993	(7) 1994	29/1/2004	3/2/1994
	Poland (Protocol Amendment)	11/12/2013	(266/9/26) 2014	(10) 2015	15/1/2015	1/5/2015
102	Portugal	17/1/2011	(94/6/10) 2011	(67) 2011	6/7/2011	22/5/2012
103	Republic of Congo (Brazzaville)	13/3/2023				
104	Romania (New)	4/5/2015	(60/4/8) 2016	(137) 2016	16/10/2016	11/12/2016
105	Russia	7/12/2011	(172/8/15) 2012	(94) 2012	10/10/2012	23/6/2013
106	Rwanda	1/11/2017	(36/7) 2018	(197) 2018	18/12/2018	4/12/2019
107	Saint Kitts and Nevis	24/11/2016	(9/10) 2017	(51) 2018	18/2/2018	
108	Saint Vincent and the Grenadines	25/11/2018	(13/3) 2019	(154) 2019	19/12/2019	
109	San Marino	11/7/2018	(12/3) 2019	(149) 2019	19/12/2019	
110	Senegal	22/10/2015	(66/4/14) 2016	(138) 2016	16/10/2016	2/7/2017
111	Serbia	13/1/2013	(82/4/11) 2013	(65) 2013	11/6/2013	2/7/2013
112	Seychelles	19/9/2006	(297/6) 2006	(8) 2007	6/2/2007	14/4/2007
113	Sierra Leone	22/12/2019	(5/15) 2020	(194) 2020	21/12/2020	
114	Singapore	1/12/1995	(13/13) 1996	(34) 1996	17/6/1996	18/7/1996
	Singapore Protocol Second Amendment	31/10/2014	(173/7/11) 2015	(140) 2015	18/11/2015	16/3/2016
115	Slovak	21/12/2015	(9/10) 2016	2017	9/1/2017	1/4/2017
116	Slovenia	12/10/2013	(121/4/14) 2014	(72) 2014	23/7/2014	29/9/2014
117	South Africa	23/11/2015	(110/5/9) 2016	(168) 2016	1/11/2016	23/11/2016
118	South Sudan	23/4/2019	(8/9) 2019	(148) 2019	19/12/2019	
119	Spain	5/3/2006	(100/6) 2006	(54) 2006	13/8/2006	2/4/2007

No.	Country	Final Sign	Ministerial Decree	Federal Decree	Date of Decree Issuance	Entry into force
120	Sri Lanka	24/9/2003	(488/5) 2003	(27) 2004	4/5/2004	4/7/2004
121	Sudan	15/3/2001	(346/9) 2001	(83) 2001	28/11/2001	6/6/2004
122	Suriname	4/11/2018	(14/3) 2019	(136) 2019	19/12/2019	
123	Switzerland	6/10/2011	(22/1/22) 2012	(35) 2012	8/4/2012	21/10/2012
	Switzerland (Protocol)	5/11/2022				
124	Syria	26/1/2000	(104/7) 2000	(72) 2000	11/6/2000	12/1/2002
125	Tajikistan	17/12/1995	(434/8) 1999	(16) 2000	29/1/2000	27/3/2000
126	Tanzania	26/9/2022				
127	Thailand	1/3/2000	(206/11) 2000	(105) 2000	12/11/2000	4/1/2001
128	The Co-operative Republic of Guyana	24/3/2022				
129	Tunisia	10/4/1996	(260/13) 1996	(25) 1997	24/2/1997	27/5/1997
130	Turkey	29/1/1993	(84/8) 1993	(5) 1994	29/1/1994	29/1/1995
131	Turkmenistan	9/6/1998	(406/13) 1999	(108) 1999	24/11/1999	30/12/2011
	Turkmenistan (Protocol Amendment)	15/3/2018	(37/7) 2018	(192) 2018	18/12/2018	5/2/2019
132	Uganda	8/6/2015				
133	Ukraine	22/1/2003	(119/10) 2003	(11) 2004	28/2/2004	9/3/2004
	Ukraine (Protocol Amendment)	14/2/2021	(4/11) 2021	(17) 2022	31/1/2022	
134	United Kingdom of Great Britain and Northern Ireland	12/4/2016	(12/9) 2016	(243) 2016	25/12/2016	25/12/2016
135	United Mexican States	2012/11/20	(109/5/11) 2013	(79) 2013	20/6/2013	9/7/2014
136	Uruguay	10/10/2014	(43/2/6) 2015	(64) 2015	1/6/2015	14/6/2016
137	Uzbekistan	26/10/2007	(64/8) 2008	(70) 2008	28/9/2008	25/2/2011
138	Venezuela	11/12/2010	(30/2/10) 2011	(33) 2011	28/3/2011	20/6/2011
139	Vietnam	16/2/2009	(319/10) 2009	(77) 2009	11/10/2009	12/4/2010
140	Yemen	13/2/2001	(159/6) 2001	(73) 2001	25/8/2001	1/1/2004
141	Zambia	7/2/2020	(12/13) 2020	(196) 2020	21/12/2020	13/1/2023
142	Zimbabwe	17/6/2018	(10/10) 2019	(12) 2020	14/1/2020	7/2/2021

## 20.7 Article 67: Implementing Decisions

Article 67 reads as follows:

- "1. Subject to the powers conferred to the Cabinet under this Decree-Law, the Minister and the Authority shall issue the necessary decisions, within their respective powers, to implement the provisions of this Decree-Law.
2. The Cabinet may, at the suggestion of the Minister, issue implementing decisions for this Decree-Law."

### **20.7-1 Overview**

The Cabinet may confer powers to the Minister or to the FTA to issue necessary decisions in respect of delegated fields. Such powers may cover various areas like refund, assessment procedures, return procedures, tax collection procedures, etc. Such decisions can be issued by the Minister or the FTA to implement the provisions of the CT Law within the delegated power. Any decision issued overriding the delegated powers shall not receive the binding force of Article 67. Similarly, the Cabinet may, at the suggestion of the Minister, issue decisions implementing the CT Law.

## **20.8 Article 68: Cancellation of Conflicting Provisions**

Article 68 reads as follows:

*"Any text or provisions contrary to or inconsistent with the provisions of this Decree- Law shall be abrogated."*

### **20.8-1 Overview**

Article 68 grants overriding effect to the CT Law. The CT Law provisions override any other text or provisions which are contrary to or inconsistent. Any text or provisions contrary to or inconsistent with the provisions of the CT Law shall be abolished from the time when the CT Law comes into force.

## **20.9 Article 69: Application of this Decree-Law to Tax Periods**

Article 69 reads as follows:

*"This Decree-Law shall apply to Tax Periods commencing on or after 1 June 2023."*

### **20.9-1 Overview**

The CT Law shall apply to the tax periods commencing on or after 1 June 2023. The taxable income of the taxable person shall attract the CT levy for all the tax periods, which begins after 1 June 2023. Under Article 57, the taxable person can adopt the Gregorian calendar year, or the 12 months period as a tax period for which the taxable person prepares financial statements.

### **20.9-2 Illustration**

Particulars	Scenario 1	Scenario 2	Scenario 3
Financial Year ends at	30 June 2023	31 December 2023	31 March 2024
Tax Period Applicable	1 July 2023 – 30 June 2024	1 January 2024 – 31 December 2024	1 April 2024 – 31 March 2025

### **20.10 Article 70: Publication and Application of this Decree-Law**

Article 70 reads as follows:

*"This Decree-Law shall be published in the Official Gazette and shall come into effect (15) fifteen days following the date of publication."*

### **20.10-1 Overview**

The CT Law shall be published in the Official Gazette and shall come into effect 15 days following the date of publication. The CT Law was notified on 3 October 2022 and published on 10 October 2022. Accordingly, the CT Law has come into force with effect from 26 October 2022.

ca.bashirabu@gmail.com 13-01-2025  
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## APPENDIX

**[Matters Published in Appendix are not  
Official Translation]**



## Federal Decree-Law No. 60 of 2023

### Amending Certain Provisions of the Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses

We Mohamed bin Zayed Al Nahyan President of the United Arab Emirates,

- 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. 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,

Have issued the following Decree-Law:

#### Article One

1. Two new definitions shall be added to the definitions under Article (1) of the Federal Decree-Law No. (47) of 2022 referred to above:

**Top-up Tax:** The top-up tax imposed on Multinational Enterprises in accordance with this Decree-Law and the rules and controls to be determined by the Cabinet under Article (3) of this Decree-Law for the purposes of the pillar two rules issued by the Organization for Economic Cooperation and Development.

**Multinational Enterprise:** An entity and/or one or more of its member entities located in the State or in a foreign jurisdiction, as specified in a decision to be issued by the Cabinet at the suggestion of the Minister.

2. A new Clause numbered (3) shall be added to Article (3) of the Federal Decree-Law No. (47) of 2022 referred to above, its text is as follows:

#### Article (3 Clause 3)

Without prejudice to the provisions of Clauses (1) and (2) of this Article, the Cabinet at the suggestion of the Minister shall issue a decision regulating all cases, provisions, conditions, rules, controls, and procedures for imposing the Top-up Tax on Multinational Enterprises and the exemptions therefrom, so that the total percentage of the effective tax imposed on them is (15%) fifteen per cent.

#### Article Two

The text of Article (65) of the Federal Decree-Law No. (47) of 2022 referred to above, shall be replaced by the following text:

Corporate Tax and Top-up Tax revenues and Administrative Penalties collected under this Decree-Law shall be subject to sharing between the Federal Government and the Local Governments based on the provisions of a federal law in force in this regard.

### Article Three

As an exception to the provisions of Article Four of this Decree-Law, the provisions of the Top-up Tax specified in Clause (2) of Article One of this Decree-Law shall come into effect as of the date specified in a decision issued by the Cabinet at the suggestion of the Minister, and such decision shall be published in the Official Gazette.

### Article Four

This Decree-Law shall be published in the Official Gazette, and shall come into effect on the day following its publication.

**Mohamed bin Zayed Al Nahyan**

**President of the United Arab Emirates**

Issued by us in the presidential palace - Abu Dhabi:

Date: 17/ Rabi' al-Awwal /1445H

Corresponding: 02/October/2023



**This is not an official translation:**

## **The Timeline specified for Registration of Taxable Persons for Corporate Tax for the purposes of Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses and its amendments**

### **Federal Tax Authority Decision No. 3 of 2024 – Issued on 22 February, 2024 (Effective from 1 March 2024)**

**The Chairman of the Board of Directors of the Federal Tax Authority has decided:**

- Having reviewed the Constitution;
- 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, and its amendments;
- 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;
- 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;
- Cabinet Decision No. 74 of 2023 on the Executive Regulation of the Federal Decree-Law No. 28 of 2022 on Tax Procedures;
- 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, and its amendments;
- Ministerial Decision No. 43 of 2023 Concerning Exception from Tax Registration for the Purpose of Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses;
- Decision of the Chairman of the Board of Directors No. 9 of 2021 on the Delegation to the Vice Chairman of the Board of Directors of the Federal Tax Authority; and
- Pursuant to the approval of the Board of Directors on the Timeline specified for Registration of Persons for Corporate Tax, at the 30<sup>th</sup> meeting held on 29 December, 2023 and the 31<sup>st</sup> meeting held on 23 February, 2024.

## Article 1 – Definitions

The words and expressions contained in this Decision shall have the same meaning assigned against each in the Federal-Decree Law No. 47 of 2022 referred to above, unless the context otherwise requires.

## Article 2 – Registration of Persons for Corporate Tax Purposes

For the purposes of Clause 1 of Article 51 of the Federal Decree-Law No. 47 of 2022 referred to above, any Taxable Person shall submit an application for Tax Registration in accordance with the timelines prescribed in Articles 3, 4 and 5 of this Decision.

## Article 3 – Timeline for the Tax Registration of Resident Juridical Persons

1. A juridical person that is a Resident Person, incorporated or otherwise established or recognised prior to the effective date of this Decision, shall submit the Tax Registration application, in accordance with the following table:

Date of Licence issuance irrespective of year of issuance	Deadline for submitting a Tax Registration application
1 January – 31 January	31 May 2024
1 February – 28/29 February	31 May 2024
1 March – 31 March	30 June 2024
1 April – 30 April	30 June 2024
1 May – 31 May	31 July 2024
1 June – 30 June	31 August 2024
1 July – 31 July	30 September 2024
1 August – 31 August	31 October 2024
1 September – 30 September	31 October 2024
1 October – 31 October	30 November 2024
1 November – 30 November	30 November 2024
1 December – 31 December	31 December 2024
Where a person does not have a Licence at the effective date of this Decision	(3) three months from the effective date of this Decision

2. For the purposes of Clause 1 of this Article, where a juridical person has more than one Licence, the Licence with the earliest issuance date shall be used.
3. A juridical person that is a Resident Person incorporated or otherwise established or recognised on or after the effective date of this Decision, shall submit a Tax Registration application, in accordance with the following table:

Category of juridical persons	Deadline for submitting a Tax Registration application
A person that is incorporated or otherwise established or recognised under the applicable legislation in the State, including a Free Zone Person	(3) three months from the date of incorporation, establishment or recognition

A person that is incorporated or otherwise established or recognised under the applicable legislation of a foreign jurisdiction that is effectively managed and controlled in the State	(3) three months from the end of the Financial Year of the person
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#### **Article 4 – Timeline for the Tax Registration of Non-Resident Juridical Persons**

1. A juridical person, that is a non-resident person prior to the effective date of this Decision, shall submit a Tax Registration application in accordance with the following table:

<b>Category of juridical persons</b>	<b>Deadline for submitting a Tax Registration application</b>
A person that has a Permanent Establishment in the State	(9) nine months from the date of existence of the Permanent Establishment
A person that has a nexus in the State	(3) three months from the effective date of this Decision.

2. A juridical person, that is a Non-Resident Person on or after the effective date of this Decision, shall submit a Tax Registration application in accordance with the following table:

<b>Category of juridical persons</b>	<b>Deadline for submitting a Tax Registration application</b>
A person that has a Permanent Establishment in the State	(6) six months from the date of existence of the Permanent Establishment
A person that has a nexus in the State	(3) three months from the date of establishment of the nexus

#### **Article 5 – Timeline for Tax Registration of Natural Persons**

A natural person conducting a Business or Business Activity in the State shall submit a Tax Registration application in accordance with the following table:

<b>Category of natural persons</b>	<b>Deadline for submitting a Tax Registration application</b>
A resident person who is conducting a Business or Business Activity during the 2024 Gregorian calendar year or subsequent years whose total Turnover derived in a Gregorian calendar year exceeds the threshold specified in the relevant tax legislation	31 March of the subsequent Gregorian calendar year
A non-resident person who is conducting a Business or Business Activity during the 2024 Gregorian calendar year or subsequent years whose total Turnover derived in a Gregorian calendar year exceeds the threshold specified in the relevant tax legislation	(3) three months from the date of meeting the requirements of being subject to tax

### **Article 6 – Late Registration for Corporate Tax**

Where Persons referred to in Articles 3, 4 and 5 of this Decision fail to submit a Tax Registration application as per the timelines stated above, Administrative Penalties shall be applied in accordance with Cabinet Decision No. 75 of 2023 referred to above.

### **Article 7 - Abrogation of Conflicting Provisions**

All provisions contrary to or inconsistent with the provisions of this Decision shall be abrogated.

### **Article 8 – Publication and Application of this Decision**

This Decision shall be published in the Official Gazette and shall come into effect as of 1 March, 2024.



**This is not an official Translation:**

## **Conditions for Change in Tax Period for the Purposes of Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses**

### **Federal Tax Authority Decision No. 5 of 2023 Issued on 7 April, 2023 (Effective from 1 June, 2023)**

**The Chairman of the Board of Directors of the Federal Tax Authority has decided:**

- Having reviewed the Constitution,
- 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. 36 of 2017 on the Executive Regulation of Federal Law No. 7 of 2017 on Tax Procedures, and its amendments,
- Decision of the Chairman of the Board of Directors No. 9 of 2021 on the Delegation to the Vice Chairman of the Board of Directors of the Federal Tax Authority,
- Pursuant to the approval of the Board of Directors of the policy on conditions for change in the tax period, at the twenty-fifth meeting held on 28 February, 2023,

#### **Article 1 – Definitions**

The words and expressions contained in this Decision shall have the same meaning assigned against each in the Federal Decree-Law No. 47 of 2022 referred to above, unless the context otherwise requires.

#### **Article 2 – Conditions for Change in Tax Period**

For the purposes of Article 58 of Federal Decree-Law No. 47 of 2022 referred to above, the Taxable Person can make an application to the Authority to change the start and end date of the Tax Period, or use a different Tax Period, where the following conditions are met:

1. The change is for one of the following reasons :
  - a. The Taxable Person's liquidation;
  - b. Aligning the Resident Taxable Person's Financial Year with the Financial Year of another Resident Person for the purpose of forming a Tax Group or joining an existing Tax Group, or aligning the Taxable Person's Financial Year with the Financial Year of its domestic or foreign head office, subsidiary, parent, or ultimate parent company, for the purpose of financial reporting, or to benefit from a tax

- relief available under the Federal Decree-Law No. 47 of 2022 referred to above or under the legislation of a foreign jurisdiction; or
- c. There is valid commercial, economic, or legal reason to change the Tax Period.
  2. The Taxable Person has not yet filed the Tax Return for the Tax Period he is applying to change.
  3. The application for change in Tax Period is in respect of any of following :
    - a. Extend the current Tax Period to be a maximum of 18 months; or
    - b. Shorten the next Tax Period to be between 6 and 12 months.
  4. The application shall be made before the lapse of 6 months from the end of the original Tax Period.
  5. Where the Taxable Person filed an application to shorten a Tax Period, the application shall not be in respect of a prior or current Tax Period.

### **Article 3 – Abrogation of Conflicting Provisions**

Any provisions contrary to or inconsistent with the provisions of this Decision shall be abrogated.

### **Article 4 – Implementation of the Decision**

This Decision shall be published in the Official Gazette and shall come into effect as of 1 June, 2023.

ca.basithabdul@gmail.com 20-01-2025  
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**This is not an official Translation:**

## **Tax Deregistration Timeline for the Purposes of Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses**

### **Federal Tax Authority Decision No. 6 of 2023 Issued on 7 April, 2023 (Effective from 1 June, 2023)**

**The Chairman of the Board of Directors of the Federal Tax Authority has decided:**

- Having reviewed the Constitution,
- 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. 36 of 2017 on the Executive Regulation of Federal Law No. 7 of 2017 on Tax Procedures, and its amendments,
- Decision of the Chairman of the Board of Directors No. 9 of 2021 on the Delegation to the Vice Chairman of the Board of Directors of the Federal Tax Authority, and
- Pursuant to the approval of the Board of Directors on the policy of tax deregistration timeline, at the twenty-fifth meeting held on 28 February 2023.

#### **Article 1 – Definitions**

The words and expressions contained in this Decision shall have the same meaning assigned against each in the Federal Decree-Law No. 47 of 2022 referred to above, unless the context otherwise requires.

#### **Article 2 – Timeline to Apply for Tax Deregistration**

For the purposes of Clause 1 of Article 52 of Federal Decree-Law No. 47 of 2022 referred to above, the Tax Deregistration application shall be filed in accordance with the following timelines:

1. The natural person shall file a Tax Deregistration application within 3 months of the date of cessation of the Business or Business Activity.
2. The juridical person shall file a Tax Deregistration application within 3 months of the date the entity ceases to exist, cessation of the Business, dissolution, liquidation or otherwise.

### **Article 3 – Abrogation of Conflicting Provisions**

Any provisions contrary to or inconsistent with the provisions of this Decision shall be abrogated.

### **Article 4 – Implementation of the Decision**

This Decision shall be published in the Official Gazette and shall come into effect as of 1 June 2023.

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**This is not an official Translation:**

## **Provisions of Exemption from Corporate Tax for the Purposes of Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses**

### **Federal Tax Authority Decision No. 7 of 2023 Issued on 7 April, 2023 (Effective from 1 June, 2023)**

**The Chairman of the Board of Directors of the Federal Tax Authority has decided:**

- Having reviewed the Constitution,
- 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. 36 of 2017 on the Executive Regulation of Federal Law No. 7 of 2017 on Tax Procedures, and its amendments,
- Decision of the Chairman of the Board of Directors No. 9 of 2021 on the Delegation to the Vice Chairman of the Board of Directors of the Federal Tax Authority, and
- Pursuant to the approval of the Board of Directors of the tax registration policy for exempt persons, the policy on the timeline for exempt persons to apply for exemption, and the policy for determining the scenarios where the exemption is approved from an effective date other than the start date of the tax period, at the twenty-fifth meeting held on 28 February 2023.

#### **Article 1 – Definitions**

The words and expressions contained in this Decision shall have the same meaning assigned against each in the Federal Decree-Law No. 47 of 2022 referred to above, unless the context otherwise requires.

#### **Article 2 – Corporate Tax Registration and Application for Exemption**

1. The Person included in the category mentioned in paragraph (e) of Clause 1 of Article 4 of Federal Decree-Law No. 47 of 2022 referred to above, shall apply for Tax Registration and obtain a Tax Registration Number as of 1 October 2023.
2. The Person included in any of the categories mentioned in paragraphs (f), (g), (h) and (i) of Clause 1 of Article 4 of Federal Decree-Law No. 47 of 2022 referred to above, shall apply for Tax Registration and obtain a Tax Registration Number as of 1 June 2024.



## Federal Tax Authority Decision No. 7 of 2023

3. If the Authority approves the application for Tax Registration, the Person included in any of the categories mentioned in paragraphs (f), (g), (h) and (i) of Clause 1 of Article 4 of Federal Decree-Law No. 47 of 2022 referred to above, may be entitled to submit an application for exemption from Corporate Tax where the relevant exemption conditions set forth in Federal Decree-Law No. 47 of 2022 referred to above, are met.
4. The Authority may request the Exempt Person in accordance with Clauses 1 and 3 of this Article to file an annual declaration confirming that it still fulfils the exemption conditions.

### **Article 3 – Timeline to Apply for Exemption and its Effective Date**

1. The Person included in any of the categories referred to in Clause 2 of Article 2 of this Decision, shall apply for exemption within 60 business days from the end of the Tax Period in which the Person met the conditions for exemption.
2. If the Authority approves the application for exemption set forth in Clause 1 of this Article, the exemption shall be effective from the start of the Tax Period specified in the application.
3. The Authority may determine an alternative date for the effective date of the exemption other than the date specified in Clause 2 of this Article where any of the following scenarios, or other similar scenarios, takes place:
  - a. If the Tax Period specified in the registration form is incorrect, the exemption shall be effective from the correct date.
  - b. If the applicant is acquired during a Tax Period by one or more Persons included in the categories referred to in paragraphs (a), (b), (f) and (g) of Clause 1 of Article 4 of Federal Decree-Law No. 47 of 2022 referred to above, the exemption shall not be granted from the start of the Tax Period if the conditions for exemption were not met at that time. The Authority shall determine another date from which the exemption shall be granted to ensure that the date of exemption starts after the fulfilment of all remaining tax obligations.
  - c. If the Tax Period included in the application for exemption is incorrect and the Authority receives sufficient supporting information to evidence that the conditions have been met within the later Tax Period, the exemption shall be effective after the date of fulfilment of the conditions.
  - d. Any other instances specified by a decision issued by the Cabinet in accordance with paragraph (i) of Clause 1 of Article 4 of Federal Decree-Law No. 47 of 2022 referred to above.

### **Article 4 – Abrogation of Conflicting Provisions**

Any provisions contrary to or inconsistent with the provisions of this Decision shall be abrogated.

### **Article 5 – Implementation of the Decision**

This Decision shall be published in the Official Gazette and shall come into effect as of 1 June 2023.



**This is not an official Translation:**

## **Requirements of Submitting a Declaration for Exempt Persons for purposes of Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses**

### **Federal Tax Authority Decision No. 11 of 2023 Issued on 16 August 2023 – (Effective from the Date of Publishing in the Official Gazette)**

**The Chairman of the Board of Directors of the Federal Tax Authority has decided:**

- Having reviewed the Constitution,
- 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. 74 of 2023 on the Executive Regulation of Federal Decree-Law No. 28 of 2022 on Tax Procedures,
- Decision of the Chairman of the Board of Directors No. 9 of 2021 on the Delegation to the Vice Chairman of the Board of Directors of the Federal Tax Authority, and
- Pursuant to the approval of the Board of Directors on the requirements of submitting a declaration for exempt persons, at the 26th meeting held on 26 April 2023.

#### **Article 1 – Definitions**

The words and expressions contained in this Decision shall have the same meaning assigned against each in the Federal Decree-Law No. 47 of 2022 referred to above, unless the context otherwise requires.

#### **Article 2 – The Requirements of Submitting a Declaration for Exempt Persons**

For the purposes of Clause 5 of Article 53 of the Federal Decree-Law No. 47 of 2022 referred to above, Persons exempt under paragraphs (e), (f), (g), (h) and (i) of Clause 1 of Article 4 of the Federal Decree-Law No. 47 of 2022 referred to above, shall submit an annual declaration, no later than (9) nine months from the end of the relevant Tax Period, which includes declaring the continuity of fulfilling the relevant exemption conditions stipulated in the Federal Decree-Law No. 47 of 2022 referred to above and that their records with the FTA are still valid.



*Federal Tax Authority Decision No. 11 of 2023*

### **Article 3 – Abrogation of Conflicting Provisions**

All provisions contrary to or inconsistent with the provisions of this Decision shall be abrogated.

### **Article 4 – Implementation of the Decision**

This Decision shall be published in the Official Gazette and shall come into effect from the date of its publication.

ca.basithabdul@gmail.com 20-01-2025  
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**This is not an official Translation:**

## **Conditions for Forming the Tax Group by Subsidiaries of a Government Entity for the Purposes of Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses**

### **Federal Tax Authority Decision No. 12 of 2023 Issued on 16 August 2023 – (Effective from the date of publishing in the Official Gazette)**

**The Chairman of the Board of Directors of the Federal Tax Authority has decided:**

- Having reviewed the Constitution,
- 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. 74 of 2023 on the Executive Regulation of Federal Decree-Law No. 28 of 2022 on Tax Procedures,
- 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,
- Decision of the Chairman of the Board of Directors No. 9 of 2021 on the Delegation of the Vice Chairman of the Board of Directors of the Federal Tax Authority, and
- Pursuant to the approval of the Board of Directors on the policy for the Conditions for Forming Tax Groups by Subsidiaries of a Government Entity, at the twenty-seventh meeting held on 22 June 2023.

#### **Article 1 – Definitions**

The words and expressions contained in this Decision shall have the same meaning assigned against each in Federal Decree-Law No. 47 of 2022 referred to above, unless the context otherwise requires.

#### **Article 2 – Conditions for Forming a Tax Group**

For the purposes of Clause 2 of Article 40 of Federal Decree-Law No. 47 of 2022 referred to above, Subsidiaries in which a Government Entity directly or indirectly owns at least 95% (ninety-five per cent) ownership interest as specified in paragraphs (b), (c) and (d) of Clause 1 of Article 40 of the Corporate Tax Law may form a Tax Group, subject to the following conditions:

1. The conditions prescribed in Clause 1 of Article 40 of Federal Decree-Law No. 47 of 2022 referred to above are satisfied.

2. The Government Entity exempt under paragraph (a) of Clause 1 of Article 4 of the Decree-Law is not a member of the Tax Group.
3. A Subsidiary of a Government Entity is not a member of the Tax Group where such Subsidiary is an exempt person.
4. The Government Entity appoints one of the Subsidiaries as representative of the Tax Group.

### **Article 3 – Submitting an Application to Form a Tax Group**

The Subsidiary appointed as representative of the Tax Group shall submit an application to the Authority to form the Tax Group.

### **Article 4 – Abrogation of Conflicting Provisions**

All provisions contrary to or inconsistent with the provisions of this Decision shall be abrogated.

### **Article 5 – Implementation of the Decision**

This Decision shall be published in the Official Gazette and shall come into force as of the date of its publication.

ca.basithabdul@gmail.com 20-01-2025  
01:55 TAXMANN



**This is not an official Translation:**

## **Determination of Conditions for Conversion of Amounts Quantified in a Currency other than the United Arab Emirates Dirham for the Purposes of the Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses**

### **Federal Tax Authority Decision No. 13 of 2023 Issued on 16 August 2023 – (Effective from 1 June 2023)**

**The Chairman of the Board of Directors of the Federal Tax Authority has decided:**

- Having reviewed the Constitution,
- 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. 74 of 2023 on the Executive Regulation of Federal Decree-Law No. 28 of 2022 on Tax Procedures,
- Decision of the Chairman of the Board of Directors No. 9 of 2021 on the Delegation of the Vice Chairman of the Board of Directors of the Federal Tax Authority, and
- Pursuant to the approval of the Board of Directors on the policy of Determination of Conditions for Converting of Amounts Quantified in a Currency other than the United Arab Emirates Dirham, at the twenty-seventh meeting held on 22 June 2023.

#### **Article 1 – Definitions**

The words and expressions contained in this Decision shall have the same meaning assigned against each in Federal Decree-Law No. 47 of 2022 referred to above, unless the context otherwise requires.

#### **Article 2 – Conditions for Converting of Amounts Quantified in a Currency other than the United Arab Emirates Dirham**

For the purposes of Article 43 of Federal Decree-Law No. 47 of 2022 referred to above, the Taxable Person who uses a currency for accounting purposes other than the UAE Dirham shall convert such amounts to the UAE Dirham for the purposes of calculating the Corporate Tax Payable and submitting the related Tax Return, according to the following conditions:

1. The Taxable Person shall convert the amounts to UAE Dirham in the following order:
  - a. The spot rate published by the Central Bank of the UAE as per the date of the transaction, if the accounting system of the Taxable Person is able to convert the

- currency of each transaction, or the number of transactions makes it practical to convert the amounts manually.
- b. If it is not practical to use the spot rate, the average monthly exchange rate of the Central Bank of the UAE shall be used where such rate provides an acceptable approximate estimation of the Corporate Tax Payable based on the number and timing of transactions within the Financial Year.
    - c. If it is not practical to use the exchange rates in paragraphs (a) and (b), the average annual exchange rate of the Central Bank of the UAE shall be used.
  2. The Taxable Person shall use a currency conversion method continuously to calculate all relevant amounts throughout the Tax Period.
  3. The Taxable Person shall keep records documenting the reason for selecting a method for currency conversion, rates used, rationale, and mechanisms applied to all currency conversion accounts.
  4. In case the Taxable Person changes the currency conversion method in a Tax Period, they should keep records documenting the relevant reason and rationale.

### **Article 3 – Abrogation of Conflicting Provisions**

Any provisions contrary to or inconsistent with the provisions of this Decision shall be abrogated.

### **Article 4 – Implementation of the Decision**

This Decision shall be published in the Official Gazette and shall come into effect as of 1 June 2023.



**This is not an official Translation:**

## **Determining the Requirements for the Registration of the Unincorporated Partnership and Determining the Distributive Shares of Partners in an Unincorporated Partnership for the purposes of Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses and its amendments**

### **Federal Tax Authority Decision No. 16 of 2023 - Issued on 15 of Dec 2023 - (Effective 1 June 2023)**

**The Chairman of the Board of Directors of the Federal Tax Authority has decided:**

- Having reviewed the Constitution;
- 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, and its amendments;
- Cabinet Decision No. 74 of 2023 on the Executive Regulation of Federal Decree-Law No. 28 of 2022 on Tax Procedures;
- Decision of the Chairman of the Board of Directors No. 9 of 2021 on the Delegation to the Vice Chairman of the Board of Directors of the Federal Tax Authority; and
- Pursuant to the approval of the Board of Directors on the policy of Determining Requirements for the Registration of the Unincorporated Partnership and the policy of Determining the Distributive Shares of Partners in the Unincorporated Partnership, at the 28th meeting held on 29 August 2023.

#### **Article 1 – Definitions**

The words and expressions contained in this Decision shall have the same meaning assigned against each in the Federal-Decree Law No. 47 of 2022 referred to above, unless the context otherwise requires.

#### **Article 2 – Requirements for the Registration of the Unincorporated Partnership**

For the purposes of Clause 2 of Article 51 of Federal Decree-Law No. 47 of 2022 referred to above, the partners in an Unincorporated Partnership that is not treated as a Taxable Person must appoint one of the partners to be the authorised partner to act on behalf of all the partners in any tax obligations and procedures. The authorised partner shall be required to do the following:

1. Submit an application to the Authority to register the Unincorporated Partnership for purposes of Corporate Tax in accordance with the forms specified by the Authority in order to obtain a Tax Registration Number.
2. Submit an annual declaration on behalf of all the partners in the Unincorporated Partnership within a period not exceeding (9) nine months from the end of the relevant Financial Year of the Unincorporated Partnership or part thereof, taking the following into account:
  - a. The Financial Year of an Unincorporated Partnership shall be the Gregorian calendar year or the (12) twelve-month period for which the Unincorporated Partnership prepares financial statements.
  - b. The annual declaration shall include all the data necessary to determine the Taxable Income of the partners in the Unincorporated Partnership.

### **Article 3 – The Unincorporated Partnership as a Taxable Person**

Where the Authority approves the application submitted by the partners for the Unincorporated Partnership to be treated as a Taxable Person in accordance with Clause 8 of Article 16 of the Federal Decree-Law No. 47 of 2022 referred to above, the provisions of Article 2 of this Decision shall not apply. The Unincorporated Partnership that is a Taxable Person must comply with the provisions of the Federal Decree-Law No. 47 of 2022 referred to above.

### **Article 4 – Determining the Distributive Shares of Partners in the Unincorporated Partnership**

For the purposes of Clause 3 of Article 16 of the Federal Decree-Law No. 47 of 2022 referred to above, where the distributive share of the partners is not identified, the assets, liabilities, income and expenditure of the Unincorporated Partnership shall be allocated equally to each partner in the Unincorporated Partnership.

### **Article 5 – Abrogation of Conflicting Provisions**

All provisions contrary to or inconsistent with the provisions of this Decision shall be abrogated.

### **Article 6 – Implementation of the Decision**

This Decision shall be published in the Official Gazette and shall come into effect as of 1 June 2023.



## **Ministerial Decision No. 27 of 2023 on Implementation of Certain Provisions of Cabinet Decision No. 85 of 2022 on Determination of Tax Residency**

### **The Minister of State for Financial Affairs:**

- 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. 28 of 2022 on Tax Procedures,
- Federal Decree-Law No. (47) of 2022 on the Taxation of Corporations and Businesses,
- Cabinet Decision No. (85) of 2022 on Determination of Tax Residency,

### **Has decided:**

#### **Article (1) : Definitions**

Words and expressions in this Decision shall have the same meanings specified in the Cabinet Decision No. (85) of 2022 on Determination of Tax Residency unless the context requires otherwise.

#### **Article (2) : Usual or Primary Place of Residence and Centre of Financial and Personal Interests in the State**

1. A natural person's usual or primary place of residence is in the State if the State is the jurisdiction where the natural person habitually or normally resides.
2. The place where the natural person habitually or normally resides is the jurisdiction where he spends most of his time when compared to any other jurisdiction as part of his settled routine in a way that is more than transient and that should be taken into account in the determination of whether a natural person's usual or primary place of residence is in the State.
3. A natural person's centre of financial and personal interests is in the State if the State is the jurisdiction where the natural person's personal and economic interests are the closest or of the greatest significance to the natural person.
4. The place of the natural person's occupation, familial and social relations, cultural or other activities, place of business, place from which the property of the natural person is administered and any other relevant facts and circumstances should be taken into account in the determination of whether a natural person's centre of financial and personal interests is in the State.

### **Article (3) : Calculation of Time Periods**

1. The term "day" means calendar day and the term "month" means calendar month.
2. All days or parts of a day on which a natural person is physically present in the State count towards the total number of days he is present in the State during a relevant consecutive (12) twelve-month period.
3. The days on which the natural person has been physically present in the State do not need to be consecutive in determining whether the (183) one hundred and eighty-three day or (90) ninety-day period has been met during the relevant consecutive (12) twelve-month period.

### **Article (4) : Exceptional Circumstances**

1. Any day that the natural person's presence in the State was due to exceptional circumstances may be disregarded by the Authority in determining whether the (183) one hundred and eighty-three day or (90) ninety-day period has been met during the relevant consecutive (12) twelve-month period.
2. An exceptional circumstance is an event or situation beyond the natural person's control, occurring while he is already in the State, which he could not reasonably have predicted or prevented and which prevents him from leaving the State as originally planned.

### **Article (5) : Permanent Place of Residence**

1. A Permanent Place of Residence is a furnished house, apartment, room or any other form of dwelling, made continuously available to the natural person.
2. The Permanent Place of Residence shall be considered as being available to the natural person where the natural person has the continuous right of occupation therein at all times and on a regular basis with some degree of permanency and stability and not just occasionally or for the purposes of a stay of a short duration.
3. A Permanent Place of Residence is not required to be owned by the natural person but can be rented or otherwise occupied by him as a dwelling.

### **Article (6) : Employment**

1. A natural person shall be considered as carrying on employment in the State in either of the following two cases:
  - (a) if he is party to a contract with an employer, which is incorporated or otherwise formed or recognised in the State, under which the natural person undertakes to offer a service to the employer under their administration or supervision for a promised remuneration paid by the employer in the State.
  - (b) If he is in a continuing relationship where all or substantially all of his income for his labour is derived from one party whereby the income received by him constitutes remuneration for his labour performed in the State.
2. The nature of the employment can be limited or unlimited and the work may be carried out on a full time or part time basis.
3. A voluntary role for which the natural person does not enter into a contract does not constitute employment.



### **Article (7) : Clarifications and Directives**

The Authority shall issue clarifications and directives for implementing any of 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 force on 1 March 2023.

**Mohamed bin Hadi Al Hussaini**  
**Minister of State for Financial Affairs**

Issued by us:

On: 02/Shaban/1444H

Corresponding to: 22/02/2023

ca.basithabdul@gmail.com | 21-01-2025  
04:37 **TAKMANN**





## Cabinet Decision No. 37 of 2023 Regarding the Qualifying Public Benefit Entities 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,

### Has decided:

ca.basithabdul@gmail.com 21-01-2025  
04:37 Article (1) : Definitions

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 "**Corporate Tax Law**") unless the context requires otherwise.

### Article (2) : Qualifying Public Benefit Entities

1. The entities specified in the schedule annexed to this Decision are considered Qualifying Public Benefit Entities for the purposes of the Corporate Tax Law.
2. The Government Entities shall notify the Ministry of any changes occurring to the public benefit entities specified in the schedule annexed to this Decision that impact the entity's continuity in meeting the conditions set out in the Corporate Tax Law. The notification shall be in the form and manner prescribed by the Ministry and made within (20) twenty business days from the occurrence of any change.

### Article (3) : Amendment to the Schedule of Public Benefit Entities

1. Any Government Entity may file an application to the Ministry to suggest an amendment, whether by addition or deletion, to the schedule annexed to this Decision, in the form and manner prescribed by the Ministry, subject to the Ministry being provided with any data, information and documentation as may be requested to process the application.
2. The Cabinet may, at the suggestion of the Minister, amend this Decision and the schedule annexed to it, whether by addition or deletion.



#### **Article (4) : Request for Information**

1. A Qualifying Public Benefit Entity shall provide all relevant documents, data and information to the Ministry and the Authority to verify that the Qualifying Public Benefit Entity meets the requirements stipulated in the Corporate Tax Law.
2. All Government Entities in the State shall fully cooperate with the Ministry and the Authority to provide them with all data, information and documentation related to a Qualifying Public Benefit Entity and its activities.
3. The Ministry and the Authority may, for the purposes of implementing the provisions of this Decision, exchange with each other data, information, and documents in respect of any Qualifying Public Benefit Entity and its activities.

#### **Article (5) : Implementing Decisions**

The Minister shall issue the necessary decisions for the implementation 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 the day following the date of publication.

**Mohammed Bin Rashid Al Maktoum**

**Prime Minister**

Issued by us:

Date: 16 Ramadan 1444 AH

Corresponding to: 07 April 2023 AD

ca.basithabdul@gmail.com 21-01-2025  
04-29





**جدول جهات النفع العام المرفق بقرار مجلس الوزراء رقم (37) لسنة 2023  
بشأن جهات النفع العام المؤهلة لأغراض المرسوم بقانون اتحادي (47) لسنة 2022  
في شأن الضريبة على الشركات والأعمال**

Qualifying Public Benefit Entities (Federal Entities)	جهات النفع العام (الجهات الاتحادية)	م
Zakat Fund	صندوق الزكاة	.1
Emirates Red Crescent Authority	هيئة الهلال الأحمر لدولة الإمارات العربية المتحدة	.2
Arab Youth Center	مركز الشباب العربي	.3
The Supreme Council of Motherhood & Childhood	المجلس الأعلى للأمومة والطفولة	.4
UAE University	جامعة الإمارات العربية المتحدة	.5
Higher College of Technology (HCT)	مجمع كليات التقنية العليا	.6
Zayed University	جامعة زايد	.7
Anwar Gargash Diplomatic Academy	أكاديمية أنور قرقاش الدبلوماسية	.8
Mohammed Bin Rashid Smart Leading Program	برنامج محمد بن راشد للتعلم الذكي	.9
Corporate Social Responsibility UAE Fund	الصندوق الوطني للمسؤولية المجتمعية	.10
Federation of UAE Chamber of Commerce & Industry	اتحاد غرف التجارة والصناعة	.11
Ju-Jitsu Asian Union	الاتحاد الآسيوي للجو جيتسو	.12
Asian Chess Federation	الاتحاد الآسيوي للشطرنج	.13



<b>UAE Jiu Jitsu Federation</b>	اتحاد الإمارات للجو جيتسو	.14
<b>UAE Equestrian and Racing federation UAEERF</b>	اتحاد الإمارات للفروسية	.15
<b>UAE disabled sports federation</b>	اتحاد الإمارات للمعاقين	.16
<b>UAE Muaythai &amp; Kickboxing Federation</b>	اتحاد الإمارات لمواي تاي والكيك بوクسنج	.17
<b>UAE Judo Federation</b>	اتحاد الجودو والمصارعة	.18
<b>Industrialists Union Society</b>	جمعية اتحاد الصناعيين	.19
<b>Emirates Association for Women Entrepreneurs</b>	جمعية الإمارات لرائدات الأعمال	.20
<b>Emirates Society for Public Administration</b>	جمعية الإمارات للادارة العامة	.21
<b>UAE Resuscitation Council</b>	جمعية الإمارات للإنعاش القلبي	.22
<b>UAE Social Media Association</b>	جمعية الإمارات للتواصل الاجتماعي	.23
<b>Emirates Quality Association</b>	جمعية الإمارات للجودة	.24
<b>Emirates Arabian Horse Society</b>	جمعية الإمارات للخيول العربية	.25
<b>Emirates Traffic Safety Society</b>	جمعية الإمارات للسلامة المرورية	.26
<b>Emirates Aviation Association</b>	جمعية الإمارات للطيران	.27
<b>Emirates Public Relations Association</b>	جمعية الإمارات للعلاقات العامة	.28
<b>Emirates Astronomy Society</b>	جمعية الإمارات للفلك	.29
<b>Emirates Angels Investors Association</b>	جمعية الإمارات للمستثمرين المبادرين	.30
<b>Indian Ladies Association – Abu Dhabi</b>	جمعية السيدات الهندیات - أبوظبی	.31

<b>Emirates Women Police Association</b>	جمعية الشرطة النسائية الإماراتية	.32
<b>Sudanese Women Association</b>	جمعية المرأة السودانية	.33
<b>National Multiple Sclerosis Society</b>	الجمعية الوطنية للتصلب المتعدد	.34
<b>Emirates Giving</b>	جمعية إمارات العطاء	.35
<b>Harvard Kennedy School Alumni Association of the UAE</b>	جمعية خريجي جامعة هارفرد كلية كينيدي الحكومية في الإمارات	.36
<b>The Emirati Entrepreneurs Association</b>	جمعية رواد الأعمال الإماراتيين	.37
<b>Saaed Association for Prevention of Traffic Crashers</b>	جمعية ساعد للحد من الحوادث المرورية	.38
<b>Mohammed bin Khalid Al Nahyan Future Generation Society</b>	جمعية محمد بن خالد آل نهيان لأجيال المستقبل	.39
<b>Emirates Agricultural Pioneers Association</b>	جمعية رواد الزراعة الإماراتية	.40
<b>AWPOD (All With People of Determination)</b>	جمعية كلنا مع أصحاب الهمم	.41
<b>Kerala Social Center</b>	مركز كيرلا الاجتماعي	.42
<b>UAE Banks Federation</b>	اتحاد مصارف الإمارات	.43
<b>UAE Football Association</b>	اتحاد الإمارات لكرة القدم	.44
<b>UAE Falcons Federation</b>	اتحاد الإمارات العربية المتحدة للصقور	.45
<b>UAE Athletics Federation</b>	اتحاد الإمارات لألعاب القوى	.46
<b>Emirates Bodybuilding &amp;Fitness Federation</b>	اتحاد الإمارات لبناء الأجسام واللياقة البدنية	.47
<b>Emirates Weightlifting Federation</b>	اتحاد الإمارات لرفع الأثقال	.48

<b>UAE Women Sport's Federation</b>	اتحاد الإمارات لرياضة المرأة	.49
<b>UAE Basketball Association</b>	اتحاد الإمارات لكرة السلة	.50
<b>UAE Table Tennis Association</b>	اتحاد الإمارات لكرة الطاولة	.51
<b>UAE Handball Federation</b>	اتحاد الإمارات لكرة اليد	.52
<b>UAE Squash Association</b>	اتحاد الإمارات للاسكواش	.53
<b>UAE Padel Association</b>	اتحاد الإمارات للبادل تنس	.54
<b>UAE Billiards &amp; Snooker Association</b>	اتحاد الإمارات للبلياردو	.55
<b>UAE Polo Federation</b>	اتحاد الإمارات للبولو	.56
<b>UAE Bowling Federation</b>	اتحاد الإمارات للبولينج	.57
<b>UAE Taekwondo Federation</b>	اتحاد الإمارات للتايكوندو	.58
<b>UAE Triathlon Federation</b>	اتحاد الإمارات للترアイثلون	.59
<b>UAE Tennis Federation</b>	اتحاد الإمارات للتنس	.60
<b>Emirates Golf Federation</b>	اتحاد الإمارات للجولف	.61
<b>UAE Modern Pentathlon Federation</b>	اتحاد الإمارات للخمسي الحديث	.62
<b>UAE Darts Federation</b>	اتحاد الإمارات للدارتس	.63
<b>UAE Cycling Federation</b>	اتحاد الإمارات للدراجات	.64
<b>UAE Shooting Federation</b>	اتحاد الإمارات للرماية	.65
<b>Emirates Esports Federation</b>	اتحاد الإمارات للرياضات الالكترونية	.66
<b>UAE Marine Sports Federation</b>	اتحاد الإمارات للرياضات البحرية	.67
<b>Emirates Aerosports Federation</b>	اتحاد الإمارات للرياضات الجوية	.68
<b>UAE Winter Sports Federation</b>	اتحاد الإمارات للرياضات الشتوية	.69
<b>UAE Sports Of All Federation</b>	اتحاد الإمارات للرياضة للجميع	.70
<b>UAE Badminton Federation</b>	اتحاد الإمارات للريشة الطائرة	.71
<b>UAE Swimming Federation</b>	اتحاد الإمارات للسباحة	.72

<b>UAE Sailing &amp; Rowing Federation</b>	اتحاد الإمارات للشراع والتجديف الحديث	.73
<b>UAE Chess Federation</b>	اتحاد الإمارات للشطرنج	.74
<b>UAE Archery Federation</b>	اتحاد الإمارات للفوسي والسهم	.75
<b>UAE Karate Federation</b>	اتحاد الإمارات للكاراتيه	.76
<b>EMIRATES CANOE AND RAFTING FEDERATION</b>	اتحاد الإمارات للكانوي والرافتنج	.77
<b>UAE Volleyball Association</b>	اتحاد الإمارات للكرة الطائرة	.78
<b>Emirates Cricket Union</b>	اتحاد الإمارات للكريكيت	.79
<b>UAE Fencing Federation</b>	اتحاد الإمارات للمبارزة	.80
<b>UAE Judo Federation</b>	اتحاد الإمارات للمصارعة والجودو	.81
<b>UAE Boxing Federation</b>	اتحاد الإمارات للملاكمة	.82
<b>UAE Netball Association</b>	اتحاد الإمارات للنست بول	.83
<b>Camel Race Federation</b>	اتحاد الإمارات للهجن	.84
<b>UAE Hockey Federation</b>	اتحاد الإمارات للهوكي	.85
<b>UAE Federation for School and University Education Institutes</b>	اتحاد الإمارات لمؤسسات التعليم المدرسي والجامعي	.86
<b>UAE Police Sports Federation</b>	اتحاد الشرطة الرياضي	.87
<b>Khalifa International Award for Date Palm and Agricultural Innovation</b>	جائزة خليفة الدولية لنخيل التمر والابتكار الزراعي	.88
<b>Animal Welfare Abu Dhabi (AWAD)</b>	جمعية أبوظبي لرعاية الحيوان	.89
<b>Abu Dhabi Society Folk Art and Theater</b>	جمعية أبوظبي للفنون الشعبية والمسرح	.90
<b>Environment Friends Society</b>	جمعية أصدقاء البيئة	.91

<b>Friends of Patients Society in Umm Al Quwain</b>	جمعية أصدقاء المرضى ام القيوين	.92
<b>Date Palm Friends Society</b>	جمعية أصدقاء النخلة	.93
<b>Emirates Association of Friends of Patients with Multiple Sclerosis</b>	جمعية اصدقاء مرض التصلب اللويحي المتعدد	.94
<b>Women Union Association Sharjah</b>	جمعية الاتحاد النسائية الشارقة	.95
<b>Sociological Association</b>	جمعية الاجتماعيين	.96
<b>Jordanian Association_Al Ain</b>	الجمعية الأردنية -فرع العين	.97
<b>Jordanian Society Abu Dhabi</b>	الجمعية الأردنية في ابوظبي	.98
<b>Emirates Veterinary Association</b>	جمعية الإمارات البيطرية	.99
<b>Emirates Medical Association</b>	جمعية الإمارات الطبية	.100
<b>Emirates Friends of Senior Citizens Association</b>	جمعية الإمارات لأصدقاء كبار المواطنين	.101
<b>UAE IBD Society</b>	جمعية الإمارات لداء الأمعاء التهابي	.102
<b>Emirates Society for Parents Care and Relief</b>	جمعية الامارات لرعاية وبر الوالدين	.103
<b>Emirates Creative Association</b>	جمعية الإمارات للإبداع	.104
<b>UAE Sports Media Association</b>	جمعية الامارات للإعلام الرياضي	.105
<b>UAE Rare Disease Society</b>	جمعية الامارات للأمراض النادرة	.106
<b>Emirates Safer Internet Society (eSafe)</b>	جمعية الامارات للإنترنت الآمن	.107
<b>Emirates Happiness Positiveness Association</b>	جمعية الامارات للإيجابية والسعادة	.108

<b>Emirates Strategic Planning and Foresight Future Association</b>	جمعية الامارات للتخطيط الاستراتيجي	.109
<b>Emirates Planning Association (EPA)</b>	جمعية الامارات للتخطيط الحضري	.110
<b>Emirates Nutrition Association</b>	جمعية الامارات للتغذية	.111
<b>Emirates Autism Society</b>	جمعية الامارات للتوحد	.112
<b>Emirates Thalassemia Society</b>	جمعية الامارات للthalassemia	.113
<b>Emirates Cancer Society</b>	جمعية الامارات للسرطان	.114
<b>UAE Deaf Association</b>	جمعية الامارات للصم	.115
<b>Emirates Nature WWF</b>	جمعية الامارات للطبيعة	.116
<b>Emirates Diving Association</b>	جمعية الامارات للغوص	.117
<b>Emirates Fine Arts Society</b>	جمعية الامارات للفنون التشكيلية	.118
<b>Emirates Association for Management Consultants and Trainers</b>	جمعية الامارات للمستشارين والمدربين الإداريين	.119
<b>Emirates Association of the Visually Impaired</b>	جمعية الامارات للمعاقين بصريا	.120
<b>Emirates Library and Information Association</b>	جمعية الامارات للمكتبات والمعلومات	.121
<b>Emirates Navigation Association</b>	جمعية الامارات للملاحة	.122
<b>Emirates Down Syndrome Association</b>	جمعية الامارات لمتلازمة داون	.123
<b>Emirates Poultry Breeders Association</b>	جمعية الامارات لمربي الدواجن	.124
<b>Emirates Dog Owners Society</b>	جمعية الامارات لمربي الكلاب	.125

<b>Emirates Amateur Radio Society</b>	جمعية الإمارات لهواة اللاسلكي	.126
<b>Emirates Nursing Association</b>	جمعية التمريض الإماراتية	.127
<b>Emirates Geographical Society</b>	الجمعية الجغرافية الإماراتية	.128
<b>Al Habous Association for Arts and Folklore</b>	جمعية الحبوب للفنون والتراث الشعبي	.129
<b>Humanities Studies Association</b>	جمعية الدراسات الإنسانية	.130
<b>Al Shuhooch Cultural &amp; Heritage Association</b>	جمعية الشحون للتراث الوطني	.131
<b>UAE Journalists Association</b>	جمعية الصحفيين الإماراتية	.132
<b>Retired Military Personnel Association</b>	جمعية العسكريين المتقاعدين	.133
<b>Al Ain Society for Folklore and Heritage</b>	جمعية العين للفنون الشعبية والتراث	.134
<b>Jordanian Women's Association</b>	جمعية المرأة الأردنية	.135
<b>Sanad Al Watan Women Society</b>	جمعية المرأة سند للوطن	.136
<b>Theatrical Association</b>	جمعية المسرحيين	.137
<b>Almathaf Traditional Boat Rowing Arts Society</b>	جمعية المطاف للتراث والفنون البحرية	.138
<b>Teachers Association UAE</b>	جمعية المعلمين	.139
<b>UAE Contractor's Association</b>	جمعية المقاولين	.140
<b>Indian Islamic Centre Association</b>	جمعية المقر الهندي الإسلامي	.141
<b>Society of Engineers UAE</b>	جمعية المهندسين بدولة الإمارات العربية المتحدة	.142
<b>Emirates Publishers Association</b>	جمعية الناشرين الإماراتيين	.143

<b>Al Nakheel Society For Art &amp; Popular Heritage</b>	جمعية النخيل للفن والتراث الشعبي	.144
<b>Al Nazaha Association</b>	جمعية النزاهة	.145
<b>Women Association of Umm Al Quwain</b>	الجمعية النسائية أم القيوين	.146
<b>Al Noor Rehabilitation &amp; Welfare Association for People of Determination</b>	جمعية النور لرعاية وتأهيل أصحاب الهمم	.147
<b>Mothers of People of Determination "Association "Hemmah</b>	جمعية أمهات أصحاب الهمم - همة	.148
<b>Associations of Families of Persons with Disabilities</b>	جمعية أهالي ذوي الاعاقة	.149
<b>Juvenile Association</b>	جمعية توعية ورعاية الأحداث	.150
<b>Arabic Language Protection Association</b>	جمعية حماية اللغة العربية	.151
<b>Emirates Post-care Society</b>	جمعية حياة للرعاية اللاحقة	.152
<b>Dibba Society for Culture Art &amp; Theater</b>	جمعية دبا للثقافة والفنون والمسرح	.153
<b>Dubai Folklore Society</b>	جمعية دبي للفنون الشعبية	.154
<b>Ras Al Khaimah Folk Arts Association</b>	جمعية رأس الخيمة للفنون والتراث الشعبي	.155
<b>Royati Family Society</b>	جمعية روйти للأسرة	.156
<b>Egyptian ladies association</b>	جمعية سيدات مصر	.157
<b>Shamal Folk Arts and Theatre Society</b>	جمعية شمال للفنون التراث الشعبي والمسرح	.158

<b>Ajman Society of social and cultural development</b>	جمعية عجمان للتنمية الاجتماعية والثقافية	.159
<b>Kelna Al Emarat Association</b>	جمعية كلنا الإمارات	.160
<b>Mohammed bin Khalid Al Nahyan Future Generation Society</b>	جمعية محمد بن خالد ال نهيان لأجيال المستقبل	.161
<b>Dubai National Theater</b>	جمعية مسرح دبي الوطني	.162
<b>Mawalif Association</b>	جمعية مواليف	.163
<b>Republic of Egypt Association Club</b>	جمعية نادى جمهورية مصر العربية	.164
<b>GCC Road &amp; Transport Engineering Society</b>	جمعية هندسة الطرق والنقل لدول مجلس التعاون لدول الخليج العربية	.165
<b>Wajeb Volunteering Association</b>	جمعية واجب التطوعية	.166
<b>Social Security Fund for Dubai Islamic Bank Employees</b>	صندوق التكافل الاجتماعي للعاملين في بنك دبي الإسلامي	.167
<b>Faraj Fund</b>	صندوق الفرج	.168
<b>Emirates Committee for Nurturing Sports Talents &amp; Support of National Sport</b>	لجنة الإمارات لرعاية المواهب الرياضية ودعم الرياضة الوطنية	.169
<b>UAE Paralympic Committee</b>	اللجنة البارالمبية الوطنية	.170
<b>Emirates Committee for Advanced Sports</b>	لجنة النخبة والمستوى العالمي	.171
<b>Mohammed bin Al-Qashati Center</b>	مركز محمد بن مفتاح الفشاطي	.172
<b>Sheikh Mohammed bin Zayed center for the memorization of the Holy Quran</b>	مركز الشيخ محمد بن زايد لتحفيظ القرآن الكريم	.173

<b>Sheikha Mozah Bint Butti Religious Center</b>	مركز الشيخة موزة بنت بطی الدینی	.174
<b>Sheikha Wadima bint Zayed for the memorization of the Holy Quran</b>	مركز الشيخة وديمة بنت زايد لتحفيظ القرآن الكريم	.175
<b>Al Noor Training Centre for Persons with Disabilities</b>	مركز النور لتدريب وتأهيل الأشخاص ذوي الإعاقة	.176
<b>Bin Harmal Quran Centre / Al Maqam Branch</b>	مركز بن حرمل لتحفيظ القرآن الكريم / فرع المقام	.177
<b>Dar Al Khair</b>	مركز دار الخير	.178
<b>Ras Al Khaimah Social Center</b>	مركز رأس الخيمة الاجتماعي	.179
<b>Ramlet Al-Rai Center for the memorization of the Holy Quran</b>	مركز رملة الراعي لتحفيظ القرآن الكريم	.180
<b>Umm Al-Mumineen Aisha Center for The Memorization Of The Holy Quran</b>	مركز عائشة أم المؤمنين رضي الله عنها لتحفيظ القرآن الكريم	.181
<b>Umar bin al-Khattab Center for the Memorization of the Holy Quran</b>	مركز عمر بن الخطاب الخيري لتحفيظ القرآن الكريم والسنن النبوية	.182
<b>Awad bin Saeed Al Ketbi Center</b>	مركز عوض بن سعيد الكتبی	.183
<b>Quba Center for the memorization of the Holy Quran</b>	مركز قباء لتحفيظ القرآن الكريم	.184
<b>Al Ain Theater</b>	مسرح العین	.185
<b>Indian Social Centre – Al Ain</b>	المقر الهندي الاجتماعي - العین	.186
<b>India Social &amp; Cultural Centre (ISC) Abu Dhabi</b>	المقر الهندي الثقافي الاجتماعي - ابوظبی	.187

<b>Emirates Motorsports Organization</b>	منظمة الإمارات للسيارات والدراجات النارية	.188
<b>Humaid Charitable Foundation of Retinopathy</b>	مؤسسة حميد الخيرية لاعتلال الشبكية	.189
<b>Rewaq Ousha Educational Institute</b>	مؤسسة رواق عوشة بنت حسين الثقافي الاجتماعي	.190
<b>Abdul Jalili Al Fahim &amp; Family Charitable Foundation</b>	مؤسسة عبدالجليل الفهيم عائلته الخيرية	.191
<b>Mohamed Bin Butti Al Hamed Charitable Foundation</b>	مؤسسة محمد بن بطی آل حامد للأعمال الخيرية	.192
<b>Mohammed Bin Ham Charitable Foundation</b>	مؤسسة محمد بن حم الخيرية	.193
<b>Muslim Bin Ham Charitable Foundation</b>	مؤسسة مسلم بن حم الخيرية	.194
<b>Sudanese Social Club</b>	النادي الاجتماعي السوداني	.195
<b>Emirati Palestinian Friendship Club</b>	نادي الصداقة الإماراتي الفلسطيني	.196
<b>The Cultural &amp; Scientific Association</b>	ندوة الثقافة والعلوم	.197
<b>UAE Anti-Doping Agency</b>	الوكالة الوطنية لمكافحة المنشطات	.198

Qualifying Public Benefit Entities (Abu Dhabi)	جهات النفع العام (حكومة ابوظبي)	م
Family Care Authority	هيئة الرعاية الاسرية	.1
Zayed House for Islamic Culture	دار زايد للثقافة الإسلامية	.2
International Fund for Houbara Conservation	الصندوق الدولي لحفظ الطيور	.3
Sandooq Al Watan	صندوق الوطن	.4
General Women's Union	الاتحاد النسائي العام	.5
The Mohamed Bin Zayed Species Conservation Fund	صندوق محمد بن زايد الدولي لحماية الأنواع وإثراء الطبيعة	.6
Abu Dhabi Chamber of Commerce & Industry	غرفة تجارة وصناعة أبوظبي	.7
Fatima Bint Mubarak Ladies Sports Academy	أكاديمية الشيفكة فاطمة	.8
Sorbonne University - Abu Dhabi	جامعة السوربون - أبوظبي	.9
Khalifa University	جامعة خليفة للعلوم والتكنولوجيا	.10
Mohamed bin Zayed University of Artificial Intelligence	جامعة محمد بن زايد للذكاء الاصطناعي	.11
Mohammed Bin Zayed University for Humanities	جامعة محمد بن زايد للعلوم الإنسانية	.12
Abu Dhabi Center for Technical and Vocational Education and Training	مركز أبوظبي للتعليم والتدريب التقني والمهني	.13
Abu Dhabi Vocational Education and Training Institute	معهد أبوظبي للتعليم والتدريب المهني	.14
Institute of Applied Technology	معهد التكنولوجيا التطبيقية	.15
Emirates International Endurance Village	قرية الإمارات للقدرة	.16
St. Joseph's Cathedral	كاتدرائية القديس يوسف	.17
Emirates College For Advanced Education	كلية الإمارات للتطوير التربوي	.18
The House of Prayer Synagogue	كنيس بيت الصلاة	.19

<b>The Armenian Church of Abu Dhabi</b>	<b>الكنيسة الأرمنية</b>	.20
<b>Evangelical Community Church – Abu Dhabi</b>	<b>الكنيسة الانجيلية – أبوظبي</b>	.21
<b>Evangelical Congregation - Al Ain</b>	<b>الكنيسة الانجيلية – العين</b>	.22
<b>Jacobite Syriac Orthodox Church, St. George's Church</b>	<b>الكنيسة السريانية الأرثوذكسية اليعقوبية كنيسة القديس جورج</b>	.23
<b>Church of the Virgin and Saint Paul the Apostle</b>	<b>كنيسة العذراء والقديس بولس الرسول</b>	.24
<b>The Coptic Orthodox Church</b>	<b>الكنيسة القبطية</b>	.25
<b>Egyptian Coptic Orthodox Church</b>	<b>الكنيسة القبطية الأرثوذكسية المصرية</b>	.26
<b>St. Andrew's Church – Al Ain</b>	<b>كنيسة القديس أندرو – العين</b>	.27
<b>St. Andrew's Church - Musaffah</b>	<b>كنيسة القديس أندرو – مصفح</b>	.28
<b>St. Paul's Church</b>	<b>كنيسة القديس بولس</b>	.29
<b>ST. GEORGE'S ORTHODOX CATHEDRAL</b>	<b>كنيسة القديس جورج الأرثوذكسية</b>	.30
<b>St. John the Baptist Catholic Church</b>	<b>كنيسة القديس يوحنا المعمدان الكاثوليكية</b>	.31
<b>Saint Mary's Church</b>	<b>كنيسة القديسة مريم</b>	.32
<b>Mar Thoma church – Abu Dhabi</b>	<b>كنيسة المار توما – أبوظبي</b>	.33
<b>Mar Thoma church – Al Ain</b>	<b>كنيسة المار توما – العين</b>	.34
<b>Jesus Christ Church of Saints / Latter Day Saints</b>	<b>كنيسة المسيح عيسى للقديسين / اليوم الأخير</b>	.35
<b>Assembly of Christians Church</b>	<b>كنيسة جمعية المسيحيين</b>	.36
<b>South Indian Parish Church – Abu Dhabi</b>	<b>كنيسة جنوب الهند باريش – أبوظبي</b>	.37
<b>St Andrew's Church</b>	<b>كنيسة سانت أندرو</b>	.38

<b>Malankara Orthodox Syrian Church</b>	كنيسة مالانكارا الأرثوذكسية السورية	.39
<b>The Greek Orthodox Church of Antioch</b>	مطرانية الروم الأرثوذكس	.40
<b>BAPS Hindu Mandir Temple</b>	معبد بي أيه بي اس هندو ماندير	.41
<b>Guru Nanak Dirbar Sik Temple</b>	معبد خورو نانك ديربار سيك	.42
<b>Malayalee Samajam – Abu Dhabi</b>	مقر ماليالي سماجم - أبوظبي	.43
<b>ABU DHABI THEATRE</b>	مسرح أبوظبي	.44
<b>Zayed Theater for Talents and Youth</b>	مسرح زايد للمواهب والشباب	.45
<b>YAS Association, Culture, Art, and Theatre</b>	مسرح ياس	.46
<b>Ebtessama Foundation</b>	مؤسسة ابتسامة	.47
<b>Higher Committee for Human Fraternity</b>	اللجنة العليا للأخوة الإنسانية	.48
<b>Abu Dhabi Center for Sheltering &amp; Humanitarian Care - Ewaa</b>	مركز ابوظبي للإيواء والرعاية الإنسانية - إيواء	.49
<b>Sheikh Mohammed Bin Khalid Al Nahyan Cultural Center</b>	مركز الشيخ محمد بن خالد آل نهيان الثقافي	.50
<b>Ahmed Bin Khalifa Al Suwaidi Charitable Foundation</b>	مؤسسة أحمد بن خليفة السويدي الخيرية	.51
<b>Emirates Foundation</b>	مؤسسة الإمارات	.52
<b>Special Olympics UAE</b>	مؤسسة الأولمبياد الخاص الاماراتي	.53
<b>Family Development Foundation</b>	مؤسسة التنمية الأسرية	.54
<b>Social Care &amp; Minors Affairs Foundation</b>	مؤسسة الرعاية الاجتماعية وشئون القصر	.55
<b>Ahmad Bin Zayed Charitable &amp; Humanitarian Foundation</b>	مؤسسة الشيخ أحمد بن زايد للأعمال الخيرية والإنسانية	.56

<b>Make A Wish Foundation</b>	.57 مؤسسة أمنية
<b>Khalifa Bin Zayed Al Nahyan Foundation</b>	.58 مؤسسة خليفة بن زايد آل نهيان للأعمال الإنسانية
<b>Zayed Higher Organization for People of Determination</b>	.59 مؤسسة زايد العليا لأصحاب الهمم
<b>Zayed Charitable &amp; Humanitarian Foundation</b>	.60 مؤسسة زايد بن سلطان آل نهيان للأعمال الخيرية
<b>SEDRA Foundation for Inclusion</b>	.61 مؤسسة سدرا لدمج ذوي الإعاقة
<b>H.H. Sheikh Sultan Bin Khalifa Al Nahyan Humanitarian &amp; Scientific Foundation</b>	.62 مؤسسة سمو الشيخ سلطان بن خليفة زايد آل نهيان للبحوث العلمية والإنسانية
<b>Maitha Bint Ahmed Al Nahyan Foundation</b>	.63 مؤسسة ميثاء بنت أحمد للمبادرات المجتمعية والثقافية
<b>Abu Dhabi Country Club</b>	.64 نادي أبوظبي الرياضي
<b>Abu Dhabi Agricultural Club</b>	.65 نادي أبوظبي الزراعي
<b>Abu Dhabi Weightlifting Club</b>	.66 نادي أبوظبي لرفع الأثقال
<b>Abu Dhabi Racket Games Club</b>	.67 نادي أبوظبي لكرة المضرب
<b>Abu Dhabi Athletics Club</b>	.68 نادي أبوظبي للألعاب القوى
<b>Abu Dhabi Cycling Club</b>	.69 نادي أبوظبي للدراجات
<b>Abu Dhabi Marine Sports Club</b>	.70 نادي أبوظبي للرياضات البحرية
<b>Abu Dhabi Ice Sports Club</b>	.71 نادي أبوظبي للرياضات الجليدية
<b>Abu Dhabi Sports Aviation Club</b>	.72 نادي أبوظبي للرياضات الجوية
<b>Abu Dhabi Aqua Sports Club</b>	.73 نادي أبوظبي للرياضات المائية
<b>Abu Dhabi Chess Club &amp; Mind Games</b>	.74 نادي أبوظبي للشطرنج والألعاب الذهنية
<b>Abu Dhabi falconers club</b>	.75 نادي أبوظبي للصقارين
<b>Abu Dhabi Equestrian Club</b>	.76 نادي أبوظبي للفروسية
<b>UAE ARCHERY FEDERATION</b>	.77 نادي أبوظبي لقوس والسمسم
<b>Abu Dhabi Cricket</b>	.78 نادي أبوظبي للكريكيت
<b>Abu Dhabi Fencing Club</b>	.79 نادي أبوظبي للمبارزة
<b>Al Jazira Club</b>	.80 نادي الجزيرة الرياضي

Al Dhafra FC	نادي الظفرة الرياضي	.81
Al Dhafra Shooting Club	نادي الظفرة للرماية	.82
Al Ain FC	نادي العين الرياضي	.83
Al Ain Chess Club	نادي العين للشطرنج والألعاب الذهنية	.84
Al Ain Equestrian, Shooting and Golf Club	نادي العين للفروسية والرماية	.85
Al-Wahda SC	نادي الوحدة الرياضي	.86
Baniyas Club	نادي بنى ياس الرياضي	.87
Emirates Heritage Club	نادي تراث الإمارات	.88
Republic of Egypt Club – Al Ain	نادي جمهورية مصر العربية - العين	.89
Ghantoot Racing & Polo Club	نادي غنتوت	.90
Liwa sport club	نادي ليوا للسيارات	.91
Camel Race Federation	نادي أبو ظبي لسباقات الهرجن	.92
Abu Dhabi Club for People with Special Needs	نادي أبوظبي لذوي الاحتياجات الخاصة	.93
Women's Association	جمعية المرأة الظبيانية	.94
Cancer Patient Care Society - Rahma	جمعية رعاية مرضى السرطان - رحمة	.95

Qualifying Public Benefit Entities (Dubai)	جهات النفع العام (حكومة دبي)	م
Dubai Chambers	غرف دبي	.1
Dubai Women Establishment	مؤسسة دبي للمرأة	.2
UAE Food Bank	بنك الإمارات للطعام	.3
Dubai Appreciation Award for Community Service	جائزة دبي التقديرية لخدمة المجتمع	.4
Mohammed Bin Rashid Library	مكتبة محمد بن راشد آل مكتوم	.5
Mohammed bin Rashid Al Maktoum Knowledge Foundation	مؤسسة محمد بن راشد آل مكتوم للمعرفة	.6
Dubai Women's Association	جمعية النهضة النسائية بدبي	.7
Dar al Ber Society	جمعية دار البر	.8
Dubai Charity Association	جمعية دبي الخيرية	.9
Beit Al Khair Society	جمعية بيت الخير	.10
MOHAMMED BIN RASHED AL MAKTOUM HUMANITARIAN & CHARITY EST	مؤسسة محمد بن راشد آل مكتوم للأعمال الخيرية والإنسانية	.11
Dubai Foundation for Women and Children	مؤسسة دبي لرعاية النساء والأطفال	.12
Easa Saleh Al Gurg Charity Foundation	مؤسسة عيسى صالح القرق الخيرية	.13
Noor Dubai Foundation	مؤسسة نور دبي	.14
Emirates Airline Foundation	مؤسسة طيران الإمارات الخيرية	.15

Dubai Cares	مؤسسة دبي العطاء	.16
UAE Red Crescent Authority – Dubai	هيئة الهلال الأحمر - دبي	.17
Albaraka Charity Association	مؤسسة البركة الخيرية	.18
Mohammad Omar Bin Haider Charity Est.	مؤسسة محمد عمر بن حيدر الخيرية	.19
Majid Al Futtaim Charity Foundation	مؤسسة ماجد الفطيم الخيرية	.20
Tarahum Charity Foundation	مؤسسة تراهم الخيرية	.21
Emaar Charitable Foundation	مؤسسة إعمار الخيرية	.22
UAE Water AID	مؤسسة سقيا الإمارات	.23
Evangelical Church	الكنيسة الإنجيلية	.24
Holy Trinity Church – Chaplaincy of Sharjah and Dubai	(الثالوث المقدس) كنيسة دبي الشارقة	.25
St. Thomas Orthodox Cathedral	كنيسة سانت توماس	.26
Church of Christ branch of Chaplaincy of Sharjah and Dubai	كنيسة المسيح - فرع من كنيسة دبي الشارقة	.27
Mar Thoma Parish Church	كنيسة مار توما باريش	.28
St. Francis Church	كنيسة سانت فرانسيس	.29
St. Mary's Catholic Church	القديسة مريم الكاثوليكية	.30
Coptic Orthodox Parish Church	كنيسة اقباط الأرثوذكس	.31

<b>Mor Ignatius Jacobite Syrian Orthodox Cathedral</b>	كنيسة مار غنطيوس للسريان الأرثوذكس اليعاقية	.32
<b>Greek Orthodox Church</b>	كنيسة مطرانية الروم الأرثوذكس	.33
<b>Guru Darbar Sikh Temple</b>	معبد السندي غورودريار	.34
<b>GuruNanak Darbar Sikh Temple</b>	غرو ناتك ديربار سينخ تيمبل	.35
<b>Sindhi Ceremonial Centre</b>	مركز سندي رسمي	.36
<b>Senses Residential and Day Care for Special Needs</b>	المشاعر الإنسانية لرعاية وإيواء نذوي الاحتياجات الخاصة	.37
<b>Al Jalila Foundation Supporting Education and Research in the Medical Fields</b>	مؤسسة الجليلة لدعم التعليم والأبحاث في المجالات الطبية	.38
<b>Dubai International Holy Quran Award</b>	جائزة دبي الدولية للقرآن الكريم	.39
<b>Islamic Affairs &amp; Charitable Activities Department</b>	دائرة الشؤون الإسلامية والعمل الخيري	.40
<b>Awqaf and Minors Affairs Foundation</b>	مؤسسة الأوقاف وإدارة أموال القصر	.41
<b>Sultan Bin Ali Al Owais Cultural Foundation</b>	مؤسسة سلطان بن علي العويس الثقافية	.42
<b>Musabah Al Fattan Charitable Foundation</b>	مؤسسة مصباح الفتان الخيرية	.43
<b>Mohammed bin Rashid Al Maktoum Knowledge Award</b>	جائزة محمد بن راشد آل مكتوم للمعرفة	.44

<b>Ja'afariya Endowments Charitable Council of Dubai</b>	مجلس إدارة الأوقاف الجعفرية الخيرية	.45
<b>Rashid Center for People of Determination</b>	مركز راشد لأصحاب الهم	.46
<b>Dubai Club for People of Determination</b>	نادي دبي لأصحاب الهم	.47
<b>Dubai Autism Center</b>	مركز دبي للتوحد	.48
<b>Hamdan Bin Rashid Al Maktoum Award For Distinguished Academic Performance</b>	مؤسسة حمدان بن راشد آل مكتوم للإداء التعليمي المتميز	.49
<b>St. Mark &amp; Ava Bishoy Coptic Orthodox Church</b>	كنيسة القبط الأرثوذكس المصريين	.50
<b>UAE Girl Guides Association – Dubai</b>	جمعية مرشدات الإمارات دبي	.51
<b>Emirates Literature Foundation</b>	مؤسسة الإمارات للآداب	.52
<b>Mohammed Bin Rashed Al Maktoum Global Initiatives</b>	مؤسسة مبادرات محمد بن راشد آل مكتوم العالمية	.53

<b>Public Benefit Entity (Government of Sharjah)</b>	جهات النفع العام (حكومة الشارقة)	م
<b>Department Of Islamic Affairs in Sharjah</b>	دائرة الشؤون الإسلامية في امارة الشارقة	.1
<b>Sharjah Children</b>	أطفال الشارقة	.2
<b>Sharjah Academy of Astronomy, Space sciences &amp; Technology</b>	أكاديمية الشارقة لعلوم وتقنيوجيا الفضاء والفلك	.3
<b>Arab Academy for Science, Technology and Marine Transportation</b>	الأكاديمية العربية للعلوم والتكنولوجيا والنقل البحري	.4
<b>Patient's Friends Charitable House</b>	بيت أصدقاء المرضى الخيري	.5
<b>Poetry House – Culture</b>	بيوت الشعر - الثقافة	.6
<b>Family Development Foundation</b>	التنمية الأسرية	.7
<b>American University of Sharjah</b>	جامعة الأمريكية في الشارقة	.8
<b>University of Sharjah</b>	جامعة الشارقة	.9
<b>Al Qasimia University</b>	جامعة القاسمية	.10
<b>University Of Khorfakkan</b>	جامعة خورفكان	.11
<b>Sharjah Cultural Award</b>	جائزة الشارقة الثقافية	.12
<b>Sharjah Prize for Arab Culture – (UNESCO)</b>	جائزة الشارقة للثقافة العربية - اليونسكو	.13

<b>Sharjah Prize for Voluntary Work</b>	.14 جائزة الشارقة للعمل التطوعي
<b>Breastfeeding Friends Society</b>	.15 جمعية أصدقاء الرضاعة الطبيعية
<b>Friend for Diabetes Association</b>	.16 جمعية أصدقاء السكري
<b>Friends of Kidney Patients Society</b>	.17 جمعية أصدقاء الكلى
<b>Friends of Arthritis Patients Society</b>	.18 جمعية أصدقاء مرضى التهاب المفاصل
<b>Emirates Association for Disabled Care and Rehabilitation</b>	.19 جمعية الإمارات لرعاية وتأهيل المعاقين
<b>Sharjah Charity International</b>	.20 جمعية الشارقة الخيرية
<b>Sharjah Charity House</b>	.21 جمعية بيت الشارقة الخيري
<b>UAE Girls Guides Association</b>	.22 جمعية مرشدات الإمارات الشارقة
<b>Dar Hudhaifa Bin Al-Yaman for the memorization of the Holy Quran</b>	.23 دار حذيفة بن اليمان لتحفيظ القرآن الكريم
<b>Sharjah Chamber of Commerce and Industry</b>	.24 غرفة تجارة وصناعة الشارقة
<b>St. Philip Russian Orthodox Church</b>	.25 أبرشية القديس سانت فلیب الروسیة الأرثوذکسیة
<b>St. Gregorios Orthodox Church</b>	.26 أبرشية القديس غريغوری المنورة الأرمنیة الأرثوذکسیة

<b>Virgin Mary Church, St. Philopateer Coptic Orthodox Parish</b>	.27 أبرشية سانت فيلوباتير القبطية الأرثوذكسية ومريم العذراء
<b>St.Thomas Marthoma Parish Sharjah</b>	.28 أبرشية مارثوما بالشارقة
<b>Chrissy Filipino Miracle Life Church Sharjah</b>	.29 كريسي فليبيينو معجزة الحياة الكنيسة الشارقة
<b>Ward Church</b>	.30 كنيسة وارد
<b>Union Church</b>	.31 كنيسة الاتحاد
<b>Russian Orthodox Church</b>	.32 الكنيسة الأرثوذكسية الروسية
<b>Saint Gregory the Illuminator Armenian Church of Sharjah</b>	.33 الكنيسة الأرمنية
<b>Apostolic Church</b>	.34 الكنيسة الرسولية
<b>Christian Marriage Church</b>	.35 كنيسة الزواج المسيحي
<b>St Mary &amp; Martyr Abou Sfein Church in Sharjah</b>	.36 كنيسة السيدة العذراء والشهيد أبي سيفين
<b>St. Gregory's Orthodox Church</b>	.37 كنيسة القديس سانت غريغوريوس الأرثوذكسية
<b>St. Michaels Church</b>	.38 كنيسة القديس مايكل
<b>Church of Saint Mary of Kanania</b>	.39 كنيسة القديس مريم كانانيا
<b>Grace Evangelical Church</b>	.40 كنيسة النعمة الإنجيلية
<b>Saint Martins Church</b>	.41 كنيسة سانت مارتينز
<b>Church of Saint Mary Sonoro</b>	.42 كنيسة سانت ماري سونورو

St.Thomas Marthoma Parish Sharjah	.43 كنيسة مارثوما بالشارقة
Irthi Contemporary Crafts Council	.44 مجلس أرثي للحرف المعاصرة
Supreme Council For Family Affairs	.45 المجلس الأعلى لشئون الأسرة
The UAE Board on Books for Young People	.46 المجلس الإماراتي لكتب اليافعين
British Council – Sharjah	.47 المجلس الثقافي البريطاني - فرع الشارقة
Sharjah Business Women Council	.48 مجلس سيدات أعمال الشارقة
Holy Quran Academy in Sharjah	.49 مجمع القرآن الكريم بالشارقة
Arabic Language Academy	.50 مجمع اللغة العربية
Sharjah City for Humanitarian Services	.51 مدينة الشارقة للخدمات الإنسانية
Ibn Katheer Holy Quran Center	.52 مركز ابن كثير لتحفيظ القرآن الكريم
The Rightly Guided Caliphs Center for the memorization of the Holy Quran	.53 مركز الخلفاء الراشدين لتحفيظ القرآن الكريم
Al Radwan Centre For Quran & Sunna Learning	.54 مركز الرضوان لتحفيظ القرآن الكريم

<b>Center Mrs. Aisha for the memorization of the Holy Quran</b>	55. مركز السيدة عانشة لتحفيظ القرآن الكريم
<b>Sharjah Entrepreneurship Center</b>	56. مركز الشارقة لريادة الأعمال
<b>Sharjah Center for Learning Difficulties</b>	57. مركز الشارقة لصعوبات التعلم
<b>Sharjah Vocational Training Center for Airport Sciences</b>	58. مركز الشارقة للتدريب المهني لعلوم المطارات
<b>Companions Charity Center for the memorization of the Holy Quran</b>	59. مركز الصحابة الخيري لتحفيظ القرآن الكريم
<b>Sharjah Worship Center</b>	60. مركز العبادة بالشارقة
<b>Furqan Center for the memorization of the Holy Quran</b>	61. مركز الفرقان لتحفيظ القرآن الكريم
<b>Al Huda Quran Study Centre</b>	62. مركز الهدى لتحفيظ القرآن الكريم
<b>Al-Haytham Center for the Memorization of the Holy Quran, Sharjah</b>	63. مركز الهيثم لتحفيظ القرآن الكريم
<b>Mother of the Believers Khadija Bint Khuwaylid Center for Quran Memorization</b>	64. مركز أم المؤمنين خديجة بنت خويلد لتحفيظ القرآن

Malik Bin Anas Center for the memorization of the Holy Quran	65. مركز أنس بن مالك لتحفيظ القرآن الكريم
Khalid Bin Waleed Quran Memorization Center	66. مركز خالد بن الوليد لتحفيظ القرآن الكريم والسنة النبوية
Khorfakkan Center for the Memorization of the Holy Quran	67. مركز خورفكان لتحفيظ القرآن الكريم
Reyada Centre	68. مركز ريادة
Abdulrahman Bin Aw'f Quran Karim Keeping Quran Study Centre	69. مركز عبد الرحمن بن عوف لتحفيظ القرآن الكريم
Abdulla bin Masoud Center for Quran Memorization	70. مركز عبدالله بن مسعود لتحفيظ القرآن الكريم
Muhammad Al-Hammadi Center for the Memorization of the Noble Qur'an	71. مركز محمد الحمادي لتحفيظ القرآن الكريم
Manar AlSabeel Quran Center	72. مركز منار السبيل لتحفيظ القرآن الكريم
Noor Al Bayan Center for the Memorization of the Holy Quran	73. مركز نور البيان لتحفيظ القرآن الكريم
Project Address	74. مشروع عنوان
Sharjah Institute for Heritage	75. معهد الشارقة للتراث
Al-Muntada Al-Islami	76. المنتدى الإسلامي

<b>Sharjah Capability Development</b>	.77 منتدى الشارقة لتطوير القدرات- تطوير
<b>Al Qasimi Publication</b>	.78 منشورات القاسمي
<b>Islamic World Educational, Scientific and Cultural Organization – ISESCO</b>	.79 المنظمة الاسلامية للتربية والعلوم والثقافة - ايسيسكو
<b>Ruwad Establishment</b>	.80 مؤسسة الشارقة لدعم المشاريع الريادية - رواد
<b>Sharjah Social Empowerment Foundation</b>	.81 مؤسسة الشارقة للتمكين الاجتماعي
<b>Sharjah Noble Quran &amp; Sunnah Est.</b>	.82 مؤسسة الشارقة للقرآن الكريم والسنّة النبوية
<b>The Big Heart Foundation</b>	.83 مؤسسة القلب الكبير
<b>Sajaya young ladies of Sharjah</b>	.84 مؤسسة سجايا فتيات الشارقة
<b>Nama Women Advancement</b>	.85 مؤسسة نماء لارتقاء بالمرأة
<b>Al Batayih Cultural &amp; Sports Club</b>	.86 نادي البطائح الثقافي الرياضي
<b>Al Thiqah Club for Handcapped</b>	.87 نادي الثقة للمعاقين
<b>Sharjah International Marine Sports Club</b>	.88 نادي الشارقة الدولي للرياضات البحرية
<b>Sharjah FC</b>	.89 نادي الشارقة الرياضي
<b>Sharjah Self-Defense Sports Club</b>	.90 نادي الشارقة لرياضات الدفاع عن النفس
<b>Sharjah Classic Cars Club</b>	.91 نادي الشارقة للسيارات القديمة

Sharjah Falconers Club	نادي الشارقة للصقارين	.92
Sharjah Equestrian & Racing Club	نادي الشارقة للفروسية والسباق	.93
Sharjah Youth	ناشئة الشارقة	.94

Public Benefit Entity (Government of Ajman)	جهات النفع العام (حكومة عجمان)	م
Umm Al Moumineen Women Association	جمعية أم المؤمنين النسائية	.1
Emirates Council Ambassadors Association	جمعية سفراء مجلس الإمارات	.2
Ajman Co-operative Society for Fishermen	جمعية عجمان التعاونية لصيادي الأسماك	.3
Al Ihsan Charity Association	جمعية الإحسان الخيرية	.4
Ajman Folklore & Theater Society	جمعية عجمان للفنون الشعبية والمسرح	.5
Ajman Chamber of Commerce and Industry	غرفة تجارة وصناعة عجمان	.6
Mabrat Rashed Abdullah Al Nuaimi for Charity	مبة راشد عبدالله النعيمي للأعمال الخيرية	.7
Mabrat Zayed Bin Saqr Al Nahyan Charity	مبة زايد بن صقر آل نهيان الخيرية	.8

<b>Coordination Board for Charitable Activities and Awqaf in Ajman</b>	.9 مجلس تنسيق العمل الخيري والأوقاف بإمارة عجمان
<b>Al Rashidiyah Private School</b>	10 المدرسة الراشدية الخاصة
<b>Ajman Awqaf Center</b>	11 مركز أوقاف عجمان
<b>Humaid bin Rashid Al Nuaimi Center for Serving the Holy Quran</b>	12 مركز حميد بن راشد النعيمي لخدمة القرآن الكريم
<b>Etihad Charity Organization</b>	13 مؤسسة الاتحاد الخيرية
<b>Al Ajmani Charity Foundation</b>	14 مؤسسة العجماني للأعمال الخيرية
<b>Al-Nafa Foundation for Humanitarian Work &amp; Charity</b>	15 مؤسسة النفع للأعمال الخيرية والإنسانية
<b>Himaya Foundation for Women and Child</b>	16 مؤسسة حماية المرأة والطفل
<b>Humaid bin Rashid Al Nuaimi Foundation</b>	17 مؤسسة حميد بن راشد النعيمي الخيرية
<b>Ajman Club for Disabled</b>	18 نادي عجمان لذوى الإعاقة
<b>Ajman Cultural &amp; Sports Club</b>	19 نادي عجمان الثقافي الرياضي
<b>Ajman Chess &amp; Culture Club</b>	20 نادي عجمان للشطرنج
<b>Ajman Equestrian, Racing and Shooting Club</b>	21 نادي عجمان للفروسية والسباق والرماية
<b>Masfout Cultural &amp; Sports Club</b>	22 نادي مصفوت الثقافي الرياضي
<b>Masfout Shooting and Equestrian Club</b>	23 نادي مصفوت للرماية والفروسية

<b>Human Appeal International (HAI)</b>	24. هيئة الاعمال الخيرية العالمية
<b>Charitable Endowment of the Local Police in Ajman</b>	25. الوقف الخيري للشرطة المحلية في إمارة عجمان

<b>Public Benefit Entity</b> <b>Government of Umm Al (Quwain</b>	جهات النفع العام (حكومة أم القيوين)	٤
<b>Sheikh Saud Bin Rashid Program for Youth Project Support</b>	برنامج الشيخ سعود بن راشد لدعم مشاريع الشباب	.١
<b>Rashid bin Ahmed Award for Holy Quran</b>	جائزة راشد بن أحمد للقرآن الكريم	.٢
<b>Umm Al Quwain Cooperative Society for fishermen</b>	جمعية أم القيوين التعاونية لصيادي الأسماك	.٣
<b>Umm Al Quwain Charity Association</b>	جمعية أم القيوين الخيرية	.٤
<b>Women Association of Umm Al Quwain</b>	جمعية أم القيوين النسائية	.٥
<b>Umm Al Quwain National Art and Heritage Association</b>	جمعية أم القيوين للفنون والتراث	.٦
<b>Camel racing</b>	سباق الهجن	.٧
<b>Umm Al Quwain Chamber of Commerce &amp; Industry</b>	غرفة تجارة وصناعة أم القيوين	.٨

<b>Umm Al Quwain Folklore Art &amp; Theater</b>	الفنون الشعبية والمسرح بأم القيوين	.9
<b>Umm Al Quwain Arbitration Center</b>	مركز أم القيوين للتحكيم	.10
<b>Umm Al Quwain National Theater</b>	مسرح أم القيوين الوطني	.11
<b>Saud Bin Rashid Al Mualla Charitable and Humanitarian Est</b>	مؤسسة سعود بن راشد المعلا للأعمال الخيرية والإنسانية	.12
<b>Umm Al Quwain Marine Club</b>	النادي البحري	.13
<b>Al Arabi Sports Club</b>	النادي العربي الرياضي	.14
<b>Falaj Al Mualla Club</b>	نادي فلج المعلا	.15

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جهات النفع العام (حكومة رأس الخيمة)	م
<b>Emirates Association for Social Development</b>	.1
<b>Al Nahda Women's Association – RAK</b>	.2
<b>RAK Chamber of Commerce of Industry</b>	.3
<b>Al Wafa Social Center</b>	.4
<b>Aman Shelter for Women and Children</b>	.5

.6	مؤسسة الشيخ سعود بن صقر التعليمية الخيرية	Sheikh Saud Bin Saqr Charitable Educational Foundation
.7	مؤسسة رأس الخيمة للأعمال الخيرية	Ras AL Khaimah Charity Association
.8	مؤسسة رأس الخيمة لقرآن الكريم وعلومه	Ras Al Khaimah Foundation for the Holy Quran and its Sciences
.9	مؤسسة صقر للأعمال الخيرية	Saqr Bin Mohammed Al Qasimi Charity and Humanitarian Foundation
.10	مؤسسة عبدالله علي الشرهان الخيرية	Abdullah Ali Al Sharhan Charity Association
.11	مؤسسة محمد بن سعود القاسمي الإنسانية	Sheikh Mohammed Bin Saud Al Qasimi Humanitarian Foundation

<b>Qualifying Public Benefit Entities (Fujairah)</b>	جهات النفع العام (حكومة الفجيرة)	م
<b>Fujairah Islamic Scientific Academy</b>	أكاديمية الفجيرة العلمية الإسلامية	.1
<b>Bidiyah Fishermen Cooperative Association</b>	جمعية البدية التعاونية لصيادي الأسماك	.2
<b>Bidiyah Association for Culture and folklore</b>	جمعية البدية للثقافة والفنون الشعبية	.3
<b>Fujairah Cultural &amp; Social Association</b>	جمعية الفجيرة الثقافية الاجتماعية	.4
<b>Fujairah Charity Association</b>	جمعية الفجيرة الخيرية	.5
<b>Fujairah Fisherman Association</b>	جمعية الفجيرة لصيادي الأسماك	.6
<b>Fujairah Fine Arts Academy</b>	جمعية الفجيرة للفنون الشعبية	.7
<b>Dibba Al Fujairah Fishermen Cooperative Association</b>	جمعية دبا الفجيرة التعاونية لصيادي الأسماك	.8
<b>Dibba Association for Culture, Arts and Theater</b>	جمعية دبا للثقافة والفنون الشعبية	.9
<b>Alorooba Football Company LLC</b>	شركة العروبة لكرة القدم ذم م	.10
<b>Fujairah Football Company LLC</b>	شركة الفجيرة لكرة القدم ذم م	.11
<b>Dibba Football Company (FC)</b>	شركة دبا الفجيرة لكرة القدم	.12
<b>Youth Care Fund</b>	صندوق رعاية الشباب	.13
<b>Fujairah Chamber of Commerce &amp; Industry</b>	غرفة تجارة وصناعة الفجيرة	.14

<b>Fujairah Healing</b>	15. الفجيرة للشفاء
<b>Fujairah Youth Council</b>	16. مجلس شباب الفجيرة
<b>Fujairah Theater</b>	17. مسرح الفجيرة
<b>Fujairah Scout mission</b>	18. مفوضية كشافة الفجيرة
<b>Fujairah Foundation For Region Development</b>	19. مؤسسة الفجيرة لتنمية المناطق
<b>Fujairah Development Foundation</b>	20. مؤسسة الفجيرة للتنمية
<b>Hamad Bin Mohammed Al Sharqi Foundation for Humanitarian Affairs</b>	21. مؤسسة حمد بن محمد الشرقي للأعمال الخيرية
<b>Sunshine House for Social Welfare</b>	22. مؤسسة دار الشمس المشرقة للرعاية الاجتماعية
<b>Saeed Mohammed Al Raqbani Foundation for Charitable Works</b>	23. مؤسسة سعيد محمد الرقباني للأعمال الخيرية
<b>International Marine Club – Fujairah</b>	24. نادي الرياضات البحرية - الفجيرة
<b>Fujairah Chess &amp; Culture Club</b>	25. نادي الشطرنج
<b>Al-Fujairah SC</b>	26. نادي الفجيرة الرياضي
<b>Fujairah Science Club</b>	27. نادي الفجيرة العلمي
<b>Fujairah Shooting and Horsing Club</b>	28. نادي الفجيرة للرماية والفرسية
<b>Fujairah Martial Arts Club</b>	29. نادي الفجيرة للفنون القتالية
<b>Dibba Sport and Cultural Club</b>	30. نادي دبا الرياضي الثقافي



## **Ministerial Decision No. 43 of 2023 Concerning Exception from Tax Registration for the Purpose 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 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 on Taxation of Corporations and Businesses (referred to in this Decision as "**Corporate Tax Law**") unless the context requires otherwise.

#### **Article (2) : Exception from Registration for Corporate Tax**

1. The following Persons shall not register for Corporate Tax with the Authority:
  - (a) A Government Entity.
  - (b) A Government Controlled Entity.
  - (c) A Person engaged in an Extractive Business that meets the conditions of Article 7 of the Corporate Tax Law.
  - (d) A Person engaged in a Non-Extractive Natural Resource Business, that meets the conditions of Article 8 of the Corporate Tax Law.
  - (e) A Non-Resident Person that derives only State Sourced Income under Article 13 of the Corporate Tax Law and that does not have a Permanent Establishment in the State according to the provisions of the Corporate Tax Law.
2. Paragraphs (a) to (d) of clause (1) of this Article shall be without prejudice to the obligation of the Person to register for Corporate Tax in cases where the Person becomes a Taxable Person under the provisions of the Corporate Tax Law.

#### **Article (3) : Publication and Application of this Decision**

This Decision shall be published and shall come into effect the day following its publication.



**Mohamed bin Hadi Al Hussaini**  
**Minister of State for Financial Affairs**

Issued by us:

On: 18/SHABAN/1444

Corresponding to: 10/03/2023

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**UNITED ARAB EMIRATES**  
**THE CABINET**  
**CABINET RESOLUTION NO. 44 OF 2020 ORGANISING REPORTS**  
**SUBMITTED BY MULTINATIONAL COMPANIES**

**The Cabinet:**

- After reviewing the Constitution; and
- Federal Law No. (1) of 1972, concerning Ministries Competencies and Ministers' Powers, as amended;
- Federal Law No. (5) of 1985, issuing the Civil Transactions Code, as amended;
- Federal Law No. (3) of 1987, issuing the Penal Code, as amended;
- Federal Law No. (10) of 1992, issuing the Law of Evidence in Civil and Commercial Transactions, as amended;
- Federal Law No. (11) of 1992, issuing the Civil Procedures Code, as amended;
- Federal Law No. (8) of 2004, concerning Financial Free Zones;
- Federal Law No. (2) of 2015, concerning Commercial Companies, as amended;
- Federal Decree Law No. (13) of 2016, concerning the Federal Tax Authority;
- Federal Law No. (14) of 2016, concerning Administrative Offences and Penalties in the Federal Government;
- Federal Law No. (7) of 2017, concerning Tax Procedures;
- Federal Decree No. (48) of 2018 Ratifying the Multilateral Administrative Agreement for the Automatic Exchange of Information;
- Federal Decree No. (54) of 2018 Ratifying the Multilateral Convention on Mutual Administrative Assistance in Tax Matters;
- Federal Decree No. (24) of 2019 Ratifying the Multilateral Agreement Concluded between the Competent Authorities on the Exchange of Reports on a Country-by-Country Basis;
- Cabinet Decision No. (32) of 2019 concerning the Regulation of the Submission of Reports by Multinational Companies; and
- Pursuant to the proposal of the Minister of Finance and the Cabinet approval;

**Has Resolved:**

**Article (1) : Definitions**

For the purpose of implementing the provisions of this Resolution, the following terms and expressions have the meaning set opposite thereto below unless the context otherwise dictates:

The State	The United Arab Emirates
The Competent Authority	The Ministry of Finance
The Report	The report relating to a Multinational Enterprises Group which shall contain the data described in Article (3) of this Resolution, and which shall be submitted to the Competent Authority in accordance with the provisions of Article (2) of this Resolution.

Group	A group of companies related through ownership or control, such that it either is required to prepare Consolidated Financial Statements for the purposes of preparing financial reports under the applicable accounting principles, or would be so required if the equity interests in any of the companies were traded on a public securities exchange.
Multinational Enterprises (MNE) Group	<p>Any group that includes:</p> <ul style="list-style-type: none"> <li>(1) Two or more companies the tax residence of which is located in different jurisdictions, or including one single company having its tax residence in one country and being subject to tax with respect to the activity it carries out through a permanent entity located in another country;</li> <li>(2) Which has a total consolidated group revenue that is equal to or more than AED 3,150,000,000 (UAE Dirhams Only Three Billion One Hundred and Fifty Million) during the Fiscal Year immediately preceding the Reporting Fiscal Year as indicated in its Consolidated Financial Statements for that preceding Fiscal Year.</li> </ul>
Constituent Company	<p>Means any of the following:</p> <ul style="list-style-type: none"> <li>(1) Any separate business unit of an MNE Group that is included in the Consolidated Financial Statements of the MNE Group for the purposes of preparing the financial reports, or would be so included therein if equity interests therein were traded on a public securities exchange.</li> <li>(2) Any business unit that is excluded from the MNE Group's Consolidated Financial Statements solely on size or materiality grounds.</li> <li>(3) Any permanent establishment pertaining to any separate business unit of the MNE Group referred to in Clause (1) or (2) above., provided that the said business unit prepares separate financial statements for such permanent establishment for the purposes of financial reporting preparation, regulatory, tax reporting or internal management control purposes.</li> </ul>
Reporting Entity	The Ultimate Parent Entity of the MNE Group whose tax residence is located in the State and is required to submit the Report in accordance with the provisions of clause (2) of Article (2) of this Resolution.
Ultimate Parent Entity	<p>The Constituent Company in the MNE Group, required to submit notification to the Competent Authority in accordance with the provisions of clause (1) of Article (2) of this Resolution, and meeting the following criteria:</p> <ul style="list-style-type: none"> <li>(a) Owns directly or indirectly a sufficient interest in one or more Constituent Companies of such MNE Group such as it is required to prepare Consolidated Financial Statements under the accounting principles</li> </ul>

	generally applicable in its jurisdiction tax residence, or be so required if its equity interests were traded on a public securities exchange in its jurisdiction tax residence;  (b) Its Group does not include any other Constituent Company that owns directly or indirectly an interest described in Paragraph (a) above in such Entity.
Fiscal Year	The annual accounting period in respect to which the Reporting Entity prepares the financial statements of the MNE Group.
Reporting Fiscal Year	The Fiscal Year during which the financial and operational results are reflected in the report in accordance with the provisions of Article (3) of this Resolution.
Business Day	Any day other than a weekend and official holiday both for the private and public sectors in the State.
International Convention	The Multilateral Convention on Mutual Administrative Automatic Exchange of Information, the Multilateral Convention on Mutual Administrative Assistance in Tax Matters, any bilateral or multilateral Tax Convention, or any Tax Information Exchange Agreement to which the State is a party, and stipulating that the parties thereto are bound to exchange tax information, including the automatic exchange of such information.
Consolidated Financial Statements	The financial statements of the MNE Group in which the assets, liabilities, revenues, expenses, and cash flows of the Ultimate Parent Entity and Constituent Companies are presented as those of a single economic entity.

### Article (2) : Notification and Reporting Obligation

1. Each Ultimate Parent Entity of the MNE Group whose tax residence is located in the State shall notify the Competent Authority that it is the Reporting Entity, no later than the last day of the Group's Reporting Fiscal Year.
2. Each Reporting Entity shall submit a Report to the Competent Authority in accordance with the requirements provided for in Article (3) of this Resolution concerning its Reporting Fiscal Year on or before the date specified in Article (4) of this Resolution.

### Article (3) : Contents of the Report

1. The Report shall include the following elements:
  - a. Aggregate information related to the amount of revenue, profits (losses) before income tax, income tax paid, income tax accrued, stated capital, accumulated earnings, number of employees, non-monetary or cash equivalent tangible assets in respect of each country in which the MNE Group carries out its activities;
  - b. An identification of each Constituent Company of the MNE Group indicating the jurisdiction of tax residence of such Constituent Company, and, where different from such jurisdiction of tax residence, the jurisdiction under the laws of which

such Constituent Company is established, and the nature of the main business activity or activities for each such Companies.

2. The Report shall be submitted according to the form and definitions specified in the Standard Template attached in Annex (3) to Chapter (V) of the Economic Co-operation and Development (OECD) Transfer Pricing Guidelines and any amendment thereto.

#### **Article (4) : Submission Date**

1. The Report shall be submitted no later than the twelve (12) months grace period subsequent to the last day of the Reporting Fiscal Year of the MNE Group.
2. The obligation referred to in clause (1) of this Article shall take effect on January 1, 2019.

#### **Article (5) : Use and Confidentiality of Report Information**

1. The Competent Authority shall use the Report to fulfil any of the following purposes:
  - a. Assessing the transfer pricing which is categorized as "high risk";
  - b. Assessing other risks associated with Base Erosion and Profit Shifting in the State;
  - c. Assessing the risk of non-compliance by members of the MNE Group with applicable transfer pricing rules;
  - d. For economic and statistical analysis purposes;
  - e. The Competent Authority shall not, when carrying out Transfer Pricing adjustments, rely on the report.
2. The Competent Authority shall preserve the confidentiality of the information contained in the Report at least to the same extent that would apply if such information were provided thereto under the provisions of the Multilateral Convention on Mutual Administrative Assistance in Tax Matters.

#### **Article (6) : Powers of the Competent Authority to request Information and Access Records**

1. The Competent Authority may request information from the Reporting Entity or access its premises or place of work in the following cases:
  - a. Determining whether the information provided thereby and that is included in the Report under this Resolution is correct and complete;
  - b. Ensuring that any information not included in the report was omitted for a valid reason;
  - c. Inspecting the procedures adopted by the Reporting Entity in order to ensure the latter's compliance with its obligations stipulated in this Resolution.
2. The Competent Authority may, by written notification, request the Reporting Entity to provide it, within a period not exceeding fourteen (14) Business Days, with any information including copies of any records, books or other relevant documents for any purpose relating to the implementation of any provisions of this Resolution.

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