الهيئة الاتحادية للضرائب
FEDERAL TAX AUTHORITY

Exempt Persons: Public Benefit Entities, Pension Funds and Social Security Funds

Corporate Tax Guide | CTGEPF1

December 2023

Contents

1. Glossary

Auditor: An independent Person licensed and registered by the competent authorities of the UAE, that is appointed and remunerated by a private pension fund or a private social security fund to audit its Financial Statements.

Beneficiary: Any Person entitled to a share in a Pension Plan due to the death of the Pension Plan Member.

Business: Any activity conducted regularly, on an ongoing and independent basis by any Person and in any location, such as industrial, commercial, agricultural, vocational, professional, service or excavation activities or any other activity related to the use of tangible or intangible properties.

Business Activity: Any transaction or activity, or series of transactions or series of activities conducted by a Person in the course of its Business.

Business Restructuring Relief: A relief from Corporate Tax for business restructuring transactions, available under Article 27 of the Corporate Tax Law and as specified under Ministerial Decision No. 133 of 2023.

Cash Basis of Accounting: An accounting method under which the Taxable Person recognises income and expenditure when cash payments are received and paid.

Connected Person: Any Person affiliated with a Taxable Person as determined in Article 36(2) of the Corporate Tax Law.

Control: The direction and influence over one Person by another Person in accordance with the conditions of Article 35(2) of the Corporate Tax Law.

Corporate Tax: The tax imposed by the Corporate Tax Law on juridical persons and Business income.

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

Disability: Covers full disability and partial disability as defined in Federal Law No. 7 of 1999.

End of Service Benefit: Benefits of an employee upon end of service as per the provisions of Federal Decree-Law No. 33 of 2021 and Federal Law No. 7 of 1999.

Exempt Person: A Person exempt from Corporate Tax under Article 4 of the Corporate Tax Law.

Financial Statements: A complete set of statements as specified under the accounting standards applied by the Taxable Person, which includes, but is not limited to, statement of income, statement of other comprehensive income, balance sheet, statement of changes in equity and cash flow statement.

FTA: Federal Tax Authority, being the Authority in charge of administration, collection and enforcement of federal taxes in the UAE.

Government Controlled Entity: Any juridical person, directly or indirectly wholly owned and controlled by a Government Entity, as specified in a decision issued by the Cabinet at the suggestion of the Minister.

Government Entity: The Federal Government, Local Governments, ministries, government departments, government agencies, authorities and public institutions of the Federal Government or Local Governments.

Minister: Minister of Finance.

Pension Plan: A contract having an explicit objective of providing benefits upon a defined retirement age in the UAE, prior to which the benefits cannot be paid without incurring a significant contractual penalty. It may also provide benefits in cases of disability and death.

Pension Plan Member: A natural person who is making contributions, or on behalf of whom contributions are being made, to a private pension fund and is accumulating assets or entitlements in the private pension fund.

Person: Any natural person or juridical person.

Qualifying Group: Two or more Taxable Persons that meet the conditions of Article 26(2) of the Corporate Tax Law.

Qualifying Group Relief: A relief from Corporate Tax for transfers within a Qualifying Group, available under Article 26 of the Corporate Tax Law and as specified under Ministerial Decision No. 132 of 2023.

Qualifying Investment Fund: Any entity whose principal activity is the issuing of investment interests to raise funds or pool investor funds or establish a joint investment fund with the aim of enabling the holder of such an investment interest to benefit from the profits or gains from the entity's acquisition, holding, management or disposal of investments, in accordance with the applicable legislation and when it meets the conditions set out in Article 10 of the Corporate Tax Law.

Qualifying Public Benefit Entity: Any entity that meets the conditions set out in Article 9 of the Corporate Tax Law and that is listed in a decision issued by the Cabinet at the suggestion of the Minister.

Related Party: Any Person associated with a Taxable Person as determined in Article 35(1) of the Corporate Tax Law.

Small Business Relief: A Corporate Tax relief that allows eligible Taxable Persons to be treated as having no Taxable Income for the relevant Tax Period in accordance with Article 21 of the Corporate Tax Law and Ministerial Decision No. 73 of 2023.

Tax Group: Two or more Taxable Persons treated as a single Taxable Person according to the conditions of Article 40 of the Corporate Tax Law.

Tax Loss: Any negative Taxable Income as calculated under the Corporate Tax Law for a given Tax Period.

Tax Period: The period for which a Tax Return is required to be filed.

Tax Registration: A procedure under which a Person registers for Corporate Tax purposes with the FTA.

Tax Return: Information filed with the FTA for Corporate Tax purposes in the form and manner as prescribed by the FTA, including any schedule or attachment thereto, and any amendment thereof.

Taxable Income: The income that is subject to Corporate Tax under the Corporate Tax Law.

Taxable Person: A Person subject to Corporate Tax in the UAE under the Corporate Tax Law.

2. Introduction

2.1. Overview

Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses ("Corporate Tax Law") was signed on 3 October 2022 and was published in Issue #737 of the Official Gazette of the United Arab Emirates ("UAE") on 10 October 2022.

The Corporate Tax Law provides the legislative basis for imposing a federal tax on corporations and Business profits ("Corporate Tax") in the UAE.

The provisions of the Corporate Tax Law shall apply to Tax Periods commencing on or after 1 June 2023.

2.2. Purpose of this guide

This guide is designed to provide general guidance on Exempt Persons status for Corporate Tax purposes. It provides readers with an overview of conditions for Exempt Persons status for:

- Qualifying Public Benefit Entities,
- public pension or social security funds,
- private pension or social security funds, and
- wholly owned and controlled subsidiaries of pension and social security funds.

2.3. Who should read this guide?

Any Person interested in or affected by the Corporate Tax rules applying to Qualifying Public Benefit Entities, public and private pension or social security funds, as well as their wholly owned and controlled subsidiaries in the UAE should read this guide.

2.4. How to use this guide

The relevant articles of the Corporate Tax Law and the implementing decisions are indicated in each section of the guide.

It is recommended that the guide is read in its entirety to provide a complete understanding of the definitions and interactions of the different rules. Further guidance on some of the areas covered in this guide can be found in other topic-specific guides.

In some instances, simple examples are used to illustrate how key elements of the Corporate Tax Law apply to these Exempt Persons. The examples in the guide:

- show how these elements operate in isolation and do not show the interactions with other provisions of the Corporate Tax Law that may occur. They do not, and are not intended to, cover the full facts of the hypothetical scenarios used nor all aspects of the Corporate Tax regime, and should not be relied upon for legal or tax advice purposes; and
- are only meant for providing the readers with general information on the subject matter of this guide. They are exclusively intended to explain the rules related to the subject matter of this guide and do not relate at all to the tax or legal position of any specific juridical or natural persons.

2.5. Legislative references

In this guide, the following legislation will be referred to as follows:

- Federal Law No. 7 of 1999 on the Issuance of the Law of Pensions and Social Security, and its amendments, is referred to as "Federal Law No. 7 of 1999";
- Federal Decree-Law No. 33 of 2021 regulating Labour Relations, and its amendments, is referred to as "Federal Decree-Law No. 33 of 2021";
- Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses, and its amendments, is referred to as "Corporate Tax Law";
- 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 is referred to as "Cabinet Decision No. 37 of 2023";
- Ministerial Decision No. 105 of 2023 on the Determination of the Conditions under which a Person may Continue to be Deemed as an Exempt Person, or Cease to be Deemed as an Exempt Person from a Different Date for the Purposes of Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses is referred to as "Ministerial Decision No. 105 of 2023";
- Ministerial Decision No. 115 of 2023 on Private Pension Funds and Private Social Security Funds for the Purposes of Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses is referred to as "Ministerial Decision No. 115 of 2023";
- Federal Tax Authority Decision No. 7 of 2023 on Provisions of Exemption from Corporate Tax for the Purposes of Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses is referred to as "FTA Decision No. 7 of 2023"; and
- Federal Tax Authority Decision No. 11 of 2023 on 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 is referred to as "FTA Decision No. 11 of 2023".

2.6. Status of this guide

This guidance is not a legally binding document, but is intended to provide assistance in understanding the tax implications of having an Exempt Person status under the Corporate Tax regime in the UAE for certain types of entities. The information provided in this guide should not be interpreted as legal or tax advice. It is not meant to be comprehensive and does not provide a definitive answer in every case. It is based on the legislation as it stood when the guide was published. Each Person's own specific circumstances should be considered.

The Corporate Tax Law, the implementing decisions and the guidance materials referred to in this document will set out the principles and rules that govern the application of Corporate Tax. Nothing in this publication modifies or is intended to modify the requirements of any legislation.

This document is subject to change without notice.

3. What is an Exempt Person?

The Corporate Tax Law exempts particular Persons where there are strong public interest and policy justifications for not subjecting them to tax. These Persons are considered "Exempt Persons".[1]

The Exempt Persons covered in this guide are:

1. Qualifying Public Benefit Entities that are listed in a Cabinet Decision and meet relevant conditions.[2] The relevant conditions are discussed in Section 4.1.
2. Public and private pension or social security funds, which may become Exempt Persons upon application and subject to approval by the FTA.[3] The conditions vary depending on whether the fund in question is public or private. For private funds, the conditions also differ between pension funds and social security funds. The conditions for public funds are discussed in Section 5.1, and for private funds in Section 5.2.

If a pension or social security fund is an Exempt Person, its wholly owned subsidiary may also apply to the FTA to be categorised as an Exempt Person, provided it meets certain conditions.[4] The relevant conditions are discussed in Section 5.3.

[1] Article 4(1) of the Corporate Tax Law.
[2] Article 4(1)(e) of the Corporate Tax Law.
[3] Article 4(1)(g) of the Corporate Tax Law.
[4] Article 4(1)(h) of the Corporate Tax Law.

4. Qualifying Public Benefit Entities

4.1. Conditions for meeting Qualifying Public Benefit Entity status

The term “public benefit entity” refers to an organisation formed by private individuals or government or non-governmental bodies for the purpose of carrying out charitable, social, cultural, religious, or other public benefit activities without the motive of making a profit for distribution to private Persons. Recognising the important role these entities play in society, by taking a shared responsibility with the Government for the promotion of social or public welfare, or communal or group interests, the Corporate Tax Law provides an exemption from Corporate Tax for Qualifying Public Benefit Entities.

The Corporate Tax Law defines a Qualifying Public Benefit Entity as any entity that (1) meets the conditions set out in Article 9 of the Corporate Tax Law, and (2) is listed in a decision issued by the Cabinet at the suggestion of the Minister.[5]

The conditions set out in Article 9 of the Corporate Tax Law are as follows:

a. The entity is established and operated for any of the following purposes:
    - exclusively for religious, charitable, scientific, artistic, cultural, athletic, educational, healthcare, environmental, humanitarian, animal protection or other similar purposes, or
    - as a professional entity, chamber of commerce, or a similar entity operated exclusively for the promotion of social welfare or public benefit.
b. The entity does not conduct a Business or Business Activity, except for such activities that directly relate to or are aimed at fulfilling the purpose for which the entity was established.
c. The entity’s income or assets are used exclusively in the furtherance of the purpose for which it was established, or for the payment of any associated necessary and reasonable expenditure incurred.
d. No part of the entity’s income or assets is payable to, or otherwise available, for the personal benefit of any shareholder, member, trustee, founder, or settlor that is not itself a Qualifying Public Benefit Entity, Government Entity or Government Controlled Entity.
e. Any other conditions as may be prescribed in a decision issued by the Cabinet at the suggestion of the Minister.

In order for a public benefit entity which meets the above conditions to become a Qualifying Public Benefit Entity it should also be is listed in a decision issued by the Cabinet at the suggestion of the Minister. In order to achieve this, a public benefit entity needs to apply to the relevant local or federal government entity with which it is registered. For instance, in the case of a UAE national who has set up a charitable

[5] Article 1 of the Corporate Tax Law.

organisation in the UAE, this may be the Ministry of Community Development. The relevant government entity will consider the application, and may request evidence that the conditions within the Corporate Tax Law are met. If satisfied it will refer the case to the Ministry of Finance for inclusion in a memo from the Minister to the Cabinet. Following the issuing of such a decision the entity will qualify to be exempt from Corporate Tax.

Conditions (a), (b), (c) and (d) are discussed below. Condition (e) is not currently applicable, as no other conditions have been prescribed by the Cabinet to-date.

A foreign organisation that has a presence in the UAE and meets the relevant conditions may also be a Qualifying Public Benefit Entity, if listed in the relevant Cabinet Decision.

4.1.1. Establishment and operation purpose

This condition requires that the entity is established and operated for any of the following:

- exclusively for religious, charitable, scientific, artistic, cultural, athletic, educational, healthcare, environmental, humanitarian, animal protection or other similar purposes, or
- as a professional entity, chamber of commerce, or a similar entity operated exclusively for the promotion of social welfare or public benefit.[6]

These requirements are referred to below as the first and second "purpose requirements", respectively. If the entity satisfies one of the above purpose requirements, this condition is met.

The first purpose requirement is a non-exhaustive list of worthy purpose categories that may entitle a public benefit entity to an exemption from Corporate Tax. The categories listed are umbrella terms that would cover any related public benefit activities. Humanitarian, for example, may include distributing food to those in need or providing shelter or natural disaster relief, and culture may include museums, heritage organisations or entities supporting the advancement of arts and history.

This first purpose requirement does not require that an entity is established and operated for a single purpose. The Corporate Tax Law provides an inclusive list of purposes, all of which are permitted. An entity may have multiple purposes although they all need to be permitted. There must be an exclusivity of purpose, i.e. the entity is established and operated exclusively for permitted purposes. It cannot be partially for permitted purposes, and partially for a separate purpose.

[6] Article 9(1)(a) of the Corporate Tax Law.

The second purpose requirement refers to an exclusivity of purpose, in that the entity must operate exclusively for the promotion of social welfare or public benefit. This second requirement also specifies that the entity operates as a professional entity, chamber of commerce, or a similar entity. The emphasis is not on the legal form of the entity, but on the nature of how it operates. What is important is that it operates in a way that is consistent with its purpose.

Example 1: First purpose requirement

The shopkeepers of a neighbourhood in the UAE form an association to organise and provide free meals for members of the public on certain religious occasions each year. The association places an emphasis on providing free meals to the poor and less fortunate.

The association has been established exclusively for purposes that are religious, charitable, and humanitarian in nature. Therefore, it satisfies the first purpose requirement and meets the establishment and operation condition.

As the association satisfies the first purpose requirement, the establishment and operation condition is met. The second requirement does not need to be considered. The association does not need to be set up exclusively for a single purpose. It may have multiple purposes, as long as they are all permitted.

Provided the association meets the other relevant conditions, it can be considered a Qualifying Public Benefit Entity subject to being listed under the relevant Cabinet Decision.

4.1.2. Business or Business Activity condition

This condition requires that the entity does not conduct a Business or Business Activity, except for such activities that directly relate to or are aimed at fulfilling the purpose for which the entity was established.[7] This is to prevent a Qualifying Public Benefit Entity from competing with other non-exempt entities that engage in a similar commercial activity.

If an entity does not conduct a Business or Business Activity, this condition is automatically met. If the entity conducts a Business or Business Activity, it has to be assessed whether the Business or Business Activity directly relates to, or is aimed at fulfilling, the purpose for which the entity was established. Examples of commercial activities that would not constitute an unrelated Business may include organising gala

[7] Article 9(1)(b) of the Corporate Tax Law.

dinners to raise funds, a museum selling admission tickets, or a sports club selling refreshments in its canteen.

Example 2: Activity mainly for Business and commercial purposes

The shopkeepers in a neighbourhood in the UAE form an association to organise a shopping festival on regular occasions during the year. During the festival, food stalls provide subsidised food and drink to members of the public. However, the main reason for holding the festival is to promote their Businesses and increase sales.

In this case, the association is established and operated mainly for Business and commercial purposes. It does not satisfy the requirement, i.e. to be exclusively for purposes permitted by either the first or second purpose requirement.

Example 3: Business or Business Activity condition

A charity in the UAE is established to promote mental well-being. It organises an annual marathon to spread awareness of the benefits of sport and physical activity for mental health.

The charity also uses the marathon for fund-raising for its charitable work. It charges registration fees, secures commercial sponsorships, and sells running accessories and souvenirs both before and during the event. The funds raised by the charity are used exclusively to organise the marathon, and to fund other charitable activities during the rest of the year.

Some of the fund-raising activities are in the nature of Business Activity. However, because they are directly related to, and aimed at, fulfilling the purpose for which the entity was established, the Business or Business Activity condition is met.

4.1.3. Income and assets condition

This condition requires that the entity's income or assets are used exclusively (1) in the furtherance of the purpose for which it was established, or (2) for the payment of any associated necessary and reasonable expenditure incurred.[8]

For the purposes of (2), where income or assets are used exclusively for the payment of expenditure, such expenditure must be both necessary and reasonable, i.e. both conditions must be satisfied.

[8] Article 9(1)(c) of the Corporate Tax Law.

Necessary and reasonable expenditure may include rent, utilities, insurance premiums and remuneration paid to employees and officers for services actually rendered. Remuneration should not be excessive taking into account the particular service rendered and the amount generally charged for such a service. Whether an expenditure is reasonable and necessary is a matter of fact, and should be determined with regards to the specific circumstances of the entity, and its purpose and operating model.

Example 4: Income and assets condition

A group of individuals establish an association to promote traditional music in the UAE. They organise a series of concerts in the UAE, inviting local and overseas musicians. The concerts are very successful and raise a considerable amount of income for the association.

Most of the income is used to pay for the cost of organising the concerts. This is an example of associated necessary and reasonable expenditure.

The remaining income is set aside to fund future music concerts in the UAE. This is an example of income being used exclusively for the furtherance of the purpose for which it was established.

Subsequently, the association decides to use some of that income to organise an art exhibition overseas. The event has no visible connection to the purpose of promoting or benefitting traditional music in the UAE. In this instance, the income has not been used exclusively to further the purpose of the association, nor has the income been used for the payment of necessary and reasonable expenditure of the association, with regards to its purpose. As a result, the income and assets condition is not met. Accordingly, the association would fail to be a Qualifying Public Benefit Entity.

4.1.4. No personal benefit conditions

This condition requires that no part of the entity's income or assets is payable to, or otherwise available, for the personal benefit of any shareholder, member, trustee, founder, or settlor, unless it is payable to a Qualifying Public Benefit Entity, Government Entity or Government Controlled Entity.[9]

This condition is there to ensure that its income and assets are not used to directly or indirectly promote the economic self-interest of any fiduciary or employee or for any

[9] Article 9(1)(d) of the Corporate Tax Law.

other personal pecuniary gains. It does not preclude the payment of salaries or reimbursement of expenditure to Persons and their Connected Persons involved in the establishment or operation of the entity, provided that such expenditure is necessary and priced at arm's length.

Example 5: No personal benefit condition

A social charity owns a hostel for the purpose of providing free or subsidised accommodation to people in need and with limited means. The charity's officers regularly arrange for the hostel to be used to provide free accommodation for their own friends and relatives, without consideration to whether they satisfy the charity's criteria.

As an asset of the charity, the hostel accommodation should not be available for the personal benefit of its officers. In this example, even though the officers do not directly use the accommodation, they receive an indirect personal benefit by having the charity's assets at their disposal to do as they wish, providing benefits to individuals they choose, without regard for the stated purpose of the charity. As such, the charity is in breach of the no personal benefit condition. Accordingly, the charity would fail to be a Qualifying Public Benefit Entity.

4.1.5. Listed in a Cabinet decision

The definition of Qualifying Public Benefit Entity in the Corporate Tax Law requires that in addition to meeting the conditions in Article 9 of the Corporate Tax Law, the entity must be listed in a decision issued by the Cabinet at the suggestion of the Minister.

Cabinet Decision No. 37 of 2023, issued on 7 April 2023, sets out a list of entities that are to be considered as Qualifying Public Benefit Entities for the purposes of the Corporate Tax Law.[10] The Cabinet has the power to amend the list in the future at the suggestion of the Minister, making either additions or deletions to it.[11]

4.1.6. Monitoring compliance

For the purposes of monitoring compliance with the exemption requirements, the FTA may request any relevant information or records from a Qualifying Public Benefit Entity to verify that the entity continues to meet the relevant conditions to be exempt from

---

[10] Article 2(1) of Cabinet Decision No. 37 of 2023. The entities are listed in a schedule annexed to this Decision.

[11] Article 3 of Cabinet Decision No. 37 of 2023.

Corporate Tax.[12] The information requested must be provided within the timeline specified by the FTA and may include,[13] for example, books and records to demonstrate that the resources of the Qualifying Public Benefit Entity were used only for its stated public benefit purpose, copies of agreements entered into by the Qualifying Public Benefit Entity, and details of its beneficiaries, employees, officers and fiduciaries.

4.1.7. Effective date of exemption

In principle, the approval of an organisation as a Qualifying Public Benefit Entity would generally be effective from the beginning of the Tax Period in which the Qualifying Public Benefit Entity is included in the relevant Cabinet Decision. However, the Cabinet may allow, for example, an earlier start date where the entity complied with the requirements of this Article in prior Tax Periods.[14]

4.2. Payments to a Qualifying Public Benefit Entity

A Taxable Person who makes donations, grants or gifts to a Qualifying Public Benefit Entity which is listed in a Cabinet Decision can claim a deduction for Corporate Tax purposes. No deduction is allowed for donations, gifts or grants made to an entity that is not a Qualifying Public Benefit Entity.[15]

---

[12] Article 9(3) of the Corporate Tax Law.
[13] Article 9(3) of the Corporate Tax Law.
[14] Article 9(2) of the Corporate Tax Law.
[15] Article 33(1) of the Corporate Tax Law.

5. Public and private pension funds and social security funds

5.1. Public pension funds and social security funds

Public pension funds and social security funds are typically initiated, sponsored and governed by a Federal or Local Government Entity. However, as the entitlement to receive the benefits from these funds and any surplus assets of the fund normally rests with the beneficiaries, they are not typically considered to be wholly owned and controlled by the Government Entity which oversees them.

Recognising their importance to the society, public pension funds and social security funds can make an application to the FTA to be exempt from Corporate Tax.[16]

Once approved, the exemption from Corporate Tax shall be effective from the beginning of the Tax Period specified in the application, or any other date determined by the FTA.

5.2. Private pension funds and social security funds

5.2.1. Purpose

A private pension fund is a fund created to manage pension contributions and provide payments to retired natural persons above a defined retirement age.

A private social security fund is a fund created by a private employer for the purposes of providing statutory end of service gratuity payments to employees.

5.2.2. Application requirements and process to be an Exempt Person

The same Exempt Person status may be available to certain private pension funds or social security funds that meet the relevant conditions following an application to, and approval by, the FTA.[17]

To be eligible for exemption from Corporate Tax, private pension funds and social security funds need to be subject to regulatory oversight of a competent authority in the UAE, and must have a pool of assets that have been designated as "pension plan assets" or "fund assets" by law or a contract governing the establishment and

[16] Article 4(1)(g) and Article 4(3) of the Corporate Tax Law.
[17] Article 4(1)(g) and Article 4(3) of the Corporate Tax Law.

operation of the funds.[18] These assets must be solely used to finance the pension plan benefits or end of service benefit.[19]

Additionally, the plan members/beneficiaries must have a right or a contractual claim or entitlement to the assets or earnings of the pension fund. However, this does not apply to a social security fund.[20]

The fund must also have an Auditor,[21] which is required to confirm annually that the requirements for the fund to be exempt have been complied with and report to the FTA any breach of the conditions.[22]

Income received by the fund can only come from one of the following:[23]

- investments or deposits held for fulfilling the obligations of the fund and the investments do not constitute a Business operated by the fund,
- underwriting commissions charged for the purposes of the fund,
- rebates given by fund managers that are not considered compensation for services provided by the fund, or
- any other income earned through investments for the benefit of plan members or beneficiaries of the End of Service Benefit in accordance with a defined investment policy.

The FTA, however, can withdraw this exemption in any of the following circumstances:[24]

- the FTA finds the fund no longer meets any of the conditions to be exempt,
- the Auditor has confirmed that the fund no longer meets any of the conditions to be exempt,
- the Auditor does not confirm the compliance of the fund annually, or
- the Auditor does not report to the FTA any actual breach of the conditions.

[18] Article 4(1)(g) of the Corporate Tax Law and Articles 2(1) and 3(1) of Ministerial Decision No. 115 of 2023.
[19] Articles 2(1) and 3(1) of Ministerial Decision No. 115 of 2023.
[20] Article 2(2) of Ministerial Decision No. 115 of 2023.
[21] Articles 2(4) and 3(3) of Ministerial Decision No. 115 of 2023.
[22] Articles 6(1) and 6(2) of Ministerial Decision No. 115 of 2023.
[23] Article 4 of Ministerial Decision No. 115 of 2023.
[24] Article 6(3) of Ministerial Decision No. 115 of 2023.

5.3. Subsidiary of a public or private fund or social security fund

A subsidiary of a public or private pension fund or social security fund that is an Exempt Person can apply to the FTA to be exempt from Corporate Tax provided it meets certain conditions.[25]

The subsidiary entity must meet the following conditions:[26]

- it is a juridical person incorporated in the UAE,
- it is wholly owned and controlled by the Exempt Person, and
- it conducts any of the following activities:
  a. undertaking part or whole of the activity of the Exempt Person,
  b. engaging exclusively in holding assets or investing funds for the benefit of the Exempt Person, or
  c. only carrying out activities that are ancillary to those carried out by the Exempt Person.

As noted above, the subsidiary must be incorporated in the UAE. A subsidiary incorporated in a foreign jurisdiction cannot apply to be an Exempt Person under Article 4(1)(h) even if it is effectively managed and controlled in the UAE. A subsidiary is said to be wholly controlled by an Exempt Person if the entity has the direct ability, whether in its own right or by agreement or otherwise, to influence the subsidiary.

5.4. Contributions to a pension or social security fund

A contribution to a pension or social security fund by a Taxable Person who is an employer is tax deductible under general principles (i.e. Chapter Nine of the Corporate Tax Law on Deductions). There is no requirement for the fund to be an Exempt Person in order to benefit from a deduction under general principles. A Taxable Person, who is an employer, may deduct the total value of contributions made to a private pension fund in respect of its employees who are Pension Plan Members in the Tax Period in which such contributions are paid.[27] The value of contributions which may be deducted for each Pension Plan Member shall not exceed 15% of the total Pension Plan Member's remuneration that is deductible for Corporate Tax purposes in the relevant Tax Period.[28] The maximum deduction is applicable whether the pension or social security fund is an Exempt Person or not.

[25] Article 4(3) of the Corporate Tax Law.
[26] Article 4(1)(h) of the Corporate Tax Law.
[27] Article 5(1) of Ministerial Decision No. 115 of 2023.
[28] Article 5(2) of Ministerial Decision No. 115 of 2023.

6. Failure to meet the conditions of an Exempt Person

In the event where an Exempt Person fails to meet the relevant conditions at any time during a Tax Period, this Person shall cease to be considered an Exempt Person from the beginning of that Tax Period.[29]

The exceptions to the rule above where an Exempt Person may continue to be an Exempt Person or cease to be an Exempt Person from a different date, are outlined below.

6.1. Liquidation or termination[30]

If an Exempt Person is liquidated or terminated, they may continue to be deemed as an Exempt Person from the date its liquidation or termination procedure starts until the date it is completed. This is provided that a notification has been submitted to the FTA within 20 business days from the date of the beginning of the procedures.[31] The Exempt Person shall cease to be treated as an Exempt Person on the day following the date of the completion of the liquidation or termination procedure.[32]

6.2. Failure is of temporary nature which is promptly rectified[33]

If an Exempt Person breaches the conditions to be treated as such, they may continue to be deemed as an Exempt Person where all of the following conditions are met:

- The failure to meet the conditions is due to a situation or an event beyond the Exempt Person's control which they could not reasonably have predicted or prevented.[34]
- The Exempt Person has made an application to the FTA to continue to be treated as an Exempt Person within 20 business days from the date they fail to meet the conditions for being an Exempt Person.[35] The FTA shall review the application and notify the Exempt Person of its decision within 20 business days of the submission of the application, or following such other time required to review the application, provided that the Exempt Person has been notified.[36]

---

[29] Article 4(5) of the Corporate Tax Law.
[30] Article 4(6)(a) of the Corporate Tax Law.
[31] Article 2(1) of Ministerial Decision No. 105 of 2023.
[32] Article 2(2) of Ministerial Decision No. 105 of 2023.
[33] Article 4(6)(b) of the Corporate Tax Law.
[34] Article 3(1)(a) of Ministerial Decision No. 105 of 2023.
[35] Article 3(1)(b) of Ministerial Decision No. 105 of 2023.
[36] Article 3(3) of Ministerial Decision No. 105 of 2023.

- The Exempt Person rectifies the failure to meet the conditions within 20 business days from the submission of the application.[37] The deadline may be extended by an additional 20 business days in the event that the failure to rectify is beyond the Exempt Person's reasonable control.[38]
- Upon request by the FTA, the Exempt Person provides evidence to support that there are appropriate procedures to monitor compliance with the relevant conditions of the Corporate Tax Law. The documentation should be provided to the FTA within 20 business days from the date of the request by the FTA, or any other period as may be determined by the FTA.[39]

6.3. Failure is to obtain Corporate Tax advantage[40]

The Exempt Person shall cease to be an Exempt Person starting from the day they fail to meet the conditions in case it can be reasonably concluded that the main purpose or one of the main purposes of this failure is to obtain a Corporate Tax advantage specified under the General Anti-abuse Rule that is not consistent with the intention or purpose of the Corporate Tax Law.[41]

[37] Article 3(1)(c) of Ministerial Decision No. 105 of 2023.
[38] Article 3(2) of Ministerial Decision No. 105 of 2023.
[39] Article 3(1)(d) of Ministerial Decision No. 105 of 2023.
[40] Article 4(6)(c) of the Corporate Tax Law read with Article 4 of Ministerial Decision No. 105 of 2023
[41] Article 50(2) of the Corporate Tax Law read with Article 4 of Ministerial Decision No. 105 of 2023.

7. Corporate Tax consequences of benefitting from Exempt Person status

A Person who qualifies as an Exempt Person under one of the categories covered in this guide, following its application being approved by the FTA, is not subject to Corporate Tax on any of its income, i.e. is completely exempt from Corporate Tax, provided they continue to meet all the requirements for exemption throughout the Tax Period.

7.1. No availability of Small Business Relief

Small Business Relief is a Corporate Tax relief that allows eligible Taxable Persons to be treated as having no Taxable Income for the relevant Tax Period. Small Business Relief does not apply to the Exempt Persons covered in this guide.

7.2. No availability of Qualifying Group Relief or Business Restructuring Relief

An Exempt Person cannot be a member of a Qualifying Group.[42] One of the conditions for Business Restructuring Relief is that the transferor or transferee is not an Exempt Person.[43] As a result, Qualifying Group Relief and Business Restructuring Relief are not available to the Exempt Persons covered in this guide.

7.3. No transfer of Tax Loss

Under the Corporate Tax Law, Tax Losses or a portion thereof may be offset against the Taxable Income of another Taxable Person upon satisfaction of certain conditions.[44] One of the conditions is that the transferor or transferee is not an Exempt Person.[45] Therefore, Exempt Persons covered in this guide cannot transfer any Tax Losses from their activities or Business operations to a Taxable Person.[46]

7.4. Exempt Person cannot be a member of a Tax Group

The Tax Group provision is intended to allow for the grouping of entities which are subject to Corporate Tax in the same manner. In line with this principle, an Exempt Person under Article 4 of the Corporate Tax Law cannot form or join a Tax Group.[47]

---

[42] Article 26(2)(c) of the Corporate Tax Law.
[43] Article 27(2)(c) of the Corporate Tax Law.
[44] Article 38(1) of the Corporate Tax Law.
[45] Article 38(1)(e) of the Corporate Tax Law.
[46] Article 4(2) of the Corporate Tax Law.
[47] Article 40(1)(e) of the Corporate Tax Law.

8. Compliance Requirements

8.1. Tax Registration

Qualifying Public Benefit Entities listed in Cabinet Decision No. 37 of 2023 must still register with the FTA for Corporate Tax purposes and obtain a Corporate Tax Registration Number ("TRN").[48] The application to register for Corporate Tax purposes for Qualifying Public Benefit Entities has been made available from 1 October 2023.[49]

A public benefit entity that is not listed in a Cabinet Decision as a Qualifying Public Benefit Entity will not be considered as an Exempt Person and will be a Taxable Person. As a result, it should register for Corporate Tax according to its relevant entity type, for example as a juridical person that is a Resident Person.

Public and private pension and social security funds will be required to register for Corporate Tax and obtain a TRN as they will be considered a Taxable Person.[50] Once registered, a fund can make an application to the FTA to be treated as an Exempt Person from 1 June 2024. [51] Private pension and social security funds are required to meet all the relevant conditions.[52] These conditions do not apply to public pensions and social security funds.

The position for wholly owned subsidiaries of the funds, which are UAE incorporated juridical persons, is the same as for the funds above. The subsidiary must register for Corporate Tax, and then make an application to the FTA to be treated as an Exempt Person, provided all the relevant conditions are met. The application to register for Corporate Tax will be available from 1 June 2024.[53]

8.2. Application for exemption and applicable timelines

The Person should apply for exemption within 60 business days from the end of the Tax Period in which the Person met the conditions for exemption.[54]

If the FTA approves the application for exemption, the exemption shall be effective from the start of the Tax Period specified in the application.[55]

---

48 Article 51(2) of the Corporate Tax Law.
49 Article 2(1) of FTA Decision No. 7 of 2023.
50 Article 51(2) of the Corporate Tax Law.
51 Article 2(2) of FTA Decision No. 7 of 2023 read with Article 4(3) of the Corporate Tax Law.
52 Articles 2 and 3 of Ministerial Decision No. 115 of 2023.
53 Article 2(2) of FTA Decision No. 7 of 2023 read with Article 4(3) of the Corporate Tax Law.
54 Article 3(1) of FTA Decision No. 7 of 2023.
55 Article 3(2) of FTA Decision No. 7 of 2023.

The FTA may determine an alternative effective date for the exemption other than the date specified in the application where any of the following scenarios, or similar, takes place:[56]

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 including a Government Entity, a Government Controlled Entity, a Qualifying Investment Fund or a public or private pension fund/social security fund, 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 FTA 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 FTA 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 that may be further specified by a decision issued by the Cabinet.

8.3. Administration

Exempt Persons are not required to file a Tax Return. Instead, the Exempt Persons covered by this guide are required to submit an annual declaration to the FTA, no later than 9 months from the end of the relevant Tax Period. This declaration must confirm that the Exempt Person continues to fulfil the relevant exemption conditions, and that their records with the FTA are still valid.[57]

Where an entity no longer meets the conditions to be an Exempt Person, they must file a Tax Return with the FTA within 9 months from the end of the relevant Tax Period.[58]

8.4. Confirmation by the Auditor

The Auditor of a private pension fund or social security fund is required to confirm annually that the requirements for the fund to be exempt have been complied with. The auditor’s annual confirmation of the compliance of the fund, will need to be provided to the fund. The fund will then provide this to the FTA.

[56] Article 3(3) of FTA Decision No. 7 of 2023
[57] Article 2 of FTA Decision No. 11 of 2023.
[58] Article 53(1) of the Corporate Tax Law.

8.5. Record keeping required to maintain Exempt Person status

Exempt Persons are required to maintain records which evidence their exempt status for 7 years from the end of the Tax Period to which they relate.[59] This includes any information, accounts, documents and records to enable the Exempt Person's status to be readily ascertained by the FTA.

Each Exempt Person should consider the conditions attached to their Exempt Person status and maintain any records relevant to ascertaining continued compliance with those conditions. For example, for a Qualifying Public Benefit Entity, this could include books and records to demonstrate that its resources were used only for its stated public benefit purpose, copies of agreements entered into, and details of its employees, officers and fiduciaries.

[59] Article 56(2) of the Corporate Tax Law.

9. Updates and Amendments

Date of amendment	Amendments made
December 2023	• First version