

Cabinet of Ministers Decision No. 116 of 2022 on the annual Taxable Income subject to Corporate Tax

The Cabinet of Ministers:

- Having reviewed the Constitution,
- Federal Law No. 1 of 1972 on the Competencies of Ministries and Powers of the Ministers, and its amendments,
- Federal Decree-Law No. 13 of 2016 on the Establishment of the Federal Tax Authority, and its amendments,
- Federal Law No. 7 of 2017 on Tax Procedures, and its amendments,
- Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses,
- Cabinet Resolution No. 36 of 2017 issuing the Executive Regulations of Federal Law No. 7 of 2017 on Tax Procedures, and
- Pursuant to what was presented by the Minister of Finance and approved by the Cabinet,

Has decided:

Article (1) Definitions

In the application of the provisions of this Decision, the following words and expressions shall have the meanings assigned against each, unless the context otherwise requires:

State: United Arab Emirates.

Ministry: Ministry of Finance.

Minister: Minister of Finance.

Authority: Federal Tax Authority.

Person: Any natural person or juridical person.

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

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

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

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

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

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

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.

Article (2)
Taxable Income Subject to 0% Corporate Tax

1. For the purposes of Paragraph (a) of Clause 1 of Article 3 of the Corporate Tax Law, the portion of a Taxable Person's Taxable Income not exceeding 375,000 (three hundred seventy-five thousand dirhams) shall be subject to a 0% (0 percent) Corporate Tax rate in the relevant Tax Period irrespective of whether the Taxable Person conducts multiple Businesses or Business Activities in that Tax Period.
2. Where the Authority establishes that one or more Persons have artificially separated their Business or Business Activity and the Taxable Income across the Persons' entire Business or Business Activity in excess of 375,000 (three hundred seventy-five thousand dirhams) has been subject to the 0% (zero percent) Corporate Tax rate in the Tax Period, this would be considered an arrangement to obtain a Corporate Tax advantage under Clause 1 of Article 50 of the Corporate Tax Law.
3. For the purpose of determining whether two Persons or more have artificially separated their Business or Business Activity, the Authority shall consider whether the arrangement was undertaken for a valid commercial purpose and whether the Persons carry on substantially the same Business or Business Activity by taking into account all relevant facts and circumstances, including but not limited to their financial, economic and organisational links.

Article (3)
Taxable Income Subject to 9% Corporate Tax

For the purposes of Paragraph (b) of Clause 1 of Article 3 of the Corporate Tax Law, the Taxable Person's Taxable Income exceeding 375,000 (three hundred seventy-five thousand dirhams) shall be subject to a 9% (nine percent) Corporate Tax rate in the relevant Tax Period.

Article (4)
Implementing Decisions

The Minister of Finance shall issue the necessary decisions for the implementation of this Decision.

Article (5)
Publication and Application of this Decision

This Decision shall be published in the Official Gazette and shall come into effect 15 (fifteen) days following the date of publication.

Mohammed bin Rashid Al Maktoum
Prime Minister

Issued by us,
On: 6 Jumada al-Akhar 1444
Corresponding to: 30 December 2022