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Determination of the Amount of Annual Income Subject to Corporate Tax

Cabinet Decision No. 116 of 2022 – Issued 30 Dec 2022 (Effective 1 Feb 2023)

The Cabinet has decided:

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

Article 1 – Definitions

In the application of the provisions of this Decision, the following words and expressions shall have the meanings assigned against each, unless the context 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 according to the forms and procedures as prescribed by the Authority, including any schedule or attachment thereto, including 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 – Income Subject to Corporate Tax at 0% (Zero Percent)

1. For the purposes of Paragraph (a) of Clause 1 of Article 3 of the Corporate Tax Law, the portion of Taxable Income of the Taxable Person not exceeding (375,000) three hundred seventy-five thousand dirhams shall be subject to Corporate Tax at the rate of (0%) zero percent in the Tax Period irrespective of whether the Taxable Person conducts multiple Businesses or Business Activity in that Tax Period.
2. Where it is established to the Authority that one or more Persons have artificially separated their Business or Business Activity and the Taxable Income across their entire Business or Business Activity was subject to Corporate Tax at (0%) zero percent in the Tax Period on an amount exceeding (375,000) three hundred seventy-five thousand dirhams, this would be considered an arrangement to obtain a benefit in relation to Corporate Tax under Clause 1 of Article 50 of the Corporate Tax Law.
3. For the purpose of verifying whether two or more Persons have artificially separated their Business or Business Activity, the Authority shall consider whether the arrangement was undertaken for a legitimate commercial purpose and



whether the Persons substantially carry on the same Business or Business Activity taking into account all relevant facts and circumstances, including for example without limitation their financial, economic and regulatory ties.

Article 3 – Income Subject to Corporate Tax at (9%) Nine Percent

For the purposes of Paragraph (b) of Clause 1 of Article 3 of the Corporate Tax Law, the Taxable Income of a Taxable Person that exceeds the amount of (375,000) three hundred seventy-five thousand dirhams shall be subject to Corporate Tax at (9%) nine percent 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 Enforcement

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