

Cabinet Decision No. (116) of 2022

Regarding the Determination of the Annual Income Subject to Corporate Tax

The Cabinet:

- Having reviewed the Constitution,
- And Federal Law No. (1) of 1972 regarding the Competencies of Ministries and Powers of Ministers, and its amendments,
- And Federal Decree-Law No. (13) of 2016 on the Establishment of the Federal Tax Authority, and its amendments,
- And Federal Decree-Law No. (7) of 2017 on Tax Procedures, and its amendments,
- And Federal Decree-Law No. (47) of 2022 on the Taxation of Corporations and Businesses,
- And Cabinet Decision No. (36) of 2017 regarding the Executive Regulation of Federal Law No. (7) of 2017 on Tax Procedures, and its amendments,
- And based on the proposal of the Minister of Finance, and the approval of the Cabinet,

Has decided:

Article (1)

Definitions

For the purposes of this Decision, the following words and phrases shall have the meanings assigned to them below, unless the context otherwise requires:

The State : The United Arab Emirates.

The Ministry : The Ministry of Finance.

The Minister : The Minister of Finance.

The Authority	: The Federal Tax Authority.
Person	: Any natural or legal 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 under the Corporate Tax Law on legal persons and Business income.
Taxable Income	: The income 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 submitted to the Authority for Corporate Tax purposes in accordance with the forms and procedures specified by the Authority, including any schedules or attachments thereto, and any amendment thereof.
Business	: Any activity conducted regularly, continuously and independently by any Person and in any place, 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, activity, or series of transactions or activities conducted by a Person in the course of their Business.

Article (2)

Income Subject to Corporate Tax at a Rate of (0%) Zero Percent

1. For the purposes of paragraph (a) of Clause (1) of Article (3) of the Corporate Tax Law, the portion of the Taxable Person's Taxable Income that does not exceed the amount of (375,000) three hundred and seventy-five thousand UAE dirhams shall be subject to Corporate Tax at a rate of (0%) zero percent in the Tax Period, regardless of whether the Taxable Person carries out multiple Businesses or Business Activities in that Tax Period.
2. If it becomes apparent to the Authority that one or more persons have artificially separated their Business or Business Activity and the Taxable Income of their entire Business or Business Activity has been subjected to Corporate Tax at a rate of (0%) zero percent in the Tax Period on an amount exceeding (375,000) three hundred and seventy-five thousand UAE dirhams, this shall 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 the Authority verifying whether two or more persons have artificially separated their Business or Business Activity, it must consider whether the arrangement was entered into for a legitimate commercial purpose and whether the persons are conducting substantially the same Business or Business Activity, taking into account all relevant facts and circumstances, including but not limited to their financial, economic, and organizational links.

Article (3)

Income Subject to Corporate Tax at a Rate of (9%) Nine Percent

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

Article (4)

Executive Decisions

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

Article (5)

Publication and Entry into Force of the Decision

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

Mohammed bin Rashid Al Maktoum Issued by us:

Prime Minister	On: 6 / Jumada al-Thani / 1444 H
	Corresponding to: 30 / December /
	2022 G