



## WTS Dhruva Tax Alert - Exception from Corporate Tax Registration

### Overview

Article 51 of Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses (UAE CT Law) mandates a Taxable Person to register for Corporate Tax (CT) with the Federal Tax Authority (FTA) and obtain a Tax Registration Number.

Clause 1 of Article 51 of the UAE CT Law provides that CT registration shall be exempt in circumstances prescribed by the Minister. The Ministry of Finance (MoF) has issued Ministerial Decision No. 43 of 2023 (Decision) stating the exceptions from registration for CT.

### In detail

#### Persons exempt from CT registration

1. Government Entity (unless it conducts a business activity);
2. Government Controlled Entity (unless it conducts a non-mandated business activity);
3. Person engaged in an extractive business and meeting the exemption conditions as prescribed in

the UAE CT Law provided it does not derive income from any other business taxable under the UAE CT Law;

4. Person engaged in non-extractive natural resource business and meeting the exemption conditions of the UAE CT Law provided it does not derive income from any other business taxable under the UAE CT Law;
5. Non-resident person who does not have a Permanent Establishment (PE) in UAE and deriving only UAE sourced income.

#### **Dhruva Observations**

In case where, Entities listed in 1 to 4 above carry both exempt and taxable business activities, they may have to obtain CT registration. Based on facts and feasibility, a separation of business could be examined.

Non-resident persons are subject to CT @ 0% on their UAE sourced income that is not attributable to its PE in UAE. Pursuant to this Decision, such non-resident persons who do not have a PE in UAE are not required to obtain a CT registration in UAE. This will significantly

reduce the compliance requirement on MNEs deriving UAE sourced income without having a PE in UAE.

It is important to note that CT registration exception is not extended to the other categories of 'Exempt Person' under the UAE CT Law, namely,

- Qualifying Public Benefit Entity;
- Qualifying Investment Fund;
- Public / Private Fund or Social Security Fund;
- any resident juridical person wholly owned and controlled by Government Entity / Government Controlled Entity / Qualifying Investment Fund / Public or Private Fund or Social Security Fund and carrying out exempt activities.

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