



WTS Dhruva Tax alert - Treatment of Businesses and Business Activities of a Government Entity as Single Taxable Person

Overview

Article 5 of Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses (UAE CT Law) provides that Government Entities (Federal / Local) shall be exempt from Corporate Tax and the UAE CT Law shall not be applicable to them. However, in case where a Government Entity conducts any businesses or business activities, it is subject to tax as per the provisions of UAE CT Law.

Clause 6 of Article 5 of the UAE CT Law provides that in case a Government Entity is subject to the UAE CT Law, it may apply to Federal Tax Authority (FTA) to treat all its businesses and business activities as a 'single Taxable Person'.

The Ministry of Finance (MoF) has issued Ministerial Decision No. 68 of 2023 (Decision) providing conditions for treating the businesses and business activities conducted by Government Entity as single Taxable Person. This Decision shall come into effect within 15 days following the date of publication.

In detail

[Conditions to treat the Government's businesses and business activities as a single Taxable Person](#)

Conditions for making application to the FTA:

- Application should be made by the Representative Government Entity;
- Application should include all businesses and business activities;
- Such business activities should be conducted under a Licence issued by a Licensing Authority;
- In case of Local Government Entities, business activities should be conducted within the same Emirate.

A Representative Federal / Local Government Entity is an entity that is mandated by the Federal / Local Government to represent the Federal / Local Government Entities that are to be treated as a single Taxable Person.



Circumstances where FTA is to be notified:

- Appointment of the Representative Government Entity responsible for undertaking the obligations set out in the UAE CT Law.
- Replacement of the Representative Government Entity without a discontinuation of the treatment as a single Taxable Person.

Addition / Cessation of Business or Business Activities

In case of any addition / cessation of Business or Business Activities, FTA is to be notified within 20 business days of from the occurrence of such event.

Cessation of treatment as a single Taxable Person:

- On an application made by Representative Government Entity and subsequent approval of FTA.
- Failure to meet any of the conditions set out in this Decision.

Tax Period

The treatment as a single Taxable Person shall start or end on the specified date or as determined by the FTA.

Taxable Income

Taxable income shall be determined based on the consolidated financial results for the relevant tax period. Transactions between the Businesses and Business Activities of the Government Entities within the single Taxable Person shall have to be eliminated while preparing the consolidated financial results.

Dhruva Observations

This is a welcome clarification provided by MoF for treating all the business and business activities conducted by a Government Entity as a single Taxable Person.

Federal and Local Government Entities will have to analyse their business and business activities and adhere to the conditions set out in this Decision to avail the benefit of being treated as a single Taxable Person.

Treating all businesses and business activities of a Government Entity as a single Taxable Person would reduce the tax compliance burden.

Government Entities can now work towards consolidation of financial statements and easier compliance with the UAE CT Law.



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