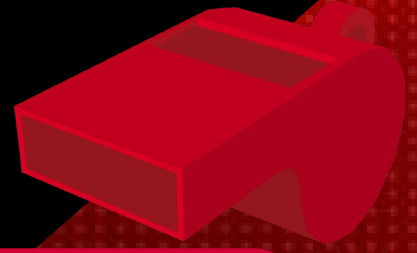


TAX UPDATE

June 19, 2025



Cabinet Decision No. 55 and 63 of 2025

Overview

- The UAE has issued two Cabinet Decisions that bring important clarifications and amendments to the Corporate Tax framework:
 - **Cabinet Decision ("CD") No. 55 of 2025:** Expands the definition of an "Exempt Person" under Article 4 of Federal Decree-Law No. (47) of 2022 ("the UAE CT Law") to **include certain foreign companies that are wholly owned and controlled by specific Exempt Persons.**
 - **CD No. 63 of 2025:** Deeming **Unincorporated Partnerships** that are taxed in their own right as a **Resident and Juridical Person.**
- Both the decisions are **effective on a retroactive basis from 1 June 2023**, aligning with the date of enactment of the UAE CT Law.
- This alert outlines the key amendments introduced under these CDs and highlights their potential implications for businesses operating in or through the UAE.

Part A – CD No. 55 of 2025

a) Introduction

- Under Article 4 of the UAE CT Law, certain categories of persons are regarded as **Exempt Persons** and are therefore **not subject to UAE Corporate Tax**. The exhaustive list of Exempt Person includes, inter-alia, the following:
 - A Government Entity (Article 4(1)(a) of the UAE CT Law)
 - A Government Controlled Entity (Article 4(1)(b) of the UAE CT Law)
 - A Qualifying Investment Fund under Article 10 of the CT Law (Article 4(1)(f) of the UAE CT Law)
 - A public pension or social security fund, or a private pension or social security fund that:
 - Is subject to regulatory oversight of competent authority in the UAE, and
 - Meets any other conditions that may be prescribed by the Minister(Article 4(1)(g) of the UAE CT Law)

In addition, as per Article 4(1)(h) of the UAE CT Law, **any UAE-incorporated juridical person that is wholly owned and controlled** by one or more of the above Exempt Persons can also qualify as an Exempt Person, subject to certain conditions.



b) Key Amendment Introduced by CD No. 55 of 2025

- CD No. 55 of 2025 extends **Exempt Person status** to **foreign entities** (incorporated outside the UAE) that are **wholly owned and controlled** by the above-mentioned 4 categories of Exempt Persons.
- The conditions for such a foreign company is akin to the conditions provided under the UAE CT Law for UAE entities, as enlisted below:
 - 1) *Undertakes part or whole of the activity of the Exempt Person.*
 - 2) *Is engaged exclusively in holding assets or investing funds for the benefit of the Exempt Person.*
 - 3) *Only carries out activities that are ancillary to those carried out by the Exempt Person.*

c) Key Takeaways

- This amendment upholds the **principle of fairness and neutrality**, ensuring parity between UAE-incorporated and foreign-incorporated entities wholly owned and controlled by specified Exempt Persons.
- Consequently, foreign entities that were previously taxable in the UAE (due to having a place of effective management, nexus, etc. in the UAE) may now be treated as exempt—retroactively from 1 June 2023, subject to satisfying the prescribed conditions.


d) Administrative Timeline and Process:

- As per Article 4(3) of the UAE CT Law, the exemption is **not automatic**. Eligible foreign entities must **apply** to the Federal Tax Authority (FTA).
- As per the **FTA Decision No. 7 of 2023**, such applications must be filed **within 60 days from the end of the relevant financial year**.
- Since CD No. 55 was issued recently (having a retroactive effect), **further guidance may be expected**, particularly for those foreign entities whose financial year has already ended (with 60 days period further being expired) and that may have already discharged their UAE corporate tax liabilities.

Part B – CD No. 63 of 2025

a) Introduction

- Under the UAE CT Law, **unincorporated partnerships** are generally treated as **fiscally transparent**—i.e., not taxable in their own right. Instead, **tax liability falls on the partners**, based on their residency status.
- The UAE CT Law, however, allows the **partners to apply** to the FTA to treat such an unincorporated partnership as **taxable person in its own right** (i.e., fiscally opaque).
- The FTA's non-binding **"Taxation of Partnerships" Guide** had earlier clarified that, upon approval by the FTA, such a fiscally opaque partnership would be treated as a **Resident Person**.

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- However, the definition of **Resident Person** under the UAE CT law only includes **juridical or natural persons or any other person as per any CD**—leaving a gap, as an unincorporated partnership wasn't a juridical or a natural person.

b) What's Changed

- **CD No. 63 of 2025** now deems such fiscally opaque unincorporated partnership—**once approved by the FTA to be treated as a taxable person in its own right**—to be both:
 - **Juridical person**, and
 - **Resident Person** for Corporate Tax purposes.

c) Key Takeaways

- This CD addresses the ambiguity and brings **legislative clarity** aligning with the prior FTA guidance.
- Consequently, certain **benefits and reliefs under the UAE CT Law** available to **resident juridical persons**, **should now be extended to such** fiscally opaque unincorporated partnerships, inter-alia:
 - **Formation of a Tax Group***
 - **Free Zone relief**
 - **Transfer of tax losses**
 - **Transfer within qualifying group**

Note: As per the UAE CT Law, tax group applications must be submitted on or **before the end of the financial year. Since:*

- *Registration of unincorporated partnerships has only recently been enabled, and*
- *CD No. 63 of 2025 was issued last month,*

*the **practical eligibility** for such partnerships to join a tax group in **prior tax years** remains to be seen—absent specific clarity on this aspect.*

Conclusion

CD No. 55 and 63 of 2025 are **positive developments** that bring alignment, clarity, and expanded relief under the UAE Corporate Tax regime. Businesses should:

- **Re-evaluate their structures** to assess whether **foreign entities** wholly owned and controlled by specified Exempt Persons can now qualify as **Exempt Person**; and
- **Review the tax position of fiscally opaque unincorporated partnerships**, considering their newly recognized status as **resident juridical persons** under the UAE CT Law.

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