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UAE Corporate Tax Returns Guide

June 2025

Pursuant to Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses (hereinafter, ***"the Law***"), Corporate Tax in the UAE applies to tax periods commencing on or after 1 June 2023.

Completing the Corporate Tax Return involves preparing a large amount of additional information that may not be contained in the accounting database. Therefore, it is important to thoroughly consider the relevant aspects to accurately complete the return and to minimise the risks of questions from the tax authorities.

Before completing the Tax Return Form, Taxable Persons should follow the procedure set out below:

Step 1 – Check whether the company meets Small Business Relief criteria to apply Corporate Tax exemption

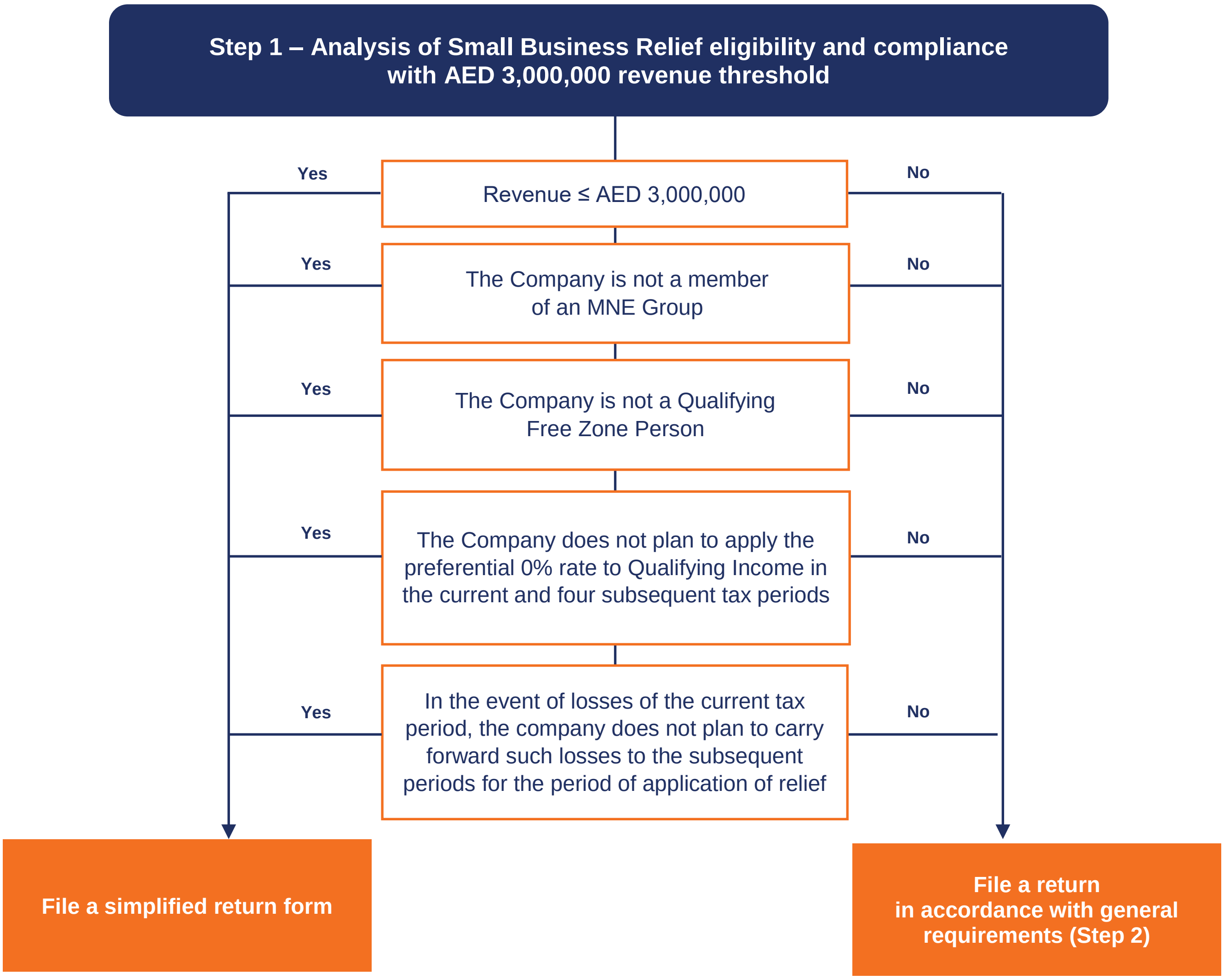
Pursuant to Article 21 of the Law and Ministerial Decision No. 73 of 2023[1], companies that are not members of Multinational Enterprises Groups ***(MNE Groups)*** and Qualifying Free Zone Persons in the UAE may apply Small Business Relief, provided that their revenue does not exceed the threshold of AED 3,000,000 in the current and all previous tax periods.

In order to determine the possibility of applying Small Business Relief, it is necessary to perform a preliminary analysis of compliance with the terms of its application, as well as the feasibility of its application.

In particular, Small Business Relief cannot be applied by Qualifying Free Zone Persons (QFZP). It is important to bear in mind that if the company plans to apply the 0% corporate tax rate in future periods, since one of the conditions for its application is compliance with the criteria for recognising the company as a QFZP (see Step 2 for details). If the company fails to meet any of the conditions to be recognised as a QFZP (including in the event of a voluntary election to apply the general tax regime), it loses the right to apply the 0% rate during the current and four subsequent tax periods[2].

[1] Ministerial Decision No. 73 of 2023 *on Small Business Relief for the Purposes of the Law*.

[2] Ministerial Decision No. 265 of 2023 *Regarding Qualifying Activities and Excluded Activities for the Purposes of the Law (Decision No. 265)*.

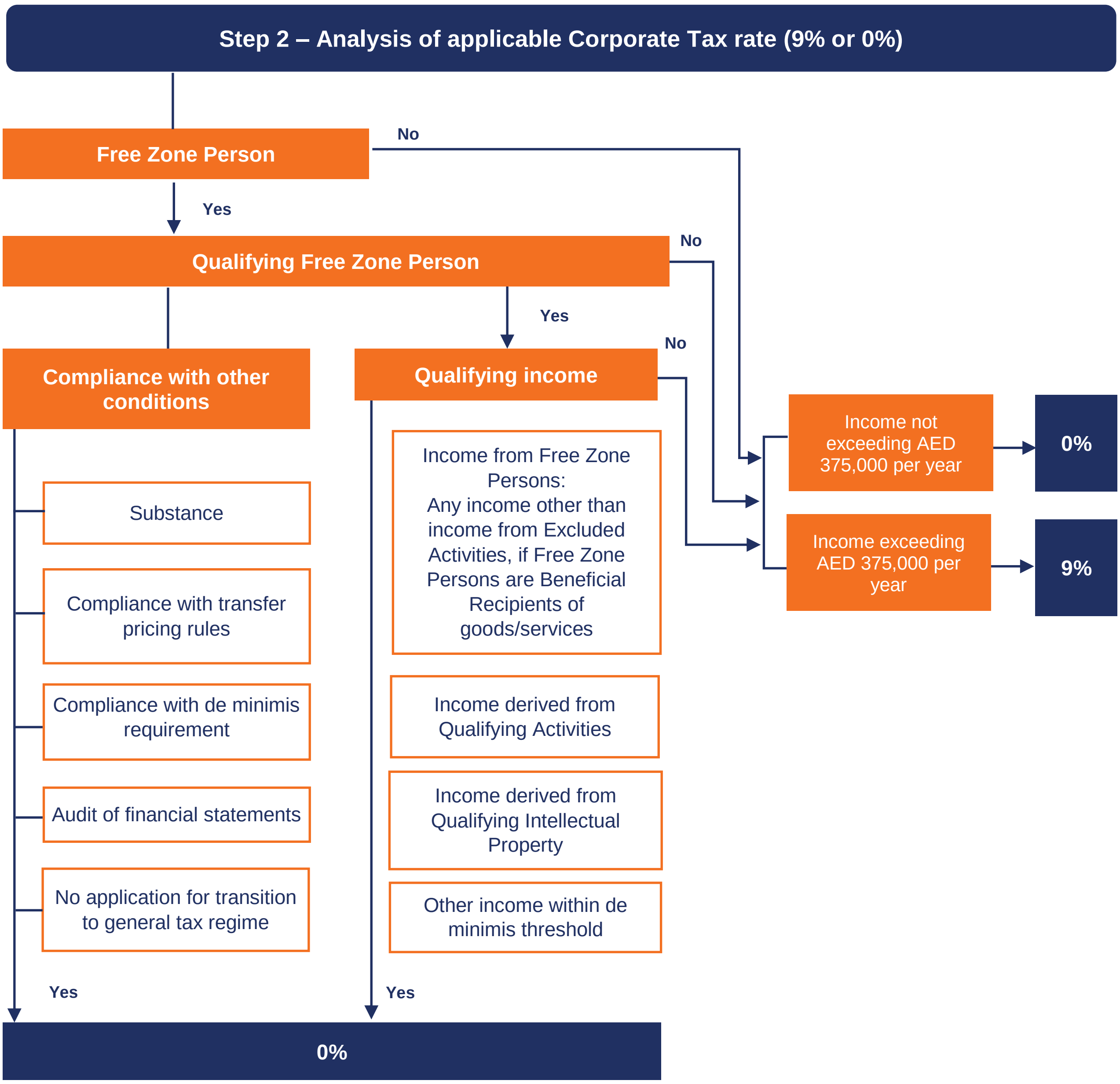

Step 1 – Analysis of Small Business Relief eligibility and compliance with AED 3,000,000 revenue threshold
Revenue ≤ AED 3,000,000
The Company is not a member of an MNE Group
The Company is not a Qualifying Free Zone Person
The Company does not plan to apply the preferential 0% rate to Qualifying Income in the current and four subsequent tax periods
In the event of losses of the current tax period, the company does not plan to carry forward such losses to the subsequent periods for the period of application of relief
Yes
Yes
Yes
Yes
Yes
No
No
No
No
No
File a simplified return form
File a return in accordance with general requirements (Step 2)

Step 2 – Determine the applicable Corporate Tax rate (9% or 0%)

Pursuant to Article 3 of the Law, the standard Corporate Tax rate is 9%. The company's taxable income not exceeding AED 375,000 per year is taxable at a rate of 0%.

Qualifying Free Zone Persons may apply a preferential 0% tax rate to Qualifying Income, provided a number of conditions are met. Such types of income and conditions are set forth in Article 18 of the Law, Cabinet Decision No. 100[3], and Decision No. 265.

It is necessary to ensure that the criteria established by the Law for applying the 0% rate are met in accordance with respective legal provisions (see the decision-making structure in the diagram below).



[3] Cabinet Decision No. 100 of 2023 on *Determining Qualifying Income for the Qualifying Free Zone Person for the Purposes of the Law*

Step 3 – Check for controlled transfer pricing transactions (complete the Disclosure Form, Local File)

In accordance with Corporate Tax legislation regarding transfer pricing (TP) provisions, all transactions performed between related parties or connected persons[4] are subject to control, irrespective of the turnover under these transactions or the type of such transactions.

According to the provisions of effective laws, companies in the UAE which undertake transactions with related parties and connected persons should prepare the following types of TP reporting:

- All companies, regardless of revenue:
  - Transfer Pricing Disclosure Form
  - TP supporting documentation
- Companies whose revenue equals or exceeds AED 200 million or which are members of an MNE group whose consolidated revenue equals or exceeds AED 3.150 billion:
  - Country-by-Country Report in cases stipulated by laws
  - local File
  - master File

If the Taxable Person has transactions with related parties and/or connected persons, the Corporate Tax Return provides for the disclosure by such person of information on controlled transactions in the TP Disclosure Form (similar to the Notification of Controlled Transactions), including details of the transaction itself, the applicable TP method, the actual price, and arm's length price of the deal.

Transactions with related parties should be reflected in the TP Disclosure Form if the aggregate turnover or market value of all transactions with related parties presented in the financial statements in aggregate exceeds AED 40 million.

To complete the appendix on related-party transactions, total aggregate turnover ***for each category of transactions*** (with all related parties) should exceed AED 4 million.

Transactions with connected persons should also be reflected in the Tax Return if the aggregate amount of payments to all Connected Persons (including their Connected Persons) exceeds AED 500,000.

The Corporate Tax Return Form also stipulates the provision of local and master files as an appendix in the cases indicated above.

The local file includes a detailed analysis of specific controlled transactions and an analysis of the actual result of the transaction in the relevant financial period.

The master file includes a general description of the group, the value chain, applicable TP approaches to intra-group transactions, the financing structure, a description of group assets, and agreements with tax authorities.

Step 4 – Determine the need to submit a request to the tax authorities on any issue

If the company has open methodological issues and uncertainties regarding the application of tax legislation, it is necessary to consider them in advance. A request to the tax authorities to clarify important aspects for the company should be submitted in advance using the established request form according to the special requirements[5] of the tax authorities pursuant to Article 59 of the Law. The timeline for the provision of tax authorities' clarifications on Taxable Persons' requests on Corporate Tax is 60 working days after the date of receipt of the request.

[4] Connected persons are persons exercising control and management of the company, as well as employees making management decisions regarding the company's core business

[5] Federal Tax Authority Decision No.4 of 2024 *On Amending the Authority's Policy on Issuing Clarifications and Directives*

Step 5 – Prepare financial statements, undergo an audit

Taxable Persons that are not a Tax Group deriving revenue exceeding AED 50 million during the relevant Tax Period and QFZP must maintain audited financial statements in accordance with Article 54 of the Law and Ministerial Decision No. 84 of 2025[6]. The financial statements of such companies should be audited before the Tax Return is filed.

During an audit, it is important for the Taxable Person to be ready to provide a preliminary calculation of the Corporate Tax and supporting documents for applying the 0% rate (if applicable).

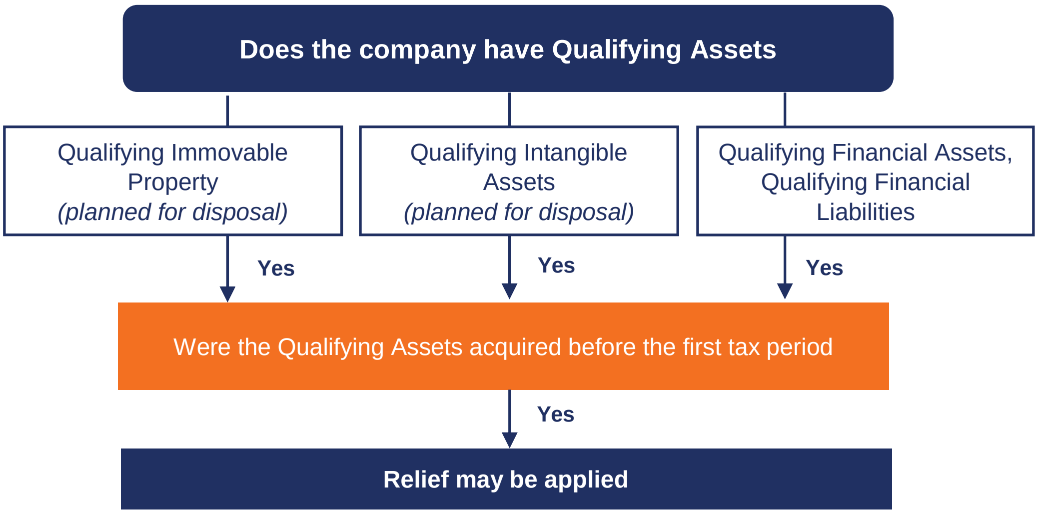
Step 6 – Review the accounting policy and analyse the option of applying relief under the Transitional Rules

Taxable Persons should review their accounting policy in accordance with IFRS rules, and their tax policy, to take into account various legal issues.

In addition, the Taxable Person's Tax Return reflects the election of approaches under the accounting policy that affects the company's accounting and election of applicable relief.

Example of applying the tax base adjustment in accordance with the Transitional Rules

Under the Transitional Rules, Taxable Persons may elect to adjust taxable income in respect of Qualifying Assets[7] (see below).



[6] Ministerial Decision No. 84 of 2025 *On Audited Financial Statements for the Purposes of the Law (note that for tax periods before 2025 Ministerial Decision No. 82 of 2023 on the Determination of Categories of Taxable Persons Required to Prepare and Maintain Audited Financial Statements for the Purposes of the Law applies)*

[7] Pursuant to Article 61 of the Law, Ministerial Decision No. 120 of 2023 *on the Adjustments Under the Transitional Rules for the Purposes of the Law.*

Example of Taxable Person's election to use Realisation Basis

For the purposes of determining taxable income, Taxable Persons that prepare financial statements using the accrual basis of accounting may choose to recognise certain gains and losses on a realisation basis[8].

Example:

During the financial year ending 31 December 2025, a UAE-resident company recognised in its financial statements revaluation gains of AED 10,000,000 in respect of a certain land plot measured at fair value. The historical value of the land plot was AED 50,000,000; after revaluation, its net book value was AED 60,000,000.

At the end of the tax period, the land was not disposed of, so the revaluation gains are considered unrealised.

If the realisation basis is not chosen, the company will have to calculate and pay tax on unrealised gains amounting to AED 10,000,000 for the tax period ending 31 December 2025.

> If the company elects to apply the realisation basis to all assets and liabilities to be accounted for at fair value or impairment, the company will not have to include revaluation gains of AED 10,000,000 when calculating taxable income for the tax period.

Example of applying Qualifying Group Relief

Two Taxable Persons within the same Qualifying Group may transfer assets or liabilities without recognising gains or losses for Corporate Tax purposes[9].

Example:

Company C and Company D are manufacturing businesses wholly owned by Company A. Company C and Company D also meet all other conditions to be recognised as members of a Qualifying Group.

During the tax period, Company D won a major contract to supply goods to a new buyer. Special machinery is required to manufacture these goods. Company C owns such machinery, but no longer needs it due to changes in the needs of its customers. Company C transferred the machinery to Company D. Company C did not require payment, and Company D did not pay for the machinery. At the time of the transfer, the net book value of the machinery was AED 800,000 and its market value was AED 1,200,000. Company D uses the fair value method of accounting and, as a result, recognised the asset at a net book value of AED 1,200,000 for accounting purposes.

For Corporate Tax purposes, the machinery can be treated as having been transferred at the asset's net book value, AED 800,000. This means that when calculating their Taxable Income, Company C will be treated as having received AED 800,000 and Company D will be treated as having paid AED 800,000 for the machinery. As a result, no gain or loss will arise for Company C for Corporate Tax purposes.

[8] Pursuant to Article 20 of the Law, Ministerial Decision No.134 of 2023 *on the General Rules for Determining Taxable Income for the Purposes of the Law.*

[9] Pursuant to Article 26 of the Law.

Step 7 – Prepare accounting data for the Tax Return

A Taxable Person should prepare data analytics in the accounting system in advance for subsequent filling in the Tax Return. Examples of such analytics are given below.

For example, the itemisation can be formed by the following types of expenses and adjusted taking into account the type of activity and business objectives of the company:

- accounting for expenses incurred wholly and exclusively for business purposes
- accounting for expenses incurred for several purposes
- accounting for expenses incurred on the receipt of exempt income
- accounting for settlements with related parties and connected persons
- accounting based on qualifying activities
- accounting for interest expenses
- accounting for expenses not taken into account when calculating the tax base, including entertainment expenses
- separate accounting for qualifying and non-qualifying activities to determine the de minimis threshold (applicable to Free Zone Persons)
- accounting for income from qualifying and non-qualifying activities
- accounting for exchange rate differences and revaluation on a separate account (in case the realisation basis is used)
- accounting for capital expenditures
- accounting for bad debt
- accounting for employment-related expenses
- separate accounting for expenses by branches and foreign representative offices

Step 8 – Calculate the tax base

Before completing the Tax Return, the Taxable Person should calculate the tax base taking into account the previously performed itemisation of income and expenses. However, it is important to consider restrictions on accounting for a number of expenses when calculating the tax base – interest, entertainment expenses, fines, expenses incurred not for business purposes, etc. (for further information, see Chapter 9 of the Law and the tax authorities' guidelines for Taxable Persons).

Step 9 – Start preparing the Tax Return

The Tax Return Form provides for the inclusion of detailed information in several sections.

When selecting data to complete the Tax Return, the Taxable Person can be automatically redirected to the relevant sections (Schedules). For example, when a Taxable Person elects the Qualifying Free Zone Person regime in the Taxable Person Details section, information on substance confirmation and other related issues will be required; when indicating transactions with related parties and/or connected persons, information on controlled transactions is to be disclosed in the TP Disclosure Form and, if necessary, Master File and Local File, as well as other necessary information.

The Tax Return Form comprises the following sections:

Section number	Content of Tax Return section	Information on completing Tax Return section
1	**Taxable Person details**	In the Taxable Person Details section it is important to note that information on the Taxable Person's data, including legal address, manager's data, etc., is automatically transferred to this section from the Corporate Tax Registration application. If the company's data have changed from the moment of submitting the registration application to the moment of submitting the Tax Return, it is necessary to submit a new application for the data change, since at the time of submitting the Tax Return the data change will not be possible.
2	**Elections**	The Elections section on electing the application of certain Corporate Tax provisions includes information on electing the cash method of accounting for a number of assets/liabilities, applying Transitional Rules to qualifying assets, Small Business Relief, Relief for Qualifying Group, Business Restructuring Relief, and the procedure for accounting for income from a foreign permanent establishment. When submitting the first Tax Return, the Taxable Person may elect to apply the Transitional Rules and Realisation Basis.
3	**Accounting Schedule**	The Accounting Schedule section contains information on the composition of the financial statements, including the income statement, statement of comprehensive income, balance sheet, and information on the audit and reservations.
4	**Accounting Adjustments and Exempt Income**	The Accounting Adjustments and Exempt Income section contains information on adjustments in connection with exempt income – on excluded income (dividends, etc.), application of the Participation Exemption, data on income/expenses of a permanent establishment, non-residents' income from operating aircraft or ships in transportation.
5	**Reliefs**	The section contains data on Transfers within a Qualifying Group and Business Restructuring Relief.
6	**Other adjustments**	The Adjustments for Non-deductible Expenditure section contains information on adjustments for unaccounted expenses – net interest expenses; entertainment and hospitality expenses; donations, subsidies or gifts; fines and penalties; dividends, etc.
7	**Tax Liability and Tax Credits**	The Tax Liability and Tax Credits section contains information on taxable income, information on the amount of tax losses, data on using tax losses of previous years.
8	**Review and declaration**	The following documents may need to be attached to the Tax Return (some are mandatory when answering certain questions of the Tax Return), including: • Financial statements (mandatory for all) • Auditors' report • Additional documents confirming the application of relief • Appraiser's report in case the Transitional Rules are applied • TP documentation (Local File, Master File) • Documents on qualifying intellectual property (if applicable) • Certificate of tax residency in a foreign jurisdiction (if applicable)

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This information cannot be used for analysis or comparison purposes

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Information in the presentation is abbreviated for illustrative purposes and is not complete

A detailed analysis of each individual situation should be performed to implement the information set forth in this presentation

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