



MICS

Comprehensive Financial Services

UAE CORPORATE TAX APPLICABILITY ON REAL ESTATE SECTOR

Simplified for you

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Comprehensive Financial Services

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Disclaimer

The following corporate tax presentation is provided by a tax professional and is based on our understanding of tax laws and regulations as of the knowledge cutoff date of May 2023. While we strive to provide accurate and reliable information, we cannot guarantee the completeness or accuracy of the content presented during this presentation. Tax laws can be complex and may vary depending on the specific circumstances and jurisdiction. Therefore, it is essential to conduct independent research and consult the relevant tax authorities to ensure that you have the most current and accurate information. By participating in this presentation, you acknowledge and agree that we shall not be held responsible for any errors, omissions, or damages arising from the use of the information provided. We disclaim any liability for any actions taken or decisions made based on the content of this presentation. The MoF (UAE) and the Federal Tax Authority are the official sources of information on federal taxes in the UAE and should be relied upon.

Thank you for your understanding.

Celebrating last tax free day in the UAE



31st May 2023
Strictly Private & Confidential



Media Presence / Events / Recognitions



ICAI Abu Dhabi Chapter in collaboration with Khaleej Times – presentation on Revaluation of Assets / Liabilities with over 300 members attendance

Our Previous Webinars



19 MAY, 2022

Understanding Public
Consultation
Document



23 JUNE, 2022

Understanding
UAE CT
with SMEsouk



19 DEC, 2022

UAE CT Law
Simplified (Federal
Decree Law)



25 MAY, 2023

Unravelling
UAE CT



14 JUNE, 2023

UAE CT:
Taxability of Free
Zone Entities



21 JUNE, 2023

Seminar at Dubai with
ICAI Dubai Chapter/
Khaleej Times



10 AUG, 2023

UAE CT:
Simplifying freezone
taxation



17 AUG, 2023

UAE CT:
"Revaluation of
Assets/Liabilities"

Our Previous Webinars



26 AUG, 2023

Seminar at Abu Dhabi with ICAI Dubai Chapter/Khaleej Times



31 AUG, 2023

UAE CT: Investment Fund & Fund Manager Taxation



12 SEPT, 2023

Staff Training for Shipping industry



14 SEPT, 2023

Decoding UAE CT In partnership with **Tally Solutions**



15 SEPT, 2023

Staff Training for real estate industry



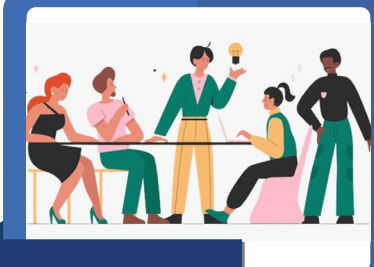
27 SEPT, 2023

Simplify UAE CT In association with **Dubai eye & EY**



21 DEC, 2024

UAE Corporate Tax: Taxation on Natural Person



21 JAN, 2024

Tax Groups Simplified

Salient features

0% Tax Rate up-to Net Taxable Income of AED 375,000 p.a.

0%

9% on Net Taxable Income

9%

Global Income taxable for UAE Resident Persons



No Personal Taxation



Special Concession to Qualifying Free-zones*
(subject to satisfaction of certain conditions)



No taxation for Natural Personal "Investment Income"
(Rental Income, Dividends, Income from Debt/Equity Securities)



Small business relief upto
AED 3 Million revenue*

0%

0% Withholding Tax



Provisions for Tax Group, C/F of losses



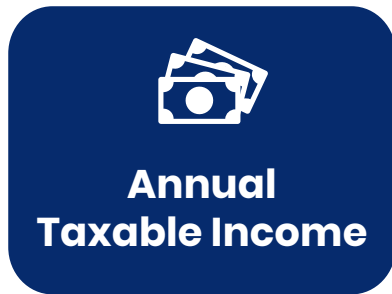
To be effective from 1st June 2023 & applicable
for Financial Years starting from 1st June , 2023

Global Corporate tax rate

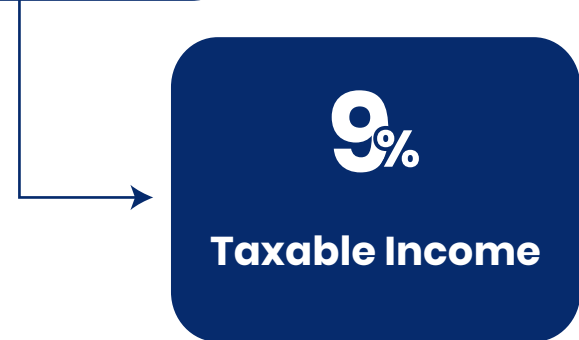
Country	Corporate Tax Rate (%)	Country	Corporate Tax Rate (%)	Country	Corporate Tax Rate (%)	Country	Corporate Tax Rate (%)	Country	Corporate Tax Rate (%)
Afghanistan	20	Congo	28	Ireland	12.5	Myanmar	25	Slovenia	19
Albania	15	Congo (Democratic Republic)	30	Israel	23	Namibia	32	Solomon Islands	30
Algeria	26	Costa Rica	30	Italy	24	Netherlands	25	South Africa	28
Andorra	10	Croatia	18	Ivory Coast	25	New Zealand	28	Spain	25
Angola	25	Curacao	22	Jamaica	25	Nicaragua	30	Sri Lanka	24
Antigua and Barbuda	25	Cyprus	12.5	Japan	30.62	Nigeria	30	St Maarten	35
Argentina	25	Czech Republic	19	Jordan	20	Norway	22	Sudan	35
Armenia	18	Denmark	22	Kazakhstan	20	Oman	15	Suriname	36
Aruba	25	Djibouti	25	Kenya	30	Pakistan	29	Swaziland	27.5
Australia	30	Dominica	25	Korea	25	Palestinian Territory	15	Sweden	20.6
Austria	25	Dominican Republic	27	Kuwait	15	Panama	25	Switzerland	14.93
Bangladesh	32.5	Ecuador	25	Kyrgyzstan	10	Papua New Guinea	30	Syria	28
Barbados	5.5	Egypt	22.5	Latvia	20	Paraguay	10	Taiwan	20
Belarus	18	El Salvador	30	Lebanon	17	Peru	29.5	Tanzania	30
Belgium	25	Estonia	20	Libya	20	Philippines	30	Thailand	20
Benin	30	Ethiopia	30	Liechtenstein	12.5	Poland	19	Trinidad and Tobago	30
Bolivia	25	Fiji	20	Luxembourg	24.94	Portugal	21	Tunisia	15
Bonaire, Saint Eustatius and Saba	25	France	26.5	Macau	12	Qatar	10	Turkey	20
Bosnia and Herzegovina	10	Gabon	30	Macedonia	10	Romania	16	Turkmenistan	20
Botswana	22	Gambia	27	Madagascar	20	Russia	20	Uganda	30
Brunei Darussalam	18.5	Georgia	15	Malawi	30	Rwanda	30	Ukraine	18
Bulgaria	10	Germany	30	Malaysia	24	Saint Kitts and Nevis	33	United Arab Emirates	9
Burkina Faso	28	Ghana	25	Malta	35	Saint Lucia	30	United Kingdom	19
Burundi	30	Gibraltar	10	Mauritania	25	Saint Vincent and the Grenadines	30	United States	27
Cambodia	20	Greece	24	Mauritius	15	Samoa	27	Uruguay	25
Cameroon	33	Grenada	28	Mexico	30	Saudi Arabia	20	Uzbekistan	7.5
Canada	26.5	Honduras	25	Moldova	12	Senegal	30	Venezuela	34
Chile	27	Hungary	9	Monaco	33	Serbia	15	Vietnam	20
China	25	Iceland	20	Mongolia	25	Sierra Leone	30	Yemen	20
		India	30	Montenegro	9	Singapore	17	Zambia	35
		Indonesia	22	Morocco	31	Sint Maarten (Dutch part)	35	Zimbabwe	24
		Iraq	35	Mozambique	32	Slovakia	21		

The Corporate Tax Rate

Taxable persons



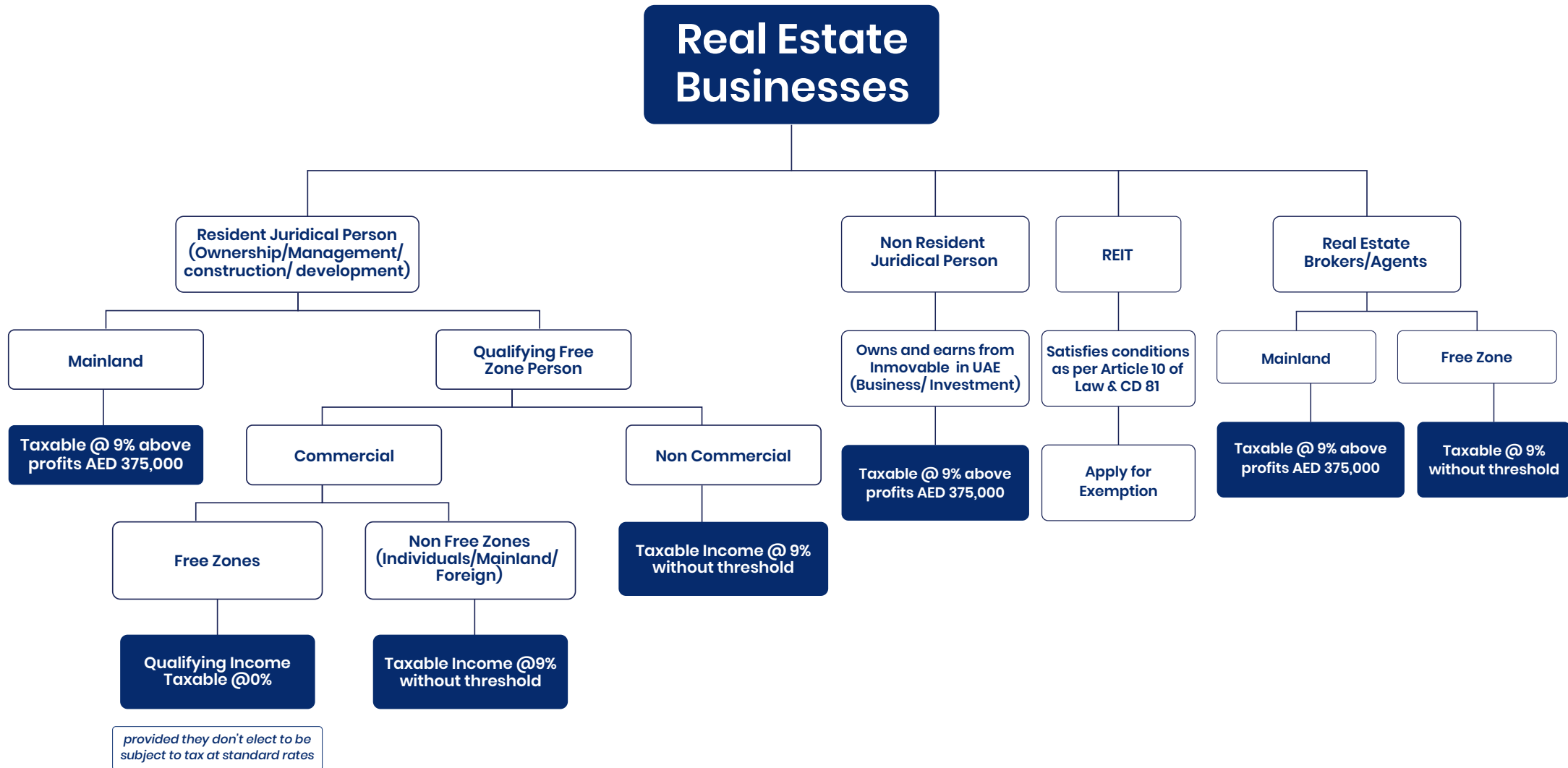
Qualifying Free Zone Persons





Real Estate Sector Taxation under UAE Corporate Tax

Real Estate Taxability – Businesses



Case studies – Juridical Person

Example 1 : Real Estate Developer

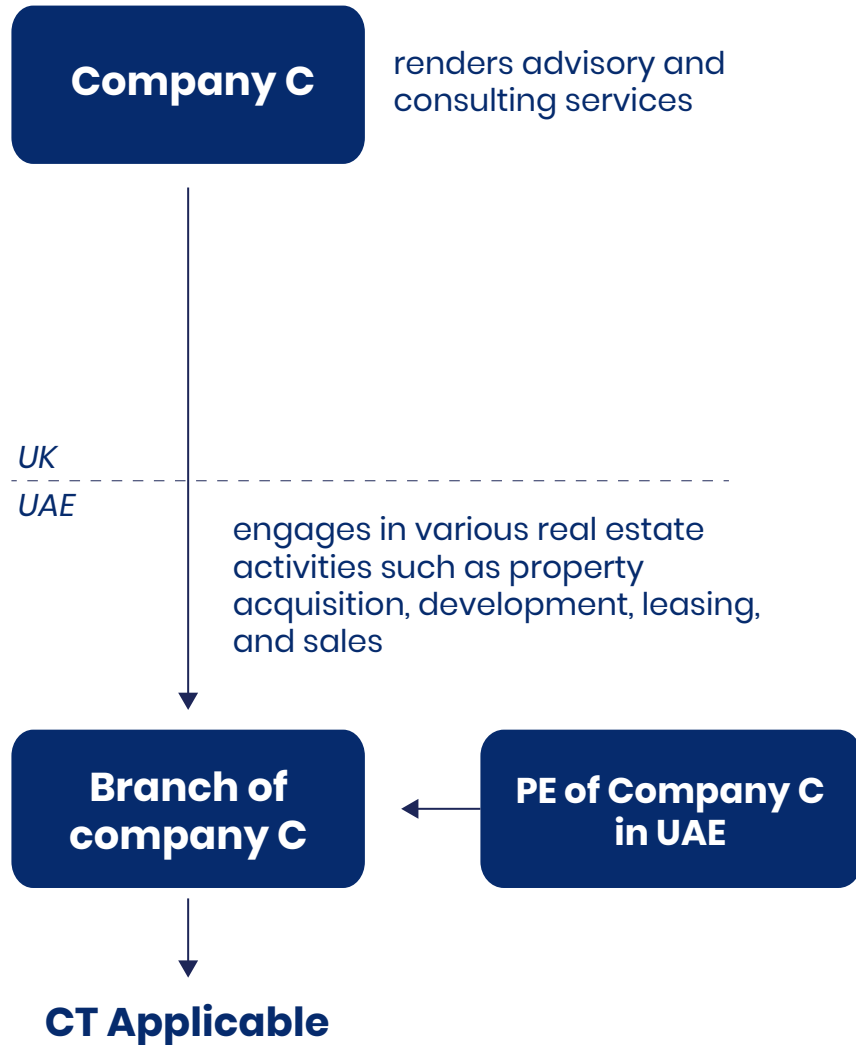


ABC, a real estate development company incorporated in the UAE as an LIC, follows IFRS with a financial year from September 1 to August 31. For the tax period ending August 31, 2024, ABC reported revenue of AED 240 million and costs of AED 208 million. They made a tax adjustment of AED 2 million for non-deductible expenditure as per Article 20 of the CT Law.

Taxable Income:	Corporate Tax Due:
$\begin{aligned} &= \text{Accounting Income} + \text{Tax Adjustments} \\ &= (240,000,000 - 208,000,000) + 2,000,000 \\ &= \mathbf{AED\ 34,000,000} \end{aligned}$	$\begin{aligned} &= 375,000 \times 0\% \text{ (for first 375,000)} + \\ &\quad (34,000,000 - 375,000) \times 9\% \\ &= \mathbf{AED\ 3,026,250} \end{aligned}$

Case studies – Juridical person

Example 2(a) : Appointing agent to manage the properties



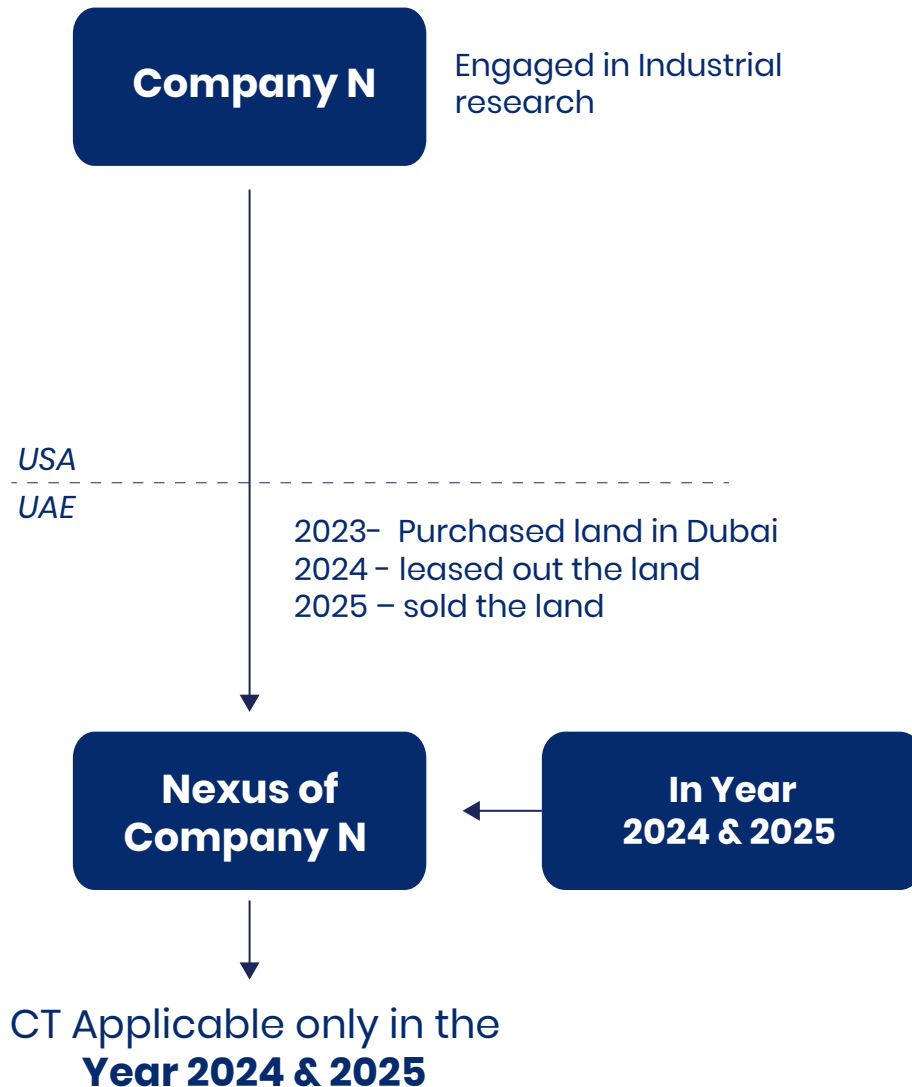
Company C, an international real estate investment firm based in the UK, establishes a branch office in Dubai to tap into the growing real estate market in the UAE. This branch office constitutes a Permanent Establishment (PE) in the UAE.

The PE in Dubai engages in various real estate activities such as property acquisition, development, leasing, and sales. However, the advisory and consulting services provided by Company C from its offices outside the UAE are not attributable to the PE in Dubai.

As a Non-Resident Entity with a PE in the UAE, only income generated by activities conducted through the PE will be subject to Corporate Tax. Income from advisory and consulting services, managed from the UK offices, remains outside the scope of taxation in the UAE.

Case studies – Juridical person

Example 2(b) : Appointing agent to manage the properties



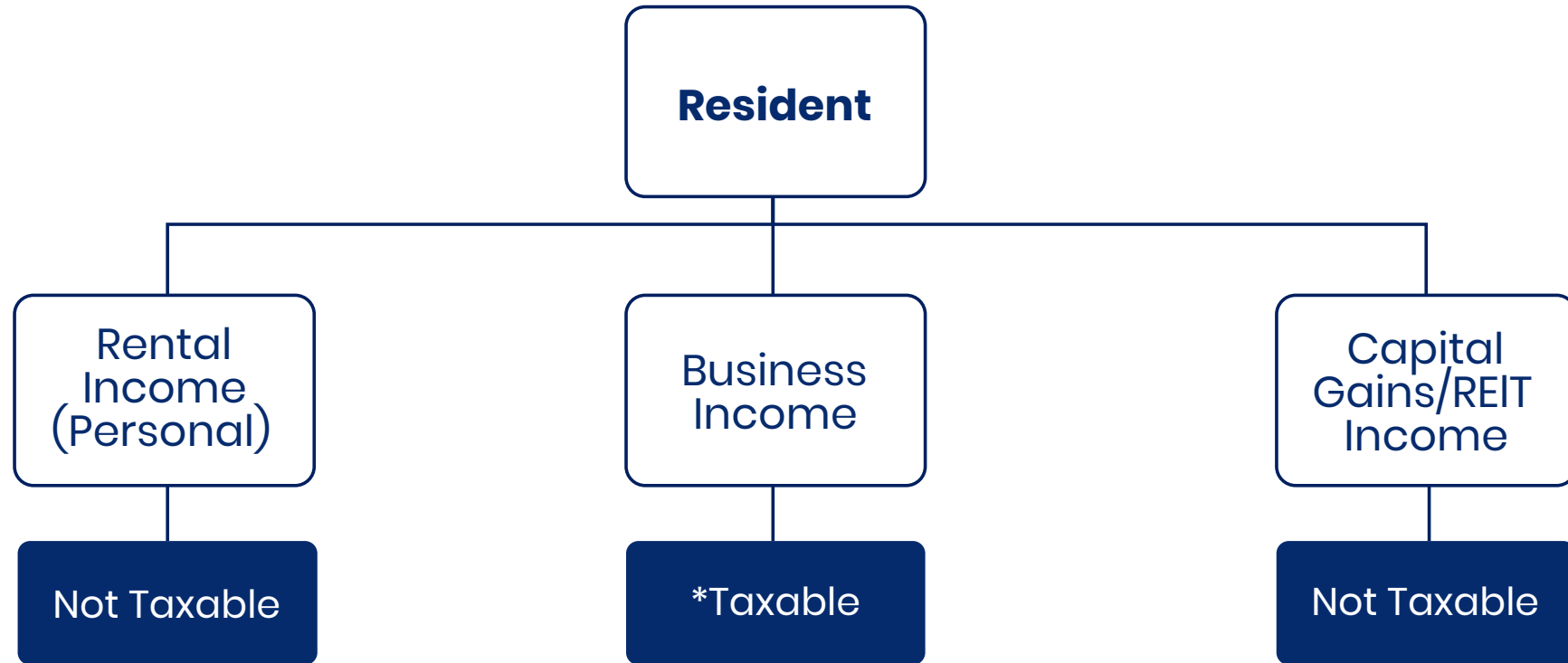
Company N, incorporated in USA and specializing in industrial research, made a strategic investment move in 2023 by acquiring land in Dubai, capitalizing on its liquidity and the promising growth in the UAE real estate sector.

Throughout 2024, the land was leased to a third-party entity. Subsequently, in 2025, Company N successfully sold the land at a profit. Despite these transactions, the land did not establish a Permanent Establishment for Company N, as it was not directly utilized by the company.

Conclusion

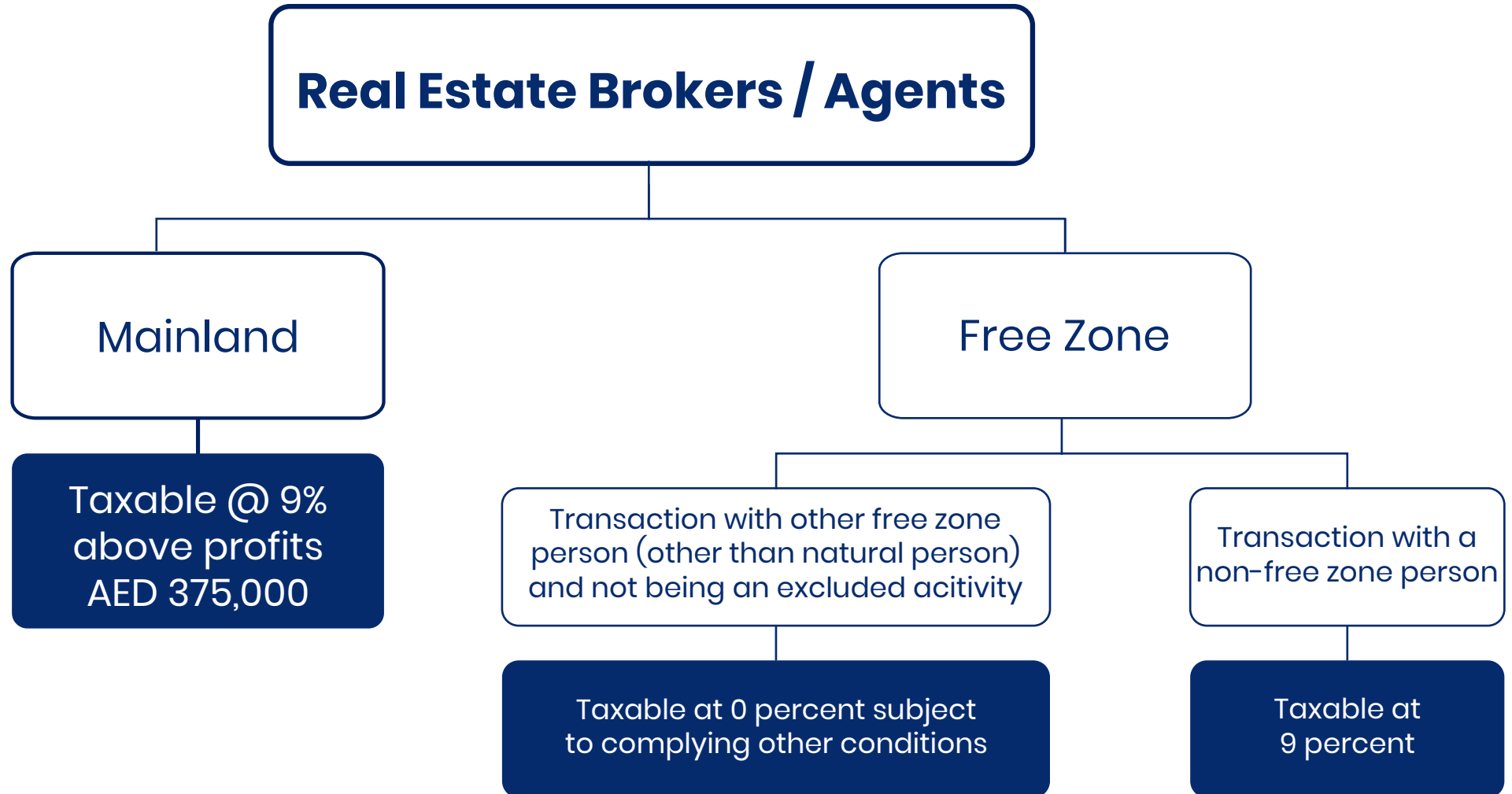
- In 2023, Company N lacks nexus in the UAE as it generates no income from the property.
- In 2024 and 2025, it establishes nexus by earning rental and sale income, respectively, from immovable property in the UAE.
- Consequently, in both years, Company N is subject to Corporate Tax on the land sale profit, calculated according to standard UAE tax principles.

Real Estate Taxability — Natural persons



*Turnover > AED 1 million and Business Profits > AED 375000

Real Estate Taxability – Agents/Brokers



Case studies – Natural Person

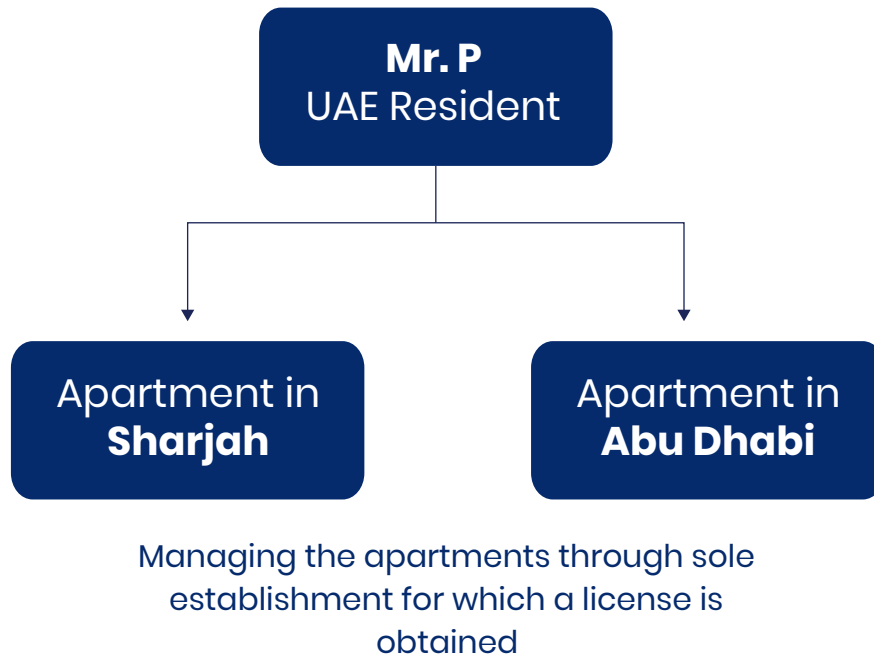
Example 3(a): Appointing agent to manage the properties



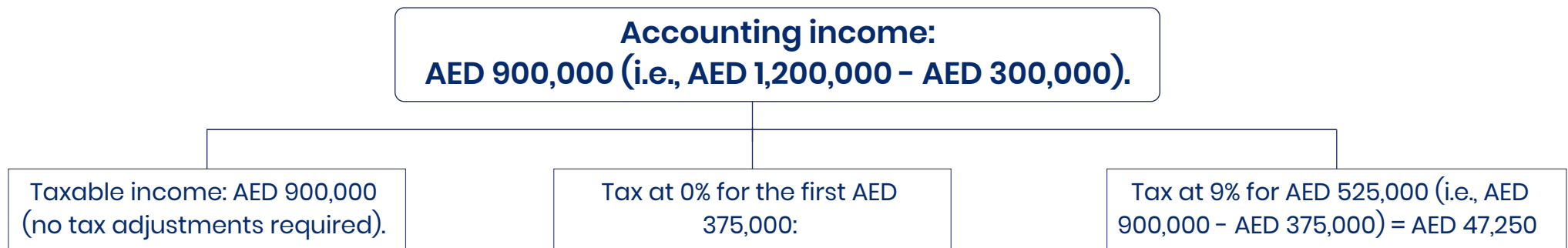
Given that Company C only manages the properties and collects rent for Mr. T, who does not have, or is not required to have, a license, the income received via Company C by Mr. T is rental income.

Case studies – Natural Person

Example 3(b) : Establishing sole establishment to manage apartments



- A natural person, Mr. P, owns several apartments in both Sharjah and Abu Dhabi, which he rents out. He does not engage in any other business or business activity.
- Mr. P establishes a sole establishment to manage his apartments.
- As Mr. P holds a license to manage his apartments through a sole establishment (which does not have a separate legal personality from Mr. P), the rental income will not be classified as real estate income (REI).
- The annual rental income is AED 1,200,000, and total costs amount to AED 300,000, including mortgage interest expenses of AED 50,000.



Case studies – Natural Person

Example 3(c): Establishing property management company to manage the properties

Mr. X UAE Resident

Owens residential properties with an annual rental income of AED 2,000,000.

Mr. X establishes Company H, owning 100% of the shares, with a license to manage properties and collect rent for a fee.

Company H

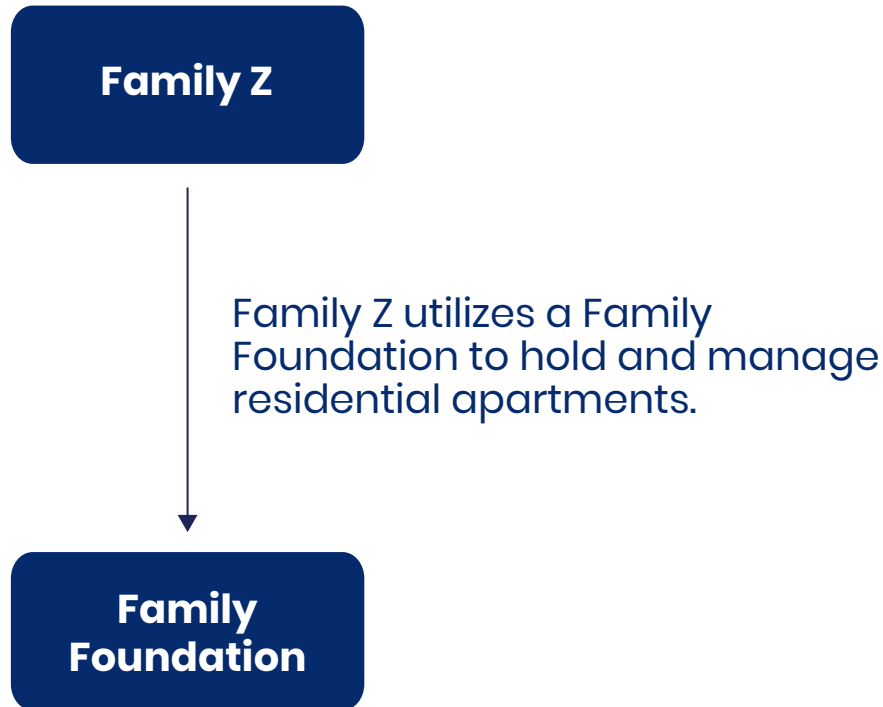
Given that Company H just manages the properties and collects rent on behalf of Mr. X, and Company H is a separate legal entity (i.e., a separate taxable person), the money received from Company H by Mr. X is real estate investment income.



Note: As Mr. X owns Company H, the management fees charged by Company H to Mr. X must be at arm's length.

Case studies – Natural Person

Example 3(d) : Utilising Family Foundation to manage properties



The Family Foundation, approved by the FTA, operates as an unincorporated partnership. Neither the foundation nor its family members require a license to manage the apartments.

Any income received by Family Z in respect of the residential apartments (regardless of whether received directly by Family Z or through the Family Foundation) will be real estate income (REI).

Case studies – Natural Person

Example 4(a) : Earning rental income and having a business unrelated to real estate

Mr. N
UAE Resident

Owns multiple properties in the UAE rented out, earning AED 1,200,000 annually.

Has obtained licence of Furniture Business in Sharjah

As long as the rental activity is not required to be conducted through a license, the income derived by Mr. N from renting out his land and real estate can qualify for the real estate income (REI) exclusion.

Moreover, the rental income is not connected to the furniture business. However, the income from the furniture business itself could be subject to corporate tax if the AED 1 million turnover threshold is met in a Gregorian calendar year.

Case studies – Natural Person

Example 4(b) : Merely not obtaining license for an activity which requires license would not trigger real estate exclusion

Mr. V
a UAE Resident

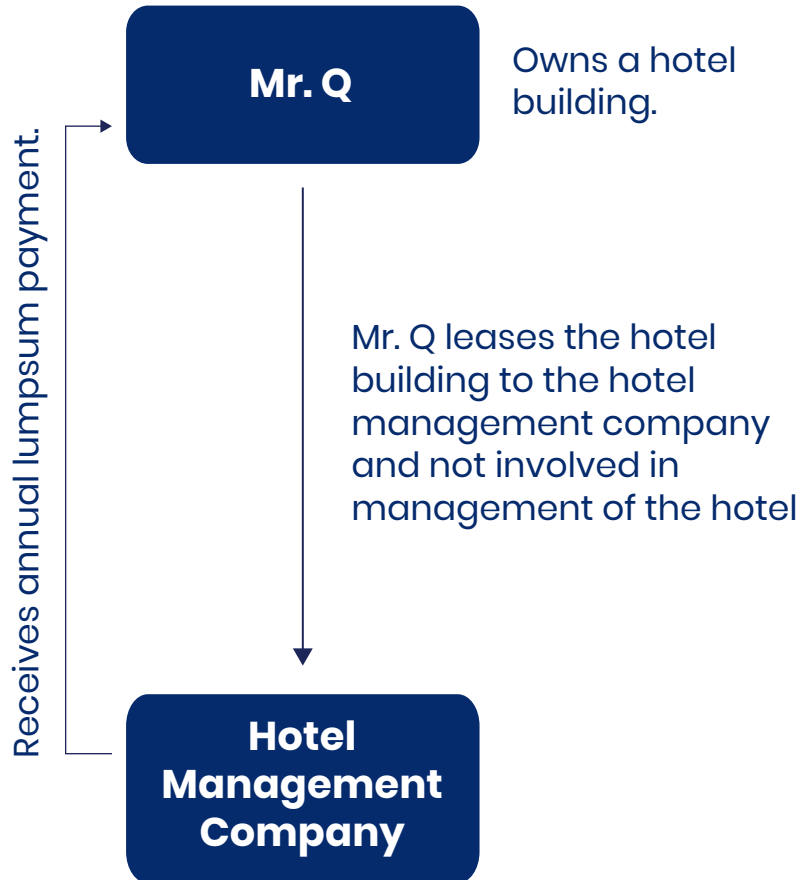
Owns parking spaces
rented out for daily or
monthly use and
generating an annual
income of AED 1,100,000

Mr. V has not obtained a license
from a licensing authority for the
above business but was
supposed to obtain license

If, based on the applicable legislation of the relevant emirate where the land is located, a license is required for such activity, the income derived by Mr. V from renting out the parking space would be within the scope of corporate tax, i.e., not subject to the real estate income (REI) exclusion.

Case studies – Natural Person

Example 5 : Income from leasing out a hotel building



In this case, the lump sum amount received by Mr. Q will be considered as real estate income (REI) and therefore not subject to corporate tax.



Case studies – Natural Person

Example 6 : Split Portfolio of real estate income

Mr. Y owns 7 apartments in Dubai, of which:
5 he rents out as holiday homes (via a license obtained from the Dubai Department of Economy and Tourism).

1 he lives in as his personal apartment.

The last one he rents to an individual with a registered Ejari.

The income that Mr. Y generates in a Gregorian calendar year is as follows:

5 holiday homes: AED 2,100,000.

Personal apartment: AED 0.

Rented apartment with Ejari: AED 90,000.

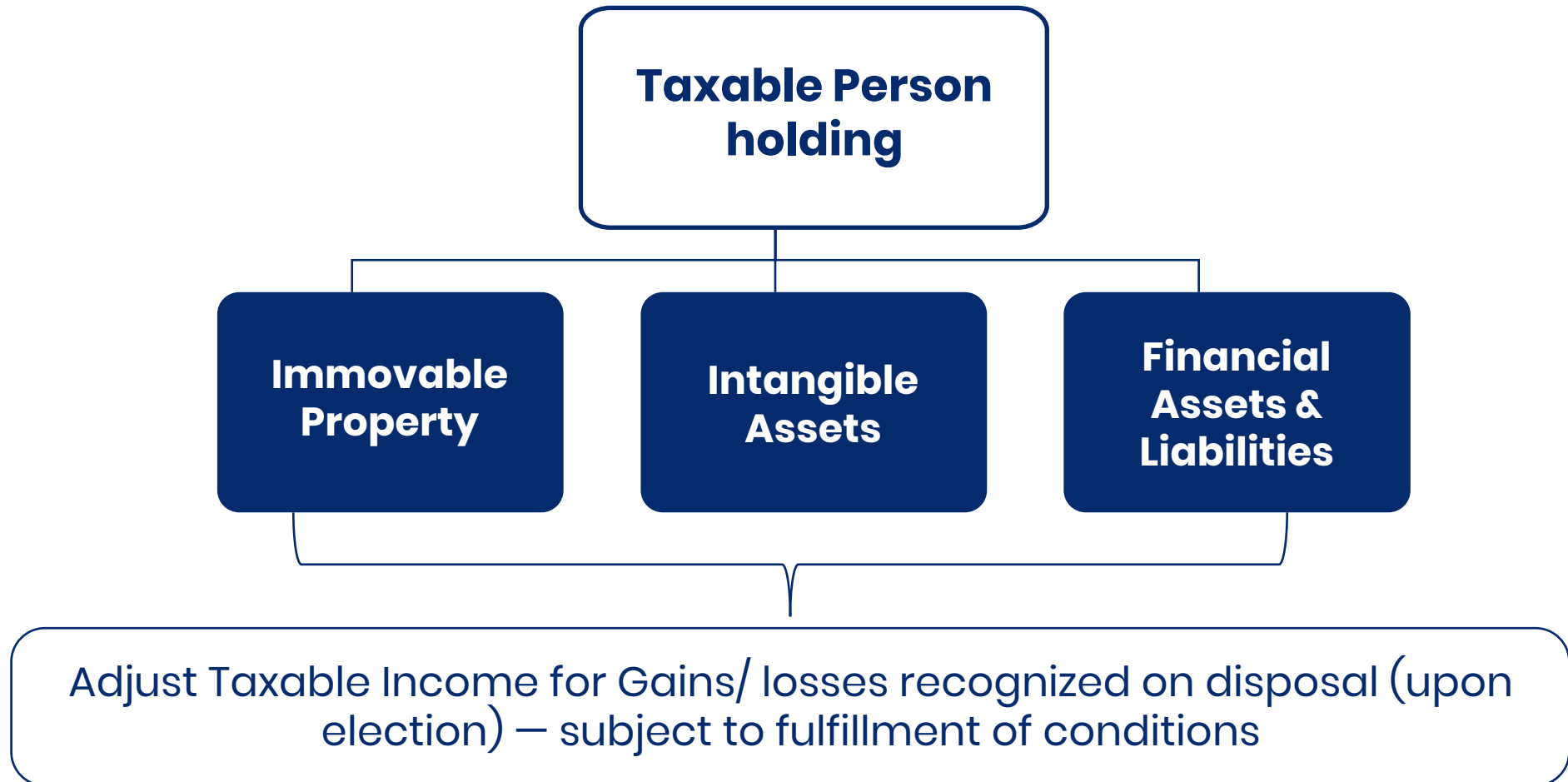
Mr. Y incurred mortgage interest expenses of AED 280,000 related to the 7 apartments. Each of the 7 apartments has the same purchase cost.

Conclusion :

The corporate tax implications are as follows:

- Income of AED 2,100,000: subject to corporate tax as this income is earned under a license.
- Income of AED 90,000: subject to real estate income (REI) exclusion as this is not conducted or required to be conducted through a licence (the Ejari is simply a record of the tenancy).
- The mortgage interest expense will be equally apportioned to the 7 apartments as each has the same purchase cost. Hence, Mr. Y can deduct AED 200,000 (i.e., AED $280,000/7 \times 5$) from the AED 2,100,000 income which is subject to corporate tax.

Revaluation of Assets/ Liabilities



Ministerial Decision No. 120 on Adjustments under transitional rules as per Article 61 of the Federal Decree Law

Real Estate Taxability – REIT

Real Estate Investment Trust (REIT) fulfilling all conditions may apply for exemption

IF/IFM having regulatory oversight of competent authority

Interests in IF traded on RSE or marketed & widely available to investors

Main or principle purpose not to avoid Corporate Tax

Value of Assets (excluding Land) > 100,000

Share Capital 20% floated on RSE, or directly owned by 2 or more II (& both are not related parties)

Average Real Estate Assets 70% during Gregorian Calendar year or 12 months for which FS are prepared

Conditions under Article 10 – Federal Decree Law No. 47 of 2022

Conditions under Article 3 – Cabinet Decision No. 81 of 2023

IF – Investment Fund
IFM – Investment Fund Manager
RSE – Recognized Stock Exchange
II – Institutional Investors
FS – Financial Statements

Article 3 – Cabinet Decision No. 81 of 2023

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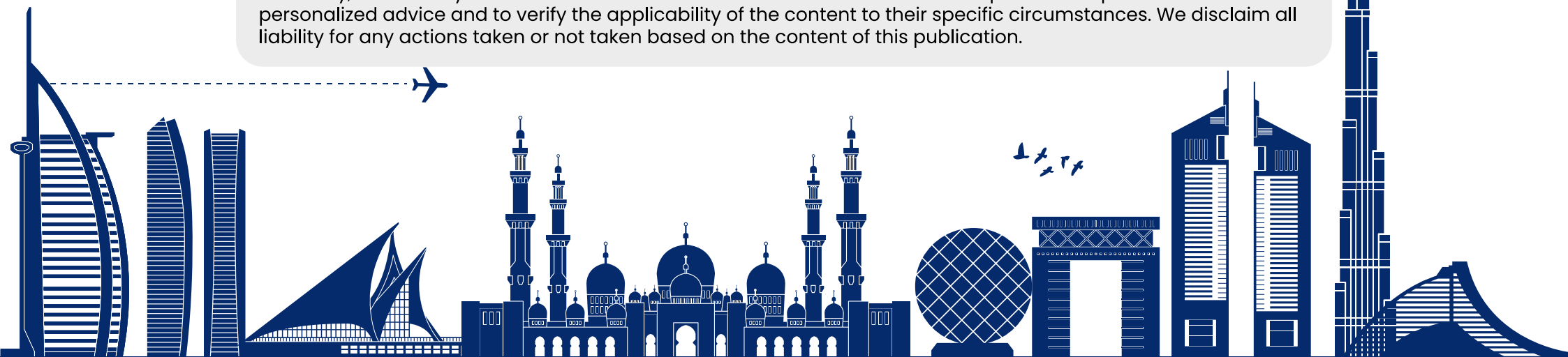
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Corporate Finance | Audit & Accounting | Tax & Compliance |
Risk & Assurance | Debt & Equity Advisory | Investment Advisory |
Valuations & Due Diligence | Company Formations | Technology services | Banking & PRO services

Thank you!

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