



Taxation of Extractive Business and Non-Extractive Natural Resource Business

Corporate Tax Guide | CTGEPX1

December 2023





Contents

1. Glossary	3
2. Introduction	7
2.1. Overview	7
2.2. Purpose of this guide	7
2.3. Who should read this guide?	7
2.4. How to use this guide	7
2.5. Legislative references	8
2.6. Status of this guide	9
3. Scope of Extractive Business and Non-Extractive Natural Resource Business	10
3.1. What are Natural Resources?	10
3.2. What is an Extractive Business?	10
3.3. What is a Non-Extractive Natural Resource Business?	11
3.4. Other Business	11
3.5. Process for exploiting Natural Resources	11
4. Taxation of Extractive Business and Non-Extractive Natural Resource Business	13
4.1. Introduction	13
4.2. Conditions to qualify as an Exempt Person	13
4.2.1. Directly or indirectly holding or having an interest in a right, concession or Licence	14
4.2.2. Effectively subject to Emirate-level taxation	16
4.2.3. Notification to the Ministry of Finance	17
4.2.4. Solely deriving income from Persons undertaking Business or Business Activity 17	
4.3. Exceptional cases of failure to meet conditions of Exempt Person	19
4.3.1. Liquidation or termination	19
4.3.2. Failure to meet condition is of temporary nature which is promptly rectified ...	20
4.3.3. Failure to meet the conditions is to obtain a Corporate Tax advantage	20
4.4. Income derived from other Business	21
4.5. Exemption for other Business	21
4.5.1. Ancillary or incidental Business	21



4.5.2. Revenue not exceeding five percent of the total Revenue	22
5. Determination of Taxable Income of other Business ...	26
5.1. Treatment as separate entities.....	26
5.1.1. Other Business treated independently	26
5.1.2. Taxable Income calculated independently	26
5.2. Apportionment of expenditure	27
5.2.1. Apportionment of common expenditure.....	28
5.3. Adjustments to determine Taxable Income	30
5.3.1. Provisions applicable to the Exempt Person's other Business	30
5.3.2. Provisions not applicable to the Exempt Person's Business.....	32
5.4. Small Business Relief	33
5.5. Exempt Persons registered in Free Zones	33
6. Compliance Requirements	35
6.1. Record keeping.....	35
6.2. Tax Registration.....	35
6.3. Applicable Accounting Standards.....	36
6.4. Preparing audited Financial Statements.....	36
6.5. Tax Return	36
7. Updates and Amendments	37

1. Glossary

Accounting Income: The accounting net profit or loss for the relevant Tax Period as per the Financial Statements prepared in accordance with the provisions of Article 20 of the Corporate Tax Law.

AED: The United Arab Emirates dirham.

Business: Any activity conducted regularly, on an ongoing and independent basis by any Person and in any location, such as industrial, commercial, agricultural, vocational, professional, service or excavation activities or any other activity related to the use of tangible or intangible properties.

Business Activity: Any transaction or activity, or series of transactions or series of activities conducted by a Person in the course of its Business.

Business Restructuring Relief: A relief from Corporate Tax for business restructuring transactions, available under Article 27 of the Corporate Tax Law and as specified under Ministerial Decision No. 133 of 2023.

Connected Person: Any Person affiliated with a Taxable Person as determined in Article 36(2) of the Corporate Tax Law.

Corporate Tax: The tax imposed by the Corporate Tax Law on juridical persons and Business income.

Exempt Income: Any income exempt from Corporate Tax under the Corporate Tax Law.

Exempt Person: A Person exempt from Corporate Tax under Article 4 of the Corporate Tax Law.

Extractive Business: The Business or Business Activity of exploring, extracting, removing, or otherwise producing and exploiting the Natural Resources of the UAE, or any interest therein as determined by the Minister.

Financial Statements: A complete set of statements as specified under the accounting standards applied by the Taxable Person, which includes, but is not limited to, statement of income, statement of other comprehensive income, balance sheet, statement of changes in equity and cash flow statement.



Foreign Permanent Establishment: A place of Business or other form of presence outside the UAE of a Resident Person that is determined in accordance with the criteria prescribed in Article 14 of the Corporate Tax Law.

Free Zone: A designated and defined geographic area within the UAE that is specified in a decision issued by the Cabinet at the suggestion of the Minister.

Free Zone Person: A juridical person incorporated, established or otherwise registered in a Free Zone, including a branch of a non-resident person registered in a Free Zone.

FTA: Federal Tax Authority, being the authority in charge of administration, collection and enforcement of federal taxes in the UAE.

IFRS: International Financial Reporting Standards.

IFRS for SMEs: International Financial Reporting Standard for small and medium-sized entities.

Licence: A document issued by a licensing authority under which a Business or Business Activity is conducted in the UAE.

Local Government: Any of the governments of the Member Emirates of the Federation.

Market Value: The price which could be agreed in an arm's-length free market transaction between Persons who are not Related Parties or Connected Persons in similar circumstances.

Minister: Minister of Finance.

Natural Resources: Water, oil, gas, coal, naturally formed minerals, and other non-renewable, non-living natural resources that may be extracted from the UAE's Territory.

Non-Extractive Natural Resource Business: The Business or Business Activity of separating, treating, refining, processing, storing, transporting, marketing or distributing the Natural Resources of the UAE.

Person: Any natural person or juridical person.



Qualifying Free Zone Person: A Free Zone Person that meets the conditions of Article 18 of the Corporate Tax Law and is subject to Corporate Tax under Article 3(2) of the Corporate Tax Law.

Qualifying Group: Two or more Taxable Persons that meet the conditions of Article 26(2) of the Corporate Tax Law.

Qualifying Group Relief: A relief from Corporate Tax for transfers within a Qualifying Group, available under Article 26 of the Corporate Tax Law and as specified under Ministerial Decision No. 132 of 2023.

Related Party: Any Person associated with a Taxable Person as determined in Article 35(1) of the Corporate Tax Law.

Resident Person: The Taxable Person specified in Article 11(3) of the Corporate Tax Law.

Revenue: The gross amount of income derived during a Tax Period.

Small Business Relief: A Corporate Tax relief that allows eligible Taxable Persons to be treated as having no Taxable Income for the relevant Tax Period in accordance with Article 21 of the Corporate Tax Law and Ministerial Decision No. 73 of 2023.

Tax Group: Two or more Taxable Persons treated as a single Taxable Person according to the conditions of Article 40 of the Corporate Tax Law.

Tax Loss: Any negative Taxable Income as calculated under the Corporate Tax Law for a given Tax Period.

Tax Period: The period for which a Tax Return is required to be filed.

Tax Registration: A procedure under which a Person registers for Corporate Tax purposes with the FTA.

Tax Return: Information filed with the FTA for Corporate Tax purposes in the form and manner as prescribed by the FTA, including any schedule or attachment thereto, and any amendment thereof.

Taxable Income: The income that is subject to Corporate Tax under the Corporate Tax Law.

Taxable Person: A Person subject to Corporate Tax in the UAE under the Corporate Tax Law.

UAE: United Arab Emirates.

2. Introduction

2.1. Overview

Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses (“Corporate Tax Law”) was issued on 3 October 2022 and was published in Issue #737 of the Official Gazette of the United Arab Emirates (“UAE”) on 10 October 2022.

The Corporate Tax Law provides the legislative basis for imposing a federal tax on corporations and Business profits (“Corporate Tax”) in the UAE.

The provisions of the Corporate Tax Law shall apply to Tax Periods commencing on or after 1 June 2023.

2.2. Purpose of this guide

This guide is designed to provide general guidance on Extractive Businesses and Non-Extractive Natural Resource Businesses for Corporate Tax purposes. It provides readers with an overview of:

- Scope of the Corporate Tax exemption for Extractive Businesses and Non-Extractive Natural Resource Businesses
- How the Corporate Tax rules apply to Extractive Businesses and Non-Extractive Natural Resource Businesses.
- How the Taxable Income of any other Business of an Extractive Business or Non-Extractive Natural Resource Business is determined.
- Compliance requirements for Extractive Businesses and Non-Extractive Natural Resource Businesses under the Corporate Tax Law.

2.3. Who should read this guide?

This guide should be read by any Person that is carrying on an Extractive Business and/or a Non-Extractive Natural Resource Business in the UAE. It is intended to be read in conjunction with the Corporate Tax Law, the implementing decisions and other relevant guidance published by the FTA.

2.4. How to use this guide

The relevant articles of the Corporate Tax Law and the implementing decisions are indicated in each section of the guide.

It is recommended that the guide is read in its entirety to provide a complete understanding of the definitions and interactions of the different rules. Further

guidance on some of the areas covered in this guide can be found in other topic-specific guides.

In some instances, simple examples are used to illustrate how key elements of the Corporate Tax Law apply to Extractive Businesses and Non-Extractive Natural Resource Businesses. The examples in the guide:

- show how these elements operate in isolation and do not show the interactions with other provisions of the Corporate Tax Law that may occur. They do not, and are not intended to, cover the full facts of the hypothetical scenarios used nor all aspects of the Corporate Tax regime, and should not be relied upon for legal or tax advice purposes; and
- are only meant for providing the readers with general information on the subject matter of this guide. They are exclusively intended to explain the rules related to the subject matter of this guide and do not relate at all to the tax or legal position of any specific juridical or natural persons.

2.5. Legislative references

In this guide, the following legislation will be referred to as follows:

- Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses, and its amendments, is referred to as “Corporate Tax Law”;
- Cabinet Decision No. 100 of 2023 on Determining Qualifying Income for the Qualifying Free Zone Person for the Purposes of Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses is referred to as “Cabinet Decision No. 100 of 2023”;
- Ministerial Decision No. 43 of 2023 Concerning Exception from Tax Registration for the Purpose of Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses is referred to as “Ministerial Decision No. 43 of 2023”;
- Ministerial Decision No. 73 of 2023 on Small Business Relief for the Purposes of the Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses is referred to as “Ministerial Decision No. 73 of 2023”;
- 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 Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses is referred to as “Ministerial Decision No. 82 of 2023”;
- Ministerial Decision No. 105 of 2023 on the Determination of the Conditions under which a Person may Continue to be Deemed as an Exempt Person, or Cease to be Deemed as an Exempt Person from a Different Date for the Purposes of Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses is referred to as “Ministerial Decision No. 105 of 2023”;



- Ministerial Decision No. 114 of 2023 on the Accounting Standards and Methods for the Purposes of Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses is referred to as “Ministerial Decision No. 114 of 2023”; and
- Ministerial Decision No. 265 of 2023 Regarding Qualifying Activities and Excluded Activities for the Purposes of Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses is referred to as “Ministerial Decision No. 265 of 2023”.

2.6. Status of this guide

This guidance is not a legally binding document, but is intended to provide assistance in understanding the tax implications for Extractive Businesses and Non-Extractive Natural Resource Businesses relating to the Corporate Tax regime in the UAE. The information provided in this guide should not be interpreted as legal or tax advice. It is not meant to be comprehensive and does not provide a definitive answer in every case. It is based on the legislation as it stood when the guide was published. Each Person’s own specific circumstances should be considered.

The Corporate Tax Law, the implementing decisions and the guidance materials referred to in this document will set out the principles and rules that govern the application of Corporate Tax. Nothing in this publication modifies or is intended to modify the requirements of any legislation.

This document is subject to change without notice.

3. Scope of Extractive Business and Non-Extractive Natural Resource Business

3.1. What are Natural Resources?

For Corporate Tax purposes, Natural Resources are defined as water, oil, gas, coal, naturally formed minerals and other non-renewable, non-living natural resources that may be extracted from the UAE's Territory (being the UAE's lands, territorial sea and airspace above it).¹

Natural Resources do not include renewable resources such as solar energy, wind, animals, and plant materials.

The UAE Constitution considers the Natural Resources exploited in each Emirate to be the public property of that Emirate.²

3.2. What is an Extractive Business?

An Extractive Business is defined in the Corporate Tax Law as the Business or Business Activity of exploring, extracting, removing, or otherwise producing and exploiting the Natural Resources of the UAE or any interest therein as determined by the Minister.³ The sector engaging in Extractive Business is commonly referred to as the exploration and production sector, and in general terms includes upstream activities such as oil and gas extraction, mining, dredging, and quarrying.⁴

An Extractive Business is conducted through a right, concession or Licence issued by a Local Government.

Persons engaged in an Extractive Business are typically:

- Juridical persons that are privately or government owned; or
- Contractual joint ventures between a Local Government and private sector enterprises by way of a Licence or concession agreement with the relevant Government Entity to undertake Extractive Business.

¹ Article 1 of the Corporate Tax Law.

² Article 23 of the UAE Constitution.

³ Article 1 of the Corporate Tax Law.

⁴ Upstream refers to points in extractive production that originate early on in the process. Also called exploration and production.

3.3. What is a Non-Extractive Natural Resource Business?

Non-Extractive Natural Resource Business is defined in the Corporate Tax Law as the Business or Business Activity of separating, treating, refining, processing, storing, transporting, marketing or distributing the Natural Resources of the UAE.⁵

In general terms, in the context of the oil and gas sector, it covers activities that form part of the midstream and downstream subsectors but only to the point where the product is transferred to the Person who engages in Business with the end-user or customer.⁶

A Non-Extractive Natural Resource Business is conducted through a right, concession or Licence issued by a Local Government.

Persons engaged in a Non-Extractive Natural Resource Business are typically companies that are wholly or partially privately or government owned pursuant to concessions or commercial agreements. These agreements may provide that the income from the Non-Extractive Natural Resource Business is subject to taxation at the Emirate level.

3.4. Other Business

A Person engaged in an Extractive Business/Non-Extractive Natural Resource Business may also engage in Business Activities that are not part of its main Extractive Business/Non-Extractive Natural Resource Business. For the purposes of the Corporate Tax Law, those other Business Activities collectively are considered to constitute a separate Business and should be subject to separate and independent reporting.

3.5. Process for exploiting Natural Resources

The process for exploiting Natural Resources for economic purposes is typically divided into three phases:

- The upstream process includes identifying, extracting, or producing materials.
- The midstream process links the upstream and downstream processes and includes such activities such as transportation and storage services.
- The downstream process is close to the end-user or consumer and involves post-production activities. In the oil industry, for example, companies engaged in the

⁵ Article 1 of the Corporate Tax Law.

⁶ Midstream refers to activities taking place between the upstream and downstream operations. Downstream refers to activities that are close to the end-user or consumer in the production supply chain.



downstream process include oil refineries, petroleum product distributors, petrochemical plants, natural gas distributors, and retail outlets.

4. Taxation of Extractive Business and Non-Extractive Natural Resource Business

4.1. Introduction

The Corporate Tax Law provides that in general a Person engaged in an Extractive Business/Non-Extractive Natural Resource Business is exempt from Corporate Tax and referred to as an Exempt Person.⁷ This exemption respects the sovereignty of the Emirates over their Natural Resources and prevents taxation being imposed at both the Emirate and Federal level on the same type of income. However, the relevant Person needs to meet the criteria in the Corporate Tax Law to qualify for the Extractive Business/Non-Extractive Natural Resource Business exemption, respectively, in order to be considered an Exempt Person.

The Corporate Tax Law accepts that an Exempt Person engaged in an Extractive Business/Non-Extractive Natural Resource Business, may also be engaged in other Business. The existence of the other Business will not affect the exemption for the Extractive Business/Non-Extractive Natural Resource Business. However, the income from the other Business will generally be subject to Corporate Tax, unless that other Business itself specifically qualifies for a distinct Corporate Tax exemption.

4.2. Conditions to qualify as an Exempt Person

A Person engaged in an Extractive Business/Non-Extractive Natural Resource Business, will be exempt from Corporate Tax on that Business if it meets the following conditions:⁸

1. The Person directly or indirectly holds an interest in a right, concession or Licence issued by a Local Government to undertake the Extractive Business/Non-Extractive Natural Resource Business, in the UAE.
2. The Person is effectively subject to tax under the applicable legislation of the Local Government.
3. The Person has made a notification to the Ministry of Finance in the form and manner agreed with the Local Government.

For a Non-Extractive Natural Resource Business, there is an additional condition to be met:

4. The Person's income from its Non-Extractive Natural Resource Business is derived solely from Persons that undertake a Business or Business Activity.

These conditions are discussed below.

⁷ Article 4(1)(c) and (d) of the Corporate Tax Law.

⁸ Articles 7(1) and 8(1) of the Corporate Tax Law.

4.2.1. Directly or indirectly holding or having an interest in a right, concession or Licence

The first condition requires that the Person directly or indirectly holds or has an interest in a right, concession or Licence issued by a Local Government for its Extractive Business and/or Non-Extractive Natural Resource Business.⁹

Each Local Government is responsible for regulating the activities of exploration and production of its Natural Resources, as well as related activities beyond the exploration and production of the Natural Resources.

Rights to the activities falling under an Extractive Business/Non-Extractive Natural Resource Business are typically awarded by way of a Licence or concession agreement that is concluded with the relevant Local Government. However, certain aspects of the Natural Resources sector are federally regulated.

The reference to “directly or indirectly” in Articles 7 and 8 of the Corporate Tax Law recognises that the procedures for obtaining relevant rights to Natural Resources vary between the Emirates and are established on a case-by-case basis. A Person may be or become a holder or beneficiary under a Natural Resources Licence or concession agreement by virtue of assignment, participation or sub-participation.

Example 1: Directly or indirectly holding a Licence

Company B is a mining company operating in the UAE. It operates in the Natural Resources sector, specifically in the mining of precious minerals.

The two scenarios below illustrate the distinction between how a company can either directly hold a Licence issued by a Local Government or indirectly operate and benefit from such a Licence through partnerships, collaborations, or joint ventures.

Directly holding a Licence:

Company B applies to the Local Government of Emirate A for a mining Licence. After due process and compliance with regulations, the Local Government of Emirate A grants Company B a Licence to operate a mining site for precious minerals within its territory. In addition, Company B has fulfilled all of the remaining conditions for an Extractive Business to be exempt from Corporate Tax under Article 7(1) of the Corporate Tax Law.

⁹ Articles 7(1)(a) and 8(1)(a) of the Corporate Tax Law.



In this situation, Company B directly holds the Licence. Therefore, it is exempt from Corporate Tax in respect of its Extractive Business operations within Emirate A.

Indirectly holding a Licence:

Company B is interested in expanding its operations to Emirate B, another region with rich mineral deposits. It decides to collaborate with a local company, Company C, which already holds a valid mining Licence in Emirate B that allows Company C to assign or partner with other companies under the Licence granted to it, to exploit Natural Resources.

Company B enters into a partnership agreement with Company C. In this agreement, Company B provides significant financial investment and technical expertise, while Company C contributes its existing mining Licence and local operational knowledge. In return, Company B gains a share of the profits generated by mining activities in Emirate B and is effectively subject to tax under the applicable legislation of Emirate B.

In this situation, Company B indirectly benefits from the mining Licence held by Company C in Emirate B. In a situation where Company B would not have had its own Licence, Company B would still have indirectly benefited from the mining Licence held by Company C.

The exemption from Corporate Tax should also apply to Company B's Extractive Business operations in Emirate B as it indirectly holds a Licence issued by the respective Local Government.

4.2.1.1. Contractors, subcontractors or suppliers

An Exempt Person that meets the relevant conditions may engage another Person to undertake part of the Extractive Business/Non-Extractive Natural Resource Business.

The Corporate Tax exemption for an Extractive Business/Non-Extractive Natural Resource Business, does not extend to other Persons such as contractors, subcontractors or suppliers that do not in their own right meet the conditions to be exempt under Article 7 or 8 of the Corporate Tax Law.¹⁰ To benefit from the exemption, a Person must hold a direct or indirect interest in the underlying Natural Resources Licence or concession agreement and not merely be engaged to provide goods or services to a Person holding such an interest.

¹⁰ Articles 7(7) and 8(7) of the Corporate Tax Law.



Example 2: Contractors, subcontractors and suppliers

Company A is engaged in oil exploration activities and meets all the criteria for the Corporate Tax exemption for an Extractive Business in accordance with Article 7 of the Corporate Tax Law.

Company A, in its exploration operations, requires specialised equipment and services for drilling and geological surveying. Instead of investing in and managing these activities itself, Company A engages Company B, a specialised drilling and surveying firm, to undertake the drilling part of its exploration activities. Company B has the role of a service provider and is not considered a partner in the exploration activities of Company A.

The outcome would be as follows:

- Company A: The income generated by Company A from its exploration activities remains eligible for the Extractive Business Corporate Tax exemption, as long as it meets all of the qualifying conditions.
- Company B: The income generated by Company B from performing the drilling activities on behalf of Company A will not be eligible for the Extractive Business Corporate Tax exemption. Instead, Company B's income will be subject to Corporate Tax as per the provisions of the Corporate Tax Law.

In such a situation, even though Company A is engaging another entity (Company B) to perform a specific part of the drilling work, the Corporate Tax exemption does not extend to Company B as it does not hold an interest in the underlying Natural Resources exploration Licence or concession agreement.

4.2.2. Effectively subject to Emirate-level taxation

The second condition requires that the Person is effectively subject to tax under the applicable legislation of the relevant Emirate.¹¹

The taxation of Natural Resource activities is regulated by the individual Emirates and is typically set on a case-by-case basis under the relevant concession agreement or similar arrangement with the Local Government.

“Effectively subject to tax” means that the Person is being taxed by the relevant Local Government. This could be an income tax levied under the relevant Emirate-level tax decree, a royalty on production or sales or other fiscal measure as per the agreement entered into with the relevant Local Government, or other form of tax, charge or levy issued by the same Local Government. The term “effectively subject to tax” under the

¹¹ Articles 7(1)(b) and 8(1)(c) of the Corporate Tax Law.



applicable legislation of an Emirate should be interpreted widely, and may include any form of tax, charge or levy payable on income, profits or revenues.¹²

Example 3: Subject to Emirate-level taxation

Company A is part of a multinational group specialising in crude oil exploration, operating in the UAE. In this scenario, Company A has obtained exploration and exploitation rights from Emirate A to search for and extract oil from a designated area within the Emirate's territory and has entered into an agreement with the respective Local Government for that purpose.

As part of the agreement, Company A is required to pay a royalty to the respective Local Government for each barrel of oil extracted from the designated area. The royalty rate is set at 10% of the Market Value of the oil extracted.

Example Calculation:

For the period 1 January to 31 December 2024, Company A successfully extracts 100,000 barrels of oil from its designated area. The Market Value of the oil is AED 32,000,000.

Company A pays a royalty of AED 3,200,000 to the Local Government of Emirate A for the oil extracted during that period. Company A is considered to be effectively subject to tax at the level of the relevant Local Government and the subject to tax requirement is met for the purpose of the exemption from Corporate Tax.

4.2.3. Notification to the Ministry of Finance

The third condition requires that the Person has notified the Ministry of Finance in the form and manner agreed with the Local Government.¹³

The purpose of this notification is to ensure that the Person has fulfilled the relevant requirements and validated its exempt status as per the Corporate Tax Law.

4.2.4. Solely deriving income from Persons undertaking Business or Business Activity

The fourth condition applies only to a Non-Extractive Natural Resource Business. The Person must derive income from that Business solely from Persons that undertake a

¹² Articles 7(6) and 8(6) of the Corporate Tax Law.

¹³ Articles 7(1)(c) and 8(1)(d) of the Corporate Tax Law.

Business or Business Activity.¹⁴ The exemption from Corporate Tax will not apply if the Person's Non-Extractive Natural Resource Business engages in transactions with Persons that do not undertake a Business or Business Activity (for example, end customers or consumers). The test does not have a minimum threshold, so a single transaction can result in the Person not meeting the exemption criteria.

In considering the condition, the Person's Non-Extractive Natural Resource Business must be distinguished from any other Business that the Person conducts. The requirement to derive income solely from Persons that undertake a Business or Business Activity applies only to transactions related to the Person's Non-Extractive Natural Resource Business.

A Non-Extractive Natural Resource Business needs to be conducted through a relevant right, concession or Licence issued by a Local Government. Transactions related to the activities permitted under that right, concession or Licence would generally be considered to form part of that Non-Extractive Natural Resource Business, unless those transactions relate to a Business that is conducted separately and independently (for example, subject to separate management and accounting records) of the Business that directly exploits that right, concession or Licence.

Example 4: Deriving income from Persons not undertaking Business or Business Activity

Company A operates through a Licence issued by a Local Government, as a company engaged in a seawater purification Business, specialising in advanced technologies for converting seawater into safe and potable drinking water. Their expertise lies in sustainable desalination methods and water treatment processes to address water scarcity challenges.

Company A fulfils the conditions under Article 8(1)(a), (c) and (d) of the Corporate Tax Law. However, Company A undertakes the following transactions under the scope of its Licence in Financial Year 2024 (period 1 January - 31 December):

- Transaction 1 (AED 120,000): partners with Business A, a coastal resort, to establish a self-sufficient source of fresh water by utilising seawater purification systems for their guests.
- Transaction 2 (AED 200,000): collaborates with Business B, an agricultural company, to develop irrigation solutions that utilise purified seawater, reducing the strain on freshwater resources.

¹⁴ Article 8(1)(b) of the Corporate Tax Law.



- Transaction 3 (AED 30,000): sells a home seawater purification system to Consumer A, an individual, that ensures a clean and sustainable water supply for their residence.

Although most of Company A's income derives from transactions 1 and 2 with other Businesses, the fact of engaging on an end-customer transaction with Consumer A (transaction 3) results in Company A not meeting the requirement to derive income solely from other Persons undertaking Business or Business Activity. The income from transaction 3 is not considered other Business because it does fall within the scope of the Licence issued by the Local Government.

Company A does not meet the conditions to be exempt from Corporate Tax under Article 8 of the Corporate Tax Law. Consequently, the exemption from Corporate Tax under Article 4(1)(d) of the Corporate Tax Law will not be available and Company A will not be considered an Exempt Person.

4.3. Exceptional cases of failure to meet conditions of Exempt Person

To qualify as an Exempt Person, the Extractive Business/Non-Extractive Natural Resource Business, must fulfil the conditions discussed under Section [4.2](#). If these conditions are not satisfied at any time during a Tax Period, the Person will generally cease to be an Exempt Person from the beginning of that Tax Period.¹⁵ However, an Exempt Person may continue to be an Exempt Person, or cease to be an Exempt Person from a different date, if the conditions discussed below apply.

4.3.1. Liquidation or termination

If an Exempt Person is in the process of being liquidated or terminated, it may continue to be deemed as an Exempt Person from the date its liquidation or termination procedure starts until the date it is completed if it submits a notification to the FTA within 20 business days from the date of the beginning of the procedures.¹⁶ The Exempt Person shall cease to be treated as such on the day following the date of the completion of the liquidation or termination procedure.¹⁷

¹⁵ Article 4(5) of the Corporate Tax Law.

¹⁶ Articles 4(6)(a) of the Corporate Tax Law and Article 2(1) of Ministerial Decision No. 105 of 2023.

¹⁷ Article 2(2) of Ministerial Decision No. 105 of 2023.



4.3.2. Failure to meet condition is of temporary nature which is promptly rectified

An Exempt Person who breaches the conditions to be an Exempt Person may continue to be deemed an Exempt Person if the failure to meet the conditions is of a temporary nature and will be promptly rectified.¹⁸ In this case, the following conditions must be met:

- The failure to meet the conditions is due to a situation or an event beyond the Exempt Person's control which could not reasonably have been predicted or prevented.¹⁹
- The Exempt Person has made an application to the FTA to continue to be treated as an Exempt Person within 20 business days from the date it fails to meet the relevant conditions.²⁰ The FTA shall review the application and notify the Exempt Person of its decision within 20 business days of the submission of the application. If a longer time is necessary, the Exempt Person will be notified.²¹
- The Exempt Person is reasonably expected to rectify the failure to meet the conditions within 20 business days from the submission of the application.²² The deadline may be extended by an additional 20 business days if such failure is beyond the Exempt Person's reasonable control.²³
- Upon request by the FTA, the Exempt Person must provide evidence that it has taken measures to monitor compliance with the relevant conditions for being an Exempt Person, within 20 business days from the date of the request by the FTA, or any other period as may be determined.²⁴

4.3.3. Failure to meet the conditions is to obtain a Corporate Tax advantage

Although an Exempt Person would generally be treated as ceasing to be exempt from the beginning of the relevant Tax Period, an Exempt Person will cease to be considered as such in specific instances as prescribed by the Minister.²⁵ Accordingly, the person shall cease to be deemed as an Exempt Person starting from the day it fails to meet the conditions where it can be reasonably concluded by the FTA that the main purpose (or one of the main purposes) for ceasing to meet the conditions, is to obtain a Corporate Tax advantage (as specified in Article 50(2) of the Corporate Tax Law) that is not consistent with the intention or purpose of the Corporate Tax Law.²⁶

¹⁸ Article 4(6)(b) of the Corporate Tax Law.

¹⁹ Article 3(1)(a) of Ministerial Decision No. 105 of 2023.

²⁰ Article 3(1)(b) of Ministerial Decision No. 105 of 2023.

²¹ Article 3(3) of Ministerial Decision No. 105 of 2023.

²² Article 3(1)(c) of Ministerial Decision No. 105 of 2023.

²³ Article 3(2) of Ministerial Decision No. 105 of 2023.

²⁴ Article 3(1)(d) of Ministerial Decision No. 105 of 2023.

²⁵ Article 4(6)(c) of the Corporate Tax Law.

²⁶ Article 4 of Ministerial Decision No. 105 of 2023.

4.4. Income derived from other Business

If a Person engaged in an Extractive Business/Non-Extractive Natural Resource Business is also engaged in another Business, the income from that other Business will be subject to Corporate Tax, unless that other Business qualifies for a Corporate Tax exemption under any other relevant provisions of the Corporate Tax Law.

To determine whether a transaction relates to a Person's Extractive Business/Non-Extractive Natural Resource Business, or to their other Business, the following conditions apply:

- A transaction that relates to a Business Activity that falls within the scope of the right, concession or Licence issued by the Local Government should be considered to relate to the Business performed under that right, concession or Licence, unless the Business Activity is conducted independently of the primary Business.
- A transaction that relates to a Business Activity that does not fall within the scope of the right, concession or Licence issued by the Local Government should be treated as a separate Business. This will also apply to transactions relating to activities conducted by an Extractive Business that are outside the UAE's Territory.

4.5. Exemption for other Business

If a Person has derived income from a Business that by nature is ancillary or incidental to the Person's Extractive Business/Non-Extractive Natural Resource Business and the Revenue of that Business does not exceed 5% of the total Revenue of that Person in the same Tax Period, then that income will be disregarded for Corporate Tax purposes.²⁷

4.5.1. Ancillary or incidental Business

A Business may be considered ancillary if it is necessary for the performance of the main activities of the Extractive Business/Non-Extractive Natural Resource Business or where it makes a minor contribution and is so closely related to the Extractive Business/Non-Extractive Natural Resource Business that it should not be regarded as a separate Business. An example of this could be selling waste products generated by oil and gas production.

A Business may be considered incidental if it is infrequent and not part of the main activities of the Extractive Business/Non-Extractive Natural Resource Business, and generates a secondary source of income. An example of this could be occasional sales of surplus equipment or interest on excess funds invested.

²⁷ Articles 7(3) and 8(3) of the Corporate Tax Law.

All facts and circumstances must be considered in determining whether the Business is ancillary or incidental to the Person's Extractive Business/Non-Extractive Natural Resource Business and relevant factors may include its size, value, duration and frequency.

If it is determined that the Business is not ancillary or incidental to the Person's Extractive Business/Non-Extractive Natural Resource Business, then that Business will be treated as separate from the Extractive Business/Non-Extractive Natural Resource Business and will be subject to Corporate Tax.

4.5.2. Revenue not exceeding five percent of the total Revenue

An additional condition of the ancillary or incidental condition under Section [4.5.1](#) is for the aggregate income of such ancillary or incidental Business not to exceed 5% of the total Revenue of that Person in the same Tax Period.²⁸ In practice, the Person would determine whether it exceeded the 5% threshold at the end of its Financial Year.

Where the above threshold is exceeded, then the other Business is treated as separate from the Extractive Business/Non-Extractive Natural Resource Business and subject to Corporate Tax.

Both conditions under this Section and Section [4.5.1](#) need to be fulfilled in order for the other Business to be exempt for Corporate Tax as per Articles 7(3) and 8(3) of the Corporate Tax Law.

Example 5: Ancillary or incidental test

Company A is an Extractive Business that meets the requirements to be exempt from Corporate Tax.

Company A derives income from selling surplus equipment that represents 8% of its total Revenue. As this exceeds 5% of Company A's Revenues, the "ancillary or incidental" test is not met and all of the income from the other activity, i.e., the Business representing 8% of Revenues, will be subject to the provisions of the Corporate Tax Law.

²⁸ Articles 7(3) and 8(3) of the Corporate Tax Law.



Example 6: Ancillary or incidental test – Extractive Business investing surplus cash

Company B is an Extractive Business that meets all the requirements to be exempt from Corporate Tax in accordance with Article 7 of the Corporate Tax Law.

Company B conducts gas extraction under a Licence issued by Emirate A.

Besides its Extractive Licence, Company B has not acquired any other Licence to conduct any other activity in the UAE.

Company B actively seeks to mitigate the risks to its cash flow. Accordingly, it has implemented a treasury strategy led by an experienced finance manager.

During its Financial Years ending 31 December 2024 and 2025, Company B generates Revenue as follows:

1. Income from gas extraction;
2. Interest earned from placing cash generated by its Extractive Business on deposit with UAE banks;
3. Dividends earned from regular investments of surplus cash in UAE listed companies that are Resident Persons;
4. Gain from the disposal of used equipment (used by Company A in its Extractive Business) to a third party.

No.	Income type	Source of income	2024		2025	
			Amount of income earned (AED '000)	Percentage of total Revenue	Amount of income earned (AED '000)	Percentage of total Revenue
1	Gas extraction income	Main Business Activity as per Licence	20,000	97.56%	20,790	94.5%
2	Interest income	Fixed term deposit in a local bank	100	0.49%	330	1.5%
3	Dividend income	Dividend from UAE quoted	300	1.46%	770	3.5%



		companies				
4	Capital gain	Sale of used equipment	100	0.49%	110	0.5%
Total			20,500	100%	22,000	100%

Income stream 1 is generated from the Extractive Business Activity. As Company B has met all relevant criteria, this income is exempt from Corporate Tax.

Income streams 2, 3 and 4 are not directly generated from the main Business Activity that falls within the scope of the Licence issued to Company B by Emirate A (i.e., gas extraction) and are not subject to taxation at the Emirate level. As a result, the treatment of the Interest, Dividend and capital gain income for Corporate Income Tax purposes will be subject to the ancillary or incidental test.

Testing the first “ancillary or incidental” condition, the type of income test:

Interest, Dividend and capital gain income are not generated from separate Business Activities. They arise in the course of conducting the Extractive Business Activity, as a result of policies aimed at maintaining liquidity. Therefore, in this case, the income can be viewed as derived from Business that is ancillary or incidental to the Extractive Business. Hence, income streams 2, 3 and 4 meet the first condition of the “ancillary or incidental” test.

Testing the second “ancillary or incidental” condition, the 5% condition:

The table below shows the percentage of the ancillary or incidental Business to the total Revenue.

No.	Income type	2024	2025
2	Interest income	0.49%	1.5%
3	Dividend income	1.46%	3.5%
4	Capital gain	0.49%	0.5%
Total		2.44%	5.5%

As all Non-Extractive Business income is treated as a single other Business, the 5% threshold is tested on an aggregate basis rather than for each income stream separately.

In 2024, as the sum of income streams 2, 3 and 4 has not exceeded 5% of Company B’s total Revenue, the second condition of the “ancillary or incidental” test is met. In this year, they will not be subject to the provisions of the Corporate Tax Law.



In 2025, as the sum of income streams 2, 3 and 4 has exceeded 5% of Company's B total Revenue, the second condition of "ancillary or incidental" test is not met. Income streams 2, 3 and 4 will be subject to the provisions of the Corporate Tax Law.

Note that where income is subject to the provisions of the Corporate Tax Law, i.e. not covered by the exemption in Article 7 in this example, it does not automatically mean that such income is taxable. For instance, in 2025 Income stream 3 would be Exempt Income, being Dividends received from a juridical person that is a Resident Person, as per Article 22(1) of the Corporate Tax Law.

If the Exempt Person is subject to Corporate Tax on their other Business, the Person will be required to register with the FTA for Corporate Tax with regards to that other Business as discussed in Section [6.2](#).

Where the Exempt Person is a Resident Person and has a Foreign Permanent Establishment, which comprises other Business and which falls outside the exemption in relation to other Business referred to above, then the income from such Foreign Permanent Establishment would be subject to Corporate Tax and the rules of the Corporate Tax Law in relation to a Foreign Permanent Establishment will apply.²⁹

Where the income from the other Business is subject to Corporate Tax, the Taxable Income will be determined as discussed in Section [5](#).

²⁹ Article 24 of the Corporate Tax Law.

5. Determination of Taxable Income of other Business

If a Person engaged in an Extractive Business/Non-Extractive Natural Resource Business, is also engaged in other Business, various rules apply to determine the Taxable Income deriving from that other Business.

5.1. Treatment as separate entities

The Taxable Income of the Person's other Business is governed by the rules in Article 7(4) and Article 8(4) of the Corporate Tax Law. Those rules provide that for the purposes of calculating the Taxable Income of the Person's other Business, the other Business is treated as an independent Business, and the Person should maintain its Financial Statements separately from the Financial Statements for the Extractive Business/Non-Extractive Natural Resource Business.³⁰

5.1.1. Other Business treated independently

If the Exempt Person has another Business that is subject to Corporate Tax, all Business Activities that the Person performs that are not part of its Extractive Business/Non-Extractive Natural Resource Business are collectively treated as part of that other Business for Corporate Tax purposes and treated as distinct and separate from the Extractive Business/Non-Extractive Natural Resource Business.

5.1.2. Taxable Income calculated independently

For the purpose of calculating the other Business's Taxable Income, this other Business should be treated as a distinct and separate entity operating in its own right. This means that the books of accounts, income, expenditure, payable and receivable balances, etc., should be determined separately, for which separate Financial Statements are prepared and Taxable Income is calculated according to the provisions of the Corporate Tax Law.³¹

Transactions between the other Business and the Extractive Business/Non-Extractive Natural Resource Business, are Related Party transactions for Corporate Tax purposes.³²

³⁰ Articles 7(4)(a) and 8(4)(a) of the Corporate Tax Law.

³¹ Articles 7(4)(c) and 8(4)(c) of the Corporate Tax Law.

³² Articles 7(5) and 8(5) of the Corporate Tax Law.



Example 7: Treatment as a separate entity

Company A operates both a Non-Extractive Natural Resource Business and a Business subject to Corporate Tax, as follows:

- **Non-Extractive Natural Resource Business:** Company A is engaged in the processing and refining of rare minerals that are extracted from mines within the UAE. They separate, refine, and process these minerals into valuable products that are used in various industrial Businesses, such as electronics and aerospace. Company A's Non-Extractive Natural Resource Business fulfils all of the conditions to be exempt from Corporate Tax under Article 8(1) of the Corporate Tax Law.
- **Other Business:** In addition to its Non-Extractive Natural Resource Business, Company A also conducts a Business that specialises in providing consulting services for sustainable mining practices. It offers expertise and guidance to other mining companies to help them minimise their environmental impact and promote responsible resource extraction. This other Business is not considered ancillary or incidental to its Non-Extractive Natural Resource Business.

In accordance with the "separate entity" approach,³³ the following applies:

- **Financial Statements:** Company A would need to maintain distinct Financial Statements for the other Business. The Financial Statements for the consulting Business would track the Revenue, expenses, etc. related to the consulting services provided.
- **Calculation of Taxable Income:** The Taxable Income for the other Business would be calculated separately. Thus, the Taxable Income for the consulting Business would be based on its own financial performance, without being influenced by the mineral processing activities that are exempt from Corporate Tax. Any transactions between the Non-Extractive Natural Resource Business and the other Business must be in accordance with the arm's length principle.

By treating the other Business as a distinct and separate entity, Company A ensures that the Corporate Tax liability, and the Corporate Tax reporting requirements of the consulting Business, are not impacted by the Exempt Business which deals with mineral processing and refining.

5.2. Apportionment of expenditure

Forms of expenditure that can be separately identified and assigned to the Business to which they relate i.e. Extractive Business/Non-Extractive Natural Resource Business and the taxable other Business, must be directly attributed accordingly. This

³³ Articles 7(4) and 8(4) of the Corporate Tax Law.

may be done, for example, based on the nature and type of expense incurred. This is direct attribution and should be the general rule to be applied in relation to direct expenditure.

The apportionment of indirect or common expenditure is discussed below.

5.2.1. Apportionment of common expenditure

When determining the Taxable Income for the other Business of the Person engaged in an Extractive/Non-Extractive Natural Resource Business, it may occur that certain expenditures relate to both the Extractive/Non-Extractive Natural Resource Business and the taxable other Business (i.e. common expenditure).

In such a situation, an appropriate apportionment method needs to be established.

The two options applicable in this case are outlined below.

5.2.1.1. Revenue-based apportionment method

Common expenditures can be apportioned according to the Revenue of each Business (Extractive Business/Non-Extractive Natural Resource Business and the taxable other Business, respectively) in a Tax Period.³⁴ Such apportionment should be done using the following formula:

$$\frac{\text{Revenue of other Business}}{\text{Total Revenue}} \times 100$$

$$100\% - R1 = R2$$

R1: Percentage (%) of expenditure attributable to the other Business subject to Corporate Tax

R2: Percentage (%) of expenditure attributable to the Exempt Business

5.2.1.2. Relevant Emirate apportionment method

The above apportionment method of common expenditure will be overridden where a specific proportion is defined by the relevant local laws of the respective Emirate for the purpose of calculating the Emirate-level tax payable in respect of the Extractive/Non-Extractive Natural Resource Business.

³⁴ Articles 7(4)(b) and 8(4)(b) of the Corporate Tax Law.



In this scenario, the apportionment rules of the relevant Emirate would prevail and the allocation should follow such ratio.³⁵

It is recognised that any apportionment of common expenditure should be done at the end of a Tax Period when the total Revenue is known.

Example 8: Apportionment of common expenditure

Company A conducts two Businesses: a mining Business (Extractive Business) and a technology consulting Business (considered other Business) in Emirate A. Company A fulfils all of the conditions to be considered an Exempt Person for its mining activities and has its first Tax Period from 1 January - 31 December 2024 (Tax Period 2024).³⁶ In the Tax Period 2024, Company A has total Revenue (for its Extractive Business and other Business) of AED 1,500,000, of which AED 400,000 is from the technology consulting Business.

In the Tax Period 2024, Company A incurs a common annual expenditure for office rent of AED 200,000, which cannot be directly attributed to either the mining Business or the technology consulting Business.

According to the Corporate Tax Law, normally in such case, common expenditures should be divided based on the Revenue generated by each Business during that Tax Period. In such a situation, Company A would perform the following calculation.

- AED 400,000 = Revenue of the other Business
- AED 1,500,000 = Total Revenue
- AED 200,000 = Common expenditure

$$\frac{400,000}{1,500,000} \times 100 = 26.67\% \text{ (R1)}$$

$$100 - 26.67\% = 73.33\% \text{ (R2)}$$

- AED 200,000 x 26.67% = AED 53,340 (common expenditure attributable to the other Business)
- AED 200,000 x 73.33% = AED 146,660 (common expenditure attributable to the Exempt Business)

However, in this case, the applicable legislation in Emirate A allows Company A to consider a different proportion for the purposes of calculating the tax payable in

³⁵ Articles 7(4)(b) and 8(4)(b) of the Corporate Tax Law.

³⁶ Article 7(1) of the Corporate Tax Law.



Emirate A in relation to the income of the mining Business (Extractive Business).

In this situation, assuming that Emirate A's legislation mandates that office rent expenses for mining Businesses be calculated as 80% attributable to the mining operations and 20% attributable to the other operations. As a result, despite the standard Revenue-based allocation suggesting a 26.67% - 73.33% split, Company A must adhere to the 80% - 20% ratio defined by Emirate A's legislation for calculating the Taxable Income related to the technology consulting Business for Corporate Tax purposes.

In this example, tax regulations specific to a particular Extractive Business within an Emirate override the standard Revenue-based apportionment method for common expenditure.³⁷

5.3. Adjustments to determine Taxable Income

5.3.1. Provisions applicable to the Exempt Person's other Business

The Taxable Income of the other Business of the Exempt Person should be determined through a separate calculation for each Tax Period in accordance with the general provisions of the Corporate Tax Law, including the provisions governing the various reliefs granted by the Corporate Tax Law, if applicable.³⁸

Generally, the Accounting Income is the starting point for determining Taxable Income for a particular Tax Period, which is then adjusted for the following:

- Unrealised gains or losses;³⁹
- Exempt Income;⁴⁰
- Qualifying Group Relief and/or Business Restructuring Relief;⁴¹
- Deductions;⁴²
- Transfer pricing adjustments relating to transactions between Related Parties or Connected Persons;⁴³
- Tax Losses;⁴⁴ and
- Other adjustments.⁴⁵

³⁷ Articles 7(4)(b) and 8(4)(b) of the Corporate Tax Law.

³⁸ Article 7(4)(c) of the Corporate Tax Law.

³⁹ Article 20(2)(a) of the Corporate Tax Law.

⁴⁰ Article 20(2)(b) of the Corporate Tax Law.

⁴¹ Article 20(2)(c) of the Corporate Tax Law.

⁴² Article 20(2)(d) of the Corporate Tax Law.

⁴³ Article 20(2)(e) of the Corporate Tax Law.

⁴⁴ Article 20(2)(f) of the Corporate Tax Law.

⁴⁵ Article 20(2)(i) of the Corporate Tax Law read with Ministerial Decision No. 134 of 2023.

In the case of the taxable other Business of the Exempt Person, the adjustments to be made to the Accounting Income are the same as for other Taxable Persons.

Adjustments to the Taxable Income that may be relevant to the other Business, as well as those that are not applicable to the other Business of the Exempt Person are described below.

5.3.1.1. Deductions

As the taxable other Business of the Exempt Person should be treated as a separate and distinct Business,⁴⁶ the rules for deductibility of expenditure should apply to the other Business of the Exempt Person.⁴⁷

In the case of apportionment of common expenditure between the Exempt Person's other Business and its Extractive Business/Non-Extractive Natural Resource Business (see Section [5.2.1](#)), deductions under Article 28(3) of the Corporate Tax Law may be allowed.

5.3.1.2. Transfer pricing adjustments relating to transactions between Related Parties or Connected Persons

As stated in the previous sections of this Guide, transactions between the taxable Business and other activities conducted by the Exempt Person in relation to its Extractive Business/Non-Extractive Natural Resource Business, are treated as Related Party transactions (unless the other Business is exempt from Corporate Tax under Article 7 or 8 from the Corporate Tax Law) and must meet the arm's length principle.⁴⁸ This requires the results of those transactions to be consistent with the results that would have been realised if Persons who were not Related Parties had engaged in similar transactions under similar circumstances.⁴⁹

The Exempt Person is subject to the transfer pricing documentation requirements under Article 55 of the Corporate Tax Law in relation to arrangements between its taxable Business and the Exempt Business or its Related Party.

⁴⁶ Articles 7(4)(a) and 8(4)(a) of the Corporate Tax Law.

⁴⁷ Chapter Nine of the Corporate Tax Law.

⁴⁸ Articles 7(5) and 8(5) of the Corporate Tax Law.

⁴⁹ Article 34(2) of the Corporate Tax Law.



5.3.2. Provisions not applicable to the Exempt Person's Business

The Taxable Income of the Exempt Person's other Business should be determined on an independent basis for each Tax Period in accordance with the provisions of the Corporate Tax Law.⁵⁰ However, certain reliefs and Tax Loss provisions will not apply to the other Business of the Exempt Person,⁵¹ as described below.

5.3.2.1. No availability of Qualifying Group Relief or Business Restructuring Relief

One of the conditions for Qualifying Group Relief is that members of the group should not include an Exempt Person.⁵² Similarly, one of the conditions for Business Restructuring Relief is that the transferor and transferee are not an Exempt Person.⁵³

Extractive Businesses/Non-Extractive Natural Resource Businesses will be considered a Taxable Person insofar as they have taxable Business. However, they are treated as an Exempt Person for Qualifying Group Relief and Business Restructuring Relief and will not be able to benefit from these reliefs.⁵⁴

5.3.2.2. No transfer of Tax Loss

Under the Corporate Tax Law, Tax Losses may be offset against the Taxable Income of another Taxable Person upon satisfaction of certain conditions.⁵⁵ One of the conditions is that both Persons (transferor and transferee) are not an Exempt Person.

Persons engaged in Extractive Businesses/Non-Extractive Natural Resource Businesses are Taxable Persons insofar they are conducting a taxable Business. However, they are treated as Exempt Persons for the purposes of transferring a Tax Loss or a portion thereof and thus Tax Losses arising from their taxable Business cannot be transferred to another Taxable Person.⁵⁶

⁵⁰ Articles 7(4)(c) and 8(4)(c) of the Corporate Tax Law.

⁵¹ Article 4(2) of the Corporate Tax Law.

⁵² Article 26(2)(c) of the Corporate Tax Law.

⁵³ Article 27(2)(c) of the Corporate Tax Law.

⁵⁴ Article 4(2) of the Corporate Tax Law.

⁵⁵ Article 38(1) of the Corporate Tax Law.

⁵⁶ Article 4(2) of the Corporate Tax Law.



5.3.2.3. No membership in Tax Group for Extractive Business and Non-Extractive Natural Resource Business

Two or more Taxable Persons can make an application to the FTA to be treated as a single Taxable Person (i.e. as a Tax Group), upon satisfaction of certain conditions. One of the conditions is that a member of a Tax Group is not an Exempt Person.⁵⁷

Persons engaged in an Extractive Business/Non-Extractive Natural Resource Business may satisfy the conditions (see Section [4.2](#)) to be treated as Exempt Persons,⁵⁸ but at the same time also be Taxable Persons in respect of other Business or Business Activity subject to Corporate Tax (see Section [5.1](#)). However, for the purposes of the Tax Group provisions, such Persons are still treated as Exempt Persons and cannot be members of a Tax Group.⁵⁹

5.4. Small Business Relief

A Resident Person may elect to be treated as not having derived any Taxable Income for a Tax Period if its Revenue for the relevant Tax Period and in any previous Tax Periods does not exceed AED 3 million.⁶⁰

If the Revenue from the taxable Business of a Person engaged in Extractive Business/Non-Extractive Natural Resource Business does not exceed AED 3 million during the relevant Tax Period and previous Tax Periods, it can elect for the Small Business Relief, provided the other applicable conditions are also satisfied.⁶¹

5.5. Exempt Persons registered in Free Zones

If the Business Activities of a Free Zone Person consist solely of Extractive Business/Non-Extractive Natural Resource Business that fulfils the conditions to be exempt from Corporate Tax, that Free Zone Person will not be considered as a Qualifying Free Zone Person as per Article 18 of the Corporate Tax Law, as the provisions of the Corporate Tax Law as a whole will not apply to such Person.⁶² This is because as per Article 7 or Article 8, respectively, of the Corporate Tax Law, the provisions of the Corporate Tax Law shall not apply to a Person whose Business Activities consist solely of an Extractive Business/Non-Extractive Natural Resource Business that fulfils the conditions to be exempt from Corporate Tax.

⁵⁷ Article 40(1)(e) of the Corporate Tax Law.

⁵⁸ Articles 7(1) and 8(1) of the Corporate Tax Law.

⁵⁹ Article 4(2) of the Corporate Tax Law.

⁶⁰ Article 21(1) of the Corporate Tax Law read with Article 2(1) of Ministerial Decision No. 73 of 2023.

⁶¹ Article 3 of Ministerial Decision No. 73 of 2023.

⁶² Articles 7(1) and 8(1) of the Corporate Tax Law.



However, if the Free Zone Person engaged in an Extractive Business/Non-Extractive Natural Resource Business derives income that is not exempt from Corporate Tax as per Article 7 or Article 8 of the Corporate Tax Law or derives other Business which is subject to Corporate Tax, then, in relation to such Business the Free Zone Person may be a Qualifying Free Zone Person, provided all the conditions of Article 18(1) of the Corporate Tax Law are met.

In determining whether a Free Zone Person meets the de minimis requirements specified in Article 4 of Cabinet Decision No. 100 of 2023 and Article 3 of Ministerial Decision No. 265 of 2023, Revenue from an Extractive Business/Non-Extractive Natural Resource Business that is exempt from Corporate Tax is not taken into account.

6. Compliance Requirements

6.1. Record keeping

A Person engaged in an Extractive Business/Non-Extractive Natural Resource Business that meets the conditions in Section [4.2](#) above for an exemption from Corporate Tax is an Exempt Person.⁶³

An Exempt Person is required to maintain all records and documents that enable the FTA to ascertain the exemption status for a period of 7 years following the end of the Tax Period to which the exemption is claimed.⁶⁴

6.2. Tax Registration

A Person that is an Exempt Person, by virtue of Article 7 or Article 8 of the Corporate Tax Law, is not required to register for Corporate Tax purposes with the FTA, unless it conducts other Business subject to Corporate Tax.⁶⁵

If the Exempt Person is subject to Corporate Tax on their other Business, the Person will be required to register with the FTA for Corporate Tax with regards to that Business, in the form and manner and within the timeline prescribed by the FTA.⁶⁶

The Person may deregister for Corporate Tax purposes where there is a cessation of that other Business.⁶⁷

A situation could arise where a Person conducting a Business that is ancillary or incidental to its Extractive Business/Non-Extractive Natural Resource Business has registered for Corporate Tax with the FTA because its Revenue exceeds 5% of the total Revenue of the Person and then finds that its Revenue during a subsequent Tax Period falls below the 5% threshold and so can benefit from the exemption for ancillary or incidental Business. In such a situation, the Person has not ceased its Business, so should remain registered for Corporate Tax but would file a nil Tax Return for any Tax Period in which the 5% threshold is not exceeded.

⁶³ Article 4(1)(c) and 4(1)(d) of the Corporate Tax Law.

⁶⁴ Article 56(2) of the Corporate Tax Law.

⁶⁵ Article 2(1)(c), 2(1)(d) and 2(2) of Ministerial Decision No. 43 of 2023.

⁶⁶ Article 51(1) of the Corporate Tax Law.

⁶⁷ Article 52(1) of the Corporate Tax Law.

6.3. Applicable Accounting Standards

The Corporate Tax Law requires an Exempt Person conducting an Extractive Business/Non-Extractive Natural Resource Business which is also conducting taxable other Business to maintain separate Financial Statements for the taxable other Business.⁶⁸

For the purposes of the UAE Corporate Tax Law, a Taxable Person is required to prepare Financial Statements based on IFRS, or IFRS for SMEs where the Revenue of the Taxable Person does not exceed AED 50 million.⁶⁹ Thus, such Exempt Person must, for Corporate Tax purposes, prepare Financial Statements based on IFRS/ IFRS for SMEs in respect of its taxable Business.

6.4. Preparing audited Financial Statements

A Person engaged in an Extractive Business/Non-Extractive Natural Resource Business that fulfils the conditions to be exempt from Corporate Tax, and also conducts taxable Business, will be required to prepare and maintain Financial Statements only with respect to the taxable Business.⁷⁰

If the Taxable Person is a Qualifying Free Zone Person or derives Revenue exceeding AED 50 million during the relevant Tax Period, the Financial Statements are required to be audited for Corporate Tax purposes.⁷¹ To determine whether the AED 50 million threshold is met, only the Revenue of the taxable other Business should be considered.

6.5. Tax Return

Where a Person who conducts a Business that is exempt under Article 7 or Article 8 of the Corporate Tax Law also conducts taxable other Business, the Person must file a Tax Return with the FTA for its separate taxable Business in the form and manner prescribed by the FTA, within 9 months from the end of the relevant Tax Period.⁷²

⁶⁸ Articles 7(4)(a) and 8(4)(a) of the Corporate Tax Law.

⁶⁹ Article 4 of Ministerial Decision No. 114 of 2023.

⁷⁰ Articles 7(4)(a) and 8(4)(a) of the Corporate Tax Law.

⁷¹ Article 54(2) of the Corporate Tax Law along with Article 2(1) of Ministerial Decision No. 82 of 2023.

⁷² Article 53(1) of the Corporate Tax Law.

7. Updates and Amendments

Date of amendment	Amendments made
December 2023	• First version