



 Parker Russell UAE

Corporate Tax Treatment of Real Estate

Real Estate—On May 8, 2023, the Cabinet of Ministers issued a Decision No. (49) of 2023 that specifies the categories of businesses or business activities that are subject to corporate tax for resident and non-resident natural persons under the Corporate Tax Law (CT Law) Federal Decree-Law No. (47) of 2022. The decision comes into effect on June 1, 2023.

Key Points

1. The Decision applies to both resident and non-resident natural persons.
2. The Decision specifies the categories of businesses or business activities that are subject to Corporate Tax.
3. The Decision clarifies that certain activities are not considered to be business activities for the purposes of the CT Law.
4. The Decision comes into effect on 1 June 2023.

Who is Subjected to Tax?

Individuals, Resident/Non-Resident Natural Person, who conducts business or business activities in the United Arab Emirates (UAE) will be subject to corporate tax treatment of real estate if their combined revenue from all of their businesses or business activities exceeds 1 million UAE dirhams (AED) in a Gregorian calendar year (January to December). If the revenue surpasses such amount, one may consider small business relief with limited compliance requirements.

The threshold is intended to simplify the tax requirements and lessen the administrative weight for individuals with smaller-scale business ventures.

*Individuals who are not conducting 'Businesses' or 'Business Activities' that are subject to corporate tax are not required to register for corporate tax.

Specific Exemptions to Income

The Decision further specifies that the following activities, regardless of the turnover derived, will not be considered as businesses or business activities under the Corporate Tax Regime:

Wages and Related Emoluments

All compensation paid to employees in exchange for their services, whether in cash or in kind is considered remuneration. This includes all allowances, bonuses, and benefits paid to employees under their employment contract or applicable law.

Personal Investment

This covers investment activities that a natural person conducts on their own account, without a license from a licensing authority in the state, and are not considered commercial businesses under Federal Decree-Law No. 50 of 2022.

Real-Estate Investment

Natural persons who conduct real estate activities in the UAE without a commercial license will not be subject to corporate tax on income from the sale, lease, sublease, or rental of land or real estate in the UAE.

For your ease of reference, the above information is summarized in the table below.

Type of Owner	Status of Owner	Location of Property	Type of Property	Tax Treatment
Juridical Person	Non-Resident	Mainland	Commercial	Taxable @9%
			Non-commercial	Taxable @9%
		Free Zone	Commercial	Taxable @9%
			Non-commercial	Taxable @9%
	Resident	Mainland	Commercial	Taxable @9%
			Non-commercial	Taxable @9%
		Free Zone	Commercial	Taxable @0%* Taxable @9%
			Non-commercial	Taxable @9%
Natural Person	Non-Resident	Mainland	Commercial	Predominantly non-taxable**
			Non-commercial	Predominantly non-taxable**
		Free Zone	Commercial	Predominantly non-taxable**
			Non-commercial	Predominantly non-taxable**
	Resident	Mainland	Commercial	Predominantly non-taxable**
			Non-commercial	Predominantly non-taxable**
		Free Zone	Commercial	Predominantly non-taxable**
			Non-commercial	Predominantly non-taxable**

*- enabling a zero rate is possible if the transacting party is a Free Zone Person and whether the owner is the Qualifying Free Zone Person

** - if no license is required. If the activity requires a license, the turnover up to AED 1M will not be subject to corporate tax. If the turnover exceeds AED 1M, then normal rules of corporate tax apply, i.e. the taxable income above AED 375,000 will be subject to corporate tax at 9%.

Parker Russell's Remarks

The Cabinet of Ministers issued a decision that clarifies which activities are subject to corporate tax treatment of real estate for natural persons. The decision includes a small business relief. While wages and investment income are not considered business activities and therefore are not subject to corporate tax, individuals with combined revenue of less than AED 1 million per year can register for corporate tax with limited compliance requirements. The decision is a welcome clarification for natural persons who are subject to corporate tax in the UAE.

UAE CT - Cabinet Decision No. 49 of 2023

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