

Exempt Persons: Public Benefit Entities, Pension Funds and Social Security Funds

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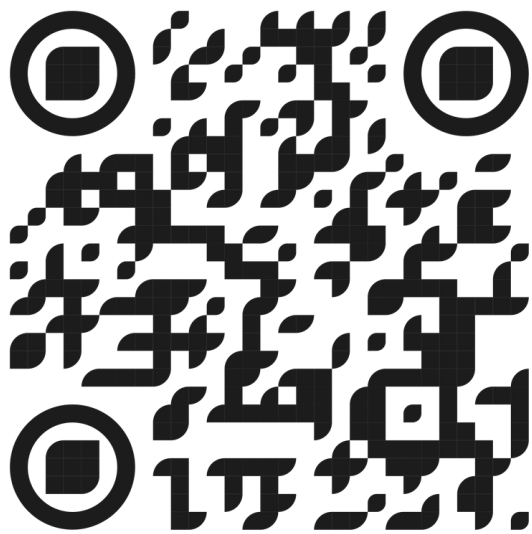


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Exempt Persons Status: Public Benefit Entities, Pension Funds and Social Security Funds — A select group of entities are granted exemption from Corporate Tax obligations. These entities, collectively known as Exempt Persons, encompass Qualifying Public Benefit Entities (QPBEs), public and private pension funds and social security funds, and subsidiaries of Exempt Persons. Each category adheres to a distinct set of criteria to uphold their Exempt Person status.

Qualifying Public Benefit Entities (QPBEs)

QPBEs are organizations that are established and operated for charitable, social, cultural, religious, or other public benefit purposes without the intention of making a profit. To qualify as a QPBE, an organization must meet the following conditions:

- Establishment and operation for one of the permitted purposes
- Refraining from conducting business activities, except for those directly related to its purpose
- Exclusive utilization of income and assets for its intended purpose or to cover associated necessary and responsible expenses.
- Prohibition of income or asset distribution for the personal benefit of any individual

Public and Private Pension Funds and Social Security Funds

Public and private pension funds and social security funds, responsible for managing pension contributions and providing retirement benefits, must be subject to regulatory oversight, dedicate their assets solely to pension-related purposes, and maintain transparency through audits.

To qualify as an Exempt Person, these funds must:

- Subjection to regulatory oversight by a competent authority in the UAE
- Designation of a pool of assets as "pension plan assets" or "fund assets"
- Exclusive use of these assets to finance pension plan benefits or end of service benefits
- Granting plan members/beneficiaries with a right or entitlement to the assets or earnings of the fund
- Annual confirmation by an Auditor that the fund meets the exemption requirements and reports any breaches to the FTA
- Receive income only from investments, underwriting commissions, rebates, or other income earned through investments for the benefit of plan members or beneficiaries

Subsidiaries of Exempt Persons

Entities established and controlled by an Exempt Person can also qualify as an Exempt Person, provided they meet specific requirements. These subsidiaries must be incorporated in the UAE, wholly owned and controlled by the Exempt

Person, and directly support the Exempt Person's primary mission. Subsidiaries may undertake all or part of the Exempt Person's activities, exclusively manage assets or invest funds for the Exempt Person's benefit, or engage solely in activities that support the Exempt Person's core operations.

- Established a legal presence in the UAE as a corporate entity
- Have sole ownership and complete authority vested in the Exempt Person
- Participate in activities that are inextricably linked to and advance the Exempt Person's purpose

Revocation of Exempt Person Status

Failure to adhere to the prescribed criteria for Exempt Person status at any juncture during a Tax Period will result in the revocation of such status, effective from the commencement of that Tax Period. However, certain exceptions exist:

1. Liquidation or termination: Entities undergoing liquidation or termination may retain their status throughout the completion of the dissolution process. This provision is contingent upon the submission of a notification to the FTA (20 business days) from the commencement of the procedure.

2. Temporary failure: Temporary failure: An Exempt Person may continue to be treated as an Exempt Person if the failure to meet the conditions is due to a situation or event beyond their control and they rectify the failure within 20 business days of the submission of an application to the FTA.

3. Tax Advantage: An Exempt Person will revoke their status as an Exempt Person from the date of non-compliance if it can be reasonably inferred that their primary motivation for failing to meet the stipulated conditions is to acquire an undue Corporate Tax advantage.

Corporate Tax Implications of Exempt Person Status

Exemption of Exempt Person Status

Organizations that meet the criteria for Exempt Person status are not subject to Corporate Tax on any of their income. This means they are completely exempt from Corporate Tax as long as they continue to fulfill all the requirements for exemption throughout the Tax Period.

Exclusions from Tax Reliefs and Tax Loss Transfer

Exempt Persons are not eligible for Small Business Relief, Qualifying Group Relief, or Business Restructuring Relief. Additionally, they cannot transfer any Tax Losses incurred during their operations to a Taxable Person.

Limitations on Tax Loss Transfer and Tax Group Formation

Exempt Persons cannot transfer Tax Losses to other entities or join a Tax Group. Tax Losses are deductions that can be used to offset Taxable Income in future Tax Periods. However, Exempt Persons cannot transfer these losses to other entities. Additionally, Exempt Persons are not eligible to participate in Tax Groups, which are

groupings of entities that are treated as a single Taxable Person for Corporate Tax purposes.

Conclusion

Recognizing this importance, the UAE Corporate Tax Law exempts certain entities from Corporate Tax liability. These Exempt Persons include Qualifying Public Benefit Entities (QPBEs), Public and Private Pension Funds and Social Security Funds, and subsidiaries of Exempt Persons.

To qualify as an Exempt Person, organizations must meet specific criteria, such as being established and operated for non-profit purposes, adhering to regulatory oversight, and utilizing their assets and income solely for their intended purposes. Failure to comply with these requirements will result in the revocation of Exempt Person status.

While Exempt Persons are not subject to Corporate Tax, they are not eligible for certain tax reliefs or deductions. This is due to their unique status within the UAE Corporate Tax system. Despite these limitations, Exempt Persons benefit from significant tax savings, allowing them to focus on their core missions and continue serving the UAE

Additional Resources

For comprehensive details regarding Corporate Tax obligations, please refer to the accompanying Guides, References, and Public Clarifications. Alternatively, you may engage with our

professionals for further assistance.

- [Federal Tax Authority Website](#)
- [Exempt Persons: Public Benefit Entities, Pension Funds and Social Security Funds](#)

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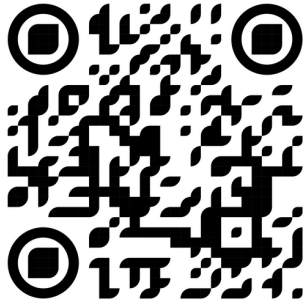
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Parker Russell UAE — Our firm was established in 1998 as “Haris & Associates Auditing” in Dubai, providing Audit Assurance and Accountancy services on an efficient and cost-effective basis around the region.

Through our professional and best practices we have extended our services into more areas. In UAE, we have offices in Dubai, Abu Dhabi and Al Ain. Our staff strength is around 50+, which include Accountants, Auditors, Tax Consultants, Management Consultants, and ERP Consultants. Our present client strength is around 550 of varying discipline and sizes.

It is operating and is placed in one of the leading audit firms in Dubai with its branches in Dubai and Abu Dhabi. Parker Russell is incorporated in the year 1998, with the ideology of highly qualified, experienced, and capable chartered accountants and accounting executives, with much dedication and passion in providing high-quality financial services to any corporation or individual that is in need and imparting professional financial insights without compromising excellence.

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