

Cabinet Resolution No. (81) of 2023

Concerning the Conditions for Qualifying Mutual Funds for the Purposes of Federal Decree-Law No. (47) of 2022 Concerning the Corporate and Business Tax

The Cabinet

- Having reviewed the Constitution; and
- Based on the Minister of Finance's proposal approved by the Cabinet,

Resolves:

Article (1)

Definitions

Definitions set out in Federal Decree-Law No. (47) of 2022 on Corporate and Business Tax shall apply to this Resolution. Other than that, the following words and expressions shall bear the meanings assigned thereto respectively, unless the context requires otherwise:

- Investment** : The issuance of investment interests to raise funds or pool investors' funds or establish a joint Mutual Fund with the aim of enabling the owners of such invested funds to benefit from the profits or gains resulting from the entity's acquisition, holding, management or disposal of investments, in accordance with the applicable legislation of the State.
- Business** : The issuance of investment interests to raise funds or pool investors' funds or establish a joint Mutual Fund with the aim of enabling the owners of such invested funds to benefit from the profits or gains resulting from the entity's acquisition, holding, management or disposal of investments, in accordance with the applicable legislation of the State.
- Real Estate Gains** : Gains generated from the sale or disposal of land or real estate.
- Real Estate Income** : The income generated from renting out land or real estate, not including Real Estate Gains.
- Real Estate Asset Percentage** : a portion of the Real Estate Income generating assets as a percentage of the total value of the assets of the Mutual Fund.

Real Estate : A real estate fund as defined in the applicable legislation of the State.

**Investment Trust
(REIT)**

Corporate Tax Law : Federal Decree-Law No. (47) of 2022 on Corporate and Business Tax.

Article (2)

Conditions for Exemption of Mutual Fund from Corporate Tax

1. Without prejudice to the conditions set out in Article (10.1) of the Corporate Tax Law, a Mutual Fund, not including a Real Estate Investment Trust ("REIT"), shall meet all of the following conditions in order to apply to the Authority to be exempt from Corporate Tax as a Qualifying Mutual Fund:
 - a. The main business or business activities conducted by the Mutual Fund shall be Investment business activities, and any other business or business activities conducted by the Mutual Fund shall be ancillary or incidental.
 - b. No single investor and its related parties shall own the following:
 1. More than 30% (thirty percent) of the ownership interests in the Mutual Fund, where the Mutual Fund has less than ten investors.
 2. More than 50% (fifty percent) of the ownership interests in the Mutual Fund, where the Mutual Fund has ten or more investors.
 - c. The Mutual Fund shall be managed or advised by an Investment Manager that has a minimum of three investment professionals.
 - d. The investors shall have no control over the day-to-day management of the Mutual Fund.

2. For the purposes of applying paragraph (a) of Clause (1) of this Article, the following shall be observed:
 - a. Where Business or Business Activities of a resident Investment Manager are assigned to a resident Mutual Fund, the Taxable Income of the Investment Manager shall be adjusted to include the income assigned to the Mutual Fund, in accordance with Article (20) of the Corporate Tax Law.
 - b. Business or business activities of an Investment Manager that are assigned to a resident Mutual Fund shall be considered to be Investment Business activities where they meet at least one of the following conditions:
 1. To be subject to Corporate Tax in the State through the Investment Manager.
 2. To be undertaken by an Investment Manager that would meet the conditions under Clause (1) of Article (15) of the Corporate Tax Law, had the reference to the Non-Resident Person in that Clause was related to a Resident Person.
 - c. Other Business or Business Activities that the Mutual Fund conducts shall be considered as ancillary or incidental if the aggregate revenue of such Business or Business Activities combined does not exceed 5% (five percent) of the total revenue of the Mutual Fund in the same Fiscal year.
3. The Mutual Fund shall be considered to have met any of the ownership interest conditions under paragraph (b) of Clause (1) of this Article as the case may be, in the first two Fiscal years of the establishment of the Mutual Fund if there is sufficient evidence to demonstrate the intention of the investors to meet these conditions after the first two Fiscal years, as determined by the Authority.
4. Where a Mutual Fund does not meet the conditions under Clause (3) of this Article, the Mutual Fund shall cease to be treated as an Exempt Person from the beginning of the third fiscal year of its establishment.

Article (3)

Conditions for Exempting a Real Estate Investment Trust from Corporate Tax

Notwithstanding the provisions of Article (2) of this Resolution, a Real Estate Investment Trust ("REIT") shall meet all of the following conditions, in addition to the conditions under Clause (1) of Article (10) of the Corporate Tax Law, to apply to the Authority to be exempt from Corporate Tax as a Qualifying Mutual Fund:

1. The value of real estate assets, excluding land, under the management or ownership of the Real Estate Investment Trust ("REIT") exceeds AED 100,000,000 (one hundred million United Arab Emirates dirhams).
2. At least 20% (twenty percent) of the share capital of the Real Estate Investment Trust ("REIT") is floated on a Recognized Stock Exchange, or it is directly wholly owned by two or more institutional investors specified in Article (5) of this resolution, provided that at least two of those institutional investors are not related parties.
3. The Real Estate Investment Trust ("REIT") has an average Real Estate Asset Percentage of at least 70% (seventy percent) during the relevant Gregorian calendar year, or the relevant (12) twelve-month period for which the financial statements are prepared.

Article (4)

Investor's Income

1. Where a Taxable Person is an investor in the Qualifying Mutual Fund in a Tax Period, the income of that Taxable Person for that relevant Tax Period shall be adjusted to include the income and the expenditure of the Qualifying Mutual Fund as reflected in the financial statements of the Qualifying Mutual Fund, and in proportion to its ownership interest, in accordance with Article (20) of the Corporate Tax Law.
2. The income of the investor shall not include any dividend they receive from a Qualifying Mutual Fund in case it has been previously included as their income under Clause (1) of this Article.

Article (5)

Corporate Investor

A Corporate Investor shall be any of the following:

1. The Federal Government.
2. A Local Government.
3. A Government Entity.
4. A Government Controlled Entity.
5. A foreign government, its institutions and authorities or the companies fully owned by any of them.
6. International organizations.
7. A bank.
8. An Insurance Service Provider.
9. A pension or social security fund.
10. An investment entity licensed by a relevant competent authority or a similar regulatory authority in or outside of the State.
11. Any other juridical person determined by the Authority.

Article (6)

Unincorporated Partnership

An Unincorporated Partnership that is considered a Taxable Person in its own right in accordance with Article (16) of the Corporate Tax Law shall be considered an entity under the definition of the Qualifying Mutual Fund under the Corporate Tax Law.

Article (7)

Implementing Resolutions

The Minister may issue the necessary resolutions to implement the provisions of this Resolution.

Article (8)

Publication and Entry into Force

This Resolution shall be published in the Official Gazette and shall enter into force as of the day following the date of its publication.

Mohammed bin Rashid Al Maktoum

Prime Minister

Issued by us:

Date: 30 Dhu al-Hijjah 1444 A.H.

Corresponding to: 18 July 2023 AD