

## **The UAE Corporate Tax Guidance for Non-Resident Persons**

The Federal Tax Authority has released a corporate tax (CT) guide to provide assistance to non-resident persons who derive income from the UAE. The guide helps in assessing whether such non-resident persons are subject to CT in the UAE.

The key aspects relating to definition, CT obligations and the income subject to CT for non-resident persons are set out below:

### **Definition of a non-resident taxable person:**

A non-resident taxable person is:

1. A natural person who is not a resident person but:
  - (a) has a permanent establishment in the UAE and has a turnover attributable to his permanent establishment that exceeds AED 1 million within a Gregorian calendar year; or
  - (b) derives UAE sourced income.
  
2. A juridical person that is incorporated or formed outside the UAE and is not effectively managed and controlled in the UAE to the extent it:
  - (a) has a permanent establishment in the UAE (*i.e.*, a fixed place of business or other form of presence in the UAE); or
  - (b) derives UAE sourced income; or
  - (c) has a nexus in the UAE.

### **Registration requirement for a non-resident person:**

1. A non-resident person who is a natural person is required to register for CT purposes and obtain a tax registration number when the non-resident person has a turnover attributable to his permanent establishment in the UAE that exceeds AED 1 million within a Gregorian calendar year.
  
2. A non-resident juridical person is required to register for CT purposes and obtain a tax registration number when the non-resident person is subject to CT due to having:
  - (a) a permanent establishment in the UAE; or



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(b) a nexus in the UAE.

Non-resident persons (both natural and juridical) that derive UAE sourced income and neither have a permanent establishment nor a nexus<sup>1</sup> in the UAE are not required to register for CT purposes.

### **Income of a non-resident person subject to CT in the UAE:**

1. The taxable income that is attributable to a non-resident person's permanent establishment or nexus<sup>2</sup> in the UAE is subject to CT.
2. CT is imposed on the taxable income of a non-resident person at the same rate as for a resident person, as follows:
  - (a) 0% on the first AED 375,000 of taxable income; and
  - (b) 9% on the amount that exceeds AED 375,000 of taxable income.
3. In the event that a non-resident person is a qualifying free zone person (e.g., a branch operating in a free zone), then CT will be imposed at the following rates:
  - (a) 0% on qualifying income; and
  - (b) 9% on taxable income that is not qualifying income.
4. Business activities of a non-resident natural person would be subject to CT only if the gross amount of turnover derived through conducting the business activities (e.g., through a permanent establishment) in the UAE exceeds AED 1 million during a Gregorian calendar year.

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<sup>1</sup> **TLA note:** The concept of nexus is applicable only to non-resident juridical persons.

<sup>2</sup> **TLA note:** The concept of nexus is applicable only to non-resident juridical persons.