



## Tax Exemption for **Qualifying Public Benefit Entities** under UAE Corporate Tax

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## Tax Exemption for Qualifying Public Benefit Entities under UAE Corporate Tax

Public benefit entities are set up for the welfare of society, focusing on activities that strengthen the UAE's social fabric.

The term “public benefit entity” refers to an organization formed by private individuals or government or non-governmental bodies for the purpose of carrying out charitable, social, cultural, religious, or other public benefit activities without the motive of making a profit for distribution to private Persons.



Each Emirate in the UAE has established a Cultural Development Authority (CDA). Non-profit organizations get themselves to register with the CDA to get the necessary approval and licenses for cultural activities. Similarly, the Chamber of Commerce issues licenses for trade and industry growth.

To qualify for corporate tax (CT) exemption, these entities shall comply with Article (9) of the Corporate Tax Law and adhere to all relevant federal and local regulations. Organizations engaged in social, cultural, religious, charitable, or other public benefit activities can apply for a corporate tax exemption. If approved, they will be listed in a cabinet decision requested by the Minister of Finance. Only public benefit entities listed by the Cabinet are eligible for the tax exemption.





# What are Qualifying Public Benefit Entities?





## What are Qualifying Public Benefit Entities?

Qualifying Public benefit entities (QPBE) are those entities which are established and operated exclusively for any of the following activities:

- Religious
- Charitable
- Scientific
- Artistic
- Cultural
- Athletic
- Educational
- Healthcare
- Environmental
- Humanitarian
- Animal Protection; or
- Other similar purposes



# Conditions for Qualifying Public Benefit Entities to be Exempt from Corporate Tax





## Conditions for Qualifying Public Benefit Entities to be Exempt from Corporate Tax

The following conditions need to be satisfied by the qualifying public benefit entities to be exempt from corporate tax:

It shall not be engaged in a business or business activity. But it can carry on such activities that directly relate to or are undertaken for fulfilling the various public benefit purposes for which the entity is established like it should be established for any of the following purposes:

- exclusively for religious, charitable, scientific, artistic, cultural, athletic, educational, healthcare, environmental, humanitarian, animal protection or other similar purposes, or
- as a professional entity, chamber of commerce, or a similar entity operated exclusively for the promotion of social welfare or public benefit.

The income and the assets of the entity should be exclusively used in the furtherance of the purpose for which it is established or for the payment of any associated necessary and reasonable expenditure incurred.

No part of its income or assets should be utilised for the personal benefit of the shareholder, member, trustee, founder or settlor of the public benefit entity.

The Cabinet may prescribe further conditions for eligibility of an entity to claim exemption.

The entity shall make an application to the relevant local or federal government entity with which it is registered in the prescribed manner to claim exemption from the corporate tax.

The exemption would be available from the beginning of the tax period in which the Cabinet approves the application, or any other date determined by the Minister.

The relevant government entity will consider the application and may request evidence or ask to prove that the conditions as set forth in the Corporate Tax Law are properly satisfied. On successful verification, authority will refer the case to the Ministry of Finance for inclusion in a memo from the Minister to the Cabinet. Following the issuing of such a decision the entity will qualify to be exempt from Corporate Tax.

The definition of Qualifying Public Benefit Entity in the Corporate Tax Law requires that in addition to meeting the conditions in Article 9 of the Corporate Tax Law, the entity must be listed in a decision issued by the Cabinet at the suggestion of the Minister.

Cabinet Decision No. 37 of 2023, issued on 7 April 2023, sets out a list of entities that are to be considered as Qualifying Public Benefit Entities for the purposes of the Corporate Tax Law. The Cabinet has the power to amend the list in the future at the suggestion of the Minister, making either additions or deletions to it.



## Payments to a Qualifying Public Benefit Entity

A Taxable Person who makes donations, grants or gifts to a Qualifying Public Benefit Entity which is listed in a Cabinet Decision can claim a deduction for Corporate Tax purposes. No deduction is allowed for donations, gifts or grants made to an entity that is not a Qualifying Public Benefit Entity.

## Compliance and Record Keeping

Qualifying Public Benefit Entities listed in Cabinet Decision No. 37 of 2023 must still register with the FTA for Corporate Tax purposes and obtain a Corporate Tax Registration Number ("TRN"). The application to register for Corporate Tax purposes for Qualifying Public Benefit Entities has been made available from 1 October 2023.

Qualifying Public Benefit Entities are not required to file a Tax Return. Instead, they are required to submit an annual declaration to the FTA, no later than 9 months from the end of the relevant Tax Period.

They are required to maintain records which evidence their exempt status for 7 years from the end of the Tax Period to which they relate. This includes any information, accounts, documents and records to enable the Exempt Person's status to be readily ascertained by the FTA. For example, for a Qualifying Public Benefit Entity, this could include books and records to demonstrate that its resources were used only for its stated public benefit purpose, copies of agreements entered into, and details of its employees, officers and fiduciaries.



# Implication of Breach in Conditions





## Implication of Breach in Conditions

Failure is of temporary nature which is promptly rectified

If an Exempt Person breaches the conditions to be followed, they may continue to be deemed as an Exempt Person where all of the following conditions are met:

➡ The failure to meet conditions is due to unforeseen circumstances beyond the Exempt Person's control, which they could not reasonably predict or prevent.

➡ The Exempt Person must apply to the FTA within 20 business days of failing to meet the conditions to remain exempt. The FTA will review and notify the decision within the same period or a reasonable time thereafter.

➡ The Exempt Person must rectify the failure within 20 business days of applying. An additional 20 business days may be granted if the rectification is beyond their reasonable control.

➡ Upon request by the FTA, the documentation should be provided to the FTA within 20 business days from the date of the request by the FTA, or any other period as may be determined by the FTA.

## Failure to obtain Corporate Tax advantage

The Exempt Person shall cease to be an Exempt Person starting from the day they fail to meet the conditions in case it can be reasonably concluded that the main purpose or one of the main purposes of this failure is to obtain a Corporate Tax advantage specified under the General Anti-abuse Rule that is not consistent with the intention or purpose of the Corporate Tax Law.



# Seeking Professional Help for Registering Qualifying Public Benefit Entity





Following is the way how tax consultants like FAME can help qualified public benefit entities in registration under the corporate tax law and in legal compliance:

## Expert Guidance on Regulatory Compliance

Tax consultants specializing in non-profit entities understand the complex requirements set out by the Ministry of Finance and local authorities. They can ensure that your entity meets all necessary criteria for registration and exemption, and adherence to Article 9 of the Corporate Tax Law.

## Streamlined Application Process

Professionals can help prepare and submit the application to the Ministry of Finance or relevant governing bodies in the correct format and with all required documentation. This reduces the risk of delays or rejections due to incomplete submissions.

## Representation on behalf of QPBE

In case of audits or queries from tax authorities, tax consultants can serve as an authorized representative for the entity and can play the role of an important bridge between the entities and authority.



# Conclusion



Qualifying Public benefit entities in the UAE serve a crucial role in enhancing societal well-being through activities that include charitable, cultural, and humanitarian domains.

Known by their non-profit nature and commitment to public service, these organizations seek exemption from corporate tax under stringent criteria as defined in Article 9 of the Corporate Tax Law. To qualify, such entities shall have to apply to the authority and get approval according to the guidelines provided in the law.

To qualify for an exemption such entities shall satisfy certain conditions like they shall not be engaged in a business or business activity and shall exclusively carry on the religious, charitable, scientific, artistic, cultural, athletic and educational kind of activities.

The income and the assets of the entity should be exclusively used in the furtherance of the purpose for which it is established etc.

While a Qualifying Public Benefit Entity may qualify for exemption from corporate tax, but it would still be required to maintain financial records and follow prescribed guidelines and compliance requirements.

Get in touch with us to establish a Qualifying Public Benefit Entity in UAE and claim various tax exemptions available under the UAE corporate tax laws.





**About FAME  
Advisory DMCC**





## About FAME Advisory DMCC

**With three decades of market presence, FAME Advisory has remained the UAE's most trusted and leading tax advisory and management firm.**

Along with that, FAME excels in various domains, such as corporate services, succession planning, and corporate structuring. Our primary aim is to align our solutions with the client's problems, educate them, and empower them to take informed decisions.



### Vision

To be the region's first choice for tax compliance and advisory in various aspects of the business.



### Mission

We at FAME Advisory aim to solve businesses' tax compliance issues and provide advisory services that help them achieve the milestones they dreamt of.



## Our Team

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### Mr. Nirav Shah

Director at FAME Advisory

With over two decades of experience in corporate advisory, consultancy, and compliance, CA Nirav Shah is a qualified Chartered Accountant and a stalwart in the industry, being recognized as amongst the top corporate structuring, international tax, and compliance experts in the UAE, India, and other countries.

For more than 15 years, Mr. Nirav has had a distinguished journey consulting global clients on Corporate Structures and Governance and family asset holding structures and has served as a specialist in providing strategic inputs to organizations.



### Udit Chokshi

Manager- Corporate Tax and VAT Advisory

Udit Chokshi is a Taxpert, helping businesses all across the UAE in getting tax audit-ready, streamlining their VAT and accounting processes, and shield them against tax evasion. Being an active listener, Udit absorbs and understands the client's problem and situation and communicates the facts and solutions honestly.

As a customer service-oriented person, he believes in providing utmost dedication and availability to customers.



### Hemang Agravat

Manager - Business Development

As a Business Development Manager at FAME, Hemang has had a long professional career with a focus on growing the company's client base.

He holds a successful track record of nurturing clients & has been instrumental in building high-performing teams. He specializes in building programs that add value to the client relationships. Hemang brings in a wealth of experience bridging the gap between Sales & Advisory teams.





**FAME**  
ADVISORY

Suite 405, Office Court Building,  
Oud Metha Road Bur Dubai,  
P.O. Box 103904, Dubai, UAE

+971 52 6559480

hemang@fame.ae

www.fame.ae

