Ministerial Decision No. 127 of 2023 on Unincorporated Partnership, Foreign Partnership and Family Foundation for the Purposes of Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses

Minister of State for Financial Affairs:

– Having reviewed the Constitution,

– Federal Law No. 1 of 1972 on the Competencies of Ministries and Powers of the Ministers, and its amendments,

– Federal Decree-Law No. 13 of 2016 on the Establishment of the Federal Tax Authority, and its amendments,

– Federal Decree-Law No. 28 of 2022 on Tax Procedures,

– Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses,

Has decided:

Article (1)
Definitions

Words and expressions in this Decision shall have the same meanings specified in the Federal Decree-Law No. 47 of 2022 referred to above ("**Corporate Tax Law**"), unless the context requires otherwise.

Article (2)
Conditions for an Unincorporated Partnership not to be Considered a Taxable Person in its Own Right

For the purposes of Clause (1) of Article (16) of the Corporate Tax Law, and without prejudice to Clause (7) of Article (16) and Article (17) of the Corporate Tax Law, the Unincorporated Partnership shall not be considered as a Taxable Person in its own right, provided it is not a juridical person.

Article (3)
Treatment of the Unincorporated Partnership as a Taxable Person

Where an application for the Unincorporated Partnership to be treated as a Taxable Person in its own right under Clause (8) of Article (16) of the Corporate Tax Law is approved, the following shall apply:

1. The application shall be deemed irrevocable, except under exceptional circumstances and pursuant to the approval by the Authority.

2. The Unincorporated Partnership shall notify the Authority within (20) twenty business days from the occurrence of any of the following circumstances:

    a. Any partner joining the Unincorporated Partnership.

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b. Any partner leaving the Unincorporated Partnership.

Article (4)
Other Conditions for a Foreign Partnership to be Treated as an Unincorporated Partnership

1. For the purposes of paragraph (c) of Clause (7) of Article (16) of the Corporate Tax Law, the following conditions shall be met:

    a. The Foreign Partnership submits an annual declaration to the Authority to confirm meeting the conditions specified in paragraphs (a) and (b) of Clause (7) of Article (16) of the Corporate Tax Law, in the form and manner and within the timeline prescribed by the Authority.

    b. Adequate arrangements exist for cooperation between the State and the jurisdiction under whose applicable laws the Foreign Partnership was established, for the purpose of sharing tax information of the partners in the Foreign Partnership.

2. For the purposes of paragraph (b) of Clause (7) of Article (16) of the Corporate Tax Law, each partner in the Foreign Partnership shall be considered to be subject to tax if they would be subject to tax on their distributive share of any income in the Foreign Partnership in the jurisdiction in which the partner is a tax resident.

Article (5)
Other Conditions for a Family Foundation to be Treated as an Unincorporated Partnership

For the purposes of paragraph (e) of Clause (1) of Article (17) of the Corporate Tax Law, where one or more of the beneficiaries are public benefit entities, the Family Foundation shall meet one of the following conditions:

1. Such beneficiaries are not deriving income that would be deemed as Taxable Income in the event they had derived it in their own right.

2. Where the condition under Clause (1) of this Article is not met, the income that would be deemed as Taxable Income is distributed to the relevant beneficiaries within (6) six months from the end of the relevant Tax Period.

Article (6)
Publication and Application of this Decision

This Decision shall be published and shall come into effect the day following the date of its publication.

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Mohamed bin Hadi Al Hussaini
Minister of State for Financial Affairs

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