

UAE: Tax Exemption for Real Estate Investment Trusts (REITs)

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Overview

- The UAE Ministry of Finance has set out the specific conditions for real estate investment trusts (REITs) to apply for exemption from UAE corporate tax.
- These conditions became part of UAE federal law by way of a Cabinet Decision.¹ They supplement the general conditions set out in the Corporate Tax Law ² that apply equally to REITs and certain other investment funds.
- The new regime applies to all REITs established in the UAE (including ADGM and DIFC). Each must register for UAE corporate tax and, where it satisfies the specified conditions, may then apply for exempt status.

Key points

- **General conditions:** The conditions that apply equally to REITS and other relevant investment funds are:³
 - **Licensed fund or manager:** The fund or its manager must be regulated by the competent UAE authority or foreign authority recognised by the Corporate Tax Law.
 - **Publicly traded interests:** The interests in the fund must be traded on a UAE stock exchange, foreign stock exchange recognised by the Corporate Tax Law or otherwise marketed and made available sufficiently widely to investors.
 - **Anti-avoidance:** The main or principal purpose of the fund must not be avoidance of UAE corporate tax.
- **Specific conditions:** The conditions that specifically apply to REITs are:
 - **Asset value:** The value of real estate assets (excluding land) held or managed by the fund must exceed AED100 million.
 - **Share capital:** At least 20% of the fund's share capital must be publicly traded (on a recognised stock exchange) or owned by two or more institutional investors.
 - **Asset percentage:** At least 70% (by value) of the assets of the fund must be land or real estate assets generating rental revenue.
- **Institutional investor:** The concept of institutional investor (see above) forms part of the new conditions.⁴ This includes (amongst others) UAE and foreign government entities, banks, insurance providers, pensions and social

Future practice

- The grant of any exemption will be at the discretion of the UAE tax authority and interested parties are waiting to see how its practices and wider requirements may develop.⁵
- REITs that satisfy these conditions should verify whether they qualify and wish to seek a UAE corporate tax exemption from the UAE Federal Tax Authority.
- REITs may wish to update their internal rules and governance regimes (as required) to document their approach to seeking and maintaining exempt status.
- Proposed changes to the make-up of a REIT should be assessed (before implementation) for any impact on the ability to seek and maintain exempt status.

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1. Cabinet Decision No. 81 of 2023 on Conditions for Qualifying Investment Funds for the Purposes of Federal Decree Law No. 47 of 2022 on the Taxation of Corporations and Businesses.↩
 2. Federal Decree Law No. 47 of 2022 on the Taxation of Corporations and Businesses.↩
 3. Article 10(1), Federal Decree Law No. 47 of 2022 on the Taxation of Corporations and Businesses.↩
 4. Article 5, Cabinet Decision No. 81 of 2023 on Conditions for Qualifying Investment Funds for the Purposes of Federal Decree Law No. 47 of 2022 on the Taxation of Corporations and Businesses↩
 5. Guidance on the new Cabinet Decision and its interpretation in this area of law is (at this stage) limited. We are monitoring developments and their effect on UAE business operations. The commentary in this alert may be subject to change as practice develops in this area.↩

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