



BASIC TAX INFORMATION BULLETIN



NATURAL PERSON

1. Who should read this information bulletin?

Any natural person (i.e. individual) who wants to understand:

- When are natural persons subject to UAE Corporate Tax?
- Which incomes of natural persons are subject to Corporate Tax?
- What is the Corporate Tax rate for natural persons?
- What is the Tax Period under Corporate Tax Law for natural persons?
- When are natural persons required to register for Corporate Tax purposes?
- What are the other compliance requirements for natural persons under the Corporate Tax Law?

2. When are natural persons subject to UAE Corporate Tax?

Natural Persons are considered to be Taxable Persons under the Corporate Tax Law to the extent:

- they are conducting a Business or Business Activity in the UAE, or
- have a Permanent Establishment, or
- derive State Sourced Income (i.e. income that is accrued in, or derived from, the UAE).

However, a natural person is subject to Corporate Tax on their Business or Business Activities only where the total Turnover derived from their Business or Business Activities conducted in the UAE exceeds AED 1 million within a Gregorian calendar year that begins on or after 1 January 2024. If a natural person's total Turnover from their Business or Business Activities conducted in the UAE does not exceed AED 1 million within a Gregorian calendar year, they do not have to register for, or pay, Corporate Tax on their income from the Business or Business Activities.

Wage (employment income), Personal Investment income, and Real Estate Investment income derived by a natural person are out of scope of Corporate Tax and are not taken into account for the purpose of determining the AED 1 million Turnover threshold.

3. Which incomes of natural persons are subject to Corporate Tax?

Only income derived from a Business or Business Activity conducted in the UAE by a natural person is subject to Corporate Tax and included in the Turnover threshold.

For a natural person, income from the following categories is not subject to Corporate Tax, and is not included in the Turnover threshold, regardless of the amount:

- Wage is income which is given to the employee in consideration of their services under an employment contract, including any compensation or benefit received, whether in cash or in-kind. Thus, a salary or other form of remuneration received by a natural person as an employee from their employer is not subject to Corporate Tax.
- Personal Investment income, including Dividends income, Interest income and gains or loss from sale of investments, is not subject to Corporate Tax when derived by natural persons from an investment activity conducted in their personal capacity that is neither conducted through a Licence or requiring a Licence from a Licensing Authority, nor considered a commercial business in accordance with the Commercial Transactions Law.
- Real Estate Investment income is not subject to Corporate Tax when it is earned by a natural person from an investment activity related directly or indirectly to the selling, leasing, sub-leasing, and renting of land or real estate property in the UAE, which is not conducted, or not required to be conducted, through a Licence issued by a Licensing Authority in the UAE.

4. What is the Corporate Tax rate for natural persons?

When the Turnover derived by a natural person from its Business and Business Activities in the UAE in a Gregorian calendar year exceeds AED 1 million, the Taxable Income of a natural person will be subject to Corporate Tax at the following rates:

- 0% on the portion of the Taxable Income not exceeding AED 375,000; and
- 9% on the portion of the Taxable Income that exceeds AED 375,000.

5. What is the Tax Period for natural persons?

The Tax Period for a natural person is the Gregorian calendar year (i.e. from 1 January until 31 December). Hence, the first potential Tax Period for natural persons is the 2024 Gregorian calendar year (i.e. 1 January 2024 to 31 December 2024).

6. When is a natural person required to register for Corporate Tax purposes?

Natural persons conducting Business or Business Activities in the UAE are only required to register for Corporate Tax purposes once the total Turnover derived from such Business or Business Activities exceeds AED 1 million within a Gregorian calendar year that begins on or after 1 January 2024.

A natural person who is conducting Business or Business Activities within the UAE during the 2024 Gregorian calendar year or subsequent years, is required to register for Corporate Tax purposes by 31 March of the subsequent Gregorian calendar year of the year in which the total Turnover exceeds AED 1 million. For example, if Mr. A conducts Business or Business Activities within the UAE during the 2024 Gregorian calendar year and his Turnover during that year exceeds AED 1 million on 25 July 2024, he will be required to register for Corporate Tax purposes by 31 March 2025 and file his Corporate Tax return by 30 September 2025.

Natural persons who are required to register for Corporate Tax purposes but fail to submit a Tax Registration application within the time limit will incur an Administrative Penalty of AED 10,000.

7. What would happen when a natural person already registered for Corporate Tax has a Turnover from Business or Business Activities below AED 1 million in a subsequent Gregorian calendar year?

A natural person who has registered for Corporate Tax with the Federal Tax Authority ("FTA") and finds their Turnover has fallen below the AED 1 million threshold during any subsequent Gregorian calendar year should not deregister for Corporate Tax unless they have ceased conducting Business or Business Activities. They will retain their Tax Registration Number and be required to file a 'nil' Tax Return up to 30 September of the year following the end of the calendar year in which their total Turnover derived from the Business or Business Activities conducted in the UAE does not exceed AED 1 million.

8. When should a natural person deregister for Corporate Tax purposes?

A natural person registered for Corporate Tax purposes should file a Tax Deregistration application with the FTA where their Business or Business Activity has ceased, whether by dissolution, liquidation, or otherwise. The deregistration application should be filed within 3 months of the date of cessation of the Business or Business Activity.

A natural person has only one Tax Registration Number for all their Businesses or Business Activities. Hence, if a natural person has more than one Business or Business Activity, then they should deregister only when all of their Businesses or Business Activities have ceased.

9. What are the requirements under the Corporate Tax Law with respect to preparing and maintaining Financial Statements?

A natural person that is a Taxable Person shall generally follow the Accrual Basis of Accounting. However, they can use the Cash Basis of Accounting if their Turnover from Business or Business Activities does not exceed AED 3 million, or in exceptional circumstances pursuant to an application submitted to and approved by the FTA.

A natural person that is a Taxable Person shall generally prepare Financial Statements in accordance with International Financial Reporting Standards ("IFRS"). However, where their Turnover does not exceed AED 50 million, they may apply the International Financial Reporting Standard for small and medium-sized entities ("IFRS for SMEs").

The Financial Statements should be prepared based on the aggregation of all the Business and Business Activities subject to Corporate Tax that are conducted by the natural person.

Where natural persons derive Turnover from Business or Business Activities exceeding AED 50 million, they must prepare and maintain audited Financial Statements for the relevant Tax Period.

A natural person conducting Business or Business Activities who is subject to Corporate Tax shall maintain all records and documents for a period of 7 years following the end of the Tax Period to which they relate.

10. What is the time limit to file a Tax Return?

A natural person that is a Taxable Person must file a Corporate Tax Return with the FTA no later than 9 months from the end of the relevant Tax Period. Natural persons should submit a single Tax Return for all their Businesses and Business Activities subject to Corporate Tax.