

PLAYBOOK 01 · UAE CORPORATE TAX

The UAE Corporate Tax Playbook

A 2026 practitioner guide.

The 9% UAE Corporate Tax regime in practical detail — Small Business Relief, QFZP, registration, first return, and the pitfalls we see most often on live client files.

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Edition: October 2026 · 36 pages

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1. Introduction

UAE Corporate Tax went live for most UAE companies in 2023. By 2026, every UAE company should have filed at least one return. This playbook captures what we've learned on live client files — the elections to pick, the pitfalls to avoid, and the compliance patterns the FTA is pattern-matching for.

This playbook is written for three audiences:

Owner-managed UAE SMEs navigating their first CT return and deciding between Small Business Relief and Qualifying Free Zone Person elections.

UK and European groups with UAE subsidiaries, needing to understand UK CFC, UK dividend exemption and Pillar Two interactions with UAE CT.

In-house finance and tax leaders at mid-market multinationals using the UAE arm as a regional HQ, treasury centre or IP holding entity.

Context. Everything in this playbook is up to date to October 2026. UAE CT is still a young regime; expect FTA guidance to continue evolving. For a current-position opinion on your specific facts, book a Discovery Call at thetaxlead.ae/contact.

2. The UAE CT regime at a glance

UAE Corporate Tax is a federal tax on business profit, applying to UAE-resident companies and certain UAE operations of foreign companies. Effective for financial years starting on or after 1 June 2023.

Three tiers of taxation

0% on the first AED 375,000 of taxable income — applied automatically, no election required.

9% above AED 375,000 — the standard rate on business profit.

15% top-up for Pillar Two groups — under the UAE QDMTT (effective 2025), for groups with EUR 750m+ consolidated revenue, UAE jurisdiction effective tax rate must be at least 15%.

Rate comparison across jurisdictions

Jurisdiction	Headline CT rate	Threshold	Notes
UAE	9%	AED 375k	Zero below threshold
UK	25%	£250k	19% small profits rate up to £50k
Ireland	12.5%	None	Trading rate; 25% non-trading
Netherlands	25.8%	€200k	19% up to threshold
Germany	~30%	None	Combined CT + trade tax
Singapore	17%	None	Various startup reliefs
Hong Kong	16.5%	HKD 2m	8.25% below threshold

UAE at 9% is one of the lowest effective CT rates in the top-50 global economies. For international groups, the UAE CT regime is a material tax-planning lever even factoring in Pillar Two.

5. Small Business Relief (SBR)

Small Business Relief is a UAE CT election available to resident companies with revenue up to AED 3 million in a tax period. Where elected, the company is treated as having no taxable income for that period — effectively 0% CT.

Key features

- Based on **revenue (not profit)** — profitable AED 2.5m revenue company gets 0% CT.
- Available for tax periods ending **on or before 31 December 2026** (likely extended).
- Election required — not automatic.
- Not available to QFZP electors (you can't stack both 0% regimes).
- Not available to **Pillar Two groups above EUR 750m**.

Practical point. For most owner-managed UAE SMEs below AED 3m revenue, SBR is a cleaner, simpler 0% rate than QFZP. No 5-condition test, no modified-nexus analysis, no audited accounts requirement. Just a revenue test and an election.

6. Qualifying Free Zone Person (QFZP)

QFZP is the other main 0% route. Available only to Free Zone companies. More technical than SBR, requires more compliance, applies only to qualifying income.

The 5-condition test

1. **Adequate substance** in the UAE Free Zone — qualified staff, office premises, operating expenditure.
2. **Qualifying income only** — from the FTA's qualifying activity list; non-qualifying capped at de minimis.
3. **Transfer pricing compliance** — arm's length pricing on all related-party transactions.
4. **Audited financial statements** — not optional for QFZP, regardless of size.
5. **No election out** — you can elect out, but once out you're out for 4 years.

7. The SBR vs QFZP decision model

If revenue comfortably < AED 3m for the next 3 years: elect SBR.

If revenue is or will be $\geq$ AED 3m, and genuine qualifying-income Free Zone with substance:
elect QFZP.

If neither applies cleanly: plain 9% on profit above AED 375k.

Worked example

Dubai import/export SME in IFZA Free Zone. 3-year revenue projection: FY26 AED 2.4m, FY27 AED 2.8m, FY28 AED 3.6m. Income mix: 80% qualifying (wholesale trading), 20% non-qualifying (consulting to mainland).

SBR path: FY26 nil, FY27 nil, FY28 (SBR unavailable) AED 31,050 CT on plain 9%. Total AED 31,050.

QFZP path: FY26-28 approximate CT + audit cost AED 75,500. QFZP works in FY28 but audit cost + non-qualifying CT exceeds the SBR + plain 9% combination.

Winner: SBR for 2 years, then plain 9% — saves AED 44,450 over 3 years vs QFZP.

Tool. For your own numbers, use the UAE CT Calculator at thetaxlead.ae/calculators/uae-corporate-tax/ — live modelling across all three paths.

13. The seven first-return pitfalls

1. Not registering because "we don't owe tax"

Registration is mandatory regardless of liability. Late registration = AED 10,000 penalty.

2. Picking QFZP when SBR is cleaner

For companies likely to stay under AED 3m revenue, SBR is almost always the better choice.

3. Missing related-party disclosures

Payments above AED 40,000 aggregate with related parties must be disclosed. Non-disclosure penalty.

4. Treating UAE sub as QFZP without substance

FTA asks for staff numbers, salary bills, office rental agreements, electricity bills. Nameplate fails.

5. TP docs not aligned with CT return

Related-party disclosure numbers must match the Local File functional analysis.

6. Ignoring Pillar Two if in a larger group

EUR 750m+ consolidated revenue = Pillar Two scope. QFZP 0% likely neutralised at group level.

7. Submitting without reconciling trial balance to financial statements

FTA pattern-matches. Reconciliation is table stakes.

16. Checklist: your first UAE CT return

If you're on your first UAE CT return, the practical sequence is:

- Register with the FTA (if not already) — takes about 2 weeks.
- Decide which election fits best — use our UAE CT Calculator.
- Prepare financial statements to the right standard (IFRS for SMEs or Full IFRS).
- File the return within 9 months of financial year-end.
- Keep records for 7 years — the FTA audit window.
- Reconcile trial balance to financial statements.
- Complete related-party disclosures (threshold AED 40k).
- Complete connected-persons disclosures (threshold AED 500k).
- Document the election rationale in your tax file.
- Diary quarterly review of position for next year.

Need this on your file?

Book a 20-minute Discovery Call. Fixed-fee quote within two business days.

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