

Cabinet Decision No. 215 of 2025 on R&D Tax Credit for the Purposes of Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses

The Cabinet:

- Having reviewed the Constitution,
- Federal Decree-Law No. 28 of 2022 on Tax Procedures, and its amendments,
- Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses, and its amendments,
- Cabinet Decision No. 142 of 2024 on the Imposition of Top-up Tax on Multinational Enterprises,
- Pursuant to what was presented by the Minister of Finance and upon the approval of the Cabinet,

Decided:

Article (1)

Definitions

Definitions in Federal Decree-Law No. 47 of 2022 and Cabinet Decision No. 142 of 2024 referred to above shall apply to this Decision, other than that, the following words and expressions shall have the meaning assigned against each, unless the context requires otherwise:

Corporate Tax Law: Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses, and its amendments.

Council: The Emirates Research and Development Council.

Deductible Expenditure: Expenditure that is allowed as a deduction in determining Taxable Income or Pillar Two Income or Loss, as applicable, of the Qualifying Entity for the relevant Tax Period or Fiscal Year pursuant to the Corporate Tax Law or Cabinet Decision No. 142 of 2024 referred to above.

Fiscal Year: This term shall have the meaning specified in Cabinet Decision No. 142 of 2024 referred to above.

Grant: Assistance provided by the Federal Government or a Local Government to a Qualifying Entity in the form of transfers of resources in return for past or future compliance with certain conditions relating to the Qualifying Entity's operating activities, excluding those forms of assistance which cannot reasonably have a value placed upon them and transactions with the Federal Government or a Local Government which cannot be distinguished from the normal trading transactions of the Qualifying Entity.

Qualifying Entity: Shall mean either of the following:

1. A juridical person that is incorporated or otherwise established or recognised under the applicable legislation of the State, including a Free Zone Person, that is subject to Corporate Tax and/or Top-up Tax and carries on Qualifying R&D Activities.
2. A juridical person that is incorporated or otherwise established or recognised under the applicable legislation of a foreign jurisdiction that carries on Qualifying R&D Activities through a Permanent Establishment and is subject to Corporate Tax and/or Top-up Tax on the income attributable to the Permanent Establishment.

Qualifying R&D Activity: Any activity conducted in the State as part of an R&D Project that satisfies the requirements specified in a decision issued by the Minister.

Qualifying R&D Expenditure: Expenditure that satisfies the requirements specified in Article (5) of this Decision.

R&D Project: A set of Qualifying R&D Activities that is organised and managed for a specific purpose,

and has its own objectives and expected outcomes.

R&D Tax Credit: A tax credit that is available to a Qualifying Entity in respect of Qualifying R&D Expenditure pursuant to provisions of Article (2) of this Decision.

Research and Development (R&D): Creative and systematic work undertaken in order to increase the stock of knowledge, including knowledge of humankind, culture, and society, and to devise new applications of available knowledge.

Article (2)

R&D Tax Credit Rate and Application

1. The R&D Tax Credit shall be calculated as a percentage of the Qualifying R&D Expenditure incurred by the Qualifying Entity in the relevant Tax Period or Fiscal Year.
2. The R&D Tax Credit shall be utilised against the Corporate Tax and/or Top-up Tax liability of the Qualifying Entity or any other Person pursuant to provisions of Article (7) of this Decision, and may be refunded in accordance with a decision issued by the Minister pursuant to Clause (3) of this Article.
3. The Minister shall issue a decision specifying the following:
 - a. The applicable R&D Tax Credit rates and the conditions for applying each rate, taking into account the amount of Qualifying R&D Expenditure incurred by the Qualifying Entity, the number of employees engaged in the Qualifying R&D Activities and any other criteria specified in that decision.
 - b. Whether the R&D Tax Credit is refundable or non-refundable.
 - c. Any requirements, restrictions, or procedures relating to the treatment and computation of the R&D Tax Credit.

Article (3)

Conditions to Claim the R&D Tax Credit

1. A Qualifying Entity may claim the R&D Tax Credit for Qualifying R&D Expenditure if all of the following conditions are met:
 - a. The Qualifying Entity meets the minimum number of employees engaged in Qualifying R&D Activities as specified in a decision issued by the Minister.
 - b. The Qualifying Entity obtains the necessary pre-approvals from the Council and complies with ongoing compliance requirements specified in a decision issued by the Minister or any additional requirements specified by the Council.
 - c. The Qualifying Entity bears the financial burden of carrying out the Qualifying R&D Activities.
 - d. The Qualifying Entity is beneficially entitled to a share in the returns derived from exploiting the intangibles or other results of the Qualifying R&D Activities. Exploitation shall include the transfer of the intangibles or other results of the Qualifying R&D Activities or rights in them or their use in commercial operations.
 - e. The relevant R&D Project has a specified objective to increase the stock of knowledge or devise new applications of available knowledge, and the Qualifying R&D Activities are directly undertaken with the purpose of addressing such objective.

- f. The Qualifying Entity complies with all the requirements of this Decision and any other decisions issued by the Minister, Council or Authority in implementation of this Decision.
2. In addition to the conditions set out in Clause (1) of this Article, where the Qualifying Entity is a Qualifying Free Zone Person, it must meet any of the following conditions:
 - a. It is subject to Corporate Tax at a rate of 9% (nine percent) on Taxable Income for the Tax Period in which the Qualifying R&D Expenditure is incurred, and such Taxable Income is derived from the Qualifying R&D Activities.
 - b. It is subject to the Top-up Tax for the Fiscal Year in which the Qualifying R&D Expenditure is incurred.
3. The Qualifying R&D Activities shall be considered as complete on the earlier of the cessation of such activities by the Qualifying Entity or the Qualifying Entity ceasing to be a going concern or entering into liquidation proceedings.

Article (4)

Excluded Entities

The following entities shall not be considered Qualifying Entities for the purposes of this Decision:

1. An entity that is neither subject to Corporate Tax nor Top-up Tax.
2. An entity that has elected for the application of Article (21) of the Corporate Tax Law.
3. Any other entity as may be specified in a decision issued by the Minister.

Article (5)

Qualifying R&D Expenditure

1. The following categories of expenditure shall be considered Qualifying R&D Expenditure where incurred by a Qualifying Entity in the relevant Tax Period or Fiscal Year in respect of Qualifying R&D Activities:
 - a. Staff costs.
 - b. Consumable costs.
 - c. Subcontracting fees.
 - d. Arm's length share of contributions under cost contribution arrangements.
 - e. Any other category of expenditure as may be specified in a decision issued by the Minister.
 - f. Any costs specified in paragraphs (a) to (e) of this Clause that are capitalised under the applicable accounting standards in respect of internally generated intangibles resulting from Qualifying R&D Activities.
2. The Minister shall issue a decision to define the terms referred to in Clause (1) of this Article and specify any related rules and conditions including any uplift to staff costs.
3. Qualifying R&D Expenditure shall only qualify for the R&D Tax Credit if all of the following conditions are met:
 - a. It is incurred wholly and exclusively for the purposes of carrying on Qualifying R&D Activities by the Qualifying Entity. If the expenditure is incurred for more than one purpose, only the

identifiable part or a proportion incurred wholly and exclusively for the purposes of carrying on Qualifying R&D Activities shall be considered Qualifying R&D Expenditure.

- b. It amounts to at least AED 500,000 for each R&D Project in the relevant Tax Period or Fiscal Year excluding any uplift to staff costs as may be determined by a decision issued by the Minister.
- c. It is a Deductible Expenditure, with the exception of what is specified in paragraph (f) of Clause (1) of this Article.
- d. It does not include any part or proportion that has been directly or indirectly funded by a Grant to the extent that such expenditure is recorded in the financial statements of the Qualifying Entity.
- e. It is not subject to any other incentive, credit, exemption, or relief under the Corporate Tax Law or any other legislation in the State.

Article (6)

Utilisation and Carry-forward of the R&D Tax Credit

1. The R&D Tax Credit must be utilised against the Corporate Tax and/or Top-up Tax liability of the Qualifying Entity for the relevant Tax Period or Fiscal Year in respect of which a valid claim is submitted to the Authority, prior to any portion of such credit being carried forward to any subsequent Tax Period or Fiscal Year or transferred pursuant to the provisions of Article (7) of this Decision.
2. The R&D Tax Credits arising in earlier Tax Periods or Fiscal Years must be applied before applying those arising in later Tax Periods or Fiscal Years.
3. A Qualifying Entity may carry forward any unutilised R&D Tax Credit to subsequent Tax Periods or Fiscal Years.
4. The Minister may issue a decision specifying further conditions on the carry-forward and utilisation of R&D Tax Credits and any other conditions or procedures necessary for the implementation of the provisions of this Article.

Article (7)

Transfer of R&D Tax Credits, Business Restructuring and Record Keeping

The Minister shall issue a decision specifying the following:

1. Conditions and procedures under which R&D Tax Credits may be transferred.
2. Conditions under which R&D Tax Credits may be transferred and retained in case of a business restructuring, including the consequences of discontinuing Qualifying R&D Activities.
3. Record keeping requirements that a Qualifying Entity must meet to demonstrate that the activities undertaken constitute Qualifying R&D Activities for the purposes of claiming the R&D Tax Credit.

Article (8)

Claw-back of R&D Tax Credits Unduly Received

1. Where it is determined that a Qualifying Entity did not continuously meet the conditions required to qualify for the R&D Tax Credit in respect of a particular R&D Project, whether in whole or in part, any amount of the R&D Tax Credit in respect of that R&D Project that has been refunded or utilised to reduce the Corporate Tax and/or Top-up Tax liability of the Qualifying Entity, or any other Person

pursuant to the provisions of Article (7) of this Decision, must be repaid to the Authority within the timeline and in the manner prescribed by the Authority.

2. Any portion of the R&D Tax Credit in respect of that R&D Project that remains unutilised shall be forfeited as of the date of the occurrence of the case referred to in Clause (1) of this Article and may not be carried forward or refunded.
3. Where an R&D Tax Credit becomes subject to claw-back in accordance with this Article, no other tax credits, special reliefs, Tax Losses or Pillar Two Losses may be directly or indirectly offset against the tax liability arising from the claw-back.

Article (9)

Submission of R&D Tax Credit Claims

1. A Qualifying Entity shall submit a claim for the R&D Tax Credit in accordance with the provisions of this Decision, and such claim shall be accompanied by the following documents:
 - a. Proof of obtaining pre-approval from the Council.
 - b. A signed declaration by senior management confirming the accuracy of the information provided.
 - c. A breakdown of Qualifying R&D Expenditure according to the requirements as specified by the Authority.
 - d. Audited financial statements of the Qualifying Entity.
 - e. Any other information or documents specified in a decision issued by the Minister.
2. A claim for an R&D Tax Credit shall be submitted as part of the Tax Return or Top-up Tax Return, as applicable, for the relevant Tax Period or Fiscal Year in which the Qualifying R&D Expenditure is incurred.
3. Claims submitted after the due date for the submission of the Tax Return or Top-up Tax Return, as applicable, shall not be considered unless otherwise accepted by the Authority in exceptional circumstances.

Article (10)

Application of the R&D Tax Credit in Special Cases

The Minister shall issue a decision specifying the rules, conditions and procedures for the application of the provisions of this Decision to Tax Groups and entities subject to Cabinet Decision No. 142 of 2024 referred to above where a Designated Domestic Filing Entity files the Top-up Tax Return.

Article (11)

Administrative Penalties

1. Where the claw-back provisions under Clause (1) of Article (8) of this Decision apply, the Qualifying Entity or any other Person pursuant to Article (7) of this Decision shall be liable to pay any penalties applicable under Federal Decree-Law No. 28 of 2022 referred to above.
2. For the purposes of calculating such penalties, the amount of R&D Tax Credit that is subject to claw-back, shall be treated as if it were Due Tax or Payable Tax.

Article (12)

Implementing Decisions

1. The Minister shall issue the necessary decisions to implement any of the provisions of this Decision.
2. The Council may issue the decisions necessary to implement the competencies granted to it herein in relation to pre-approvals, including establishing the rules, timelines and procedures for the submission, review, and determination of pre-approval requests, as well as the procedures for grievance in respect of any decisions it issues in this regard.

Article (13)

Application of this Decision to Tax Periods or Fiscal Years

This Decision shall apply to Tax Periods or Fiscal Years commencing on or after 1 January 2026.

Article (14)

Publication and Application of this Decision

This Decision shall be published in the Official Gazette and shall come into effect on the date following the date of its publication.

Mohammed bin Rashid Al Maktoum

Prime Minister

Issued by us,

On: 11 / Rajab /1447H

Corresponding to: 31/12/2025