Cabinet Decision No.35 of 2025

On Determination of Non-Resident person's Nexus in the state

(Issued on 27 March 2025)

Key Highlights of the decision

- Cabinet Decision No. 35 of 2025 replaces Cabinet Decision No. 56 of 2023, enhancing the scope of Non-Resident Persons' Nexus in the UAE. This decision applies to tax periods commencing on or after 01 January 2025.
- This Decision must be read along with Cabinet Decision No. 34 of 2025, which introduces a comprehensive framework for the taxation (or exemption) of Qualifying Investment Funds (**QIFs**) and Limited Partnerships.
- The scope of nexus is broadened to include investors in QIFs or Real Estate Investment Trusts (**REITs**) if certain income thresholds are triggered.

Instances where a nexus is established

A nexus is established in UAE, where a non-resident juridical person-

- Derives income from any Immovable Property in the State, and this shall include income derived from the right in rem, sale, disposal, assignment of rights therein, direct use, letting, including subletting and any other form of exploitation of Immovable Property .
- Where the non-resident Juridical person is an investor in a Qualifying investment fund and the taxable income is adjusted to include the pro-rated net profit in accordance with Article 3(2) of CD 34 of 2025 *(QIF has <10 investors and investor along with related parties has 30%+ control or if QIF has >10 investors and investor along with related parties has 50%+control)*.
- Where the non-resident Juridical person is an investor in a Qualifying investment fund and its income is adjusted in accordance with Article 3(5) or Article 4(3) of CD 34 of 2025 *(QIF has >10% immovable property value or REIT)*, then the nexus shall be created in the state as on the date of -

Date of creation of Nexus for Investors	Condition
The date of nexus shall be the date of distribution of dividends.	Where an investment fund distributes 80% or more of the Immovable property income as dividend within 9 months from the end of the financial year by the investment fund
The date of acquiring an Ownership Interest in an investment fund.	Where an investment fund does not distribute such percentage of dividend within 9 months from the end of the financial year

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Comparison Table: UAE Cabinet Decisions on Nexus and Investment Funds

Topic	Cabinet Decision No. 35 of 2025	Read With: CD 34 of 2025	Replaces: CD 56 of 2023
📍 **Nexus for Non-Residents**	Broadened to include investors in QIFs or REITs if certain income thresholds are triggered	Adds investor-based nexus for Immovable Property Income	Nexus limited to direct immovable property income
🏢 **Immovable Property Income**	Includes rights in rem, sale, letting, disposal etc.	Also captured under CD 34 for investor attribution rules	Already included under CD 56
🧾 **Mandatory Corporate Tax Registration**	Triggered once nexus is established	Applicable to REIT and QIF investors with income adjustments	Same requirement in CD 56
⚠️ **Anti-Avoidance**	Artificial transfers of property rights by non-residents to avoid tax = GAAR trigger	Aligns with Art. 50 of CT Law	Present in CD 56 as well
🕒 **Effective From**	1 January 2025	1 January 2025	CD 56 applies only up to 31 Dec 2024

Key Takeaways for Non-Resident Investors

- **Trigger Points for Nexus** now include **indirect holding** through exempt funds.
- Watch for **ownership thresholds** in QIFs and REITs to avoid unintended tax exposure.
- **Timely distributions** by funds (within 9 months) can mitigate nexus creation.
- Review **structuring of property-linked investments** by foreign funds or investors in the UAE.
- Update compliance systems to track **investor ownership & distribution status**.
- Non-residents with nexus under the above rules **must register under Article 51** of the CT Law.

SBC Tax Consulting LLC

Leadership Team

CA Mithilesh Reddy
Founding Partner
mithlesh@sbcllc.ae
+91 95531 11131
+971 58 606 0939

CA Balaram Vuchidi
Founding Partner
balaram@sbcllc.ae
+971 50 986 6466

CA Naveenkumar Kabraa
Founding Partner
naveen@sbcllc.ae
+971 55 579 3578

CA Jayessh Guptaa
UAE Relationship Lead
jayessh@sbcllc.ae
+971 55 809 7727

CA Praneeth Narahari
Partner – Global Transfer Pricing
praneeth@sbcllc.ae
+971 55 168 2799

CA Rishabh Agarwal
Partner – BEPS & International Taxation
rishabh@sbcllc.ae
+971 52 543 1900

CA Rajesh Vaishnav
Corporate Tax & Transfer Pricing Lead
rajesh@sbcllc.ae
+971 58 606 0941

Anand Vemuganti
Transfer Pricing Technology Lead
anand@sbcllc.ae
+91 90305 56619

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- Transfer Pricing Benchmarking Analysis, Advisory and Compliance Support
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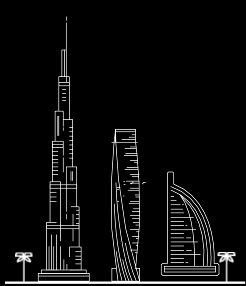

UAE
SBC Tax Consulting LLC
202, 2nd floor, Al Nasr Plaza Commercial Building, Oud Metha Metro Station Exit 1,
Dubai, UAE

INDIA
SBC LLP
Suite 5, Level 3,
Reliance Cyber Ville,
Madhapur, Hitech City,
Hyderabad - 500081

USA
SBC LLC
8 The Green,
Suite A in the City of Dover,
Delaware - 19901