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Real Estate Tax Exemption: License vs. Permit in the UAE

On 24 October 2024, the Federal Tax Authority (FTA) released its new guidance, *Real Estate Investment for Natural Persons No. [CTGREI1](#)*, offering valuable insights that clarify Corporate Tax treatment for individuals investing in real estate. Setting this aspect apart in dedicated guidance is well justified, as the taxation of real estate businesses deviates from general principles when applied to individuals.

Typically, Corporate Tax applies to businesses, including individuals and entities engaging in *Business Activity*. However, the Cabinet has exempted personal investments by individuals from this scope, provided they do not fall under *Commercial Business* and do not require obtaining a license. Real estate investments are afforded even more flexibility: if the activity does not require a license, it may qualify for tax exemption, even if it is classified as *Commercial Business*.¹ As a result, whether a license is required becomes central to understanding Corporate Tax obligations for personal real estate investments. The FTA's new guide directly addresses this question.

New Guide on Real Estate Investment

1. In the Glossary Section, the FTA defines the licence as *'a document issued by a Licensing Authority under which a Business or Business Activity is conducted in the UAE'*.

Section 4.2.2.3 clarifies that *'the term "Licence" applies to any type of document issued by a Licensing Authority (regardless of the duration of its validity) which authorises or permits a Business or Business Activity to be conducted in the UAE'*.

Further, the FTA explains ***'for example, a document issued by the Dubai Department of Economy and Tourism to permit a natural person to engage in leasing holiday homes would constitute a relevant Licence in this context'***. However, *the issuance of a tenancy contract information registration certificate or termination of tenancy contract through the relevant systems of each Emirate (for example, Ejari for Dubai, Tawtheeq for Abu Dhabi, etc.) are administrative records rather than permission to conduct Business, and so would not constitute a Licence for this purpose. The Corporate Tax Law and its implementing decisions do not create a requirement for*

¹ These rules have been separately addressed and compared with Liechtenstein's in our study *"Personal and Real Estate Investments Exceptions in the UAE Corporate Taxation"* Available via this [link](#).

*natural persons to obtain a Licence to conduct a Business or Business Activity. Rather, this is **mandated by the relevant Licensing Authority and the relevant legislation through which it operates**.*

Thereby, the FTA underscores a nuanced interpretation of what constitutes a “License” for Corporate Tax purposes, distinguishing between licenses that authorize business activities and administrative records that serve only as information registrations. By clarifying that only specific documents issued by licensing authorities (e.g., holiday home rental permits) qualify as licenses, the FTA establishes a foundational principle: whether a document is deemed a license hinges on its role in authorizing business activity, not merely on its issuance by a regulatory authority. This distinction is crucial for individuals assessing their Corporate Tax obligations, as it positions the requirement for a license as central to determining the taxable status of real estate and other personal investments.

However, the FTA's classification of a holiday home permit as a license in Dubai raises important questions regarding the boundaries of what defines a “license” under UAE tax law. By interpreting Holiday Home Permits in Dubai as licenses for tax purposes, the FTA suggests that real estate activities like short-term rentals could fall within the scope of “Business Activity,” thus triggering Corporate Tax obligations. This stance invites further analysis into whether a Holiday Home Permit truly meets the FTA’s own criteria for a license—specifically, whether it actively authorizes ongoing business activity or simply certifies property compliance.

Further exploration into this distinction could clarify whether Holiday Home Permits in Dubai align with the FTA's tax-focused interpretation, potentially impacting individual property investors' obligations.

Regulation on Licencing and Issuing of Permits

2. Article 3(1)(a) of the Emiri Decree No. [41](#) of 2013 on Regulating the Activity of Leasing out Holiday Homes in the Emirate of Dubai stipulates that *‘no natural or legal person may conduct the Activity in the Emirate unless that person is licensed to do so ...’*. Articles 5 and 6 further distinguish between:
 - *‘Licensing Individuals and Establishments’ ‘to conduct the Activity’, and*
 - *‘Certification of Holiday Homes’ under the ‘criteria, requirements, and conditions that must be met by the Holiday Homes managed by individuals or Establishments’.*
3. The Department of Economy and Tourism (DET) issued the [Guide on the Activity of Leasing out Holiday Homes](#) (2022), which explicitly distinguishes between the terms *License* and *Permit*.
 - *Licence is ‘a document issued by DET stating that DET authorises a Licensee to conduct the Activity in the Emirate after verifying that all conditions and requirements stipulated in the Regulation are met by the Li-*

censee. The Activity mentioned here determined as 'engaging, on a regular and ongoing basis, in leasing out Holiday Homes or taking lease of Holiday Homes for the purpose of subletting them to Guests'.

- Permit is 'a document issued by DET stating that DET approves a furnished Unit be designated as a Holiday Home, after verifying that all conditions and requirements stipulated in this Guide are met'.

Finally, the Licencee is defined as 'an individual or Establishment licensed to conduct the activity in the Emirate'. These definitions are taken from the Decree No. [41/2013](#).

These rules imply a clear distinction between a *license* and a *holiday home permit*: the permit certifies that the property meets the necessary standards for short-term rentals, while the license authorizes the individual to engage in rental activity and ensures compliance with regulations governing holiday home rentals.

4. DET Administrative Decision No. [1/2020](#) establishes separate and specific conditions and procedures for licensing², on the one hand, and for permits³, on the other.
5. Chapter 2 of the [Holiday Homes Guide](#) outlines the rules governing Activity Licensing, stating that 'all those who **wish to conduct the activity** of Holiday Homes must follow the procedures and steps set out below'.



ACTIVITY LICENSING:

All those who wish to conduct the activity of Holiday Homes must follow the procedures and steps set out below.

1. Conditions and Procedures for Issuing Initial Approval for Companies and Establishments:

There is a separate Chapter 3 to establish procedure and conditions for the issuing of Holiday Home Permit.



PERMIT ISSUE:

A Permit must be issued from DET for each Holiday Home according to the conditions and procedures set out below:

² Article 3.

³ Article 9.

This chapter specifies that *'individual owners have the right to apply for 8 Permits only at one time. If an individual owner **wishes to manage** additional Units, he must obtain a company license to operate the activity of leasing out Holiday Homes **or hand over the additional Units to a company that is licensed to operate Holiday Homes**'*. Thus, a licence is not required for an individual owner if they delegate property management to a licensed holiday home company.

Sections 7 and 8 of this chapter further clarify that *'Permits are approved for the period agreed upon between **Unit owners and Holiday Home companies** or authorised tenants. The **Unit owner** does not have the right to use the Holiday Home throughout the Permit period unless this has been previously **agreed upon with the Licensee**'*. These provisions enable a scenario where the holiday home company (licensee), rather than the unit owner, holds the permit, establishing them as the authorized operator for the duration of the permit period.

6. Section 8 of the Guide Chapter 2 outlines specific *'conditions and Procedures for Issuing License for Individuals'*.

8. Conditions and Procedures for Issuing Licenses to Individuals
<p>A. Individuals must register in the Holiday Home system and apply for a Licence through this system. The subscription fee for the Holiday Home system as well as the fee for issuing the Licence will be calculated according to Executive Council Resolution No. 49 of 2014 Approving the Fees and Fines Related to the Activity of Leasing out Holiday Homes in the Emirate of Dubai.</p> <p>B. The conditions and procedures specified below in (part 1-b of Chapter 2) shall be applicable.</p> <p>C. Individuals may apply via the Holiday Home system to amend their Licence details or to cancel their Licence.</p>

7. The above points suggest that if an individual chooses to rent out a property directly, without involving a management company, they would be responsible for obtaining the holiday home permit themselves.

It also appears possible for an individual to obtain a holiday home permit and subsequently assign a licensed holiday home management company to operate the property. In this arrangement, the property owner retains the permit, while the management company handles day-to-day operations, such as guest bookings, maintenance, and regulatory compliance.

This setup can be advantageous for property owners who wish to maintain control over the permit while outsourcing operational responsibilities to a professional management company. The management company must still meet all regulatory requirements, and their own license must explicitly cover holiday home management activities.

Conclusions

8. In my view, the example of the Dubai Holiday Home Permit may not be ideal to illustrate a scenario where a document issued by a Licensing Authority serves the function of a license. It may be more appropriate to refer to the FTA's disclaimer in Section 2.4 of Guide No. [CTGREI1](#), which states: *'In some instances, examples have been used to illustrate how key elements of the Corporate Tax Law apply to natural persons that derive income from real estate. The examples in the guide:*
- *show how these elements operate in isolation and do not show the possible interactions with other provisions of the Corporate Tax Law that may occur. **They do not, and are not intended to, cover the full facts of the hypothetical scenarios used nor all aspects of the Corporate Tax regime, and should not be relied upon for legal or tax advice purposes;** and*
 - *are only meant for providing the readers with general information on the subject matter of this guide. They are exclusively intended to explain the rules related to the subject matter of this guide and do not relate at all to the tax or legal position of any specific juridical or natural persons'.*

This disclaimer suggests that the examples should not be interpreted as exhaustive or definitive for all scenarios under the Corporate Tax Law, thus acknowledging the need for careful application in each unique case.

Disclaimer

If there is any error in my analysis or interpretation, please feel free to point it out.

Mind that pursuant to the [MoF's press-release](#) issued on 19 May 2023, "a number of posts circulating on social media and other platforms that are issued by private parties, contain inaccurate and unreliable interpretations and analyses of Corporate Tax".

The Ministry issued a reminder that official sources of information on Federal Taxes in the UAE are the MoF and FTA only. Therefore, analyses that are not based on official publications by the MoF and FTA, or have not been commissioned by them, are unreliable and may contain misleading interpretations of the law.

See the full press release [here](#).

You should factor this in when dealing with this article as well. It is not commissioned by the MoF or FTA. The interpretation, conclusions, proposals, surmises, guesswork, etc., it comprises have status of the author's opinion only. Like any [human](#) job, it may contain inaccuracies and mistakes that I have tried my best to avoid. If you find any inaccuracies or errors, please let me know so that I can make corrections.