الهيئة الاتحادية للضرائب
FEDERAL TAX AUTHORITY

Excluded Entities and Investment Entities

Top-up Tax Guide | TTGEIE1

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Contents

1. Glossary

AED: The United Arab Emirates dirham.

Authority: Federal Tax Authority ("FTA")

Business: Any activity conducted regularly, on an ongoing and independent basis by any Person and in any location, such as industrial, commercial, agricultural, vocational, professional, service or excavation activities or any other activity related to the use of tangible or intangible properties.

Business Activity: Any transaction or activity, or series of transactions or series of activities conducted by a Person in the course of its Business.

Commentary: means any commentary to the Pillar Two Model Rules as developed by the OECD/G20 Inclusive Framework on Base Erosion and Profit Shifting as amended from time to time.

Consolidated Financial Statements: means

a. the financial statements prepared by an Entity in accordance with an Acceptable Financial Accounting Standard, in which the assets, liabilities, income, expenses and cash flows of that Entity and the Entities in which it has a Controlling Interest are presented as those of a single economic unit;
b. where an Entity meets the definition of a Group under Article 1.2.3 of the QDMTT Legislation, the financial statements of the Entity that are prepared in accordance with an Acceptable Financial Accounting Standard;
c. where the UPE has financial statements described in paragraph (a) or (b) that are not prepared in accordance with an Acceptable Financial Accounting Standard, the financial statements are those that have been prepared in accordance with another Authorised Financial Accounting Standard subject to adjustments to prevent any Material Competitive Distortions; and
d. where the Entity does not prepare financial statements described in the paragraphs above, the Consolidated Financial Statements of the Entity are those that would have been prepared by the Entity if such financial statements were compulsory in accordance with law or regulations and were prepared in accordance with an Authorised Financial Accounting Standard that is either an Acceptable Financial Accounting Standard or another Authorised Financial Accounting Standard that is adjusted to prevent any Material Competitive Distortions.

Constituent Entity: is defined in Article 1.3.1. of the QDMTT Legislation.

Controlling Interest: means an Ownership Interest in an Entity such that the interest holder:

a. is required to consolidate the assets, liabilities, income, expenses and cash flows of the Entity on a line-by-line basis in accordance with an Acceptable Financial Accounting Standard; or
b. would have been required to consolidate the assets, liabilities, income, expenses and cash flows of the Entity on a line-by-line basis if the interest holder had prepared Consolidated Financial Statements.

A Main Entity is deemed to have the Controlling Interests of its Permanent Establishments.

Corporate Tax: The tax imposed by the Corporate Tax Law on juridical persons and Business income.

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

Domestic Designated Filing Entity ("DDFE"): means

a. a Constituent Entity that files the Top-up Tax Return and pays the Top-up Tax on behalf of all members of a Domestic Main Group, a Domestic Minority-owned Subgroup or a Reverse Hybrid Entity; or
b. a Joint Venture or JV Subsidiary that files the Top-up Tax Return and pays the Top-up Tax on behalf of all members of a Domestic JV Group.

Domestic Group: means

a. one or more Constituent Entities of an MNE Group located in the UAE (Domestic Main Group);
b. one or more Constituent Entities, located in the UAE, of the same Minority-Owned Subgroup (Domestic Minority-owned Subgroup): or
c. a Joint Venture, a Joint Venture and one or more JV Subsidiaries, or one or more JV Subsidiaries, located in the UAE, of the same JV Group (Domestic JV Group).

Entity: means

a. any juridical person; or
b. an arrangement that prepares separate financial accounts, such as a partnership or trust;

but does not include natural person, central, state, or local government or their administration or agencies that carry out government functions.

EUR: means the currency of the European Monetary Union.

Excluded Dividends: means dividends or other distributions received or accrued in respect of an Ownership Interest, except for:

a. a Short-term Portfolio Shareholding, and
b. an Ownership Interest in an Investment Entity that is subject to an election under Article 7.4.

Excluded Entity: is defined in Article 1.5.1 and Article 1.5.2 of the QDMTT Legislation.

Excluded Equity Gain or Loss: means the gain, profit or loss included in the Financial Accounting Net Income or Loss of the Constituent Entity arising from:

a. gains and losses from changes in fair value of an Ownership Interest, except for a Portfolio Shareholding;
b. profit or loss in respect of an Ownership Interest included under the equity method of accounting; and
c. gains and losses from disposition of an Ownership Interest, except for a disposition of a Portfolio Shareholding.

Exempt Person: A Person exempt from Corporate Tax under Article 4 of the Corporate Tax Law.

Filing Constituent Entity: is an Entity filing the Top-up Tax Return in accordance with Article 8.1 of the QDMTT Legislation.

Financial Accounting Net Income or Loss: is defined in Articles 3.1.2 and 3.1.3 of the QDMTT Legislation.

Fiscal Year: means an accounting period with respect to which the Constituent Entities prepare their standalone financial statements or the UPE of the MNE Group prepares its Consolidated Financial Statements, as the context requires. In the case of Consolidated Financial Statements as defined in paragraph (d) of its definition, Fiscal Year means the calendar year.

Five-Year Election: means an election made by a Filing Constituent Entity with respect to a Fiscal Year (the election year) that cannot be revoked with respect to the election year or the four succeeding Fiscal Years. If a Five-Year Election is revoked with respect to a Fiscal Year (the revocation year), a new election cannot be made with respect to the four Fiscal Years succeeding the revocation year.

FTA: Federal Tax Authority, being the Authority in charge of the administration, collection and enforcement of federal taxes in the UAE.

Government Controlled Entity: Any juridical person, directly or indirectly wholly owned and controlled by a Government Entity, as specified in a decision issued by the Cabinet at the suggestion of the Minister.

Government Entity: The Federal Government, Local Governments, ministries, government departments, government agencies, authorities and public institutions of the Federal Government or Local Governments.

Governmental Entity: An Entity that meets all of the following criteria set out in paragraphs (a) to (d) below:

a. it is part of or wholly-owned by a government (including any political subdivision or local authority thereof),
b. it has the principal purpose of:
   i. fulfilling a government function; or
   ii. managing or investing that government's or Jurisdiction's assets through the making and holding of investments, asset management, and related investment activities for the government's or Jurisdiction's assets;

and does not carry on a trade or business;

c. it is accountable to the government on its overall performance, and provides annual information reporting to the government; and
d. its assets vest in such government upon dissolution and to the extent it distributes net earnings, such net earnings are distributed solely to such government with no portion of its net earnings inuring to the benefit of any private person.

Group: is defined in Article 1.2.2 and 1.2.3 of the QDMTT Legislation.

Group Entity: in respect of any Entity or Group, means an Entity that is a member of the same Group.

Immovable Property Income: Net realised profit 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 located in the UAE as recorded in the financial statements and in proportion to the investor's Ownership Interest and after excluding the income attributable to the Investment Manager in accordance with Article 2(2) of Cabinet Decision No. 34 of 2025, of each of the following:

a. The Qualifying Investment Fund or the Real Estate Investment Trust, as the case may be.
b. Any Exempt Person under Article 4(1)(f), (h) and (i) of the Corporate Tax Law and wholly directly or indirectly owned and controlled by the Qualifying Investment Fund or the Real Estate Investment Trust.

Insurance Investment Entity: means an Entity that

a. would meet the definition of an Investment Fund or a Real Estate Investment Vehicle except that it is established in relation to liabilities under an insurance or annuity contract; and
b. is wholly-owned by an Entity or by a number of Entities which are all members of the same MNE Group, that are subject to regulation in its location as an insurance company.

The Entities referred to in paragraph (b) of this definition also include Flow-through Entities provided that they are subject to regulations in the same manner as an insurance company.

International Organisation: means any intergovernmental organisation (including a supranational organisation) or wholly-owned agency or instrumentality thereof that meets all of the criteria set out in paragraphs (a) to (c) below:

a. it is comprised primarily of governments;
b. it has in effect a headquarters or substantially similar agreement (for example, arrangements that entitle the organisation's offices or establishments in the Jurisdiction (e.g., a subdivision, or a local, or regional office) to privileges and immunities) with the Jurisdiction in which it is established; and
c. law or its governing documents prevent its income inuring to the benefit of private persons.

Investment Entity: means

a. an Investment Fund, a Real Estate Investment Vehicle or Insurance Investment Entity;
b. an Entity that is at least 95% owned directly by an Entity described in paragraph (a) or through a chain of such Entities and that operates exclusively or almost exclusively to hold assets or invest funds for the benefit of such Investment Entities; and
c. an Entity where at least 85% of the value of the Entity is owned by an Entity referred to in paragraph (a) provided that substantially all of the Entity's income is Excluded Dividends or Excluded Equity Gain or Loss that is excluded from the computation of Pillar Two Income or Loss in accordance with Articles 3.2.1 (b) or (c) of the QDMTT Legislation.

Investment Fund: means an Entity that meets all of the criteria set out in paragraphs (a) to (g) below:

a. it is designed to pool assets (which may be financial and non-financial) from a number of investors (some of which are not connected);
b. it invests in accordance with a defined investment policy;
c. it allows investors to reduce transaction, research, and analytical costs, or to spread risk collectively;

d. it is primarily designed to generate investment income or gains, or protection against a particular or general event or outcome;
e. investors have a right to return from the assets of the fund or income earned on those assets, based on the contributions made by those investors;
f. the Entity or its management is subject to a regulatory regime in the Jurisdiction in which it is established or managed (including appropriate anti-money laundering and investor protection regulation); and
g. it is managed by investment fund management professionals on behalf of the investors.

Jurisdiction: means any state or jurisdiction with fiscal autonomy, which may include the UAE, as the context may require.

Main Entity: in respect of a Permanent Establishment, is the Entity that includes the Financial Accounting Net Income or Loss of the Permanent Establishment in its financial statements.

MNE Group: is defined in Article 1.2.1. of the QDMTT Legislation.

Multinational Enterprise: An entity and/or one or more of its member entities located in the UAE or in a foreign jurisdiction, as specified in Cabinet Decision No. 142 of 2024.

Non-profit Organisation: means an Entity that meets all of the following criteria:
a. it is established and operated in its Jurisdiction of residence:
   i. exclusively for religious, charitable, scientific, artistic, cultural, athletic, educational, or other similar purposes; or
   ii. as a professional organisation, business league, chamber of commerce, labour organisation, agricultural or horticultural organisation, civic league or an organisation operated exclusively for the promotion of social welfare;
b. substantially all of the income from the activities mentioned in paragraph (a) is exempt from income tax in its Jurisdiction of residence;
c. it has no shareholders or members who have a proprietary or beneficial interest in its income or assets;
d. the income or assets of the Entity may not be distributed to, or applied for the benefit of, a private person or non-charitable Entity other than:
   i. pursuant to the conduct of the Entity's charitable activities;
   ii. as payment of reasonable compensation for services rendered or for the use of property or capital; or
   iii. as payment representing the fair market value of property which the Entity has purchased, and

e. upon termination, liquidation or dissolution of the Entity, all of its assets must be distributed or revert to a Non-profit Organisation or to the government (including any Governmental Entity) of the Entity's Jurisdiction of residence or any political subdivision thereof;

but does not include any Entity carrying on a trade or business that is not directly related to the purposes for which it was established.

Non-Resident Person: The Taxable Person specified in Article 11(4) of the Corporate Tax Law.

Ownership Interest: means any equity interest that carries rights to the profits, capital or reserves of an Entity (including a Flow-through Entity), including the profits, capital or reserves of a Main Entity's Permanent Establishment(s). For purposes of this definition:

a. an equity interest is an interest that is accounted for as equity under the financial accounting standard used in the preparation of the Consolidated Financial Statements of the UPE, and
b. where different types of equity interests are issued by an Entity, equal regard should be given to each equity interest that carries rights to profits, capital or reserves, unless otherwise provided by a provision of the QDMTT Legislation.

Pension Fund: means

a. an Entity that is established and operated in a Jurisdiction exclusively or almost exclusively to administer or provide retirement benefits and ancillary or incidental benefits to individuals:
    i. regulated as such by that Jurisdiction or one of its political subdivisions or local authorities; or
    ii. those benefits are secured or otherwise protected by national regulations and funded by a pool of assets held through a fiduciary arrangement or trustor to secure the fulfilment of the corresponding pension obligations against a case of insolvency of the MNE Group; and
b. a Pension Services Entity.

Pension Services Entity: means an Entity that is established and operated exclusively or almost exclusively:

a. to invest funds for the benefit of Entities referred to in paragraph (a) of the definition of Pension Fund; or
b. to carry out activities that are ancillary to those regulated activities carried out by the Entities referred to in paragraph (a) of the definition of Pension Fund provided that they are members of the same Group.

Permanent Establishment: means

a. a place of business (including a deemed place of business) situated in a Jurisdiction and treated as a permanent establishment in accordance with an applicable Tax Treaty in force provided that such Jurisdiction taxes the income attributable to it in accordance with a provision similar to Article 7 of the OECD Model Tax Convention on Income and on Capital;
b. if there is no applicable Tax Treaty in force, a place of business (including a deemed place of business) in respect of which a Jurisdiction taxes under its domestic law the income attributable to such place of business on a net basis similar to the manner in which it taxes its own tax residents;
c. if a Jurisdiction has no corporate income tax system, a place of business (including a deemed place of business) situated in that Jurisdiction that would be treated as a permanent establishment in accordance with the OECD Model Tax Convention on Income and on Capital provided that such Jurisdiction would have had the right to tax the income attributable to it in accordance with Article 7 of that Model; or
d. a place of business (or a deemed place of business) that is not already described in paragraphs (a) to (c) through which operations are conducted outside the Jurisdiction where the Entity is located provided that such Jurisdiction exempts the income attributable to such operations.

Pillar Two Income or Loss of a Constituent Entity: is defined in Article 3.1.1 of the QDMTT Legislation.

Pillar Two Information Return: means the GloBE Information Return developed in accordance with the Pillar Two Implementation Framework that contains the information described in Article 15 of the QDMTT Legislation.

QDMTT Legislation: Top-up Tax imposed on Multinational Enterprises in accordance with the cases, provisions, conditions, rules, controls, and procedures set out in the annexure of Cabinet Decision No. 142 of 2024 on the Imposition of Top-up Tax on Multinational Enterprises.

Qualifying Investment Fund: Any entity whose principal activity is the issuing of investment interests to raise funds or pool investor funds or establish a joint investment fund with the aim of enabling the holder of such an investment interest to benefit from the profits or gains from the entity's acquisition, holding, management or disposal of investments, in accordance with the applicable legislation and when it meets the conditions set out in Article 10 of the Corporate Tax Law.

Qualifying Public Benefit Entity: Any entity that meets the conditions set out in Article 9 of the Corporate Tax Law and that is listed in Cabinet Decision No. 37 of 2023.

Real Estate Investment Trust ("REIT"): Shall have the meaning provided for it in the relevant legislation in force in the UAE.

Real Estate Investment Vehicle: means an Entity the taxation of which achieves a single level of taxation either in its hands or the hands of its interest holders (with at most one year of deferral), provided that the Entity holds predominantly immovable property and is itself widely held. A tax neutral vehicle that holds Ownership Interest in a Real Estate Investment Vehicle is treated as being subject to a single level of taxation.

Resident Person: The Taxable Person specified in Article 11(3) of the Corporate Tax Law.

Taxable Person: A Person subject to Corporate Tax in the UAE under the Corporate Tax Law.

Tax Treaty: means an agreement for the avoidance of double taxation with respect to taxes on income and on capital.

Top-up Tax: means the top-up tax computed for the UAE, the Jurisdiction or Constituent Entity pursuant to Article 5.2 of the QDMTT Legislation, as the context requires.

Top-up Tax Return: is the tax return referred in Article 8.1 of the QDMTT Legislation.

UAE: United Arab Emirates.

Ultimate Parent Entity ("UPE"): is defined in Article 1.4 of the QDMTT Legislation.

2. Introduction

2.1. Overview

Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses was issued on 3 October 2022. This Decree-Law together with its amendments is referred to as the “Corporate Tax Law”.

The Corporate Tax Law provides the legislative basis for imposing a federal tax on corporations and Business profits in the UAE. The Corporate Tax Law was amended by Federal Decree-Law No. 60 of 2023 on Amending Certain Provisions of the Corporate Tax Law to facilitate the imposition of the Top-up Tax on Multinational Enterprises and was issued on 2 October 2023.

Cabinet Decision No. 142 of 2024 on the Imposition of Top-up Tax on Multinational Enterprises was issued on 31 December 2024, and the attachment to the Cabinet Decision No. 142 of 2024 provides the cases, provisions, conditions, rules, controls and procedures for the imposition of Top-up Tax on Multinational Enterprises in the UAE (“QDMTT Legislation”).

The amendment to the Corporate Tax Law together with the QDMTT Legislation provides the legislative basis for the imposition of Top-up Tax on Multinational Enterprises in the UAE and shall apply to Fiscal Years beginning on or after 1 January 2025.

2.2. Purpose of this guide

This guide explains the different types of Excluded Entities and Investment Entities under the QDMTT Legislation. It provides readers with an overview of the:

- definition of different types of Excluded Entities, except Governmental Entities, which are outside the scope of this guide,
- election not to treat certain Excluded Entities as such,
- definition of different types of Investment Entities, and
- practical effects of being an Excluded Entity or an Investment Entity.

This guide does not cover the meaning of Entity, Constituent Entity, UPE, Group, MNE Group, Permanent Establishment, etc. Guidance on these defined terms is included in the Top-up Tax Guide Scope and Registration (TTGREG1).

2.3. Who should read this guide?

This guide should be read by anyone responsible for the tax affairs of any Entities that may be members of an MNE Group, as well as Tax Agents.

2.4. How to use this guide

The relevant articles of the QDMTT Legislation are indicated in each section of the guide.

The QDMTT Legislation closely follows the provisions of the Global Anti-Base Erosion Model Rules as published by the OECD. Ministerial Decision No. 96 of 2026 formally adopts the Consolidated Commentary to the Global Anti Base Erosion Model Rules (2026) as published by the OECD ("Commentary to GloBE Rules"). The relevant paragraphs of the Commentary to GloBE Rules are indicated where appropriate in this guide.

It is recommended that the guide be read in its entirety to provide a complete understanding of the definitions and interactions of the different rules.

In some instances, examples are used to illustrate the meaning of Excluded Entities. The examples in the guide:

- show how these requirements operate in isolation and do not show the interactions with other provisions of the QDMTT Legislation that may occur. They do not, and are not intended to, cover the full facts of the hypothetical scenarios used and all aspects of the QDMTT Legislation, and should not be relied upon as legal, regulatory, accounting or tax advice, 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 legal, regulatory, accounting or tax position of any specific juridical person.

2.5. Legislative references

In this guide:

- Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses, and its amendments, is referred to as "Corporate Tax Law",
- Cabinet Decision No. 142 of 2024 on the Imposition of Top-up Tax on Multinational Enterprises is referred to as "Cabinet Decision No. 142 of 2024",

- Cases, Provisions, Conditions, Rules, Controls, and Procedures on the Imposition of Top-up Tax on Multinational Enterprises Attached to Cabinet Decision No. 142 of 2024 is referred to as “QDMTT Legislation”,
- Cabinet Decision No. 37 of 2023 Regarding the Qualifying Public Benefit Entities for the Purposes of Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses is referred to as “Cabinet Decision No. 37 of 2023”,
- Cabinet Decision No. 34 of 2025 on Qualifying Investment Funds and Qualifying Limited Partnerships for the Purposes of Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses is referred to as “Cabinet Decision No. 34 of 2025”,
- Ministerial Decision No. 115 of 2023 on Private Pension Funds and Private Social Security Funds for the Purposes of Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses is referred to as “Ministerial Decision No. 115 of 2023”,
- Ministerial Decision No. 132 of 2023 on Transfers Within a Qualifying Group for the Purposes of Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses, is referred to as “Ministerial Decision No. 132 of 2023”,
- Ministerial Decision No. 133 of 2023 on Business Restructuring Relief for the Purposes of Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses, is referred to as “Ministerial Decision No. 133 of 2023”,
- Ministerial Decision No. 302 of 2024 on the Participation Exemption and Foreign Permanent Establishment Exemption for the Purposes of Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses, is referred to as “Ministerial Decision No. 302 of 2024”, and
- Ministerial Decision No. 96 of 2026 on the Commentary and Agreed Administrative Guidance for the Purposes of Cabinet Decision No. 142 of 2024 on the Imposition of Top-Up Tax On Multinational Enterprises is referred to as “Ministerial Decision No. 96 of 2026”.

2.6. Status of this guide

This guidance is not a legally binding document but is intended to aid in the understanding of provisions relating to Excluded Entities and Investment Entities under the QDMTT Legislation. The information provided in this guide should not be interpreted as legal, regulatory, accounting or tax advice. It is not meant to be comprehensive and does not provide a definitive answer to every practical scenario. It is based on the legislation as it stood when the guide was published. Each taxpayer’s specific circumstances should be considered when analysing the requirements under the QDMTT Legislation.

The QDMTT Legislation and the implementing decisions referred to in this document will set out the principles and rules that govern the application of Top-up Tax on MNE Groups in the UAE. Nothing in this publication modifies or is intended to modify the requirements of any legislation.

This document is subject to change without prior notice.

3. Entities not subject to Top-up Tax

The QDMTT Legislation applies to Constituent Entities that are members of an MNE Group that has annual revenue of EUR 750 million or more in the Consolidated Financial Statements of the Ultimate Parent Entity ("UPE") in at least two of the four Fiscal Years immediately preceding the tested Fiscal Year.[1] In other words, Constituent Entities located in the UAE that are members of an in-scope MNE Group are subject to the Top-up Tax under the QDMTT Legislation.

However, Excluded Entities fall out of the definition of a Constituent Entity and, therefore, they are not covered under the charging provision under the QDMTT Legislation, even if they are members of an in-scope MNE Group.[2]

This guide explains the different types of Excluded Entities under the QDMTT Legislation and conditions for an Entity to be an Excluded Entity (see sections 4, 5, 6 and 7). Note that an Excluded Entity under the QDMTT Legislation is not the same as an Exempt Person under the Corporate Tax Law. Although there are some similarities in the definitions, an Exempt Person under the Corporate Tax Law does not automatically qualify as an Excluded Entity under the QDMTT Legislation. Hence, regardless of the status under the Corporate Tax Law, an Entity is required to independently self-assess whether it meets the criteria to be an Excluded Entity under the QDMTT Legislation.

An election can be made not to treat certain Entities as an Excluded Entity.[3] See section 8 for details regarding the election.

Furthermore, an Investment Entity located in the UAE is not subject to the charging provision under the QDMTT Legislation.[4] The definition of Investment Entity is explained in section 9.

Lastly, the practical effects of being an Excluded Entity and Investment Entity under the QDMTT Legislation are explained in section 10 of the guide.

[1] Article 1.1.1. of the QDMTT Legislation.
[2] Article 1.3.3 of the QDMTT Legislation.
[3] Article 1.5.3 of the QDMTT Legislation.
[4] Article 2.3 of the QDMTT Legislation.

3.1. Excluded Entities: Overview

The following Entities are classified as Excluded Entities:[5]

1. Governmental Entity,
2. International Organisation,
3. Non-profit Organisation,
4. Pension Fund,
5. Investment Fund which is the UPE, and
6. Real Estate Investment Vehicle which is the UPE.

These are referred to as "primary Excluded Entities" in this guide. The definition of each primary Excluded Entity is discussed in section 4, with the exception of a Governmental Entity.

Additionally, the QDMTT Legislation extends the definition of an Excluded Entity to cover Entities owned by a primary Excluded Entity, provided they meet certain conditions. These conditions can be categorised into two types:[6]

- First type: An Entity where at least 95% of the value of the Entity is owned (directly or through a chain of Excluded Entities) by one or more primary Excluded Entities (other than a Pension Services Entity) and where that Entity:
    a. operates exclusively or almost exclusively to hold assets or invest funds for the benefit of the primary Excluded Entity or Entities, and/or
    b. only carries out activities that are ancillary to those carried out by the primary Excluded Entity or Entities.

- Second type: An Entity where at least 85% of the value of the Entity is owned, (directly or through a chain of Excluded Entities), by one or more primary Excluded Entities (other than a Pension Services Entity), provided that substantially all of the Entity's income is Excluded Dividends or Excluded Equity Gain or Loss that is excluded from the computation of the Pillar Two Income or Loss.

These Entities are referred to as "secondary Excluded Entities" in this guide. The applicable conditions for secondary Excluded Entities are discussed in section 5.

Where a Main Entity is an Excluded Entity, its Permanent Establishment will also be treated as an Excluded Entity.[7] See section 6.

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[5] Article 1.5.1 of the QDMTT Legislation.
[6] Article 1.5.2 of the QDMTT Legislation.
[7] Article 1.7 of the QDMTT Legislation.

Furthermore, an Entity that is 100% owned directly or indirectly by one or more Non-profit Organisations and meets certain conditions will be treated as an Excluded Entity.[8] These conditions are explained in section 7 of the guide.

3.2. Investment Entities: Overview

An Investment Entity means:[9]

1. an Investment Fund, a Real Estate Investment Vehicle or Insurance Investment Entity,
2. an Entity that is at least 95% owned directly by an Entity described in (1) or through a chain of such Entities and that operates exclusively or almost exclusively to hold assets or invest funds for the benefit of such Investment Entities, and
3. an Entity where at least 85% of the value of the Entity is owned by an Entity referred to in (1), provided that substantially all of the Entity's income is Excluded Dividends or Excluded Equity Gain or Loss that is excluded from the computation of Pillar Two Income or Loss.

An Investment Fund that is a UPE of an MNE Group and a Real Estate Investment Vehicle that is a UPE of an MNE Group qualify as a primary Excluded Entity. See sections 4.4 and 4.5. Furthermore, Entities owned by these primary Excluded Entities also qualify as an Excluded Entity, if they meet the conditions for a secondary Excluded Entity. An Investment Entity that qualifies as an Excluded Entity is not a Constituent Entity and, hence, is not covered within the charging provision of the QDMTT Legislation.[10]

An Investment Entity that is not an Excluded Entity, but is located in the UAE, is also not covered within the charging provision of the QDMTT Legislation.[11] See section 9.

The scope of this guide is limited to Investment Entities located in the UAE that fall outside the charging provision of the QDMTT Legislation. The election available to owners (who are Constituent Entities) located in the UAE to treat an Investment Entity as a Tax Transparent Entity[12] is not covered in this guide. Similarly, the election available to owners (who are Constituent Entities) located in the UAE to apply the Taxable Distribution Method with respect to an Ownership Interest held in an Investment Entity[13] is not covered in this guide.

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[8] Article 1.9.1 of the QDMTT Legislation.
[9] Definition of an Investment Entity in Article 18.1 of the QDMTT Legislation.
[10] Article 1.3.3 of the QDMTT Legislation.
[11] Article 2.3 of the QDMTT Legislation.
[12] Article 7.3 of the QDMTT Legislation.
[13] Article 7.4 of the QDMTT Legislation.

Further, the impact of Investment Entities on the de-minimis calculations[14] and Transitional Country by Country Reporting safe harbour rules[15] are not covered in this guide.

[14] Under Article 5.5 of the QDMTT Legislation.
[15] Under Article 8.2 of the QDMTT Legislation.

4. Primary Excluded Entities

The following Entities are classified as primary Excluded Entities:[16]

1. an International Organisation,
2. a Non-profit Organisation,
3. a Pension Fund,
4. an Investment Fund that is a UPE of an MNE Group, and
5. a Real Estate Investment Vehicle that is a UPE of an MNE Group.

This section of the guide explains the definitions of each type of primary Excluded Entity, from section 4.1 to section 4.5.

4.1. International Organisation

An International Organisation means any intergovernmental organisation (including a supranational organisation) or wholly-owned agency or instrumentality thereof that meets all of the criteria set out in (1) to (3) below:[17]

1. it is comprised primarily of governments,
2. it has in effect a headquarters or substantially similar agreement (for example, arrangements that entitle the organisation's offices or establishments in the Jurisdiction (e.g. a subdivision, or a local, or regional office) to privileges and immunities) with the Jurisdiction in which it is established, and
3. law or its governing documents prevent its income inuring to the benefit of private persons.

Each of these criteria is explained in sections 4.1.1 to 4.1.3 below.

4.1.1. Comprised primarily of governments

The Entity must be formed of at least two governments of different Jurisdictions. Its members can include non-governments provided that the organisation is comprised "primarily" by governments of different Jurisdictions.

4.1.2. Legal status

An agreement should grant privileges and immunities to the Entity in the Jurisdiction in which it is established. In some cases, the Entity may have offices in other jurisdictions such as country offices, regional offices or field missions. In these cases, it is most likely that a host country agreement will provide privileges and immunities to

[16] Article 1.5.1 of the QDMTT Legislation.

[17] Definition of International Organisation in Article 18.1 of the QDMTT Legislation.

the office or mission. However, in case it does not provide such benefits, then it could still qualify as long as it has such privileges in the country where it is established.

4.1.3. Income not for the benefit of private persons

The third condition requires a law or its governing documents to prevent the income of the International Organisation benefiting “private persons”. The term “private persons” can be understood as natural persons or other private sector entities. This criterion ensures that the International Organisation serves public or governmental interests rather than private interests.

4.2. Non-profit Organisation

A Non-profit Organisation means an Entity that meets all of the following criteria:	**Relevant subsection of the guide**
1. it is established and operated in its Jurisdiction of residence: a. exclusively for religious, charitable, scientific, artistic, cultural, athletic, educational, or other similar purposes, or b. as a professional organisation, business league, chamber of commerce, labour organisation, agricultural or horticultural organisation, civic league or an organisation operated exclusively for the promotion of social welfare,	section 4.2.1: Purpose and activity criteria
2. substantially all of the income from the activities mentioned in condition (1) above is exempt from income tax in its Jurisdiction of residence,	section 4.2.2: Tax-exempt criteria
3. it has no shareholders or members who have a proprietary or beneficial interest in its income or assets,	section 4.2.3: No private ownership criteria
4. the income or assets of the Entity may not be distributed to, or applied for the benefit of, a private person or non-charitable Entity other than: a. pursuant to the conduct of the Entity’s charitable activities, b. as payment of reasonable compensation for services rendered or for the use of property or capital, or c. as payment representing the fair market value of property which the Entity has purchased,	section 4.2.4: Restriction on distribution of income or assets

5. upon termination, liquidation or dissolution of the Entity, all of its assets must be distributed or revert to a Non-profit Organisation or to the government (including any Governmental Entity) of the Entity's Jurisdiction of residence or any political subdivision thereof,	section 4.2.5: Restriction on asset transfer
6. does not include any Entity carrying on a trade or business that is not directly related to the purposes for which it was established.	section 4.2.6: Restriction on commercial activities

There is some overlap between the criteria for a Non-profit Organisation under the QDMTT Legislation and the conditions to be a Qualifying Public Benefit Entity under the Corporate Tax Law. A Qualifying Public Benefit Entity is considered to be an Exempt Person for Corporate Tax purposes.[18] There are, however, some differences between the two definitions. For example, a Qualifying Public Benefit Entity must be listed in a Cabinet Decision[19] whereas an Entity that meets all the relevant criteria to be a Non-profit Organisation is automatically an Excluded Entity under the QDMTT Legislation. Other differences are explained in the subsections below.

4.2.1. Purpose and activity criteria

The Entity must be established and operated in its Jurisdiction of residence. The Jurisdiction of residence is the Jurisdiction where the Entity is created and managed.[20] The "residence" of an Entity does not depend on whether it is a Resident Person under the Corporate Tax Law, or where it is considered to be tax resident under Tax Treaties.[21]

The Entity must be established and operated for a particular specified purpose or purposes. These are similar to the allowable purposes for a Qualifying Public Benefit Entity under the Corporate Tax Law. The table below sets out a comparison:

Corporate Tax Law	**QDMTT Legislation**
It is established and operated for any of the following:[22]	It is established and operated in its Jurisdiction of residence:[23]

[18] Article 4(1)(e) of the Corporate Tax Law.
[19] Cabinet Decision No. 37 of 2023.
[20] Paragraph 70 of the Commentary on Article 10 of the GloBE Rules.
[21] Paragraphs 20 and 44 of the Commentary on Article 7 of the GloBE Rules.
[22] Article 9(1)(a) of the Corporate Tax Law.
[23] Definition of Non-profit Organisation in Article 18.1 of the QDMTT Legislation.

(i) exclusively for religious, charitable, scientific, artistic, cultural, athletic, educational, healthcare, environmental, humanitarian, animal protection or other similar purposes. (ii) as a professional entity, chamber of commerce, or a similar entity operated exclusively for the promotion of social welfare or public benefit.	(i) exclusively for religious, charitable, scientific, artistic, cultural, athletic, educational, or other similar purposes, or (ii) as a professional organisation, business league, chamber of commerce, labour organisation, agricultural or horticultural organisation, civic league or an organisation operated exclusively for the promotion of social welfare.

There are some differences between the Corporate Tax Law and QDMTT Legislation:

- In respect of activities listed in category (i), the main difference between the two definitions is that the Corporate Tax Law adds "healthcare, environmental, humanitarian, animal protection" as objectives of the organisation. However, the definition under the QDMTT Legislation is not as limited as it states that other organisations with "other similar purposes" also fulfill the condition. Accordingly, this condition could be met where the organisation is established and operates exclusively for "healthcare, environmental, humanitarian, or animal protection" purposes.[24]
- In respect of category (ii), the QDMTT Legislation definition is broader with a wider list of Entities that may meet the purpose and activity criteria. Given that the activities listed are similar but the organisations listed under the QDMTT Legislation are broader, it is likely that a Qualifying Public Benefit Entity under the Corporate Tax Law would also meet the purpose and activity criteria under the QDMTT Legislation.

4.2.2. Tax-exempt criteria

The reference to "income tax" includes Corporate Tax under the UAE's Corporate Tax Law. Therefore, the tax-exempt criteria would be met if the Entity is a Qualifying Public Benefit Entity under the Corporate Tax Law since such an Entity is exempt from Corporate Tax.[25]

Where an Entity is created and managed in the UAE but derives income from another Jurisdiction, the criteria does not consider whether the other Jurisdiction taxes the overseas income, but whether the income is subject to Corporate Tax in the UAE, since the UAE would be the Jurisdiction of residence for QDMTT purposes.

[24] Paragraph 70 of the Commentary on Article 10 of the GloBE Rules.
[25] Article 9(1) of the Corporate Tax Law.

Where the overseas income is subject to Corporate Tax but the Corporate Tax due is reduced by a Foreign Tax Credit[26] in respect of the relevant foreign source income, the overseas income would not be considered exempt from income tax, even though no Corporate Tax may actually be payable.

It is possible for an Entity to meet the criteria even if some of its income is subject to Corporate Tax in the UAE, so long as "substantially" all of its income from the approved activities (section 4.2.1) is exempt from Corporate Tax. "Substantially" is not specifically defined and should be interpreted considering the facts and circumstances. However, where the income that is exempt from Corporate Tax is 95% or more of the Entity's total income for the relevant Fiscal Year, the proportion of income that is exempt would be considered "substantial".

4.2.3. No private ownership criteria

The definition of a Non-profit Organisation does not depend on the status of its funder.[27] However, the definition of Non-profit Organisation requires that the Entity has no shareholders or members with a beneficial interest in its income or assets.[28]

The Corporate Tax Law provides a similar condition for Qualifying Public Benefit Entity, whereby no part of its income or assets is payable to, or otherwise available, for the personal benefit of any shareholder, member, trustee, founder or settlor.[29] However, there is an exception where the shareholder, etc. is another Qualifying Public Benefit Entity, Government Entity or a Government Controlled Entity.[30] This exception is not included under the no private ownership criteria in the definition of Non-profit Organisation under the QDMTT Legislation. However, upon termination, liquidation or dissolution of the Non-profit Organisation, the Entity's assets can be distributed to another Non-profit Organisation or government, see section 4.2.5.

Furthermore, Entities held by Non-profit Organisations can also qualify as an Excluded Entity if certain conditions are met, see section 7.

[26] Article 47 of the Corporate Tax Law.
[27] Paragraph 54.5 of the Commentary on Article 1 of the GloBE Rules.
[28] Paragraph 71 of the Commentary on Article 10 of the GloBE Rules.
[29] Article 9(1)(d) of the Corporate Tax Law.
[30] Article 9(1)(d) of the Corporate Tax Law.

4.2.4. Restriction on distribution of income or assets

Criterion (4) of the definition of Non-profit Organisation requires that the income or assets of the Entity may not be distributed to, or applied for the benefit of, a private person or non-charitable Entity unless:[31]

- that is part of the Entity's charitable activities,
- a payment is made of reasonable compensation for services rendered or for the use of property or capital, or
- for a payment for acquiring property at fair market value.

4.2.5. Restriction on asset transfer

This criterion requires that if the Non-profit Organisation disappears, its assets are transferred to another Non-profit Organisation or to the government (including a Governmental Entity) of the Entity's jurisdiction of residence.[32,33]

As mentioned under section 4.2.3, the Corporate Tax Law provides a similar condition for a Qualifying Public Benefit Entity.

4.2.6. Restriction on commercial activities

The last part of the definition of Non-profit Organisation includes a general condition that disqualifies any Entity that carries on a trade or business that is not directly related to the purposes for which it was established.[34]

The Corporate Tax Law provides a similar condition for a Qualifying Public Benefit Entity whereby it should not conduct a Business or Business Activity, except for such activities that directly relate to or are aimed at fulfilling the purpose for which the entity was established.[35]

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[31] See examples of these exceptions that are provided in paragraph 72 of the Commentary on Article 10 of the GloBE Rules.

[32] Paragraph 73 of the Commentary on Article 10 of the GloBE Rules.

[33] The documents to be considered for evaluation of this condition is explained in paragraph 74 of the Commentary on Article 10 of the GloBE Rules.

[34] See examples provided in paragraph 75 of the Commentary on Article 10 of the GloBE Rules.

[35] Article 9(1)(b) of the Corporate Tax Law.

4.3. Pension Fund

A Pension Fund is defined as an Entity that is established and operated in a Jurisdiction exclusively or almost exclusively to administer or provide retirement benefits and ancillary or incidental benefits to individuals, where:[36]

1. The Pension Fund is regulated as such by that Jurisdiction or one of its political subdivisions or local authorities, or
2. these benefits are secured or otherwise protected by national regulations and funded by a pool of assets held through a fiduciary arrangement or trustor to secure the fulfilment of the corresponding pension obligations against a case of insolvency of the MNE Group.

The definition of Pension Fund also includes a Pension Services Entity (see section 4.3.1).[37]

Under the Corporate Tax Law, a public pension fund or a private pension fund that is subject to regulatory oversight of the competent authority in the UAE and that meets certain other conditions, can make an application to the FTA to be an Exempt Person for Corporate Tax purposes.[38] The conditions under the Corporate Tax Law are not exactly the same as the QDMTT Legislation, for example, only regulated private pension funds can be an Exempt Person under the Corporate Tax Law. The definition of a Pension Fund under the QDMTT Legislation, on the other hand, also covers unregulated pension funds provided that certain conditions are met.

4.3.1. Pension Services Entity

A Pension Fund also includes a Pension Service Entity.[39]

A Pension Services Entity is an Entity that is established and operated exclusively or almost exclusively:[40]

1. to invest funds for the benefit of a Pension Fund, or
2. to carry out activities that are ancillary to those regulated activities carried out by a Pension Fund, provided that they are members of the same Group.

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[36] Definition of Pension Fund in Article 18.1 of the QDMTT Legislation.

[37] See definition of Pension Fund in Article 18.1 of the QDMTT Legislation.

[38] Article 4(1)(g) and Article 4(3) of the Corporate Tax Law.

[39] Definition of Pension Fund in Article 18.1 of the QDMTT Legislation.

[40] Definition of Pension Services Entity in Article 18.1 of the QDMTT Legislation. The definition is explained in paragraphs 93, 94 and 95 of the Commentary on Article 10 of the GloBE Rules.

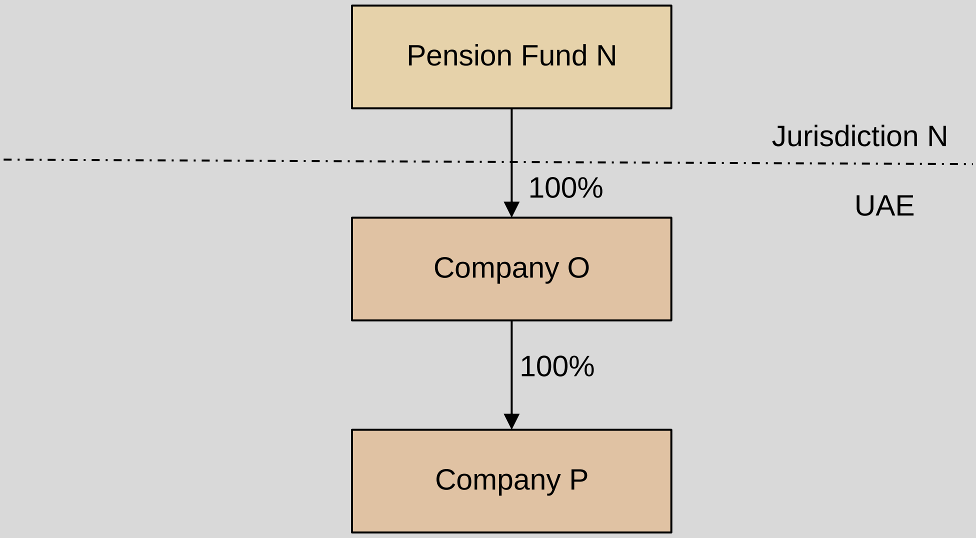
While a Pension Services Entity is a primary Excluded Entity because it is considered a Pension Fund, any Entity owned by a Pension Services Entity cannot be a secondary Excluded Entity (see section 5).[41]

Example 1: Pension Fund and Pension Services Entity[42]

Company N is a pension fund established and operated in Jurisdiction N to administer and provide retirement benefits to individuals. It is regulated under the laws of Jurisdiction N.
Company N incorporates Company O, located in the UAE, to serve as its fund manager. Company O is responsible for Company N's overall investing strategy and makes investments for Company N.

Company O incorporates Company P, located in the UAE, to exclusively provide advisory services to Company N on investment opportunities.

All of the Entities are members of an in-scope MNE group.



Company N meets the definition of Pension Fund under the QDMTT Legislation, but is outside the scope of the QDMTT Legislation because it is located outside the UAE.

[41] Paragraph 92 of the Commentary on Article 10 of the GloBE Rules.
[42] This example is based on paragraph 94 of the Commentary on Article 10 of the GloBE Rules.

Company O qualifies as a Pension Service Entity because it operates exclusively to invest funds in the UAE for a Pension Fund (Company N). Therefore, it is an Excluded Entity for the purposes of the QDMTT Legislation.

Company P provides investment advisory services to Company O, based on which Company O makes investments. Company P's activities are ancillary to those of the Pension Fund N. Company P qualifies as a Pension Services Entity, notwithstanding that it is not providing services directly to Pension Fund N, because it was established by Company O exclusively to carry out activities ancillary to those of the Pension Fund N. Therefore, Company P is an Excluded Entity for the purposes of the QDMTT Legislation.

4.4. Investment Fund that is a UPE

To qualify as a primary Excluded Entity, an Investment Fund must be the UPE of the MNE Group. Thus, not all Investment Funds are Excluded Entities. Moreover, Investment Funds are only one category of Investment Entities, which are otherwise not covered under the charging provision of the QDMTT Legislation, see section 9.

An Investment Fund is an Entity that meets all of the criteria set out below:[43]

1. it is designed to pool assets (which may be financial and non-financial) from a number of investors (some of which are not connected),
2. it invests in accordance with a defined investment policy,
3. it allows investors to reduce transaction, research, and analytical costs, or to spread risk collectively,
4. it is primarily designed to generate investment income or gains, or protection against a particular or general event or outcome,
5. its investors have a right to return from the assets of the fund or income earned on those assets, based on the contributions made by those investors,
6. the Entity or its management is subject to a regulatory regime in the Jurisdiction in which it is established or managed (including appropriate anti-money laundering and investor protection regulation), and
7. it is managed by investment fund management professionals on behalf of the investors.

Regarding condition (6), note that the following authorities are responsible for regulating UAE financial institutions, including investment funds and investment managers:

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[43] See definition of an Investment Fund in Article 18.1 of the QDMTT Legislation. Each of these criteria are explained in paragraphs 39 to 45 of the Commentary on Article 10 of the GloBE Rules.

- the Securities and Commodities Authority (“SCA”) which regulates markets, listed companies and securities brokers within the UAE (other than those resident in DIFC and ADGM),
- the Dubai Financial Services Authority (“DFSA”), which is the regulator of the Dubai International Financial Centre (“DIFC”), and
- the Financial Services Regulatory Authority (“FSRA”), which is the regulator of the Abu Dhabi Global Market (“ADGM”).

Under the Corporate Tax Law, where an investment fund meets certain conditions, it can make an application to the FTA to be a Qualifying Investment Fund and, hence, be considered an Exempt Person.[44] The conditions are not identical to those required for an investment fund to be an Excluded Entity under the QDMTT Legislation. Therefore, a Qualifying Investment Fund under the Corporate Tax Law may not necessarily be an Excluded Entity under the QDMTT Legislation.

Where an Investment Fund is the UPE of an MNE Group, the Investment Fund is classified as an Excluded Entity under the QDMTT Legislation.[45] An Investment Fund will be a UPE if it owns directly or indirectly a Controlling Interest in any other Entity, and the Investment Fund is not owned, with a Controlling Interest, directly or indirectly by another Entity.[46]

If an Investment Fund is not the UPE of the MNE Group it will not be an Excluded Entity. Therefore, it will be a Constituent Entity of the MNE Group that is treated as an Investment Entity. See section 9.

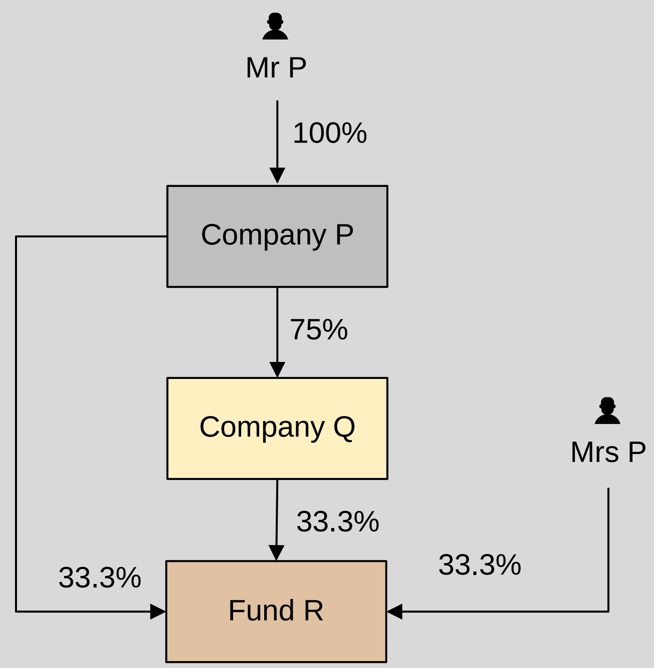
Example 2: Connected investors

Fund R operates as an investment fund in the UAE.

It has three investors located overseas, each with an equal holding in Fund R:
- Company P, a company wholly-owned by Mr P.
- Company Q, a company 75% owned by Company P, and 25% owned by other individuals.
- Fund R is equally owned by Companies P and Q, and Mrs P, who is the spouse of Mr P (33.3% each).

[44] Article 4(1)(f) and Article 10 of the Corporate Tax Law read with Article 2 of Cabinet Decision No. 34 of 2025.
[45] Article 1.5.1(e) of the QDMTT Legislation.
[46] Definition of UPE in Article 18.1 of the QDMTT Legislation.

There are no plans for additional investors to join the fund.



Company P and Company Q are connected because Company P holds 75% of shares of Company Q.

Mr P directly holds 100% of the shares of Company P and indirectly holds 75% of the shares of Company Q. Therefore, he is connected to both Company P and Company Q.

Since Mrs P is the spouse of Mr P, Mrs P is connected to both Company P and Company Q.

Since all of the investors are connected, Fund R does not comply with the first condition of the definition of Investment Fund. Consequently, Fund R does not qualify as an Investment Fund under the QDMTT Legislation. It is, therefore, not an Excluded Entity.

4.5. Real Estate Investment Vehicle that is a UPE

A Real Estate Investment Vehicle means an Entity, the taxation of which achieves a single level of taxation either in its hands or the hands of its interest holders (with at most one year of deferral), provided that the Entity holds predominantly immovable property and is itself widely held. A tax neutral vehicle that holds Ownership Interest in a Real Estate Investment Vehicle is treated as being subject to a single level of taxation.[47]

Based on the definition, there are primarily three conditions to be a Real Estate Investment Vehicle under the QDMTT Legislation:

- the Entity must achieve a single level of taxation - see section 4.5.1,
- the Entity must hold predominantly immovable property,[48] and
- the Entity must be widely held.[49]

The OECD is expected to publish further guidance on the definition of a Real Estate Investment Vehicle.

Where a Real Estate Investment Vehicle is the UPE of an MNE Group, the Real Estate Investment Vehicle is classified as an Excluded Entity under the QDMTT Legislation.[50] A Real Estate Investment Vehicle is a UPE if it owns directly or indirectly a Controlling Interest in any other Entity, and the Real Estate Investment Vehicle is not owned, with a Controlling Interest, directly or indirectly by another Entity.[51]

If a Real Estate Investment Vehicle is not the UPE of the MNE Group, it may come within the definition of an Investment Entity. See section 9.

4.5.1. Single level of taxation

This condition requires that the income of the investment vehicle achieves a single level of taxation - either in its hands or the hands of its interest holders (with at most one year of deferral.[52] The OECD is expected to publish further guidance on this condition.

Under the Corporate Tax Law, a Real Estate Investment Trust ("REIT") that meets certain conditions can make an application to the FTA to be an Exempt Person as a Qualifying Investment Fund.[53] If the REIT has not made an application to be an Exempt Person, it will be taxed under the Corporate Tax Law and its Corporate Tax base depends on whether the REIT is a Resident Person or a Non-Resident Person under the Corporate Tax Law.

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[47] Definition of Real Estate Investment Vehicle in Article 18.1 of the QDMTT Legislation.
[48] See guidance in paragraph 148 of the Commentary on Article 10 of the GloBE Rules.
[49] See guidance in paragraph 145 of the Commentary on Article 10 of the GloBE Rules.
[50] Article 1.5.1(e) of the QDMTT Legislation.
[51] Definition of UPE in Article 18.1 of the QDMTT Legislation.
[52] See guidance in paragraphs 146 and 147 of the Commentary on Article 10 of the GloBE Rules.
[53] Article 4(1)(f) of the Corporate Tax Law read with Article 4(1) of Cabinet Decision No. 34 of 2025.

However, where a REIT is an Exempt Person under the Corporate Tax Law, its investors could be taxable on a portion of the Immovable Property Income of the REIT. Whether a REIT that is an Exempt Person under the Corporate Tax Law qualifies as a Real Estate Investment Vehicle under the QDMTT Legislation should be evaluated based on guidance published by the OECD, including any future guidance on this subject matter.

For example, under the Corporate Tax Law, the adjustment to include a portion of Immovable Property Income of the REIT (an Exempt Person) applies only to investors that are juridical persons that are Taxable Persons. Accordingly, where an investor in a REIT is a natural person or an Exempt Person, for example, a private or public pension fund, or a Qualifying Investment Fund, such investor is not required to adjust their Taxable Income to include Immovable Property Income of the REIT. This does not impact the single level of taxation condition and the definition would still be met because the overall policy intention of the tax regime is to achieve a single level of taxation.

5. Secondary Excluded Entities

The QDMTT Legislation extends the definition of Excluded Entities to certain entities that are owned by primary Excluded Entities, subject to certain conditions.[54] This extension recognises that primary Excluded Entities may need to operate through other entities for regulatory or commercial reasons.[55] These Entities are referred to as "secondary Excluded Entities" in this guide.

The two types of secondary Excluded Entity can be summarised as follows:[56]

- First type: where a primary Excluded Entity sets up an Entity to hold its assets or invest its funds, and/or to carry out activities that are ancillary to the primary Excluded Entity's activities.
- Second type: where a primary Excluded Entity sets up an Entity whose financial accounting net income would otherwise be excluded from the computation of Pillar Two Income or Loss because it is composed of Excluded Dividends or Excluded Equity Gain or Loss.

Each type of secondary Excluded Entity is explained below – see sections 5.1 and 5.2.

A Filing Constituent Entity may elect not to treat a secondary Excluded Entity as an Excluded Entity.[57] See section 8.

5.1. First type of secondary Excluded Entity

This is an Entity where at least 95% of the value of the Entity is owned (directly or through a chain of Excluded Entities) by one or more primary Excluded Entities (other than a Pension Services Entity) and where that Entity:[58]

1. operates exclusively or almost exclusively to hold assets or invest funds for the benefit of the Excluded Entity or Entities, and/or
2. only carries out activities that are ancillary to those carried out by the Excluded Entity or Entities.

An Entity qualifies as a secondary Excluded Entity if two tests are met: an ownership test (section 5.1.1) and an activities test (section 5.1.2).[59]

[54] Article 1.5.2 of the QDMTT Legislation.
[55] See paragraph 43 of the Commentary on Article 1 of the GloBE Rules.
[56] Article 1.5.2 of the QDMTT Legislation.
[57] Article 1.5.3 of the QDMTT Legislation.
[58] Article 1.5.2(a) of the QDMTT Legislation.
[59] See paragraph 46 of Commentary on Article 1 of the GloBE Model Rules.

5.1.1. Ownership test

Under the ownership test, one or more primary Excluded Entities, must own at least 95% of the value of the tested Entity.

In this case, a primary Excluded Entity does not include a Pension Fund that is a Pension Services Entity. Therefore, Entities owned by a Pension Services Entity do not meet this test.[60]

5.1.1.1. Determining 95% ownership of value of Entity

The ownership test has a 95% ownership threshold that requires one or more primary Excluded Entities to hold, directly or indirectly, at least 95% of the value of the tested Entity.[61]

The 95% ownership threshold is measured by reference to the "value of the Entity". The “value of the Entity” is based on the total value of the Ownership Interests issued by the tested Entity.[62]

In this regard, “Ownership Interest” means any equity interest that carries rights to the profits, capital or reserves of an Entity. This is different from the meaning of “ownership interest” under the Corporate Tax Law where it refers to any equity interest that carries rights to the profits and liquidation proceeds of another juridical person.[63] Thus, under the Corporate Tax Law, the holder of the equity interest must have the right to both the profits as well as the liquidation proceeds of a juridical person. However, under the QDMTT Legislation, the primary Excluded Entity can have either the right to the profits or capital or reserves of the Entity.

Furthermore, it is possible that different types of equity interest carry different underlying rights to profits, capital or reserves. However, the specific rights (that is, profits, capital or reserves) that the primary Excluded Entity has in respect of those ownership interests in the Entity are not relevant for determining the percentage of value held in the Entity.[64]

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[60] The reason for excluding Entities owned by Pension Services Entity is explained in paragraph 44 of the Commentary on Article 1 of the GloBE Rules.

[61] The reason for setting the threshold at 95% is explained in paragraph 47 of the Commentary on Article 1 of the GloBE Rules.

[62] See paragraph 49 of the Commentary on Article 1 of the GloBE Rules.

[63] Article 2 of Ministerial Decision No. 302 of 2024, Article 2 of Ministerial Decision No. 132 of 2023 and Article 3 of Ministerial Decision No. 133 of 2023.

[64] See paragraphs 49 to 51 of the Commentary on Article 1 of the GloBE Rules.

Example 3: Calculating the percentage of value held in an Entity

Company Z, established in the UAE, has issued two classes of shares to its shareholders:

- Class 1 shares: are cumulative preferential shares that entitle shareholders to fixed dividends when Company Z distributes dividends. In the event of liquidation, the shareholders have priority to receive any unpaid dividends and a return of capital ahead of ordinary shareholders. These shares are reported as equity interests in the MNE Group's Consolidated Financial Statements as dictated by the applicable financial accounting standard. These shares are held by Company X (a Pension Fund and an Excluded Entity).
- Class 2 shares: are ordinary shares that entitle shareholders to the profits, capital and reserves of Company Z. These shares are held by Company Y (a private company).

Class of share	Shares held by	Number of shares issued	Nominal value per share (AED)	Total capital (AED)
Class 1	Company X (Pension Fund)	100	10	1,000
Class 2	Company Y	1	1,000	1,000
Total		101	-	2,000

The percentage of value of Company Z held by Company X is calculated as:

$$\frac{\text{Aggregate value of the ownership interests held by Company X}}{\text{Overall value of the ownership interests issued by Company Z}} \times 100\%$$

= 1,000 ÷ 2,000 × 100% = 50%.

Thus, the value of Company Z that is held by Company X is 50%. This is despite the fact that Company X holds 100% of the Class 1 shares and 99% of the total number of issued shares of Company Z. The ownership test is not met by Company X.

The limited rights to returns that the Pension Fund (Company X) has in respect of the ownership interests held in Company Z are not relevant for determining the percentage of value held in Company Z.

The ownership test is met if one or more primary Excluded Entities hold an aggregate of at least 95% of the value of the Entity as a percentage of the overall value of the Entity.

Example 4: Variation to Example 3

The facts are the same as Example 3, except that the Class 2 shares are held by a Non-profit Organisation instead of a private company.

In this case, the entire value of Company Z is held by two primary Excluded Entities, a Pension Fund holding 50% and a Non-profit Organisation holding 50%. Accordingly, the ownership test is met.

The assessment of the value of an Entity should take into account the value of all the ownership interests held by the primary Excluded Entity.[65]

The value of a primary Excluded Entity's interest in the tested Entity should be measured as of the date of the most recent change in the primary Excluded Entity's relative ownership interest in the tested Entity.[66]

Unrealised movements when comparing the value between different classes of shares should not affect the application of the 95% ownership threshold until there is a change in the primary Excluded Entity's ownership interests in the tested Entity.[67] Accordingly, any change in the value of ownership interest due to revaluation movements, such as fair value or impairment adjustments, should be disregarded for the purposes of the ownership test.

Example 5: Fair value measurement of ownership interests held in an Entity

Company Y was incorporated in the UAE. Its shares are held as follows:

Name of shareholder	Number of shares	Nominal value per share (AED)	Total value of shares held (AED)
Company K (Pension Fund, i.e. a primary Excluded Entity)	950	10	9,500
Company L	50	10	500
Total	1,000	-	10,000

Company K, a Pension Fund and a primary Excluded Entity, owns 95% of the value of Company Y [i.e. (9,500/10,000)*100] and, hence, meets the ownership test.

[65] See example in paragraph 50 of Commentary on Article 1 of the GloBE Rules.
[66] See paragraph 51 of the Commentary on Article 1 of the GloBE Rules.
[67] See paragraph 51 of the Commentary on Article 1 of the GloBE Rules.

In Company K's financial statements, the shares of Company Y are accounted for on a fair value basis, such that in the year ending 31 December 2026, Company K recorded an impairment loss of AED 1,000.

This impairment loss is an unrealised movement that should be disregarded when applying the 95% ownership threshold.

5.1.1.2. Beneficially owned

The ownership test is only met where 95% or more of the value of the equity interests of the Entity are beneficially owned (either directly or indirectly) by primary Excluded Entities.[68]

Thus, if a person holds the ownership interest of an Entity in the capacity of an agent, nominee, fiduciary or administrator, such that they are simply a conduit for another person who is, in fact, entitled to the benefits and risks of ownership, the former is not the beneficial owner of the ownership interest.

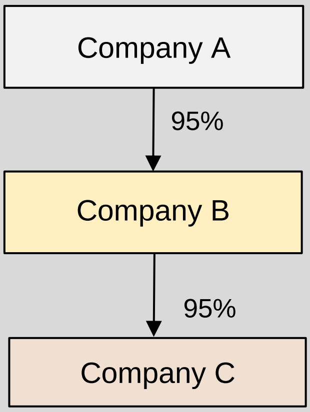
Even if a person legally holds the ownership interest in their own name (i.e. legal owner), they may potentially not qualify as the beneficial owner if the right to use and enjoy the benefits of the ownership interest is constrained by a contractual or legal obligation to pass on the benefit received to another person. Such an obligation will normally derive from relevant legal agreements but may also be found to exist on the basis of facts and circumstances showing that, in substance, the legal owner does not have the right to use and enjoy the benefits of an ownership interest in an unconstrained manner.

5.1.1.3. Indirect ownership

The ownership can be held directly or indirectly through a chain of primary Excluded Entities. If a primary Excluded Entity indirectly owns the share capital of an Entity through a partly owned intermediary Entity, the primary Excluded Entity's holding should be counted proportionately, based on the primary Excluded Entity's holding in the intermediate partly owned Entity. This is illustrated in the example below.

[68] Paragraph 50 of the Commentary on Article 1 of the GloBE Rules.

Example 6: Entities held through partly owned Entities[69]



Companies A, B and C are located in the UAE and are part of an in-scope MNE Group.

Company A is a Non-profit Organisation and a primary Excluded Entity. It holds 95% of the value of shares in Company B.

Company B, in turn, holds 95% of the value of shares in Company C.

Since Company A, a primary Excluded Entity, holds 95% of the value of shares in Company B, the ownership test is met, and Company B is a secondary Excluded Entity (assuming all the other conditions are met).

However, Company A's indirect shareholding in Company C is less than 95% (95% * 95% = 90.25%). Hence, the ownership test is not met in respect of Company C. Accordingly, Company C cannot be a secondary Excluded Entity.

5.1.1.4. Exception to ownership test: Investment Fund or a Real Estate Investment Vehicle

For the purposes of the definition of a secondary Excluded Entity, the condition that requires a Group Entity to be owned (directly or through a chain of Excluded Entities) by one or more primary Excluded Entities is deemed to be met where the first-mentioned Group Entity is held by an Investment Fund or a Real Estate Investment Vehicle that is not a Group Entity.[70]

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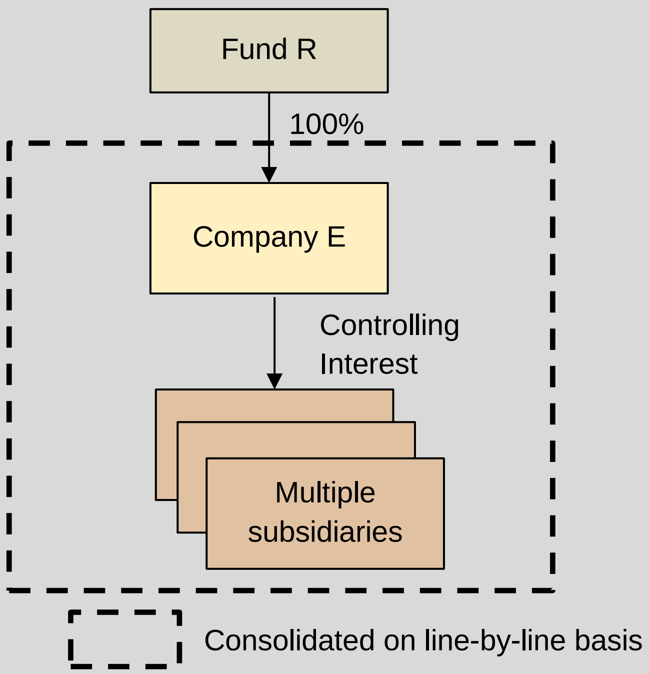
[69] Example based on paragraph 48 of the Commentary on Article 1 of the GloBE Rules.
[70] Article 1.8.1 of the QDMTT Legislation.

This means that an Entity that is a member of a Group that is held by an Investment Fund or a Real Estate Investment Vehicle can still meet the requirements to be a secondary Excluded Entity notwithstanding that the Investment Fund or Real Estate Investment Vehicle is not the UPE of that Group.[71]

Example 7: Excluded Entity held by a Real Estate Investment Vehicle that is not a Group Entity[72]

Fund R is an Investment Fund located in the UAE. Fund R wholly owns Company E, located in the UAE. Fund R does not prepare or would have been required to prepare, Consolidated Financial Statements in which it consolidates Company E on a line-by-line basis. Therefore, Fund R and Company E are not part of a Group.

Company E holds a Controlling Interest in various Entities across the world and prepares Consolidated Financial Statements for the MNE Group E.



Fund R does not prepare nor would have been required to prepare Consolidated Financial Statements in which it consolidates Company E on a line-by-line basis. Therefore, it is not the UPE nor a member of MNE Group E and, accordingly, it is not a primary Excluded Entity of such Group.

[71] See paragraph 45 of the Commentary on Article 1 of the GloBE Rules.

[72] Example based on paragraph 45 of the Commentary on Article 1 of the GloBE Rules.

Nevertheless, the ownership test is deemed to be met for Company E, since more than 95% of the value of Company E is owned by an Investment Fund.

5.1.2. Activities test

The activities test is divided into two sub-tests.[73] An Entity will satisfy the activities test if the Entity:

1. operates exclusively or almost exclusively to hold assets or invest funds for the benefit of the primary Excluded Entity (section 5.1.2.1), and/or
2. only carries out activities that are ancillary to the activities carried out by a primary Excluded Entity (section 5.1.2.2).

Although only one of the above sub-tests needs to be satisfied, the activities test will also be met if the Entity satisfies both of the above sub-tests.[74]

5.1.2.1. Holding assets or investing funds test

The Entity is required to operate exclusively or almost exclusively to hold assets or invest funds. There is no numeric or percentage threshold to determine whether the tested Entity operates "exclusively or almost exclusively" to hold assets or invest funds for the benefit of the primary Excluded Entity. Therefore, this phrase needs to be interpreted considering all the facts and circumstances.[75] As noted above, the tested Entity satisfies the activities test when its only activities are to perform functions that are ancillary to those of a primary Excluded Entity and to hold assets or invest funds for the benefit of a primary Excluded Entity.

Example 8: Holding assets and investing funds[76]

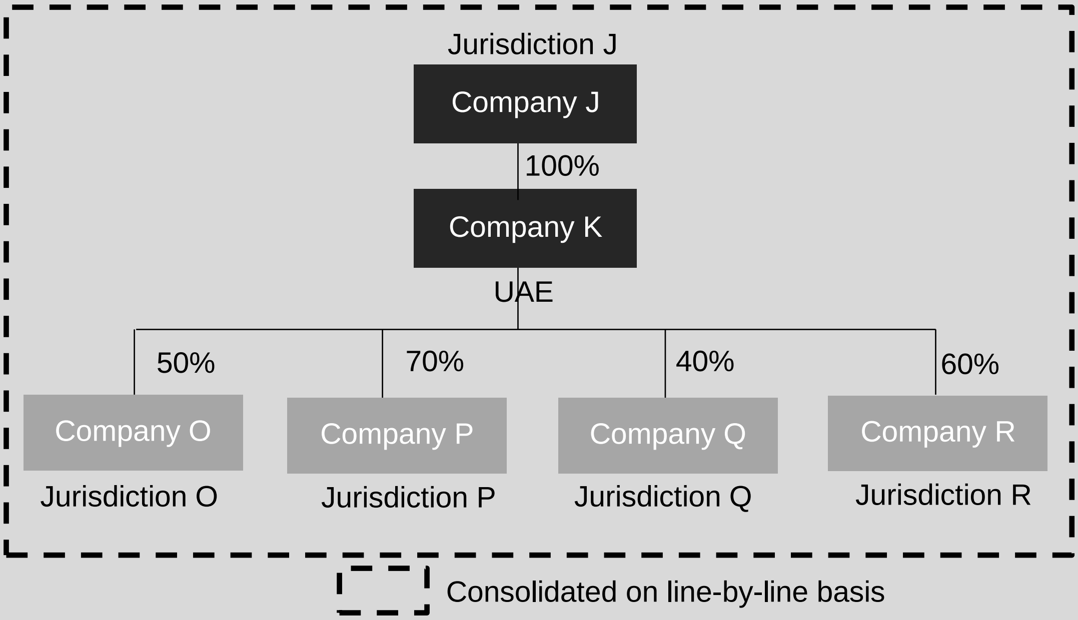
Companies J, K, O, P, Q and R, are all members of an in-scope MNE Group.

Company J, the UPE, is located in Jurisdiction J. It is an Investment Fund and a primary Excluded Entity. Company J wholly owns Company K.

Company K is located in the UAE. It is a special purpose vehicle that was formed to borrow funds from third parties to make direct acquisitions of assets, including ownership interests in operating companies. The diagram below shows the

[73] See paragraphs 52 to 54.1 of the Commentary on Article 1 of the GloBE Rules.
[74] See paragraph 54.1 of the Commentary on Article 1 of the GloBE Rules.
[75] See paragraph 53 of the Commentary on Article 1 of the GloBE Rules.
[76] Example based on paragraph 53 of the Commentary on Article 1 of the GloBE Rules.

percentage shareholdings of Companies O, P, Q and R that are held by Company K.



Company K is wholly-owned by Company J, an Investment Fund and a primary Excluded Entity and, therefore, meets the ownership test (section 5.1.1).

Company K's borrowings and acquisitions are treated as activities of holding assets and investing funds for the benefit of its primary Excluded Entity parent. Company K, therefore, meets the activity test.

Accordingly, Company K will be a secondary Excluded Entity.

5.1.2.2. Ancillary activities test

The activities test is met if the tested Entity only carries out activities that are ancillary to the activities carried out by a primary Excluded Entity. The ancillary activities test applies where activities that would otherwise be performed by a primary Excluded Entity are outsourced to a separate legal Entity owned (with at least 95% of ownership) by the primary Excluded Entity.[77]

[77] See paragraph 54 of the Commentary on Article 1 of the GloBE Rules.

Example 9: Conducting ancillary activities

Company F is a global health research organisation that was established by governments to prevent diseases. It meets the definition of an International Organisation and, accordingly, is a primary Excluded Entity.

Company F set up a wholly-owned subsidiary in the UAE, Company G. Company G's sole activity is developing health-oriented training programs for Company F.

On the basis that Company G provides services exclusively to a primary Excluded Entity (Company F), Company G satisfies the ancillary activities test.[78]

5.2. Second type of secondary Excluded Entity

The second type of secondary Excluded Entity is an Entity where at least 85% of the value of the Entity is owned (directly or through a chain of Excluded Entities), by one or more primary Excluded Entities (other than a Pension Services Entity) provided that substantially all of the Entity's income is Excluded Dividends or Excluded Equity Gains or Losses that are excluded from the computation of Pillar Two Income or Loss.[79]

Accordingly, the Entity must meet two tests: an ownership test (section 5.2.1) and an income test (section 5.2.2).

5.2.1. Ownership test

The guidance at section 5.1.1 applies here, except that the ownership threshold is lowered from 95% to 85%.[80]

5.2.2. Income test

The phrase "substantially all of its income" (i.e. all or almost all of its income) allows the tested Entity to receive a small amount of income other than Excluded Dividends or Excluded Equity Gains or Losses. There is no numeric or percentage threshold for this test, therefore, it should be interpreted considering the facts and circumstances of each case.[81]

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[78] See example at paragraph 54 of the Commentary on Article 1 of the GloBE Rules.
[79] Article 1.5.2(b) of the QDMTT Legislation.
[80] The reason for this lower threshold is explained in paragraph 55 of the Commentary on Article 1 of the GloBE Rules.
[81] See example in paragraph 56 of the Commentary on Article 1 of the GloBE Rules.

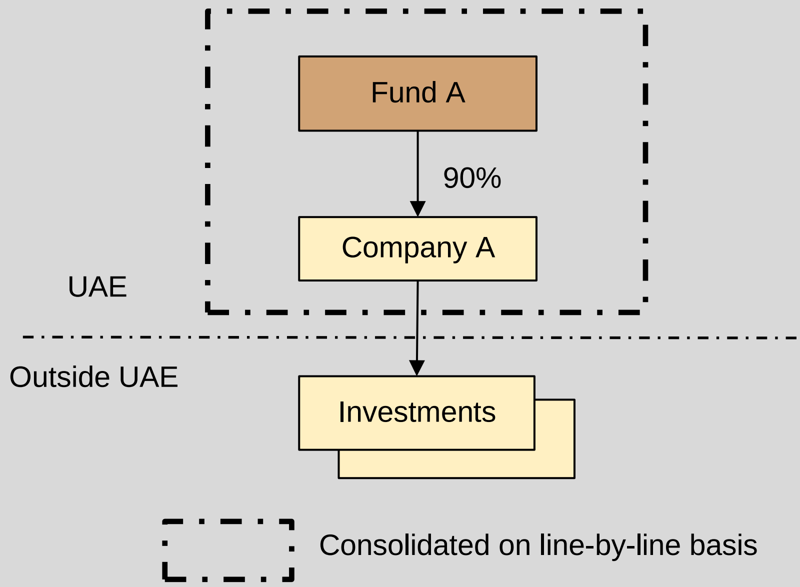
"Excluded Dividends" are dividends or other distributions paid on shares or other equity interests where:[82]

1. 10% or more of the Ownership Interests are held in the issuer, or
2. the Entity has held full economic ownership of the Ownership Interest for a period of 12 months or more.

"Excluded Equity Gains or Losses" encompass three categories of gains or losses attributable to an Ownership Interest:[83]

1. gains and losses from changes in fair value of an Ownership Interest (except where the Ownership Interest held is less than 10%),
2. profits or losses in respect of an Ownership Interest that are included in Financial Accounting Net Income or Loss under the equity method of accounting, and
3. gains and losses from disposition of an Ownership Interest (except where the Ownership Interest held is less than 10%).

Example 10: Second type of secondary Excluded Entity



Fund A and Company A are part of an in-scope MNE Group.

[82] Definition of Excluded Dividends in Article 18.1 of the QDMTT Legislation. See paragraph 36 of the Commentary on Article 3 of the GloBE Rules.

[83] Definition of Excluded Gains or Loss in Article 18.1 of the QDMTT Legislation. See paragraph 48 of the Commentary on Article 3 of the GloBE Rules.

Fund A, an Entity located in the UAE, meets the conditions to be an Investment Fund and, accordingly, is a primary Excluded Entity.

Fund A owns 90% of Company A. The remaining 10% of Company A is owned by third parties.

Fund A does not directly make investments. Instead, for commercial reasons, it makes investments through Company A.

Company A holds shares in various companies across various Jurisdictions. It does not, however, hold any Short-term Portfolio Shareholdings, i.e. all of the investments made by Company A are held for more than 12 months, and carry rights to at least 10% of the profits, capital, reserves and voting rights of the Entities.

Company A's main revenue streams are dividends and capital gains from disposals of shares. The dividends qualify as Excluded Dividends and the capital gains or losses qualify as Excluded Equity Gains or Losses. Company A also derives interest income from banks, but this income does not exceed 5% of its total income.

Ownership test: Fund A (a primary Excluded Entity) owns more than 85% of the value of Company A and, therefore, this test is met.

Income test: Substantially all of Company A's income is Excluded Dividends and Excluded Equity Gains or Losses. The interest income is an insignificant amount of Company A's overall income and, therefore, would not cause Company A to fail the income test.[84]

Accordingly, Company A qualifies as a secondary Excluded Entity.

[84] Paragraph 56 of the Commentary on Article 1 of the GloBE Rules.

6. Permanent Establishments of Excluded Entities

A Permanent Establishment is treated as a separate Constituent Entity from the Main Entity provided that the Main Entity qualifies as a Constituent Entity.[85] Accordingly, Permanent Establishments are subject to the Top-up Tax under the QDMTT Legislation in the same way as any other Constituent Entity.

However, the QDMTT Legislation also provides specific provisions regarding Permanent Establishments of a Main Entity that is an Excluded Entity.

6.1. Permanent Establishments of a primary Excluded Entity

Where a Main Entity is a primary Excluded Entity, its Permanent Establishments will also be treated as Excluded Entities and, therefore, these will not be considered a Constituent Entities.[86]

It follows that when determining whether the Main Entity meets the criteria to be a primary Excluded Entity, the activities undertaken by all of its Permanent Establishments should be considered.

Example 11: Permanent Establishment of a primary Excluded Entity

Company X is established and operated in Jurisdiction X as a not-for-profit making horticultural organisation.

Company X has a branch in the UAE that meets the definition of Permanent Establishment under the QDMTT Legislation.

The UAE branch is set up exclusively for selling merchandise, such as bags, t-shirts, coffee mugs, stationery etc. with the logo of Company X to raise funds for the organisation.

When considering whether or not an Entity meets the definition of a primary Excluded Entity, any Permanent Establishments are considered to be part of the Entity, on the basis that there is just one juridical person (the Entity).

[85] See Article 1.3.1(a) of the QDMTT Legislation.
[86] See Article 1.7.1 of the QDMTT Legislation.

Accordingly, when considering whether Company X is a Non-profit Organisation, the UAE branch, including its activities, should be taken into account. Where the business of the UAE branch is related to the purpose for which Company X was established, which is the case here, the business of the UAE branch would not prevent Company X from being a Non-profit Organisation.

If Company X meets all the conditions to be a Non-profit Organisation and, hence, a primary Excluded Entity, the UAE branch (a Permanent Establishment) would also be an Excluded Entity.

6.2. Permanent Establishments of a secondary Excluded Entity

For the purposes of determining whether a Main Entity is a secondary Excluded Entity, the activities undertaken by the Permanent Establishments of the Main Entity should be considered for the purposes of determining whether the Main Entity meets the relevant requirements. Where the requirements are met, the Permanent Establishments of the Main Entity will also be Excluded Entities.[87]

Where an Entity meets the definition of a secondary Excluded Entity based on the totality of the activities of the Entity, including the activities of all of its Permanent Establishments, the activities undertaken by the Permanent Establishment are not considered separate when applying the activities test or income test for the two types of secondary Excluded Entities.[88]

Example 12: Permanent Establishment of a secondary Excluded Entity

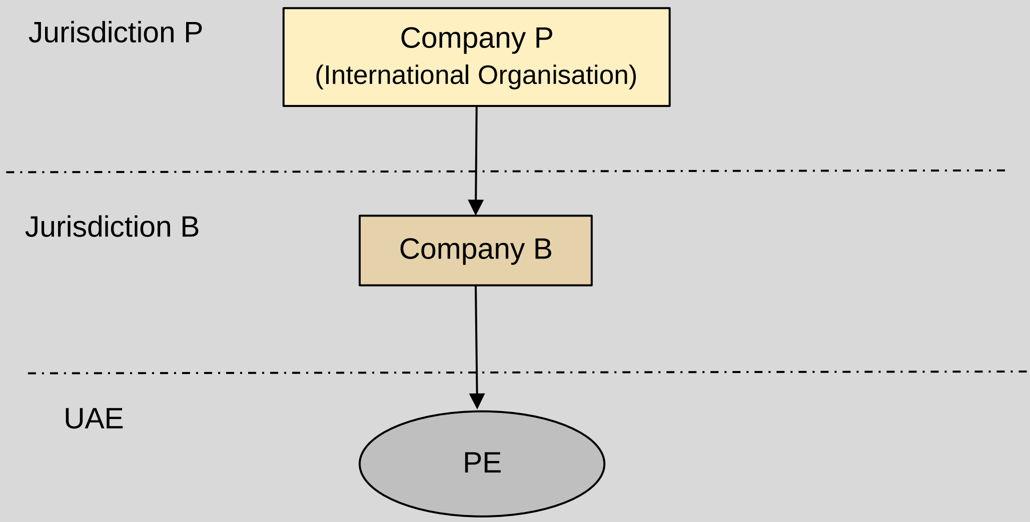
Company P, located in Jurisdiction P, meets all the criteria to be an International Organisation and, therefore, it is a primary Excluded Entity.

Company P has a wholly-owned subsidiary, Company B, located in Jurisdiction B, which operates exclusively to promote and raise awareness about the mission of Company P.

Company B has a branch office, located in the UAE, which is a Permanent Establishment under the QDMTT Legislation. This Permanent Establishment

[87] Article 1.7.2 of the QDMTT Legislation.
[88] See paragraph 43.1 of the Commentary on Article 1 of the GloBE Rules.

supports the promotional activities of Company B, but also provides marketing and consulting services to third parties.



In order to determine whether Company B is a secondary Excluded Entity, two tests must be considered.

The first test, i.e. the ownership test, is met because Company B is wholly-owned by a primary Excluded Entity.

For the second test, i.e. the activities test, the activities undertaken by Company B's Permanent Establishment in the UAE should be considered alongside the activities undertaken by Company B. While Company B operates exclusively to promote and raise awareness about the mission of the primary Excluded Entity (Company P, the International Organisation), Company B's Permanent Establishment in the UAE provides services to third parties. Since these services are not ancillary to the activities carried out by the primary Excluded Entity, Company B (as a whole) does not meet the activities test and, accordingly, is not a secondary Excluded Entity.

Since Company B is not an Excluded Entity, its Permanent Establishment in the UAE is also not an Excluded Entity.

7. Entities held by a Non-profit Organisation

A Non-profit Organisation is an Excluded Entity under the QDMTT Legislation (section 4.2).

An Entity will be treated as an Excluded Entity provided that the following conditions are met: [89]

1. 100% of its value is owned directly or indirectly by one or more Non-profit Organisations,
2. the aggregate revenue of the Group of which the Entity is a member is less than EUR 750 million if the revenue of the Non-profit Organisations and secondary Excluded Entities were ignored, and
3. the revenue of the Entity and all other Entities that are not Non-Profit Organisations and are not secondary Excluded Entities is less than 25% of the revenue of the MNE Group.

Each of these three conditions, which must all be met, is explained below – see sections 7.1 to 7.3.

There is no activity test included in the relevant conditions, thus, the actual activities carried out by wholly-owned subsidiary Entities of Non-profit Organisations are not relevant.[90]

Where the three conditions are met, such that an Entity is treated as an Excluded Entity, a Filing Constituent Entity may elect not to treat the Entity as an Excluded Entity[91] – see section 8.

Under the QDMTT Legislation, an Entity may fall within the definition of both a Non-profit Organisation and a Governmental Entity. In this situation, the wholly-owned subsidiaries of the Entity can still apply this special provision.

7.1. Ownership condition

The ownership condition requires that 100% of the Entity's value is owned directly or indirectly by one or more Non-profit Organisations.[92]

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[89] Articles 1.9.1 of the QDMTT Legislation. The reason for treating these Entities as Excluded Entities is explained in paragraph 54.2 of the Commentary on Article 1 of the GloBE Rules.

[90] See paragraph 54.3 of the Commentary on Article 1 of the GloBE Rules.

[91] Article 1.5.3 of the QDMTT Legislation.

[92] Article 1.9.1(a) of the QDMTT Legislation.

The guidance in sections 5.1.1.1, 5.1.1.2 and 5.1.1.3 on determination of “value of Entity owned directly or indirectly” applies here, except that the ownership threshold is increased from 95% to 100%.

7.2. Non-Excluded Entities revenue condition

The second condition requires that the aggregate revenue of the Group of which the Entity is a member is less than EUR 750 million if the revenue of the Non-profit Organisations and secondary Excluded Entities were ignored.[93]

The condition has to be applied for each relevant Fiscal Year. If a Fiscal Year of the MNE Group is a period other than 12 months, the computation must be adjusted proportionally to correspond to the length of the relevant Fiscal Year.[94]

To apply the condition, the starting point should be the annual revenue in the Consolidated Financial Statements of the MNE group for the relevant Fiscal Year. This annual revenue should then be reduced by the revenue (i.e. the post-consolidation amount from the Consolidated Financial Statements) of any Non-profit Organisations and their secondary Excluded Entities. If the balance is less than EUR 750 million, the condition is met.

Where the revenue of the Group is calculated in a currency other than EUR, the relevant amounts must be converted into EUR using the average of the daily reference rates of the month of December prior to the commencement of the relevant Fiscal Year, as quoted by:[95]

1. the European Central Bank,
2. where the European Central Bank does not provide a foreign exchange reference rate for the local currency of a Jurisdiction, the average foreign exchange rate determined by that quoted by the Central Bank of the UAE, and
3. if neither the European Central Bank nor the Central Bank of the UAE quotes a daily rate of exchange in respect of the two currencies, the foreign exchange rate determined by another source acceptable by the FTA.

With respect to (3), the foreign exchange rate to be used is one that appears, on a just and reasonable basis, to reflect the average exchange rate for the month. For example, the rates published by the central bank that issues the currency in which the Consolidated Financial Statement is prepared, may be used.

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93 See Article 1.9.1(b) of the QDMTT Legislation.

94 Article 1.9.2 read together with Article 1.1.2 of the QDMTT Legislation.

95 Article 10.6 of the QDMTT Legislation.

7.3. Percentage of non-Excluded Entity revenue condition

The last condition requires that the revenue of the tested Entity and all other Entities that are not Non-Profit Organisations and are not secondary Excluded Entities, is less than 25% of the revenue of the MNE Group.[96]

To apply this condition, the revenue amount that is determined in section 7.2 should be divided by the consolidated revenue from the Consolidated Financial Statements of the MNE Group. If the result is less than 25%, the condition is met.

Example 13: Subsidiaries of a Non-profit Organisation

Company T is established and operates in Jurisdiction T for charitable purposes. It meets the criteria to be a Non-profit Organisation, and a primary Excluded Entity.

Company T wholly owns a subsidiary, Company S, located in Jurisdiction S. Company S only conducts activities that are ancillary to the charitable activities conducted by Company T. Company S meets the conditions to be a secondary Excluded Entity.

Company S wholly owns two subsidiaries, Company P and Company K, both located in the UAE. These subsidiaries are engaged in commercial activities that are not related to Company T's charitable activities. The revenue of both subsidiaries is primarily from their commercial activities.

Company P and Company K are indirectly wholly-owned by a primary Excluded Entity, however, these Entities conduct commercial activities and, therefore, do not meet all the tests to be a secondary Excluded Entity (section 5). Company T prepares Consolidated Financial Statements where the financial results of Company S, P and K are consolidated on a line-by-line basis.

Company T, S, P and K are members of an in-scope MNE Group.

For the Fiscal Year 2026, the revenue of these Entities is shown below:

[96] Article 1.9.1(c) of the QDMTT Legislation.

Entity	Third party revenues (Amount in EUR millions)	Intra-group revenues (Amount in EUR millions)	Total (Amount in EUR millions)
Company T *(Non-profit Organisation and primary Excluded Entity)*	600	0	600
Company S *(secondary Excluded Entity)*	0	100	100
Company P	100	300	400
Company K	200	200	400
Total	**900**	**600**	**1500**

The total revenue of the Consolidated Financial Statements of the MNE Group is EUR 900 million.

Regarding the specific provision for wholly-owned Entities held by Non-profit Organisations:

- The ownership condition is satisfied given that Company P and Company K are indirectly wholly-owned by a Non-profit Organisation.

- For the non-Excluded Entity revenue condition, the consolidated revenue of the MNE Group is EUR 900 million, from which the revenue of Company T and S (i.e. the Non-profit Organisation and its secondary Excluded Entity) is EUR 600 million and the revenue from non-Excluded Entities is EUR 300 million (EUR 900 less EUR 600). The aggregate revenue of the Group, excluding the revenue of the Non-profit Organisation (Company T) and the secondary Excluded Entity (Company S), is less than EUR 750 million, so the condition is met. The intra-group revenues are ignored since the revenue is sourced from the Consolidated Financial Statements.

- For the percentage of non-Excluded Entity revenue condition, the calculation is 300 million / 900 million = 33.3%.
  Since the combined revenue of Company P and Company K is more than 25% of the revenue of the MNE Group, this condition is not met.

Accordingly, Company P and Company K do not qualify as Excluded Entities.

8. Election to not be an Excluded Entity

A Filing Constituent Entity may elect not to treat the following Entities as an Excluded Entity:[97]

- An Entity that meets the conditions to be a secondary Excluded Entity (section 5).
- An Entity that is wholly-owned by one or more Non-profit Organisations and meets the relevant conditions to be treated as an Excluded Entity (section 7).

Where an election is made, the Entity will be treated as a Constituent Entity and will be subject to the QDMTT Legislation. Accordingly, the Entity is required to register for Top-up Tax purposes.[98]

This is a Five-Year election.[99] The election should be made by a Filing Constituent Entity. Thus, where a Domestic Designated Filing Entity is appointed by the relevant Group (i.e. a Domestic Main Group or a Domestic JV Group), the election should be made by the Domestic Designated Filing Entity. However, where no Domestic Designated Filing Entity is appointed, the election should be made by the relevant Entity.

The election applies on an Entity-by-Entity basis. For example, if a Domestic Main Group has two secondary Excluded Entities, an election can be made to treat just one of them as not an Excluded Entity, i.e. the election does not have to cover both.

[97] Article 1.5.3 of the QDMTT Legislation.

[98] For further guidance, refer Top-up Tax Guide Scope and Registration TTGREG1.

[99] Article 1.5.3 of the QDMTT Legislation. The meaning and application of the Five-Year election is explained in paragraph 19 of the Commentary on Article 10 of the GloBE Rules.

9. Investment Entities

An Investment Entity means:[100]

1. an Investment Fund, a Real Estate Investment Vehicle or Insurance Investment Entity,
2. an Entity that is at least 95% owned directly by an Entity described in (1) or through a chain of such Entities and that operates exclusively or almost exclusively to hold assets or invest funds for the benefit of such Investment Entities, and
3. an Entity where at least 85% of the value of the Entity is owned by an Entity referred to in (1), provided that substantially all of the Entity's income is Excluded Dividends or Excluded Equity Gain or Loss that is excluded from the computation of Pillar Two Income or Loss.

In this guide, an Entity that falls under (1) above is referred to as a "primary Investment Entity", and an Entity that falls under category (2) or (3) above is referred to as a "secondary Investment Entity".

For guidance on primary Investment Entities, see section 9.1.

For guidance on secondary Investment Entities, see section 9.2.

9.1. Primary Investment Entities

An Investment Fund, a Real Estate Investment Vehicle or Insurance Investment Entity is classified as a primary Investment Entity for the purposes of the guide.

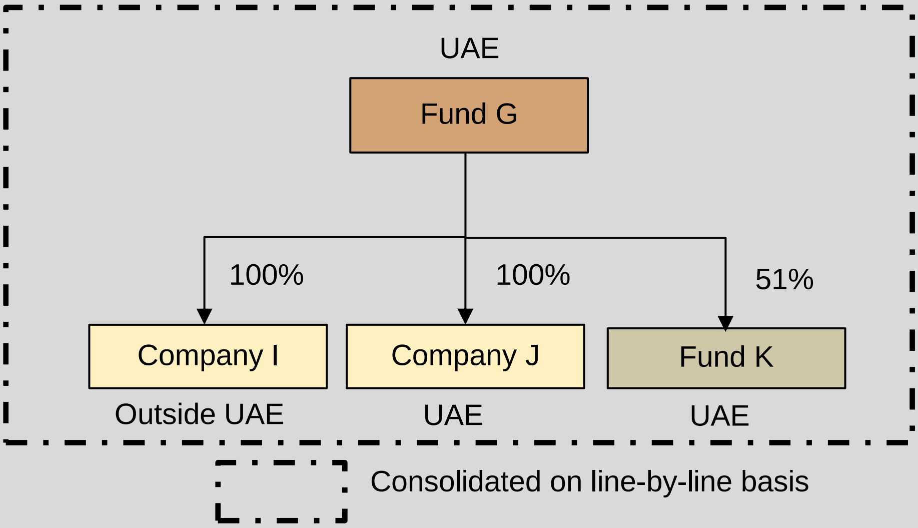
9.1.1. Investment Fund and Real Estate Investment Vehicle

For guidance on the meaning of an Investment Fund and a Real Estate Investment Vehicle, see sections 4.4 and 4.5, respectively.

An Investment Fund or a Real Estate Investment Vehicle that is the UPE of an MNE Group will be an Excluded Entity. The classification of an Investment Fund or a Real Estate Investment Vehicle as an Investment Entity is, therefore, only relevant when these Entities are not a UPE of an MNE Group.

[100] Definition of Investment Entity in Article 18.1 of the QDMTT Legislation.

Example 14: Investment Fund that is a UPE holds an investment in another Investment Fund



An Entity located in the UAE, Fund G, meets the conditions to be an Investment Fund. No Entity has a Controlling Interest of Fund G.

Fund G wholly owns Company I and Company J:

- Company I is located outside the UAE,
- Company J is located in the UAE, and operates exclusively to hold assets for the benefit of Fund G.

Fund G also owns 51% of the shares of an Entity located in the UAE, Fund K, which also meets the conditions to be an Investment Fund.

Fund G consolidates the financial results of Companies I, J and K on a line-by-line basis. Hence, Fund G is the UPE of an MNE Group. The MNE Group is an in-scope MNE Group.

Since Fund G is an Investment Fund that is a UPE, it is a primary Excluded Entity (section 4.4).

Company J is wholly-owned by a primary Excluded Entity and operates exclusively to hold assets for a primary Excluded Entity. Hence, Company J is a secondary Excluded Entity (section 5.1).

Fund K is an Investment Fund but only 51% of its value is owned by a primary Excluded Entity, therefore it is not a secondary Excluded Entity (section 5). However, since Fund K is an Investment Fund (that is not a UPE), it is a primary Investment Entity, and as such, it is not subject to the Top-up Tax.

9.1.2. Insurance Investment Entity

An insurance company does not normally fall within the definition of an Investment Fund. However, insurance companies typically invest in funds to generate income which can be used to settle claims made by insurance policyholders. Such a fund could be considered an Investment Entity where certain conditions are met such that it falls within the definition of an Insurance Investment Entity.

An Insurance Investment Entity means an Entity that meets following 2 conditions:

1. would meet the definition of an Investment Fund or Real Estate Investment Vehicle except that it is established in relation to liabilities under an insurance or annuity contract, and
2. is wholly-owned by an Entity or by a number of Entities which are all members of the same MNE Group, that are subject to regulation in its location as an insurance company.

The Entities referred to in condition (2) of this definition also include Flow-through Entities, provided that they are subject to regulations in the same manner as an insurance company.[101]

This definition requires the Entity to meet the definition of Investment Fund or Real Estate Investment Vehicle, except that it modifies the ownership conditions of such definitions by establishing that the Entity can be wholly-owned by an Entity or number of Entities that are members of the same MNE Group that are subject to regulations applicable to insurance companies in the jurisdiction where they are located.

9.1.2.1. Condition 1: meets definition of Investment Fund or Real Estate Investment Vehicle

The first condition requires the insurance company to meet the definition of an Investment Fund or Real Estate Investment Vehicle. However, given that the ownership condition is modified under condition (2), it should be read in a way that fits the context of an Entity that performs investment activities for the benefit of a regulated

[101] Definition of an Insurance Investment Entity in Article 18.1 of the QDMTT Legislation.

insurance company or a number of regulated insurance companies which are all members of the same MNE Group.

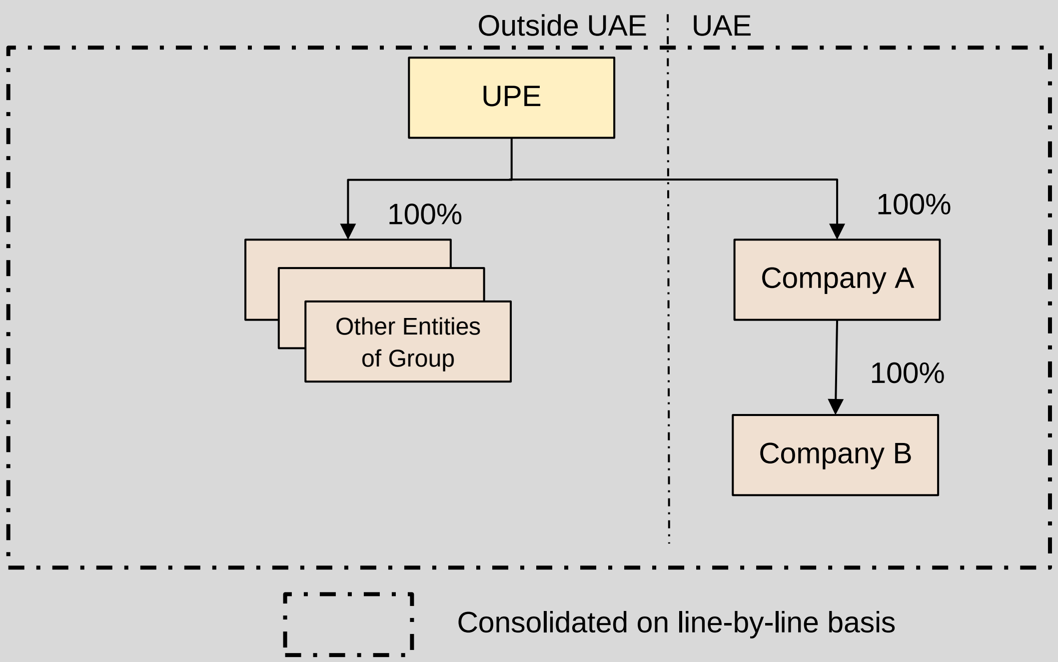
Accordingly, the condition in the definition of an Investment Fund that requires the fund to pool assets from a number of investors shall be overridden by condition (2). Similarly, the condition of the definition of Real Estate Investment Vehicle that requires the Entity to be widely held is overridden by condition (2).

Subject to the above, an Entity must meet the other conditions for an Investment Fund (section 4.4) or a Real Estate Investment Vehicle (section 4.5).

9.1.2.2. Condition 2: ownership condition

The example below provides an illustration of this condition.

Example 15: Insurance Investment Entity



Company A, located in the UAE, is subject to regulation in the UAE as an insurance company. It is a Constituent Entity of an in-scope MNE Group and, is therefore, subject to the charging provision of the QDMTT Legislation.

Company A wholly owns Company B, also located in the UAE. Company B is the investment arm of Company A, investing the insurance premiums and fees collected by Company A from insurance policyholders to generate income which can be used to settle claims made by policyholders. Accordingly, Company B is established in relation to liabilities that an insurance company has under an insurance or annuity contract.

Company B meets the ownership condition since it is wholly-owned by an Entity that is subject to regulation in its location (the UAE) as an insurance company.

Company B will be classified as an Insurance Investment Entity and an Investment Entity if it meets the definition of Investment Fund or Real Estate Investment Vehicle, without regards to the ownership conditions in such definitions. If Company B is classified as an Investment Entity, it will not be covered under the charging provision of the QDMTT Legislation.

9.2. Secondary Investment Entities

There are two types of secondary Investment Entities:[102]

- First type: An Entity that is at least 95% owned directly by a primary Investment Entity or through a chain of such Entities, and that operates exclusively or almost exclusively to hold assets or invest funds for the benefit of such primary Investment Entities.
- Second type: An Entity where at least 85% of the value of the Entity is owned by a primary Investment Entity provided that substantially all of the Entity's income is Excluded Dividends or Excluded Equity Gain or Loss that is excluded from the computation of Pillar Two Income or Loss.

9.2.1. First type of secondary Investment Entity

The Entity must meet two tests: an ownership test and an activities test.

9.2.1.1. Ownership test

The ownership test is similar to the ownership test for the first type of secondary Excluded Entity, see section 5.1.1.1, except that for the first type of secondary Excluded Entity, one or more primary Excluded Entities should hold at least 95% of value of the Entity. However, for the first type of secondary Investment Entity, only one primary Investment Entity should hold at least 95% of the Entity.

Additionally, in the case of the first type of secondary Excluded Entity, the definition permits ownership through a chain of Excluded Entities that can be primary or

[102] Definition of an Insurance Investment Entity in Article 18.1 of the QDMTT Legislation.

secondary Excluded Entities. By contrast, for the first type of secondary Investment Entity, the chain of Entities through which the tested Entity is held have to be Investment Funds, Real Estate Investment Vehicles, or Insurance Investment Entities. The tested Entity cannot be held through secondary Investment Entities.

9.2.1.2. Activities test

This activities test is similar to the activities test for the first type of secondary Excluded Entity, except that it does not include the second subtype in which the Entity only carries activities that are ancillary to those carried out by the Excluded Entity or Entities. Therefore, the guidance at section 5.1.2 in relation the first subtype (i.e. Entity that operates exclusively or almost exclusively to hold assets or invest funds for the benefit of the Excluded Entity or Entities) also applies for this activities test.

9.2.2. Second type of secondary Investment Entity

The Entity must meet two tests: an ownership test and an income test.

9.2.2.1. Ownership test

The ownership test here is different from the ownership test for the second type of secondary Excluded Entity (section 5.2.1):

- For the second type of secondary Excluded Entity, one or more primary Excluded Entities can own 85% of the value of the Entity. However, for the second type of secondary Investment Entity, 85% of the value of the Entity should be owned by one primary Investment Entity.
- For the second type of secondary Excluded Entity, the primary Excluded Entity can own 85% value of the Entity indirectly through a chain of Excluded Entities. However, for the second type of secondary Investment Entity, the primary Investment Entity should directly own 85% of the value of the Entity, i.e. the Entity cannot be indirectly held by a primary Investment Entity.

9.2.2.2. Income test

The income test is similar to the income test for the second type of secondary Excluded Entity, therefore, the guidance at section 5.2.2 is relevant here as well.

10. Practical effects of being an Excluded Entity or Investment Entity

There are three practical effects for an Entity that is an Excluded Entity or Investment Entity.

First, an Excluded Entity or an Investment Entity located in the UAE is not subject to the charging provision of the QDMTT Legislation.[103]

Second, in the case of an Excluded Entity, its attributes such as, profits, losses, taxes accrued, tangible assets, and payroll expenses, are removed from the various computations under the QDMTT Legislation.[104] While the Investment Entity located in the UAE is not covered under the charging provision of the QDMTT Legislation, its attributes may be included in the calculations under the QDMTT Legislation in relation to its Constituent Entity-owners,[105] if an election is made by the Constituent Entity-owners. The tax impact in the hands of the Constituent Entity-owners is not covered in this guide.

In both cases, the revenue of an Excluded Entity and an Investment Entity should be taken into account in applying the consolidated revenue threshold. The QDMTT Legislation applies to Constituent Entities that are members of an MNE Group that has annual revenue of EUR 750 million or more in the Consolidated Financial Statements of the UPE, in at least two of the four Fiscal Years immediately preceding the tested Fiscal Year.[106] An Excluded Entity or an Investment Entity will qualify as a Group Entity for the purposes of determining the revenue threshold to the extent its revenue is consolidated in the Consolidated Financial Statements of MNE Group. Thus, the revenue of an Excluded Entity and an Investment Entity should be taken into account in applying the consolidated revenue threshold.[107]

Finally, an Excluded Entity and an Investment Entity do not have any administrative obligations under the QDMTT Legislation. For instance, they are not required to

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[103] Paragraph 37.a of the Commentary on Article 1 of the GloBE Rules and Article 2.3 of the QDMTT Legislation.

[104] Paragraph 37.b of the Commentary on Article 1 of the GloBE Rules.

[105] Under Articles 7.3 (Investment Entity Tax Transparency Election) and 7.4 (Taxable Distribution Method Election) of the QDMTT Legislation.

[106] Article 1.1.1 of the QDMTT Legislation.

[107] Paragraph 12 of the Commentary on Article 1 of the GloBE Rules for guidance on Excluded Entity.

register with the FTA for Top-up Tax purposes, they do not have to file a Top-up Tax Return, nor do they have to file a Pillar Two Information Return. However, a Pillar Two Information Return will still need to be filed (by another Entity) for the MNE Group, and in that Pillar Two Information Return, information on the overall corporate structure of the MNE Group is required, which should include the information relating to all Excluded Entities and Investment Entities in the MNE Group. However, information relating to the income, taxes, assets, etc. of the Excluded Entities should not be reported in the Pillar Two Information Return.[108]

108 Article 15.2 of the QDMTT Legislation and Paragraph 37.c of the Commentary on Article 1 of the GloBE Rules.

11. Updates and Amendments

Date of amendment	Amendments made
August 2026	• First version