



Sharjah Emirate Law No. 3 of 2025: **Taxation of extractive and non extractive natural resources business**

Key Takeaways

March 2025



Sharjah Emirate Law No. 3 of 2025

On 13 February 2025, Law No. (3) of 2025 ("the Law") on "Taxation of extractive and non-extractive natural resources companies operating in Sharjah" was issued. This Law specifies the principles governing taxability of the relevant companies and activities, tax calculation, filing and payments, and other tax matters. The below summary is based on the unofficial translation of the Arabic version.

Key highlights

- **Effective date:** The Law is effective from the date of its issuance (13 February 2025) and annuls any previous law or legislation that may contradict it.
- **The first period that the Law applies to must still be clarified**, e.g. if the first fiscal year will be 1 Jan to 31 Dec 2025.
- **Definitions:** Several key definitions seem to be **similar** to the definitions in the UAE Federal Corporate Tax ("CT") Law. Three critical definitions to highlight are:
 - **Natural Resources ("NR")** definition lists several categories of NR without specifying their place of origin.
 - **Extractive Business** definition specifies that the exploration, extraction, removal, production, and exploitation (or any other activities to benefit from) are in relation to "**NR of Sharjah**".
 - **Non-Extractive Business** definition includes businesses or activities related to the separation, processing, purification, refining, storage, transportation, marketing, or distribution of "**NR**", but does not limit the definition to "**NR of Sharjah**".
- **Applicability of the Law and tax rate:**
 - The Law applies to all companies engaged in Extractive and Non-Extractive Business **licensed in Sharjah**.
 - **Tax applies at 20% on tax base.**
 - What is important is that **a credit will be available for the UAE Federal CT** paid in accordance with UAE CT Law.
- **Tax base:**
 - **Extractive Business:** based on the total share of the value of the produced oil and gas according to a formula agreed with the Sharjah Petroleum Department.
 - **Non-Extractive Business:** based on the net taxable profits (based on internationally applied accounting standards) with adjustments for (1) 20% depreciation for non current assets (a different rate can be used if approved by the Sharjah Finance Department) and (2) tax losses (which can be carried forward indefinitely).
- **Tax filings and payments:**
 - **Extractive Business:** tax filing and payments are based on mechanisms and deadlines specified in the relevant agreements with the Sharjah Petroleum Department.
 - **Non-Extractive Business:** tax payment is due to Sharjah Finance Department within 9 months after the end of the fiscal year (it is not yet clear if return is due within the same time period).
- **Tax return:** Forms and procedures to specified by each Department, including any schedules or attachments.
- **Tax audits:** The Law specifies the duties and procedures associated with the tax audits.
- **Document retention:** Taxpayers should retain all records and documents for a period of 7 years.

Key takeaways and next steps

While further guidance is required in respect of the application of the Law to Non-Extractive Business companies licensed in Sharjah (including Sharjah Free Zones) as well as the interaction with the UAE Federal CT Law, companies with Extractive and/or Non-Extractive Businesses in Sharjah must start assessing the impact of the Law. This must not only be considered from a Sharjah local taxation point of view, but also for the purposes of any UAE Federal CT exemption as well as Pillar Two and Domestic Minimum Top-Up Tax (DMTT).

For further assistance, you can reach us at CT.UAE@pwc.com.



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