



UAE Research & Development Tax Credit

March 2026

A decorative graphic consisting of two overlapping orange parallelograms. The first parallelogram is on the left, and the second one is on the right, overlapping the first one's right side.

In brief

On 18 March 2026, the Ministry of Finance ("MoF") published Cabinet Decision No. 215 of 2025 ("CD 215") and Ministerial Decision No. 24 of 2026 ("MD 24") introducing an "R&D Tax Credit framework" for the purposes of UAE Corporate Tax Law ("CT Law") and the imposition of Top-up Tax on MNEs ("Pillar 2"). The decisions are effective for Tax Periods or Fiscal Years commencing on or after **1 January 2026**. This development marks a significant step towards **advancing the UAE's strategic objective of positioning itself as a global hub for advanced industries and emerging technologies**.

The MoF has described the current framework as '**Phase 1**', signalling **potential enhancements** including in the form of refundable tax credits and/or expanding the level of Qualifying R&D Expenditure **in Phase 2** based on insights gathered from Phase 1.

Key highlights

The R&D Tax Credit is available for UAE Juridical persons, including Free Zone Persons, and foreign juridical persons with a Permanent Establishment in the UAE, provided they are subject to UAE Corporate Tax ("CT") or Top-up Tax. Entities not subject to UAE CT or Top-up Tax, and those that have elected for Small Business Relief ("SBR"), cannot avail of the R&D Tax Credit.

We have summarised the key highlights of the R&D Tax Credit below:

1. R&D Tax Credit

- MD 24 introduces tiered R&D Tax Credit rates on Qualifying R&D Expenditure, subject to meeting a two-fold eligibility conditions as set out below:

Maximum Qualifying R&D expenditure	Average number of R&D Staff	R&D Tax Credit Rate
First AED 1 million	At least 2	15%
The portion exceeding AED 1 million and up to AED 2 million	At least 6	35%
The portion exceeding AED 2 million and up to AED 5 million	At least 14	50%

- Under Phase 1, the R&D Tax Credit is capped at AED 2 million per Tax Period or Fiscal Year and can be used to offset UAE CT and/or Top-up Tax liabilities.

2. R&D Activities

- The R&D Tax Credit is available in respect of Qualifying R&D Activities conducted in the UAE that form part of a Qualifying R&D Project and meet the below requirements. Importantly, the assessment of whether an activity constitutes a Qualifying R&D Activity must be undertaken by reference to the Frascati Manual issued by the OECD.
 - a) Novel
 - b) Creative
 - c) Uncertain
 - d) Systematic
 - e) Transferable or reproducible
- Any activity conducted in the fields of social sciences, humanities and the arts are excluded R&D activities.

3. Qualifying R&D Expenditure

- Qualifying R&D Expenditure includes staff cost, consumables, subcontracting cost, arm's length cost attributable under cost contribution arrangement, and associated capitalised cost in respect of internally generated intangibles.
- Additional conditions are set out in the CD 215 in respect of Qualifying R&D Expenditure, including the following:
 - a) R&D Projects with a minimum R&D Expenditure of AED 500,000 (excluding 30% uplift on staff cost) per project are eligible for availing R&D Tax Credit.
 - b) Expenditure must be wholly and exclusively incurred for Qualifying R&D Activities, however, where incurred for multiple purposes, only the portion incurred wholly and exclusively should be considered.
 - c) Qualifying R&D Expenditure should be a deductible expenditure, except capitalised expenditure in respect of internally generated intangibles.
 - d) Excludes the portion that is directly or indirectly funded by a Grant.
 - e) Qualifying R&D Expenditure is not subject to any other incentive, credit, exemption, or relief.

4. Pre-approval and compliance process

- An application must be submitted to The Emirates Research and Development Council (the "Council") in the prescribed form and manner to obtain pre-approval for each Qualifying R&D Project. The Council is yet to notify the form and manner of submitting the applications including timelines for granting approval.
- The R&D Tax Credit claim must then be submitted as part of the Tax Return filing, along with documents set out in CD 215, such as management declaration, audited financial statements, and a breakdown of Qualifying R&D Expenditure.
- The Council may also set out additional compliance requirements, including a request for R&D Project progress.

5. Other considerations

- The R&D Tax Credit must be utilised first against UAE CT liability and then against Top-up Tax liability, if any. The unutilised portion can be carried forward or transferred to another person, subject to meeting the conditions. The unutilized R&D Tax Credit of an entity joining Pillar Two Domestic Group may offset the Top-up Tax liability of the Group.
- Where the conditions of R&D Project are not continuously met in whole or part, any R&D Tax Credit in respect of that R&D Project must be repaid, if utilised and the unutilised portion must be forfeited. When the R&D credit was used to reduce Top-up Tax liability, all constituent entities, JVs are jointly and severally liable for the clawed back amount.
- Whilst the unutilised R&D Tax Credit is available for the transferee in a case of transfer of a Business, a claw back provision may trigger if the said business is discontinued within 2 years of the transfer.
- The decisions also set out anti-abuse provisions including in the context of artificial separation of business to avail R&D Tax Credit.

Key takeaways

- R&D Tax Credits under phase 1 are non-refundable in nature with a scope for expansion during phase 2.
- Whilst the timelines and manner of submitting the pre-approval application is yet to be notified, lessons learnt from mature R&D regimes and the guidance provided under the Frascati manual should be considered as a starting point to identify the eligible projects and prepare necessary technical documentation.
- Assessing the availability and preparing the necessary technical papers to avail the R&D Tax Credit should be the key priorities for businesses considering the short deadlines.
- Broader integration between tax, finance, legal and R&D functions is critical for evaluating the eligible projects, preparing the technical documents and maintaining the breakdown of eligible R&D Expenditure.
- Existing R&D Cost Contribution Arrangements should also be evaluated from a Transfer Pricing perspective to determine the portion of costs that qualify as Qualifying R&D Expenditure.
- Having regard to the specific terms of the R&D Tax Credits under Phase 1, their classification and impact on DMTT calculations and the resultant Top-up Tax amount would require careful assessment, especially in view of the Substance-based Tax Incentives safe harbour introduced by the OECD Side-by-Side package.

Contact us

For further assistance, you can reach us at CT.UAE@pwc.com or your dedicated PwC tax contact:



Charles Collett

UAE Corporate Tax Partner
charles.collett@pwc.com



David van der Berg

Corporate International Tax Partner
david.van.der.berg@pwc.com



Peter Maybrey

Senior Executive Advisor
peter.m.maybrey@pwc.com



Ekaterina Koropova

Senior Executive Advisor
ekaterina.k.koropova@pwc.com



Thank you

About PwC

At PwC, our purpose is to build trust in society and solve important problems. We're a network of firms in 151 countries with nearly 364,000 people who are committed to delivering quality in assurance, advisory and tax services. Find out more and tell us what matters to you by visiting us at www.pwc.com.

Established in the Middle East for over 40 years, PwC Middle East has 30 offices across 12 countries in the region with around 12,000 people. (www.pwc.com/me).

PwC refers to the PwC network and/or one or more of its member firms, each of which is a separate legal entity. Please see www.pwc.com/structure for further details.

© 2026 PwC. All rights reserved