

United Arab Emirates – Tax Alert on Exemption of Certain Sports Entities from Corporate Tax

11 February 2026

UAE Cabinet Decision No. 1 of 2026 Exempts Certain Sports Entities from Corporate Tax

The UAE Cabinet has issued Cabinet Decision No. 1 of 2026 providing a Corporate Tax exemption for qualifying International Sports Entities, Sports Entities, and Ancillary Entities under the UAE Corporate Tax regime.

The Decision clarifies the categories of eligible entities and sets out the conditions that must be satisfied in order to qualify for the exemption, including restrictions on business activities and strict limitations on the use of income and assets.

Importantly, the Decision is effective retrospectively from 1 June 2023, aligning with the introduction of the UAE Corporate Tax regime.

1. International Sports Entity

An International Sports Entity is a juridical person, association, federation, council, committee, or similar organization whose principal objective is the promotion, administration, or development of one or more sports at the international or regional level.

Recognition must be obtained from the Ministry of Sports, the Competent Authority, the International Olympic Committee, the International Paralympic Committee, the Olympic Council of Asia, or another prescribed authority.

Eligibility Requirements

- Must act as the international or regional governing or coordinating body.
- Formally recognized by an approved authority
- Activities to align with sporting objectives

2. Sports Entities

A Sports Entity is a juridical person that is wholly owned and controlled, directly or indirectly, by an International Sports Entity.

Its principal objective must be the promotion, administration, or development of sports, and it must be recognized by or registered with the Ministry of Sports or the relevant Competent Authority.

Ownership and Control Test

- Must be wholly owned and controlled by an International Sports Entity.
- Cannot operate independently of its parent sports body.
- Must satisfy local recognition or registration requirements.

3. Ancillary Entity

An Ancillary Entity is a juridical person wholly owned and controlled, directly or indirectly, by an International Sports Entity.

It must be established solely to carry out activities that are ancillary in nature, including administrative or operational functions supporting the sports structure.

Operational Limitation

- Activities must be purely supportive in nature.
- Cannot undertake independent commercial business activities.
- Must operate solely to support the International Sports Entity or its Sports Entity.

4. Corporate Tax Exemption Conditions

Activity Restrictions

An International Sports Entity, Sports Entity, or Ancillary Entity must not conduct a Business or Business Activity except where such activities directly relate to fulfilling its principal or sole sporting objectives.

- Activities must align strictly with the entity's core sporting purpose
- Independent commercial operations are not permitted
- Any unrelated business activity may jeopardize exemption status

5. Use of Income & Assets

Income and assets must be used exclusively to further the entity's principal sporting objectives or to cover necessary and reasonable expenditure incurred in achieving those objectives. The exemption is contingent upon strict adherence to this condition.

- No diversion of funds for non-sporting purposes
- Expenditure must be necessary and reasonable
- Surpluses must be reinvested in the entity's objectives
- No income or assets may be distributed for private benefit
- Proper documentation should support how funds are applied

6. Anti-Private Benefit & Compliance Requirements

Condition	Requirement	Implication
Distribution Restriction	No income or assets available for personal benefit	Prevents private enrichment
Permitted Recipients	Only qualifying public benefit or specified entities	Ensures funds remain within approved ecosystem
Ongoing Compliance	Must provide data and document upon request	Exemption subject to verification
Non-Compliance	Results in loss of exemption from start of Tax Period	Corporate Tax exposure may arise

Entities must continuously monitor compliance to preserve exemption status

Loss of Exemption and Consequences

An International Sports Entity, Sports Entity, or Ancillary Entity that fails to satisfy any of the prescribed conditions will cease to qualify as an Exempt Person under the Corporate Tax Law.

If the entity no longer meets the relevant definition or breaches any exemption condition during a Tax Period, the exemption will be withdrawn from the beginning of that Tax Period, except in limited circumstances provided under Article 4(6) of the Corporate Tax Law.

Accordingly, entities must ensure continuous compliance with ownership, activity, and income usage requirements to avoid unintended Corporate Tax exposure.



7. Effective Date and Application

Retrospective Effect

The Decision was issued on 12 January 2026 and applies retrospectively from 1 June 2023.

- Aligns with the commencement of the UAE Corporate Tax regime
- Applies to qualifying entities from the start of Corporate Tax
- May require review of prior tax positions taken

9. Ministerial Powers

Additional Conditions May Be Prescribed

The Decision permits additional considerations to be introduced by Ministerial Decision meaning the scope and application of the exemption may evolve over time.

Entities should therefore monitor regulatory developments and ensure internal policies remain adaptable to future changes.

8. Information and Documentation

FTA Verification Rights

Qualifying entities must provide the Federal Tax Authority with relevant data, information and documents upon request:

- Must demonstrate satisfaction of entity definition
- Must evidence compliance with exemption conditions
- Ongoing documentation is critical to preserve status

10. Practical Implications

Immediate Action Points

- Review ownership and control structures
- Confirm activities remain within permitted scope
- Ensure no private benefit arises from income or assets
- Implement ongoing compliance monitoring



Ongoing Compliance and Monitoring

01

Ongoing Eligibility Assessment

Entities benefiting from the exemption must continuously assess whether they satisfy the relevant entity definition and all prescribed conditions.

This includes monitoring ownership and control structures, ensuring activities remain aligned with principal sporting objectives, and confirming that income and assets are used exclusively for permitted purposes.

02

Governance and Internal Controls

Robust governance frameworks should be implemented to prevent private benefit and ensure operational discipline.

This may include documented policies on expenditure approvals, oversight mechanisms over related-party arrangements, and periodic compliance reviews to validate continued eligibility.

03

Regulatory Monitoring and Risk Management

Given that additional conditions may be introduced by Ministerial decision, entities should actively monitor regulatory developments.

Failure to meet any condition may result in loss of exemption from the beginning of the relevant Tax Period, potentially creating Corporate Tax exposure and compliance obligations.

What Businesses Should Do Now

The introduction of Cabinet Decision No. 1 of 2026 provides qualifying International Sports Entities and related organizations with an opportunity to benefit from Corporate Tax exemption, subject to strict conditions and ongoing compliance requirements.

- **Confirm eligibility status:** Assess whether the entity meets the definition of an International Sports Entity, Sports Entity, or Ancillary Entity.
- **Review ownership and control:** Ensure structures clearly demonstrate required ownership and control relationships.
- **Validate Activity Scope:** Confirm that activities are limited to principal sporting objectives and permitted ancillary functions.
- **Assess income and asset usage:** Verify that funds are applied exclusively toward approved objectives and do not create private benefit.
- **Implement Compliance Monitoring:** Establish internal governance processes to maintain continuous eligibility.

ACQUISORY COMMENT

The exemption reflects the UAE's continued commitment to supporting international and regional sports bodies while maintaining the integrity of the Corporate Tax framework. However, the exemption is conditional and subject to verification by the Federal Tax Authority.

Given the retrospective effective date of 1 June 2023, affected entities should conduct a structured review of their operations, governance frameworks, and funding flows to mitigate potential exposure. Proactive compliance and robust documentation will be critical in preserving exemption status.

Our Offices

UAE

Dubai

- Office 604, Bay Square 11, Business Bay, P.O. Box: 118767, Dubai, UAE
- +971 4576 5098
- GCC@acquisory.com

INDIA

Delhi-NCR

- 1116, 11th Floor, WTT, C-1, Sector 16, DND Flyway, Noida – 201301
- T: +91 120 614 300
- Fax: +91 120 6143033

Delhi-NCR

- 102, 1st Floor, Naman Centre, BKC, Near MMRDA Parking, Bandra East, Mumbai City, Maharashtra, 400051
- T: +91 22 68648100
- Fax: +91 22 68648132

Bengaluru

- Unit 1003-1004, 10th Floor, Prestige Meridian - II, Mahatma Gandhi Rd, Ashok Nagar, Bengaluru, Karnataka, 560025

