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Making innovation count

Unlocking the potential of the UAE Research & Development tax credit

The UAE Research & Development tax credit

The United Arab Emirates (UAE) Research & Development (R&D) tax credit was introduced under the UAE Corporate Tax framework through Cabinet Decision No. 215 of 2025 and Ministerial Decision No. 24 of 2026. It is intended to encourage private-sector investment in research and innovation in the UAE. The Ministry of Finance has described it as the first phase of a wider R&D tax incentives program, with potential enhancements, including a refundable credit, to be considered in a later phase.

Technology continues to play a key role across the UAE economy. Companies in sectors such as energy, healthcare, financial services, manufacturing and technology are developing new products, processes and systems to meet demanding performance, cost and environmental requirements. Much of this activity may qualify as R&D, but it is often overlooked because the breadth of the eligibility requirements is not fully appreciated.

Companies carrying out activities that may qualify as research and development in the UAE may now be able to reduce their Corporate Tax liability through the UAE R&D tax credit. Making the claim is a compliance matter but preparing it correctly requires a thorough understanding of the company's underlying research and technological developments.

Key provisions

A **credit of up to 50%** (on a tiered basis) of qualifying R&D expenditure, depending on the level of spend and the number of R&D staff

Up to AED 5 million of qualifying expenditure taken into account each year, giving a maximum credit of AED 2 million (approximately US$545,000)

The credit **may be used** against UAE Corporate Tax and, where applicable, Top-up Tax

Unused credit may be carried forward to future periods, or transferred to other group entities, subject to conditions

Each R&D project **requires pre-approval from** the Emirates Research and Development Council

Eligibility and conditions

The credit is available to companies that are subject to UAE Corporate Tax or Top-up Tax and carry out qualifying R&D activities in the UAE. This includes UAE companies, free zone companies and foreign companies operating through a UAE permanent establishment, subject to specific conditions.

The main conditions include:

- The R&D is carried out in the UAE by staff based in the UAE
- The company has a minimum average number of R&D staff, starting at two
- The company bears the cost of the R&D and is entitled to share in its results
- Qualifying expenditure amounts to at least AED 500,000 per project each year
- Each project is pre-approved by the Emirates Research and Development Council

Businesses that have elected small business relief, and entities subject to neither Corporate Tax nor Top-up Tax, are not eligible. Additional conditions apply to qualifying free zone persons.

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Activities likely to qualify as R&D

To qualify, an activity must be novel, creative, uncertain, systematic and transferable or reproducible, assessed with reference to the OECD Frascati Manual (an internationally recognized framework for defining R&D). R&D for tax purposes is often broader than expected and is not limited to laboratory or engineering floor work. R&D in the social sciences, humanities and the arts is excluded. Examples of activities that may qualify include:

- Development of AI, data and software platforms where the technical solution is not known in advance
- Development of new medicines and medical devices, and clinical trials conducted in the UAE
- New or improved manufacturing processes to overcome technical problems or reduce cost and waste
- Materials and construction methods designed for extreme heat, humidity and sand
- Energy and water technologies, such as desalination, solar, hydrogen and carbon capture
- Payment, banking and insurance systems addressing performance, scale and data security challenges

How the credit works

The credit is calculated by applying tiered rates to qualifying R&D expenditure. Each higher rate applies only where the company also meets the minimum average number of UAE based R&D staff for that band.

Qualifying expenditure may include staff costs, with a 30% uplift for overheads; consumable materials, including water, fuel and power; fees paid to UAE-based R&D subcontractors; a share of costs under cost contribution arrangements; and certain capitalized development costs.

Annual qualifying R&D expenditure	Minimum average R&D staff	Credit rate	Maximum credit
First AED 1 million	2	15%	AED 150,000
AED 1 million to AED 2 million	6	35%	AED 350,000
AED 2 million to AED 5 million	14	50%	AED 1.5 million
Total			AED 2 million

For example, a company with an average of 15 R&D staff and AED 4 million of qualifying R&D expenditure could potentially claim a credit of AED 1.5 million (AED 150,000 + AED 350,000 + AED 1 million), subject to meeting all conditions.

Caps and limitations

- Qualifying expenditure is capped at AED 5 million a year per company or tax group, so the credit cannot exceed AED 2 million a year
- The credit is non-refundable: it may reduce UAE Corporate Tax or Top-up Tax, but it is not paid out in cash
- Expenditure must relate to R&D carried out in the UAE, be deductible for Corporate Tax, and not be funded by government grants or covered by other incentives
- Credits may be clawed back, with penalties, where conditions are not met, including on certain ownership or structural changes within five years of the last claim
- For multinational groups within the scope of Pillar Two, the interaction with Top-up Tax should be considered

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Effective date

The R&D tax credit applies to tax periods beginning on or after January 1, 2026. Claims are made in the Corporate Tax or Top-up Tax return for the relevant period. For companies with a calendar year end, the first claims may be made in the 2026 Corporate Tax return, due by September 30, 2027.

Claim process

Claiming the credit involves both the Emirates Research and Development Council and the Federal Tax Authority. The key steps are:

1. Assess which projects, staff and costs may qualify
2. Obtain pre-approval from the Council for each R&D project
3. Record qualifying expenditure and other details by project and maintain technical documentation
4. Prepare audited financial statements
5. Submit the claim (along with prescribed documents) with the Corporate Tax or Top-up Tax return by its due date. If not submitted by return filing due date, then claim will be lost for that year.

The claim must be supported by proof of Council pre-approval, a declaration signed by senior management, a breakdown of qualifying expenditure and audited financial statements. Supporting records must be kept for seven years.

How Deloitte can help

Our Business Tax team in the UAE supports businesses throughout the process, including:

- Identifying projects, staff and costs that may qualify
- Preparing technical narratives and pre-approval applications
- Designing processes to record R&D staff time and expenditure
- Preparing the claim as part of the tax return
- Assessing the interaction with Pillar Two for multinational groups
- Maintaining documentation to support review by the Council and the Federal Tax Authority

Contacts

Research & Technology continues to play a key role across industries in the UAE. As with any investment, companies want the best return on their R&D, and the R&D tax credit may help make these investments more cost-effective.

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