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TAX & LEGAL

UAE R&D Tax Credit

TAWWER is live and the first Pre-Approval deadline is approaching

The Emirates Research and Development Council (ERDC) has launched TAWWER (tawwer.gov.ae), the official platform for obtaining Pre-Approval of R&D projects under the UAE R&D Tax Credit. Applications are now open, and businesses doing R&D in the UAE in 2026 should start preparing.

THE R&D TAX CREDIT IN BRIEF

The credit was introduced by Cabinet Decision No. 215 of 2025 and implemented by Ministerial Decision No. 24 of 2026. It applies to Tax Periods starting on or after 1 January 2026.

- **Who can claim:** UAE juridical persons subject to Corporate Tax and/or Top-up Tax, including Free Zone Persons and UAE permanent establishments of foreign entities, carrying on Qualifying R&D activities. A Qualifying Free Zone Person can claim only where the R&D income is taxed at 9% or it is subject to Top-up Tax. Claimants must bear the R&D's financial burden and be beneficially entitled to a share of its returns. Entities applying Small Business Relief are excluded.
- **Rate:** The credit is non-refundable and tiered by Qualifying R&D Expenditure and the average number of R&D staff:
  - 15% on the first AED 1 million (at least 2 R&D staff)
  - 35% on AED 1–2 million (at least 6 R&D staff)
  - 50% on AED 2–5 million (at least 14 R&D staff)

  If the staff threshold for a band is not met, the lower rate applies.
- **Qualifying expenditure:** Qualifying expenditure includes UAE-based R&D staff costs, a 30% staff-cost uplift for overheads, consumables, UAE subcontracting and arm's-length cost-contribution payments, subject to detailed conditions and exclusions. Each project must meet the AED 500,000 minimum expenditure threshold excluding the uplift.
- **Qualifying activities:** The activity must be novel, creative, uncertain, systematic, and transferable or reproducible, assessed against the OECD Frascati Manual, and carried out in the UAE. Social sciences, humanities and the arts are excluded.
- **Unused credits:** Carry-forward is subject to continuity conditions and exceptions. Transfers require continuous 75% direct, indirect or common ownership, subject to utilisation limits and no onward transfer or carry-forward by recipients.

PRE-APPROVAL: THE GATEWAY TO THE CREDIT

No credit can be claimed without ERDC Pre-Approval for **each R&D project**. Pre-Approval confirms that the activities qualify and that the estimated expenditure meets the requirements. It does not fix the amount of the credit, which the Federal Tax Authority (FTA) calculates when the claim is made in the Corporate Tax or Top-up Tax return.

Application deadlines:

Periods ending on or before 31 December 2026: within 40 business days after the period ends. For calendar-year taxpayers, this is around late February 2027.

Periods ending after 31 December 2026: on or before the last day of the period. From 2027, the application must therefore be made during the year in which the R&D is carried out.

TWO AUTHORITIES, THREE PHASES

The R&D Tax Credit is administered by two authorities. The ERDC handles the first two phases through TAWWER; the claim itself is made to the FTA, which calculates the credit.

PHASE	WHERE / WHO	WHAT HAPPENS
1. Pre-Approval	**TAWWER** Emirates Research and Development Council (ERDC)	One application per R&D project. The ERDC assesses the proposed activities against the five criteria and reviews the estimated Qualifying R&D Expenditure, then issues a Determination: Pre-Approved or Rejected.
2. Expenditure Confirmation	**TAWWER** ERDC	Within six months of the period end, the entity confirms its actual R&D activities, actual Qualifying R&D Expenditure and average number of R&D staff.
3. Corporate Tax claim	**EmaraTax** Federal Tax Authority (FTA)	The credit is claimed in the Tax Return or Top-up Tax Return for the period in which the expenditure was incurred. The FTA determines deductibility, applies the arm's-length principle and calculates the credit.

TAWWER does not calculate the credit, determine deductibility or submit the Corporate Tax Return, and Pre-Approval alone does not entitle a business to the credit. Both a valid Pre-Approval and a completed Expenditure Confirmation are required before a claim can be made. Neither alone is sufficient.

FROM APPLICATION TO CLAIM: STEP BY STEP

1. **Access (before applying):** sign in to TAWWER with UAE PASS and verify the entity using its Tax Registration Number. The FTA-registered Authorised Signatory then approves organisation access. Registration is done once per entity. The applicant is the Qualifying Entity, or for groups, the Parent Company or Domestic Designated Filing Entity.
2. **Pre-Approval Application:** a separate application for each R&D project, in seven sections: company details, project description, research methodology, R&D staff and time allocation, budget plan, documents and subcontracting, and the declaration. It must include the estimated expenditure by category and a mapping of the activities against the five criteria.
3. **Request for Information (where needed):** the ERDC may ask for more information before deciding. A response is due within 20 business days of notification.
4. **Determination:** the application is either Pre-Approved, in which case the entity receives Proof of Pre-Approval, or Rejected.
5. **Reconsideration (within 30 business days of notification):** a Rejection can be challenged by submitting grounds and supporting information through TAWWER. Reconsideration does not cover compliance check outcomes or FTA matters such as deductibility, the credit calculation or the Tax Return.
6. **Expenditure Confirmation (within six months of the period end):** actual activities, actual expenditure and the average number of R&D staff are submitted through TAWWER. If this is missed, the Pre-Approval ceases to have effect for that period.
7. **Corporate Tax claim (with the Tax Return):** the claim is filed through EmaraTax with proof of Pre-Approval, a senior-management declaration, the expenditure breakdown and audited financial statements.
8. **Record retention (seven years after the period end):** technical documentation must be kept and produced to the ERDC or FTA on request.

RELEVANCE FOR THE QUALIFYING IP REGIME

The ERDC's guidance on what qualifies as R&D is relevant beyond the R&D Tax Credit. Under the Qualifying Intellectual Property regime for Qualifying Free Zone Persons (Ministerial Decision No. 229 of 2025), income from Qualifying IP benefits from the 0% rate only in proportion to the R&D expenditure the business incurred in developing that IP, applying the OECD modified nexus approach. Whether an activity counts as R&D, and how its costs are recorded, therefore directly affects how much IP income qualifies.

TAWWER also provides guidance on the five Frascati-based criteria (Article 3(2) of Ministerial Decision No. 24 of 2026) with clear worked examples, the excluded fields (social sciences, humanities and the arts) and the documentation expected to support a claim, such as criteria mapping, staff time records and project reports. This guidance is issued for the R&D Tax Credit. Even so, it is one of the most detailed official indications to date of how R&D activities are assessed in the UAE, and Free Zone businesses applying, or considering, the Qualifying IP regime may find it a useful benchmark for identifying R&D activities and documenting the expenditure that supports their nexus calculation.

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The two regimes cannot both be applied to the same R&D income. A Qualifying Free Zone Person can claim the R&D Tax Credit only where the R&D income is taxed at 9% or it is subject to Top-up Tax, and becoming a Qualifying Free Zone Person within five years of a claim triggers clawback. Where both regimes are potentially available, the choice between them should be modelled.

WHAT BUSINESSES SHOULD DO NOW

TAWWER turns the R&D Tax Credit from a legislative framework into a working process, with fixed deadlines and evidence requirements. Businesses considering the incentive should keep the following in mind.

Timing is critical. Projects that started in 2026 have to be identified, tested against the five statutory criteria and checked against the AED 500,000 minimum spend before the first Pre-Approval window closes, which for calendar-year businesses is around late February 2027. From 2027 onwards, applications must be filed before the end of the period in which the R&D takes place, so Pre-Approval needs to become part of planning each project rather than something done after year end.

The application must hold together. The ERDC will look at the technical case, the staffing and the budget side by side. The research objectives and uncertainties described in the application should therefore match the people named, their recorded time and the costs claimed. Technical, finance and tax teams should prepare the application together rather than hand it from one to the next.

Pre-approval is not the finish line. The credit rate depends on average monthly R&D headcount, and actual expenditure must be confirmed on TAWWER within six months of the period end, or the Pre-Approval lapses. Businesses should track headcount, time allocation and spend against each approved project during the year, and flag any material change in scope, staffing or budget as it happens.

The credit needs to be modelled. It is non-refundable, and carry-forward and group transfers are subject to conditions. Certain changes in tax status, liquidation or redomiciliation outside the UAE can trigger clawback of used credits and forfeiture of unused credits within five years of the end of the last claim period, subject to a qualifying restructuring exception. Businesses should assess likely utilisation and restructuring plans before claiming.



HOW WILLOW CAN HELP

Willow's tax team supports businesses through every stage of the R&D Tax Credit, from first assessment to the final claim. We assess which projects qualify, and help set up internal processes for recording R&D staff time, tracking qualifying expenditure and keeping the technical documentation needed to support a claim. We prepare and review Pre-Approval Applications, respond to ERDC Requests for Information and Reconsiderations, and prepare the Expenditure Confirmation. We also model the credit's value under Corporate Tax and Pillar Two, advise on its interaction with the Qualifying IP regime, and prepare the claim in the Corporate Tax or Top-up Tax Return.
For further information or a discussion, contact our team.



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