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## **The 2022 Global Philanthropy Environment Index United Arab Emirates**

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**Institutional Affiliation:**

Edited by the Indiana University Lilly Family School of Philanthropy

### **QUICK FACTS**

**Legal forms of philanthropic organizations included in the law:** Corporation, Limited Liability Company, Trust

There are other categories for charitable organizations such as Public Welfare Organization, Charitable Society, Non-Governmental Organization (NGO), and Nonprofit Organization. For further information, please see the 2022 United Arab Emirates Country Report Appendix.

**Five main social issues addressed by these organizations:** Arts and Culture, Basic Needs, International Causes, Religion

**Average time established by law to register a philanthropic organization:** More than 90 days

**Average cost for registering a philanthropic organization:** Varies

Registering or establishing a philanthropic organization (PO) is primarily only possible through a 'royal decree' in one of the seven emirates that make up the United Arab Emirates (UAE). This is understandably difficult to obtain. Organizations often register abroad or will register in a free zone—areas that are considered to be offshore. Abu Dhabi Global Markets and the Dubai International Financial Center are two popular free zones where many establish trusts or other similar organizations to carry out philanthropic activities.

**Government levels primarily regulating the incorporation of philanthropic organizations:** Central/Federal Government, Local Government

The UAE is a federal system that shares regulatory authority between federal and the 'emirate' (local) level. Each emirate has varying levels of regulatory maturity and complexity. For further information, please see the 2022 United Arab Emirates Country Report Appendix.

Philanthropic Environment Scores:

| Year             | Ease of Operating a PO | Tax Incentives | Cross-Border Philanthropic Flows | Political Environment | Economic Environment | Socio-Cultural Environment | Overall Score |
|------------------|------------------------|----------------|----------------------------------|-----------------------|----------------------|----------------------------|---------------|
| <b>2022 GPEI</b> | 3.33                   | N.A.           | 3.00                             | 3.00                  | 5.00                 | 3.50                       | 3.57          |
| <b>2018 GPEI</b> | 2.83                   | 4.25           | 3.50                             | 3.00                  | N.A.                 | 4.00                       | 3.52          |

**Source:** Indiana University Lilly Family School of Philanthropy, 2022 *Global Philanthropy Environment Index*

## Key Findings

### I. Formation/Registration, Operations, Dissolution of a Philanthropic Organization (PO)

*The three indicator questions in this section pertain to the laws and regulations governing philanthropic organizations (POs). The scoring questions for this category cover three aspects of regulations: (A) formation and registration; (B) operations; and (C) dissolution.*

Question One: To what extent can individuals form and incorporate the organizations defined?

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|-------------------|
| <b>Score: 2.0</b> |
|-------------------|

Each of the seven emirates have separate laws and processes. They are inconsistent, and there are several bodies within each emirate that are involved in establishment. Fundraising is also heavily restricted. Most organizations will register offshore as a result or seek establishment in freezones. For more information, please see the 2018 the United Arab Emirates Country Report available here: <https://scholarworks.iupui.edu/handle/1805/16818> and the 2022 United Arab Emirates Country Report Appendix.

Question Two: To what extent are POs free to operate without excessive government interference?

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|-------------------|
| <b>Score: 3.0</b> |
|-------------------|

Reporting requirements are particularly inconsistent and burdensome. Reporting requests can be initiated at the national level to understand 'donation' activities; or at the local level by the regulator that oversees endowments or Islamic affairs in one particular jurisdiction. Reporting requests often come without warning and at inconsistent intervals.

For more information, please see the 2018 the United Arab Emirates Country Report available here: <https://scholarworks.iupui.edu/handle/1805/16818>

In 2021, a new law was introduced to combat cybercrimes, which heavily regulates fundraising.

Question Three: To what extent is there government discretion in shutting down POs?

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|-------------------|
| <b>Score: 5.0</b> |
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According to the country expert, there are no issues surrounding termination or draw-downs of POs.

### II. Domestic Tax and Fiscal Issues

*The two questions in this section pertain to laws and regulations governing the fiscal constraints of giving and receiving donations domestically.*

Question Four: To what extent is the tax system favorable to making charitable donations?

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|-------------------|
| <b>Score: N.A</b> |
|-------------------|

In general, there is no sales tax on items meant for donations.

- The UAE introduced its Value Added Tax Law in 2017, which charges an average of five percent tax on goods and services. The law does not exempt philanthropic gifts (with the exception of a few charities from taxes).
- The UAE introduced a Corporate Social Responsibility (CSR) Fund in 2019, which encourages corporations to give on a voluntary basis but offers few financial incentives to do so.
- Corporations and individuals are charged VAT for donations and/or purchases made for charities.
- Corporations are not required by the UAE government to donate CSR funds.

For further information, please see the 2022 United Arab Emirates Country Report Appendix.

Question Five: To what extent is the tax system favorable to POs in receiving charitable donations?

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|-------------------|
| <b>Score: N.A</b> |
|-------------------|

The list of charities that are exempt from value-added tax can be found here <https://www.mof.gov.ae/ar/lawsAndPolitics/CabinetResolutions/Documents/charities-that-may-recover-input-tax%20AR%26%20EN.PDF>

Charities are required to pay value-added tax in the following cases:

- When purchasing/producing goods and services: this is seen as a business activity
- Against donated goods if used for onward activities
- Against goods/services provided to others for a giveaway or for a purpose other than charity
- Against donated goods/services, for example if donations are received in the form of sponsorship
- Few charities are exempt from the UAE's Value Added Tax Law. For example, only 142 designated charities are exempt from input tax—the tax paid against supplies needed for goods/service production.

### III. Cross-Border Philanthropic Flows

*The two questions in this section concern laws and regulations governing the fiscal constraints of giving and receiving cross-border donations. The scoring for these questions pertains to the donor and receiving entities.*

Question Six: To what extent is the legal regulatory environment favorable to sending cross-border donations?

**Score: 4.0**

Donations made outside the country should be registered with the Ministry of Foreign Affairs and International Cooperation so that they can be counted as foreign aid. This can be a cumbersome process, although it deals only with reporting and does not impede donation.

Question Seven: To what extent is the legal regulatory environment favorable to receiving cross-border donations?

**Score: 2.0**

Fundraising or the ability to receive donations is heavily regulated and only granted under express permission from local authorities who must be consulted in each instance of fundraising.

#### IV. Political Environment

*The four indicator questions in the next three sections concern the political context, economic conditions, and socio-cultural characteristics that influence the environment for philanthropy.*

Question Eight: To what extent is the political environment favorable for philanthropy?

**Score: 3.0**

There are very few POs in the country and most of them are affiliated with the government. Generally speaking, as they are already affiliated with the government, such as Emirates Foundation, Mohammed bin Rashid Global Initiatives, and Dubai Cares, they can be involved in local or federal policymaking or programming. For further information, please see the 2022 United Arab Emirates Country Report Appendix.

Question Nine: To what extent are public policies and practices favorable for philanthropy?

**Score: 3.0**

In the UAE, the government absolutely promotes philanthropic giving and leads by example. The government announced the 'Year of Giving' in 2017. During that national announcement, individuals and organizations were encouraged to give through a multitude of channels. The government also established a national volunteering digital platform to advertise volunteer opportunities and the royal family is generous both domestically and abroad, and leads by example when it comes to philanthropic gifts. However, most charities in the UAE are government-affiliated, and there is some pressure, either implicit or simply by the lack of alternatives, that donations go to the small universe of government-affiliated charities.

## V. Economic Environment

Question Ten: To what extent is the economic context favorable for philanthropy?

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|-------------------|
| <b>Score: 5.0</b> |
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The UAE is home to significant inflows of wealth, as well as to individuals with decision-making authority over significant wealth (millionaires, billionaires and next-generation donors). The number of wealthy individuals decreased in 2020, due to the COVID-19 pandemic and its impact on global mobility. However, the UAE still provides a fertile landscape for giving. For further information, please see the 2022 United Arab Emirates Country Report Appendix.

## VI. Socio-Cultural Environment

Question Eleven: To what extent are socio-cultural values and practices favorable for philanthropy?

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|-------------------|
| <b>Score: 3.5</b> |
|-------------------|

Religious and cultural traditions are very supportive of philanthropy. The main shortcoming is that civil society is largely fragmented, small, and relatively immature. There is not much choice and there is not much emphasis on building capacity in the sector to ensure strong organizations. For further information, please see the 2022 United Arab Emirates Country Report Appendix.

## VII. Future of Philanthropy

*These questions are used to provide a general picture of the future of philanthropy in this country as well as recommendations to improve the philanthropic environment.*

Current state of the philanthropic sector

Private, institutional philanthropy is immature due to a limiting policy environment (making it difficult to establish foundations) and deference to the existing government-affiliated charities. There is significant potential, given the strong economic position of the country and the rich diversity among a population that embodies cultural and religious foundations for giving.

Three major recent events affecting the philanthropic landscape between January 2018 and December 2020

- 1) A federal CSR Fund was announced and is marginally operational.
- 2) VAT rules were clarified for donations and several community-based organizations were established or activated to support COVID-19 relief.
- 3) 2018 was named the 'Year of Zayed' after the founding father, who was known to be a generous man. Several giving initiatives were enacted in his honor.

### Future development trends in the philanthropic landscape

There are only small pockets of crowdfunding and other types of digital fundraising happening, largely because the policy environment does not allow for real fundraising—particularly not online fundraising. There are a few government-backed impact bonds, but again, it is government backed and not foundation- or private-sector backed. The potential for giving exists, given the proportion of high net worth individuals in, and flowing into, the country.

### Three key recommendations to improve the environment for philanthropy

- Ensure an enabling policy environment for establishing foundations and other civil society organizations. This will provide for an improved 'third' sector in the country and eliminate the need for philanthropists to register and conduct activities offshore.
- Provide incentives to encourage charitable giving at the individual and corporate levels.
- Re-examine the restrictions on fundraising to allow nonprofits to access alternative sources of funding.

## VIII. Philanthropic Response to COVID-19

*These questions are used to provide a general picture of the philanthropic response to the COVID-19 pandemic in this country and recommendations for improving cross-sectoral collaboration.*

Areas where the nonprofit sector and philanthropy are playing a role in responding to COVID-19

Food banks, meal services, and donations of PPE were the primary responses.

Innovation and new trends in the nonprofit sector and philanthropy related to COVID-19 responses

Some grant-application or reporting requirements were relaxed to ease the burden on nonprofits.

Impact of COVID-19 on the philanthropic environment

A small, fragmented in-country universe of civil society has become even smaller during the COVID-19 pandemic.

Anticipated impact of COVID-19 on the philanthropic environment in 2021

The philanthropic sector will further contract as corporate donations and CSR office budgets decrease. Existing government-affiliated foundations will continue to attract and deploy funds.

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