الهيئة الاتحادية للضرائب
FEDERAL TAX AUTHORITY

Tax Groups

Corporate Tax Guide | CTGTGR1

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1. Glossary

Accounting Income: The accounting net profit or loss for the relevant Tax Period in accordance with the financial statements prepared in accordance with the provisions of Article 20 of the Corporate Tax Law.

Accounting Standards: The accounting standards specified in Ministerial Decision No. 114 of 2023.

Accrual Basis of Accounting: An accounting method under which the Taxable Person recognises income when earned and expenditure when incurred.

Administrative Penalties: Amounts imposed and collected under the Corporate Tax Law or the Tax Procedures Law.

AED: The United Arab Emirates dirham.

Aggregated Financial Statements: Financial Statements prepared on the basis of the aggregation of the standalone Financial Statements of the Parent Company and each Subsidiary that is a member of the Tax Group in accordance with the framework specified in Article 3 of FTA Decision No. 7 of 2025.

Authority: Federal Tax Authority.

Bank: A Person licensed in the UAE as a bank or finance institution or an equivalent licensed activity that allows the taking of deposits and the granting of credits as defined in the applicable legislation of the UAE.

Business: Any activity conducted regularly, on an ongoing and independent basis by any Person and in any location, such as industrial, commercial, agricultural, vocational, professional, service or excavation activities or any other activity related to the use of tangible or intangible properties.

Business Activity: Any transaction or activity, or series of transactions or series of activities conducted by a Person in the course of its Business.

Business Restructuring Relief: A relief from Corporate Tax for business restructuring transactions, available under Article 27 of the Corporate Tax Law and as specified under Ministerial Decision No. 133 of 2023.

Cash Basis of Accounting: An accounting method under which the Taxable Person recognises income and expenditure when cash payments are received and paid.

Corporate Tax: The tax imposed by the Corporate Tax Law on juridical persons and Business income.

Corporate Tax Payable: Corporate Tax that has or will become due for payment to the FTA in respect of one or more Tax Periods.

Dividend: Any payments or distributions that are declared or paid on or in respect of shares or other rights participating in the profits of the issuer of such shares or rights which do not constitute a return of capital or a return on debt claims, whether such payments or distributions are in cash, securities, or other properties, and whether payable out of profits or retained earnings or from any account or legal reserve or from capital reserve or revenue. This will include any payment or benefit which in substance or effect constitutes a distribution of profits made in connection with the acquisition or redemption or cancellation of shares or termination of other ownership interests or rights or any transaction or arrangement with a Related Party or Connected Person which does not comply with Article 34 of the Corporate Tax Law.

Double Taxation Agreement: An International Agreement signed by two or more countries for the avoidance of double taxation and the prevention of fiscal evasion on income and capital.

Exempt Income: Any income exempt from Corporate Tax under the Corporate Tax Law.

Exempt Person: A Person exempt from Corporate Tax under Article 4 of the Corporate Tax Law.

Financial Asset: Financial asset as defined in the Accounting Standards applied by the Taxable Person.

Financial Liability: Financial liability as defined in the Accounting Standards applied by the Taxable Person.

Financial Statements: A complete set of statements as specified under the Accounting Standards applied by the Taxable Person, which includes, but is not limited to, statement of income, statement of other comprehensive income, balance sheet, statement of changes in equity and cash flow statement.

Financial Year: The Gregorian calendar year, or the twelve-month period for which the Taxable Person prepares Financial Statements.

Foreign Permanent Establishment: A place of Business or other form of presence outside the UAE of a Resident Person that is determined in accordance with the criteria prescribed in Article 14 of the Corporate Tax Law.

Foreign Tax Credit: Tax paid under the laws of a foreign jurisdiction on income or profits that may be deducted from the Corporate Tax due, in accordance with the conditions of Article 47(2) of the Corporate Tax Law.

Free Zone: A designated and defined geographic area within the UAE that is specified in a decision issued by the Cabinet at the suggestion of the Minister.

Free Zone Person: A juridical person incorporated, established or otherwise registered in a Free Zone, including a branch of a Non-Resident Person registered in a Free Zone.

FTA: Federal Tax Authority, being the Authority responsible for the administration, collection and enforcement of federal taxes in the UAE.

General Interest Deduction Limitation Rule: The limitation provided under Article 30 of the Corporate Tax Law.

IFRS: International Financial Reporting Standards.

IFRS for SMEs: International Financial Reporting Standard for small and medium-sized entities.

Immovable Property: Means any of the following:

a. Any area of land over which rights or interests or services can be created.
b. Any building, structure or engineering work attached to the land permanently or attached to the seabed.
c. Any fixture or equipment which makes up a permanent part of the land or is permanently attached to the building, structure or engineering work or attached to the seabed.

Insurance Provider: A Person licensed in the UAE as an insurance provider that accepts risks by entering into or carrying out contracts of insurance, in both the life and non-life sectors, including contracts of reinsurance and captive insurance, as defined in the applicable legislation of the UAE.

Intangible Asset: An intangible asset as defined in the Accounting Standards applied by the Taxable Person.

International Agreement: Any bilateral or multilateral agreement, or any other agreement to which the UAE is a party, that has been ratified by the parties.

Interest: Any amount accrued or paid for the use of money or credit, including discounts, premiums and profit paid in respect of an Islamic financial instrument and other payments economically equivalent to interest, and any other amounts incurred in connection with the raising of finance, excluding payments of the principal amount.

Investment Property: A building or part of a building held by the owner or by the lessee as a right-of-use asset to earn rentals or for capital appreciation or both, as specified in the International Accounting Standard No. 40 adopted by the International Accounting Standards Board. An Investment Property shall not include land and any exceptions provided for in the International Accounting Standard No. 40.

Market Value: The price which could be agreed in an arm's-length free market transaction between Persons who are not Related Parties or Connected Persons in similar circumstances.

Membership or Partnership Capital: The capital paid to a juridical person where the paid capital is divided into membership or partnership interests by a Person in order to be a member or partner and have the rights of membership or partnership in that juridical person.

Net Interest Expenditure (NIE): The Interest expenditure amount that is in excess of the Interest income amount as determined in accordance with the provisions of the Corporate Tax Law.

Non-Resident Person: The Taxable Person specified in Article 11(4) of the Corporate Tax Law.

Non-Qualifying Foreign Permanent Establishment: A Foreign Permanent Establishment that does not meet the conditions of Article 24(7) of the Corporate Tax Law.

Opening Value: The Original Cost reduced by an aggregate depreciation deduction of 4% (four percent) for each Gregorian calendar year, or otherwise prorated for part of the Gregorian calendar year, during which the relevant Taxable Person held the Investment Property prior to the Tax Period specified below:

a. The first Tax Period in which Corporate Tax is imposed on the Taxable Income of a Taxable Person that had previously elected for Article 21 of the Corporate Tax Law to apply.

b. The Tax Period in which a new Subsidiary joins an existing Tax Group, where the Subsidiary had not made the election under Article 2(1) of Ministerial Decision No. 173 of 2025.
c. The Tax Period in which a transfer covered by Article 26 or 27 of the Corporate Tax Law occurs, where the transferor had not made the election under Article 2(1) of Ministerial Decision No. 173 of 2025.
d. In any other cases, the first Tax Period to which this Decision applies to the Taxable Person.

Ordinary Shares: The category of capital stock or equivalent ownership interest, which gives its owner, on a share-by-share basis, equal entitlement to voting rights, profits, and liquidation proceeds.

Original Cost: Shall mean the term "cost" as specified in the International Accounting Standard No. 40 adopted by the International Accounting Standards Board and includes any subsequent capitalised costs, subject to the arm's length principle in accordance with Article 34 of the Corporate Tax Law.

Parent Company: A Resident Person that can make an application to the FTA to form a Tax Group with one or more Subsidiaries in accordance with Article 40(1) of the Corporate Tax Law.

Participating Interest: An ownership interest in the shares or capital of a juridical person that meets the conditions referred to in Article 23 of the Corporate Tax Law.

Participation: The juridical person in which the Participating Interest is held.

Participation Exemption: An exemption from Corporate Tax for income from a Participating Interest, available under Article 23 of the Corporate Tax Law and as specified under Ministerial Decision No. 302 of 2024.[1]

Person: Any natural person or juridical person.

Preferred Shares: The category of capital stock or equity interest which gives its owner priority entitlement to profits and liquidation proceeds ahead of owners of Ordinary Shares.

Qualifying Foreign Permanent Establishment: A Foreign Permanent Establishment that meets the conditions of Article 24(7) of the Corporate Tax Law.

[1] Ministerial Decision No. 116 of 2023 applies to Tax Periods commencing before 1 January 2025.

Qualifying Free Zone Person: A Free Zone Person that meets the conditions of Article 18 of the Corporate Tax Law and is subject to Corporate Tax under Article 3(2) of the Corporate Tax Law.

Qualifying Group: Two or more Taxable Persons that meet the conditions of Article 26(2) of the Corporate Tax Law.

Qualifying Group Relief: A relief from Corporate Tax for transfers within a Qualifying Group, available under Article 26 of the Corporate Tax Law and as specified under Ministerial Decision No. 132 of 2023.

Redeemable Shares: The category of capital stock or equity interest which the juridical person issuing this instrument has agreed to redeem or buy back from the owner of this instrument at a future date or after a specific event, for a predetermined amount or with reference to a predetermined amount.

Related Party: Any Person associated with a Taxable Person as determined in Article 35(1) of the Corporate Tax Law.

Resident Person: The Taxable Person specified in Article 11(3) of the Corporate Tax Law.

Revenue: The gross amount of income derived during a Tax Period.

Small Business Relief: A Corporate Tax relief that allows eligible Taxable Persons to be treated as having no Taxable Income for the relevant Tax Period in accordance with Article 21 of the Corporate Tax Law, Ministerial Decision No. 73 of 2023 and Ministerial Decision No. 131 of 2026.

Specific Interest Deduction Limitation Rule: The limitation provided under Article 31 of the Corporate Tax Law.

Subsidiary: A Resident Person in which the share capital or Membership or Partnership Capital, as applicable, is held by a Parent Company, in accordance with Article 40(1) of the Corporate Tax Law.

Tax Deregistration: A procedure under which a Person is deregistered for Corporate Tax purposes with the FTA.

Tax Group: Two or more Taxable Persons treated as a single Taxable Person according to the conditions of Article 40 of the Corporate Tax Law.

Tax Loss: Any negative Taxable Income as calculated under the Corporate Tax Law for a given Tax Period.

Tax Period: The period for which a Tax Return is required to be filed.

Tax Registration: A procedure under which a Person registers for Corporate Tax purposes with the FTA.

Tax Registration Number (TRN): A unique number issued by the FTA to each Person who is registered for Corporate Tax purposes in the UAE.

Tax Return: Information filed with the FTA for Corporate Tax purposes in the form and manner as prescribed by the FTA, including any schedule or attachment thereto, and any amendment thereof.

Taxable Income: The income that is subject to Corporate Tax under the Corporate Tax Law.

Taxable Person: A Person subject to Corporate Tax in the UAE under the Corporate Tax Law.

Tax Written Down Value: The Opening Value less the aggregate depreciation deduction applied under Article 2(1) of Ministerial Decision No. 173 of 2025 by the Taxable Person or transferor referred to in Article 2(2) of Ministerial Decision No. 173 of 2025.

UAE: United Arab Emirates.

Unincorporated Partnership: A relationship established by contract between two Persons or more, such as a partnership or trust or any other similar association of Persons, in accordance with the applicable legislation of the UAE.

2. Introduction

2.1. Overview

Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses was issued in 2022 and subsequently amended. This Decree-Law together with its amendments is referred to as the “Corporate Tax Law”.

The Corporate Tax Law provides the legislative basis for imposing a federal tax on corporations and Business profits (“Corporate Tax”) in the UAE.

The provisions of the Corporate Tax Law shall apply to Tax Periods commencing on or after 1 June 2023.

2.2. Purpose of this guide

This guide is designed to provide general guidance to Taxable Persons, assisting them to understand the taxation of two or more juridical Resident Persons that form a Tax Group.

Once a Tax Group is formed, the juridical Resident Persons that are members of the Tax Group are treated as a single Taxable Person. Accordingly, Taxable Income of the Tax Group is calculated based on Aggregated Financial Statements of the Tax Group and only one Tax Return for the Tax Group needs to be submitted to the FTA.

This guide provides readers with an overview of:

- what is a Tax Group,
- who is eligible to form or be a member of a Tax Group,
- when a Tax Group can be formed and when it ceases to exist,
- how the Taxable Income of a Tax Group is determined, and
- related compliance requirements.

Tax Groups are an optional regime. A Tax Group is only formed if juridical Resident Persons, who meet the relevant conditions, apply to form a Tax Group and the FTA approves such application. Therefore, the concept of a Tax Group will not apply to every Taxable Person.

This guide does not cover the concept of a Qualifying Group for the purposes of Article 26 of the Corporate Tax Law (under which assets and liabilities may be transferred between members of a Qualifying Group on a no gain or loss basis for Corporate Tax purposes), except insofar as this provision interacts with the rules related to Tax Groups. For more information, see the Corporate Tax Guide on Qualifying Group Relief.

2.3. Who should read this guide?

This guide should be read by Persons responsible for the tax affairs of any juridical Resident Person that wants to form a Tax Group (with a Parent Company and at least one Subsidiary), or join an existing Tax Group, or is a member of an existing Tax Group, and wants to enjoy the benefits of the Tax Group regime.

It is intended to be read in conjunction with the Corporate Tax Law, the implementing decisions and other relevant guidance published by the FTA.

2.4. How to use this guide

The relevant articles of the Corporate Tax Law and the implementing decisions are indicated in each section of the guide.

It is recommended that the guide is read in its entirety to provide a complete understanding of the definitions and interactions of the different rules. Further guidance on some of the areas covered in this guide can be found in other topic-specific guides (such as Exempt Income: Dividends and Participation Exemption - CTGEXI1).

In some instances, simple examples are used to illustrate how the key elements of the Corporate Tax Law apply to Tax Groups. The examples in the guide:

- show how these elements operate in isolation and do not show all the possible interactions with other provisions of the Corporate Tax Law that may occur. They do not, and are not intended to, cover the full facts of the hypothetical scenarios used nor all aspects of the Corporate Tax regime, and should not be relied upon for legal or tax advice purposes, and
- are only meant for providing the readers with general information on the subject matter of this guide. They are exclusively intended to explain the rules related to the subject matter of this guide and do not relate at all to the tax or legal position of any specific juridical or natural person.

2.5. Legislative references

In this guide:

- Federal Decree-Law No. 28 of 2022 on Tax Procedures, is referred to as “Tax Procedures Law”,
- Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses, and its amendments, is referred to as the “Corporate Tax Law”,
- Cabinet Resolution No. 44 of 2020 regarding Organising Reports Submitted by Multinational Companies, is referred to as “Cabinet Resolution No. 44 of 2020”,

- Cabinet Decision No. 116 of 2022 on the Determination of Annual Income Subject to Corporate Tax, is referred to as “Cabinet Decision No. 116 of 2022”,
- Cabinet Decision No. 75 of 2023 on the Administrative Penalties for Violations Related to the Application of Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses, is referred to as “Cabinet Decision No. 75 of 2023”,
- Cabinet Decision No. 63 of 2025 on an Unincorporated Partnership That is Treated as a Taxable Person in Its Own Right for the Purposes of Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses, is referred to as “Cabinet Decision No. 63 of 2025”,
- Ministerial Decision No. 73 of 2023 on Small Business Relief for the Purposes of Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses, is referred to as “Ministerial Decision No. 73 of 2023”,
- Ministerial Decision No. 82 of 2023 on the Determination of Categories of Taxable Persons Required to Prepare and Maintain Audited Financial Statements for the Purposes of Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses, is referred to as “Ministerial Decision No. 82 of 2023”,
- Ministerial Decision No. 114 of 2023 on the Accounting Standards and Methods for the Purposes of Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses, is referred to as “Ministerial Decision No. 114 of 2023”,
- Ministerial Decision No. 116 of 2023 on the Participation Exemption for the Purposes of Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses, is referred to as “Ministerial Decision No. 116 of 2023” (relevant for Tax Periods commencing before 1 January 2025),
- Ministerial Decision No. 120 of 2023 on the Adjustments Under the Transitional Rules for the Purposes of Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses, is referred to as “Ministerial Decision No. 120 of 2023”,
- Ministerial Decision No. 125 of 2023 on Tax Group for the Purposes of Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses, is referred to as “Ministerial Decision No. 125 of 2023” (relevant for Tax Periods commencing before 1 January 2025),
- Ministerial Decision No. 126 of 2023 on the General Interest Deduction Limitation Rule for the Purposes of Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses, is referred to as “Ministerial Decision No. 126 of 2023”,
- Ministerial Decision No. 134 of 2023 on the General Rules for Determining Taxable Income for the Purposes of Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses, is referred to as “Ministerial Decision No. 134 of 2023”,

- Ministerial Decision No. 301 of 2024 on Tax Group for the Purposes of Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses, is referred to as “Ministerial Decision No. 301 of 2024” (relevant for Tax Periods commencing on or after 1 January 2025),
- Ministerial Decision No. 302 of 2024 on the Participation Exemption and Foreign Permanent Establishment Exemption for the Purposes of Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses, is referred to as “Ministerial Decision No. 302 of 2024” (relevant for Tax Periods commencing on or after 1 January 2025),
- Ministerial Decision No. 84 of 2025 on Audited Financial Statements for the Purposes of Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses is referred to as “Ministerial Decision No. 84 of 2025” (relevant for Tax Periods commencing on or after 1 January 2025),
- Ministerial Decision No. 173 of 2025 on Depreciation Adjustments for Investment Properties held at Fair Value for the Purposes of Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses is referred to as “Ministerial Decision No. 173 of 2025”,
- Ministerial Decision No. 131 of 2026 on Amending Certain Provisions of Ministerial Decision No. 73 of 2023 on Small Business Relief for the Purposes of Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses, is referred to as “Ministerial Decision No. 131 of 2026”,
- Federal Tax Authority Decision No. 5 of 2023 on the Conditions for Change in Tax Period for the Purposes of the Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses, is referred to as “FTA Decision No. 5 of 2023”,
- Federal Tax Authority Decision No. 6 of 2023 on Tax Deregistration Timeline for the Purposes of Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses, is referred to as “FTA Decision No. 6 of 2023”,
- Federal Tax Authority Decision No. 12 of 2023 on Conditions for Forming the Tax Group by Subsidiaries of a Government Entity for the Purposes of Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses, is referred to as “FTA Decision No. 12 of 2023”,
- Federal Tax Authority Decision No. 13 of 2023 on the Determination of Conditions for Conversion of Amounts Quantified in a Currency other than the United Arab Emirates Dirham for the Purposes of Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses, is referred to as “FTA Decision No. 13 of 2023”, and
- Federal Tax Authority Decision No. 7 of 2025 on the Determination of the Requirements for Preparing and Maintaining Audited Special Purpose Financial Statements for a Tax Group for the purposes of Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses and its amendments, is referred to as “FTA Decision No. 7 of 2025”.

Ministerial Decision No. 301 of 2024 applies to Tax Periods commencing on or after 1 January 2025, repealing Ministerial Decision No. 125 of 2023. However, Ministerial Decision No. 125 of 2023 still applies to Tax Periods commencing before 1 January 2025. Where Ministerial Decision No. 125 of 2023 requires a different approach for Tax Periods commencing before 1 January 2025, this has been identified in specific subsections throughout the guide.

The above approach also applies to:

- Ministerial Decision No. 302 of 2024, which repealed Ministerial Decision No. 116 of 2023 and applies to Tax Periods commencing on or after 1 January 2025, and
- Ministerial Decision No. 84 of 2025, which repealed Ministerial Decision No. 82 of 2023 and applies to Tax Periods commencing on or after 1 January 2025.

2.6. Status of this guide

This guidance is not a legally binding document, but is intended to provide assistance in understanding the tax implications for Tax Groups under the Corporate Tax Law. The information provided in this guide should not be interpreted as legal, tax or accounting advice. It is not meant to be comprehensive and does not provide a definitive answer in every case. It is based on the legislation as it stood when the guide was published. Each Person's own specific circumstances should be considered.

The Corporate Tax Law, the implementing decisions and the guidance materials referred to in this document will set out the principles and rules that govern the application of Corporate Tax in the UAE. Nothing in this publication modifies or is intended to modify the requirements of any legislation.

This document is subject to change without notice.

3. What is a Tax Group?

The Corporate Tax Law defines a Tax Group as two or more Taxable Persons treated as a single Taxable Person according to the conditions of Article 40 of the Corporate Tax Law.[2] Only Resident Persons can be part of a Tax Group.[3] A Tax Group for Corporate Tax purposes is distinct from a tax group for Value Added Tax purposes.

If the relevant conditions are met,[4] a joint application can be made to the FTA by the Parent Company and each Subsidiary seeking to form or become a member of a Tax Group.[5] A member of a Tax Group may refer to either a Parent Company or a Subsidiary included in the relevant Tax Group.

A Subsidiary can only be a member of a Tax Group if all the conditions outlined in Article 40(1) of the Corporate Tax Law are met.

There are several benefits of forming a Tax Group, which include the ability of the Parent Company to file a single Tax Return on behalf of all members of the Tax Group.[6] Forming a Tax Group also allows for the income and losses of the members of the Tax Group to be offset against each other. Also, the gains or losses on transfer of assets and liabilities and other transactions and arrangements between members of the Tax Group are generally eliminated in the Aggregated Financial Statements of the Tax Group which are used for determining the Taxable Income of the Tax Group.

[2] Article 1 of the Corporate Tax Law.
[3] Article 40(1) of the Corporate Tax Law.
[4] Article 40(1) of the Corporate Tax Law.
[5] Article 40(3) of the Corporate Tax Law.
[6] Article 53(7) of the Corporate Tax Law.

4. Conditions to form a Tax Group

A Parent Company and one or more Subsidiaries can make an application to the FTA to form a Tax Group where all of the following conditions in Article 40(1) of the Corporate Tax Law are satisfied:

- The Parent Company and each Subsidiary are juridical persons (the "juridical persons condition").[7]
- The Parent Company and each Subsidiary are Resident Persons (the "Resident Persons condition").[8]
- The Parent Company owns at least 95% of the share capital of each Subsidiary, either directly or indirectly through one or more Subsidiaries (the "share capital ownership condition").[9]
- The Parent Company holds at least 95% of the voting rights of each Subsidiary, either directly or indirectly through one or more Subsidiaries (the "voting rights condition").[10]
- The Parent Company is entitled to at least 95% of each Subsidiary's profits and net assets, either directly or indirectly through one or more Subsidiaries (the "profits and net assets condition").[11]
- Neither the Parent Company nor the Subsidiaries are an Exempt Person (the "Exempt Person condition").[12]
- Neither the Parent Company nor the Subsidiaries are a Qualifying Free Zone Person (the "Qualifying Free Zone Person condition").[13]
- The Parent Company and each Subsidiary must have the same Financial Year (the "Financial Year condition").[14]
- The Parent Company and each Subsidiary must prepare their Financial Statements using the same Accounting Standards (the "Accounting Standards condition").[15]

The share capital ownership condition, the voting rights condition and the profits and net assets condition are collectively referred to as "the ownership conditions". The ownership conditions can be met if the Parent Company holds such rights directly and/or through one or more Subsidiaries. This means indirect ownership is only considered if it is held through one or more Subsidiaries of the Parent Company. In

[7] Article 40(1)(a) of the Corporate Tax Law.
[8] Article 40(1) of the Corporate Tax Law.
[9] Article 40(1)(b) of the Corporate Tax Law.
[10] Article 40(1)(c) of the Corporate Tax Law.
[11] Article 40(1)(d) of the Corporate Tax Law.
[12] Article 40(1)(e) of the Corporate Tax Law.
[13] Article 40(1)(f) of the Corporate Tax Law.
[14] Article 40(1)(g) of the Corporate Tax Law.
[15] Article 40(1)(h) of the Corporate Tax Law.

other words, indirect ownership should be through entities, owned by the Parent Company, that meet all the conditions listed above to be a member of the Tax Group (see Section 4.3.4 for a detailed discussion).

For a Tax Group to be formed, the Parent Company and the Subsidiary must continuously meet all of the above-mentioned conditions throughout the relevant Tax Period during which the Tax Group rules are applied.[16] This means that if the Parent Company or one or more of the Subsidiaries meet the conditions only for part of a Tax Period, it is not possible for the Parent Company or the relevant Subsidiary to form or join a Tax Group in that Tax Period, except if a newly established juridical person joins an existing Tax Group.[17]

Likewise, for the Tax Group to continue to exist, the Parent Company and all Subsidiaries must meet all the above-mentioned conditions continuously throughout the relevant Tax Period.[18] If the Parent Company meets the conditions only for part of a Tax Period, it is not possible for the Tax Group to continue to exist in that Tax Period, except in cases where a Parent Company is replaced by another Parent Company without discontinuation of the Tax Group (see Section 6.4).[19]

Similarly, if any Subsidiary does not meet the conditions continuously throughout the relevant Tax Period, the Subsidiary will no longer be a member of the Tax Group from the beginning of the Tax Period in which the conditions are not met.[20] An exception to this is where the Subsidiary does not meet the conditions due to the transfer of its entire Business to another member of the same Tax Group and ceasing to exist as a result of that transfer. In such case, the Subsidiary will no longer be a member of the Tax Group from the date it ceases to exist.[21]

A Tax Group that existed in a Tax Period will continue to exist in the following Tax Period, provided the Parent Company and all the Subsidiaries continue to meet all the conditions throughout that next Tax Period. Where the Parent Company and all the Subsidiaries do not continuously meet all the conditions during a subsequent Tax Period, the Tax Group will cease to exist from the beginning of that subsequent Tax Period.[22]

[16] Article 2(1) of Ministerial Decision No. 301 of 2024.
[17] Article 5(5) of Ministerial Decision No. 301 of 2024.
[18] Article 2(1) of Ministerial Decision No. 301 of 2024.
[19] Article 40(12) of the Corporate Tax Law.
[20] Article 40(10)(b) read with Article 41(3) of the Corporate Tax Law.
[21] Article 10(1)(a) of Ministerial Decision No. 301 of 2024.
[22] Article 40(11)(b) read with Article 41(3) of the Corporate Tax Law.

There are two exceptions whereby a Parent Company of a Tax Group can be replaced by another Parent Company without a discontinuation of the Tax Group:[23]

1. the new Parent Company meets the conditions under Article 40(1) of the Corporate Tax Law relating to the former Parent Company, or
2. the former Parent Company ceases to exist and the new Parent Company or a Subsidiary is its universal legal successor.

It may be possible to form a Tax Group again after it ceases to exist or to readmit a Subsidiary that left the Tax Group, if the relevant conditions are met in a later Tax Period, by submitting an application to the FTA.

There is no limit to the number of members of a Tax Group. However, a juridical person can only be a member of one Tax Group at any given time. If a Parent Company forms a Tax Group with one or more Subsidiaries, it is regarded as a single Tax Group. It is not possible for a Parent Company to form multiple Tax Groups with different Subsidiaries.

There is no requirement for any connection or relation between the Business or Business Activities of the members of the Tax Group.

Each of the conditions listed in Article 40(1) of the Corporate Tax Law are considered below.

4.1. Juridical persons condition

The Parent Company and each Subsidiary of a Tax Group must be a juridical person, i.e. have a separate legal personality from its founders, owners and directors.[24] Examples of juridical persons include companies (such as private or public joint stock companies or limited liability companies) and certain incorporated partnerships which have a separate legal personality.

Natural persons, carrying on Business as a sole establishment, are not juridical persons and cannot qualify to be a member of a Tax Group.

Unincorporated Partnerships are a contractual relationship between two or more persons that generally do not have distinct legal personality separate from their partners/members. Given that Unincorporated Partnerships are not juridical persons in their own right, they cannot be part of a Tax Group (either as a Parent Company or as a Subsidiary). A juridical person, which is a partner in a fiscally transparent

[23] Article 40(12) of the Corporate Tax Law.
[24] Article 40(1)(a) of the Corporate Tax Law.

Unincorporated Partnership, can be a member of a Tax Group, provided the other conditions under Article 40(1) of the Corporate Tax Law are met.

However, an Unincorporated Partnership that is treated as a Taxable Person on the basis of an approved application under Article 16(8) of the Corporate Tax Law is deemed to be a juridical person and Resident Person for the purposes of the Corporate Tax Law.[25] Accordingly, an Unincorporated Partnership that is approved as a Taxable Person in its own right can be a member of a Tax Group, either as a Parent Company or a Subsidiary, if the necessary conditions in Article 40(1) of the Corporate Tax Law are met. In this respect, the ownership conditions require:

- Where the Unincorporated Partnership applies as a Parent Company, the Unincorporated Partnership must own at least 95% of the share capital, voting rights, and entitlement to profits and net assets of the Subsidiary or Subsidiaries, either directly or indirectly through one or more Subsidiaries.
- Where the Unincorporated Partnership applies as a Subsidiary, the Parent Company must own at least 95% of its share capital, voting rights, and entitlement to profits and net assets of the Unincorporated Partnership, either directly or indirectly through one or more Subsidiaries.

An Unincorporated Partnership does not have traditional share capital, so the concept of Membership or Partnership Capital applies. This means that the capital contributed to the Unincorporated Partnership is divided into membership or partnership interests, granting the rights of membership or partnership to the contributing Person.

4.2. Resident Persons condition

4.2.1. Resident Person under the Corporate Tax Law and under Double Taxation Agreements

The Parent Company and each Subsidiary of a Tax Group must be a Resident Person.[26] Under the Corporate Tax Law, a juridical person is a Resident Person where:

- it is incorporated or otherwise established or recognised under the applicable legislation of the UAE,[27] or
- it is incorporated or otherwise established or recognised under the applicable legislation of a foreign jurisdiction but is effectively managed and controlled in the UAE.[28]

[25] Article 2 of Cabinet Decision No. 63 of 2025.
[26] Article 40(1) of the Corporate Tax Law.
[27] Article 11(3)(a) of the Corporate Tax Law.
[28] Article 11(3)(b) of the Corporate Tax Law.

In addition, a juridical person can be a member of a Tax Group only if they are regarded both as a Resident Person under the Corporate Tax Law as well as not considered a tax resident of another country or foreign territory under a relevant Double Taxation Agreement in force in the UAE.[29] In other words, a juridical person cannot be a member of a Tax Group if it is considered a tax resident in a foreign jurisdiction under a Double Taxation Agreement in force in the UAE.

Double Taxation Agreements are bilateral agreements between the UAE and another jurisdiction for the elimination of double taxation with respect to taxes on income and capital and the prevention of tax evasion and avoidance. Such agreements aim, among other things, to resolve double taxation in instances where a person is a dual resident in the UAE and another jurisdiction. For this purpose, Double Taxation Agreements generally provide rules for determining in which jurisdiction a Person is regarded as tax resident for the purposes of the agreement (see Section 4.2.2.1 in relation to the "tie-breaker rule").

4.2.2. Dual resident persons

If a Resident Person is also liable to an income tax or any other tax that is similar to Corporate Tax in a foreign jurisdiction by virtue of residence, place of effective management or any other criterion of a similar nature, the Resident Person is considered a dual resident person. Whether a dual resident person can be a member of a Tax Group will depend on the relevant facts and circumstances, as explained below.

4.2.2.1. The Double Taxation Agreement includes a tie-breaker rule

In general, Double Taxation Agreements outline a clear procedure to determine the sole jurisdiction in which a dual resident person is considered tax resident for the purposes of that agreement (a "tie-breaker rule"). Under the tie-breaker rule of a Double Taxation Agreement, the following outcomes are possible:

- If the dual resident person is regarded as a tax resident of only the UAE under the tie-breaker rule of a Double Taxation Agreement with another jurisdiction, that Resident Person is not considered a tax resident of the foreign jurisdiction. As a result, the dual resident person can be a member of a Tax Group.
- If a dual resident person is regarded as a tax resident of a foreign jurisdiction under the tie-breaker rule of a Double Taxation Agreement, that Resident Person cannot form or be a member of a Tax Group.[30]
- If a dual resident person was a member of a Tax Group in earlier Tax Periods, but is subsequently treated as a tax resident of a foreign jurisdiction under the

[29] Article 3(1) of Ministerial Decision No. 301 of 2024.
[30] Article 3(1) of Ministerial Decision No. 301 of 2024.

tie-breaker rule of a Double Taxation Agreement, that member shall be treated as leaving the Tax Group from the beginning of the Tax Period in which the member became a tax resident of the foreign jurisdiction.[31]

The reason for this condition is that where a dual resident person is regarded as a tax resident of a foreign jurisdiction under a Double Taxation Agreement, the restrictions under the Double Taxation Agreement would usually mean it is not effectively taxed in a manner similar to other Resident Persons for Corporate Tax purposes, as the UAE's taxing rights on that Person will generally be limited to specific instances.

4.2.2.2. The Double Taxation Agreement has the mutual agreement procedure as a tie-breaker rule

Certain Double Taxation Agreements do not provide a conclusive tie-breaker rule for dual resident persons. Instead, tax residence is determined through mutual agreement of the competent authorities of both jurisdictions. In this case, until the competent authorities reach a conclusion, the person is treated as tax resident of both countries.[32]

For Tax Group purposes, a Resident Person should not be resident for tax purposes in another jurisdiction under a Double Taxation Agreement.[33] This requirement is not met until the mutual agreement procedure is complete. As a result, the Resident Person is not eligible to join or form a Tax Group in such cases, even though the UAE is not restricted from exercising a taxing right on the income of the dual resident person.

After the mutual agreement procedure is concluded and the tax residence is allocated to one specific jurisdiction, a dual resident person can join a Tax Group if the Resident Person is regarded as tax resident only in the UAE by the competent authorities under the relevant Double Taxation Agreement.

4.2.2.3. No Double Taxation Agreement between UAE and a foreign jurisdiction

It is possible that a Resident Person is also a tax resident under the domestic tax law of a foreign jurisdiction with which the UAE does not have a Double Taxation Agreement in force. In such cases, the requirement under Article 3(1) of Ministerial Decision No. 301 of 2024 does not apply, as it only applies if there is a Double Taxation

[31] Article 3(2) of Ministerial Decision No. 301 of 2024.

[32] Article 4(3) of the OECD Model Tax Convention on Income and on Capital (2017 version) and the UN Model Double Taxation Convention between Developed and Developing Countries (2021 version).

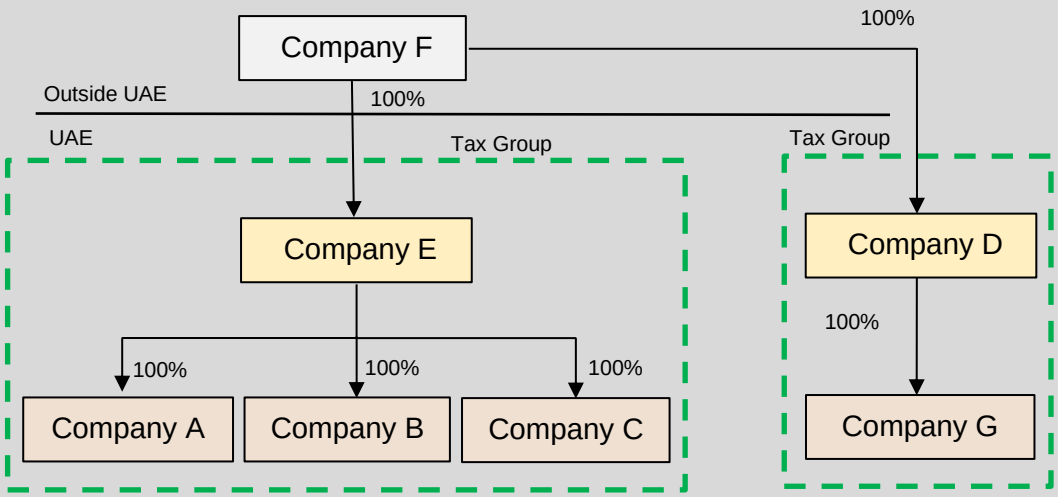
[33] Article 3(1) of Ministerial Decision No. 301 of 2024.

Agreement in force. Thus, the Resident Person would still be eligible to join a Tax Group.

4.2.3. Parent Company held by a non-resident person

A foreign company that is not a Resident Person cannot qualify to be a member of a Tax Group. However, it is possible that a foreign company directly or indirectly holds shares or interests of several juridical Resident Persons, including a Parent Company. In such a case, the juridical Resident Persons (Subsidiaries of the foreign company) can form a Tax Group if those companies are held by a Parent Company which is a juridical Resident Person that meets all the conditions under Article 40(1) of the Corporate Tax Law to qualify as the Parent Company of the Tax Group.

Example 1: Resident Subsidiaries of a foreign parent company forming Tax Groups



Company F (incorporated in and tax resident of a foreign country) holds 100% of the share capital of Company E, which in turn holds 100% of the share capital of Company A, Company B and Company C.

Company F also holds 100% of the share capital of Company D, which in turn holds 100% of the share capital of Company G.

Company E, Company A, Company B, Company C, Company D and Company G are all incorporated and resident in the UAE for Corporate Tax purposes.

Assuming all other conditions to form a Tax Group are met, two separate Tax Groups could be formed:

- Company E, as a Parent Company, can apply with Company A, B and C to the FTA to form a Tax Group, and

- Company D as a Parent Company, can apply with Company G to the FTA to form a Tax Group.

Companies A, B, C, D, E and G cannot form a single Tax Group since there is no direct share capital ownership relationship between Company E and Company D (i.e. an indirect ownership relationship exists between Company E and Company D through Company F). Accordingly, it would not be possible to identify a Parent Company out of Company E or Company D for the purpose of forming a Tax Group.

4.3. Share capital ownership condition

To form a Tax Group, the Parent Company must own at least 95% of the share capital in each of the Subsidiaries, either directly or indirectly through one or more Subsidiaries.[34] The 95% threshold allows companies to form or join a Tax Group when there is a minority interest holder. This can be the case, for example, if a law requires at least two shareholders for the incorporation of a juridical person.

4.3.1. What is share capital?

Share capital is defined as the nominal issued and paid-up capital, or Membership or Partnership Capital, as applicable.[35]

The term “share” refers to a unit of ownership in a company which entitles the holder to a number of rights. These may include the right to vote, the right to participate in distributions of company profits, and the right to a return on the company’s capital. The particular rights attached to a share will depend on the constitutional documents of the company. The term includes all types of shares issued by a company which carry a right to participate in the company’s profits and liquidation proceeds, such as Ordinary Shares, Preferred Shares, Redeemable Shares etc. The term should be interpreted consistently with the term “shares or capital” and the term “share capital” used in the Corporate Tax Law[36] and implementing decisions.[37] Any related guidance on those terms can also be applied.

[34] Article 40(1)(b) of the Corporate Tax Law.

[35] Article 2(2) of Ministerial Decision No. 301 of 2024.

[36] For example, the term “shares or capital” is used in Articles 13(2)(e), 23(2) and 23(11) of the Corporate Tax Law and the term “share capital” is used in Article 31(1)(b) of the Corporate Tax Law.

[37] Scope of ownership interests is described in Article 2 of Ministerial Decision No. 302 of 2024, Article 2 of Ministerial Decision No. 132 of 2023 and Article 3 of Ministerial Decision No. 133 of 2023.

For instance, an ownership interest shall qualify as a "share or capital" if it is classified as an equity interest under the Accounting Standards as applied by the Person holding the ownership interest.[38]

Share capital consists of capital that has been issued and paid-up and does not include capital that has been authorised but not yet issued and/or paid up. Rights of shareholders (such as voting rights and rights to receive profit distributions) are usually determined with reference to the nominal or par value (for example the "unit value") of the shares, in which case the share capital condition requires the Parent Company to own at least 95% of the nominal value of the capital. Usually, the nominal value is determined separately from any share premium (i.e. amounts contributed on shares in excess of their nominal value).

If the capital of a company does not have nominal value, the rights of shareholders would usually be determined with reference to a different metric, such as a capital account allocated to a shareholder. In such a case, the share capital condition requires the Parent Company to own at least 95% of such metric.

Share capital also includes capital invested in other forms of juridical persons (other than companies) such as Membership or Partnership Capital (which is the total amount of capital held by such juridical person that can be allocated to specific owners). Capital in an incorporated partnership or units of a trust also qualify as share capital where such entities are treated as juridical persons according to the law under which they are incorporated.

In addition to share capital, a Parent Company must hold at least 95% of voting rights and entitlement to profits and net assets in the capital of the Subsidiaries i.e. the "voting rights condition" and the "profits and net assets condition" (see Sections 4.4 and 4.5).[39]

4.3.2. Ownership of share capital

The share capital ownership condition under Article 40(1)(b) of the Corporate Tax Law refers to the legal owner of the shares, that is the Person who holds the legal title to the shares or interest.

Where the Parent Company legally owns directly or indirectly at least 95% of the share capital of the Subsidiary, the share capital ownership condition should be met. Whether this is the case should be determined based on the particular facts and

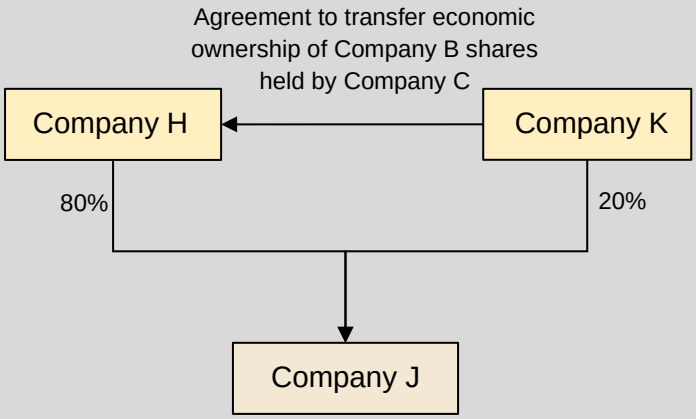
[38] Article 2(2) of Ministerial Decision No. 302 of 2024, Article 2(2) of Ministerial Decision No. 132 of 2023 and Article 3(2) of Ministerial Decision No. 133 of 2023.
[39] Article 40(1)(c) and 40(1)(d) of the Corporate Tax Law.

circumstances on a case-by-case basis and after considering the specific legal arrangements that are in place.

The share capital ownership is not met if a Person transfers the legal title in shares or ownership interest to another Person while retaining the voting rights and entitlement to other benefits of the shares or interest.

Even if the share capital ownership condition is met, it should be assessed whether the voting rights condition and the profits and net asset condition are met (see Sections 4.4 and 4.5).

Example 2: Legal ownership of shares



Company H owns 80% of the shares in Company J. Company K holds the remaining 20% of the shares in Company J. Company H, Company J and Company K are incorporated and tax resident in the UAE.

Company K and Company H enter into an agreement to transfer the economic ownership of the shares in Company J to Company H, under which Company K will continue to hold the legal ownership of 20% of the shares in Company J, but will do so on behalf of Company H.

Company K transfers all rights relating to the 20% ownership in Company J to Company H and grants Company H the right to request the transfer of legal title to the 20% ownership in Company J at any time. In return for the transfer of economic ownership, Company H pays a consideration equal to the Market Value of the 20% shares held in Company J to Company K.

After the transfer, Company H owns 80% of the shares in Company J (legally and economically) and 20% as an economic owner. However, the share capital ownership condition is determined based on legal ownership of the shares and not

based on beneficial ownership. As Company H legally only owns 80% of the shares in Company J, the share capital ownership condition is not met. Therefore, Company H and Company J cannot form a Tax Group.

4.3.3. Determining the 95% share capital ownership threshold

Whether the condition to hold at least 95% of share capital is met should be assessed with reference to the nominal issued and paid-up share capital or Membership or Partnership Capital.[40] As explained in Section 4.3.1, the nominal issued and paid-up capital is the metric used by the juridical person to determine the proportionate rights of shareholders.

This is computed as: $\frac{X}{Y} \times 100\%$

where:

- X is the portion of nominal issued and paid-up capital of the Subsidiary that is owned by the Parent Company directly or indirectly through one or more Subsidiaries, and
- Y is the total nominal issued and paid-up capital of the Subsidiary.

It is possible that the Subsidiary issues shares with different nominal values through the use of different share classes. In such a case, testing the 95% ownership condition only on the basis of the number of shares held can lead to an inaccurate representation. Instead, the number of shares should be weighted by the nominal value of each share when computing X and Y to provide an accurate representation of the shareholding.

Example 3: Shares with different nominal values

Company L (incorporated in and tax resident of the UAE) has issued 2 classes of shares to its shareholders:

Class of share	Number of shares issued	Nominal value per share (AED)	Total capital (AED)
Class 1	100	10	1,000
Class 2	1	1,000	1,000
Total	**101**	**-**	**2,000**

Company M holds 100% of Class 1 shares of Company L.

Applying the formula above to Class 1 shares leads to the following result:

[40] Article 2(2) of Ministerial Decision No. 301 of 2024.

(1,000 ÷ 2,000) × 100% = 50%.

As the number of shares held in Company L is weighted with reference to their nominal value, the share capital ownership condition is not met by Company M even though Company M holds 100% of the Class 1 shares and 99% of the total number of shares of Company L, because Company M only owns 50% of the nominal value of the shares of Company L.

It is also possible that the share capital of a Subsidiary consists of different types of shares, for example Ordinary Shares, Preferred Shares, etc. All types of shares held by the Parent Company in the Subsidiary directly or indirectly should be considered when computing X and Y.

Any instruments issued that are not share capital (such as convertible loans, warrants, options over shares that have not been issued, or options over shares that have been issued) should not be considered in determining whether the share capital ownership condition has been met.

Certain juridical persons do not have capital divided into shares with a nominal value, but instead determine the entitlement of their owners with reference to Membership or Partnership Capital. In such cases, the share capital condition should be tested with reference to such Membership or Partnership Capital. This means capital paid to a partnership or trust (that is a juridical person) by a Parent Company (directly or indirectly) should be considered as X and the total capital account of the partnership or trust should be considered as Y.

4.3.4. Indirect ownership

The Parent Company must own at least 95% of the share capital in the Subsidiaries, either directly or indirectly through one or more Subsidiaries of the Parent Company. The condition is also met if the combination of direct and indirect ownership adds up to at least 95% of the share capital.[41]

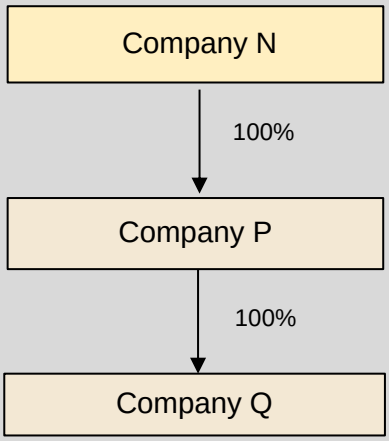
If a chain of entities meet all the conditions to form a Tax Group at each level, it is possible to form an "uninterrupted" Tax Group that includes all these Subsidiaries. However, a Parent Company cannot form a Tax Group with an indirectly held entity unless the intermediate entity or entities (through which the entity is indirectly owned) are also included in the Tax Group. In other words, if any entity in the ownership chain fails to meet the conditions for forming a Tax Group, or meets all the conditions of Article 40(1) of the Corporate Tax Law but opts not to join the Tax Group, an "interrupted" Tax Group excluding that entity cannot be formed.

[41] Article 40(1)(b) of the Corporate Tax Law.

For instance, if a Parent Company holds 100% of the shares or ownership interests in another company, the company cannot be included in a Tax Group if it does not also meet all other conditions of Article 40(1) of the Corporate Tax Law, for example, if it is not a Resident Person.

As a result, the intermediate entity would not be a Subsidiary for the purposes of the Tax Group regime under the Corporate Tax Law and any shares or ownership interests held by that intermediate entity cannot be taken into account when determining whether the Parent Company meets any of the ownership conditions. This is because each of these conditions only allow indirect ownership through one or more Subsidiaries.

Example 4: Indirect ownership through an entity that is not a Subsidiary



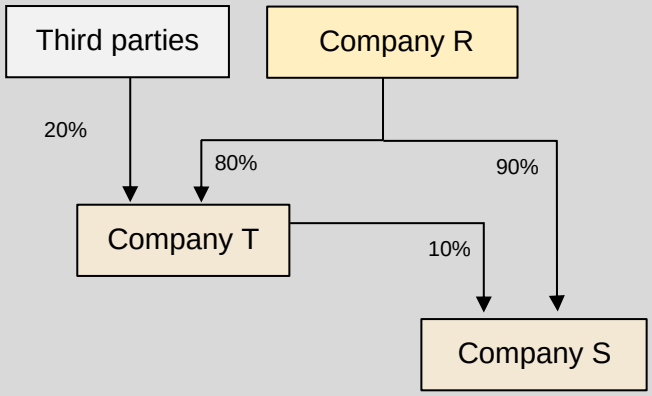
Company N, Company P and Company Q are juridical Resident Persons. Company N owns 100% of the share capital in Company P, and Company P holds 100% of the share capital in Company Q.

If Company P does not meet all of the conditions in Article 40(1) of the Corporate Tax Law (for example, if Company P is a Qualifying Free Zone Person), then Company N cannot form a Tax Group with Company P.

Furthermore, although Company N holds 100% shares in Company Q indirectly, it holds the shares through Company P. Company P does not qualify as a Subsidiary for the purposes of the Tax Group regime under the Corporate Tax Law since it is a Qualifying Free Zone Person and, accordingly, does not meet the conditions in Article 40(1) of the Corporate Tax Law. As the share capital ownership condition only allows indirect shareholdings held through a Subsidiary, Company N would not meet the share capital ownership condition in respect of Company Q. Hence, Company N cannot form a Tax Group with Company Q.

Similarly, any indirect ownership held through Persons that are not Subsidiaries cannot be taken into account in determining whether the Parent Company holds at least 95% of the share capital.

Example 5: Indirect ownership



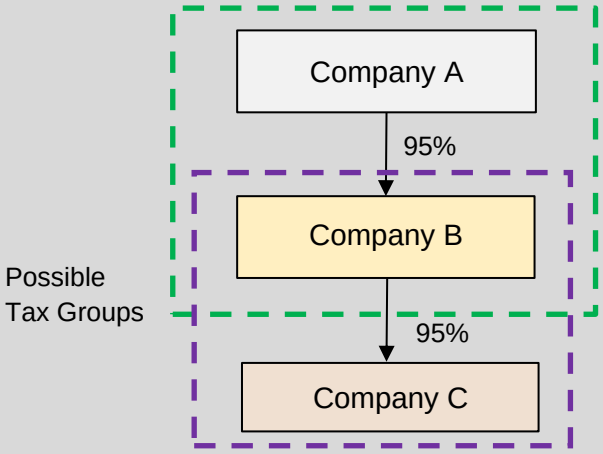
Company R, Company S and Company T are juridical Resident Persons. Company R owns 90% of the share capital of Company S and 80% of the share capital of Company T. The remaining 10% of the share capital of Company S is owned by Company T. The remaining 20% of the share capital of Company T is owned by third parties.

As Company R owns less than 95% of the share capital in Company T, Company R does not meet the share capital condition in respect of Company T. Therefore, Company T is not a Subsidiary of Company R, and the two cannot form a Tax Group.

Company R directly owns 90% of the share capital in Company S. The indirect ownership of share capital in Company S can only be considered if held through one or more Subsidiaries. As Company T is not a Subsidiary of Company R, the shares owned by Company T cannot be considered in determining whether the share capital condition is met by Company R in relation to Company S. Therefore, the condition is not met in the case of Company S as well. Company R cannot form a Tax Group with either Company T or Company S.

If a Parent Company indirectly owns the share capital of a juridical Resident Person through non-wholly owned Subsidiaries, the holding of the Parent Company in that juridical Resident Person should be counted proportionately i.e. in proportion to the Parent Company's holding in the intermediate non-wholly owned Subsidiary.

Example 6: Entities held through non-wholly owned Subsidiaries



Company A, Company B and Company C are juridical Resident Persons. Company A holds 95% of the shares in Company B and Company B holds 95% of the shares in Company C.

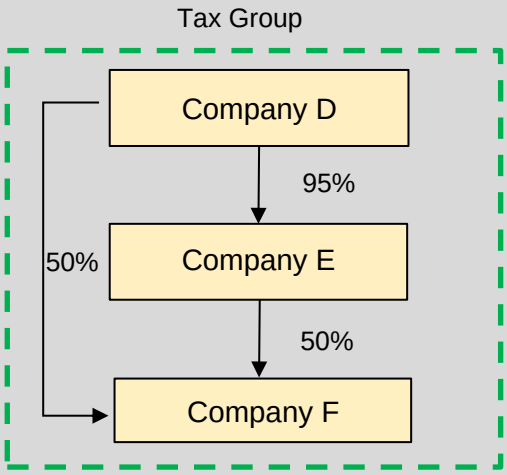
Assuming all other conditions of Article 40(1) of the Corporate Tax Law are met, Company A can form a Tax Group with Company B. However, Company C cannot be a member of this Tax Group since Company A's indirect shareholding in Company C is less than 95% (i.e. 95% * 95% = 90.25%).

Alternatively, as Company B holds 95% of the shares in Company C and assuming the other conditions of Article 40(1) of the Corporate Tax Law are met, Company B can form a Tax Group with Company C.

However, a juridical Resident Person can only be part of one Tax Group at any given time. Hence, during any Tax Period, Company B can only be part of one Tax Group and not both the Tax Groups (i.e. Tax Group with Company A or Tax Group with Company C).

To determine the share capital ownership threshold, a direct ownership held by the Parent Company can be combined with any indirect shareholding or equivalent ownership interest held by a Parent Company through one or more Subsidiaries. The share capital ownership condition is met if total ownership (i.e. direct and indirect ownership) is 95% or more.

Example 7: Direct and indirect shareholding in a Subsidiary



Company D, Company E and Company F are juridical Resident Persons. Company D wishes to form a Tax Group with Company E and Company F.

Company D holds 95% shares in Company E. Assuming all other conditions of Article 40(1) of the Corporate Tax Law are met, Company E qualifies as a Subsidiary. Company D can form a Tax Group with Company E.

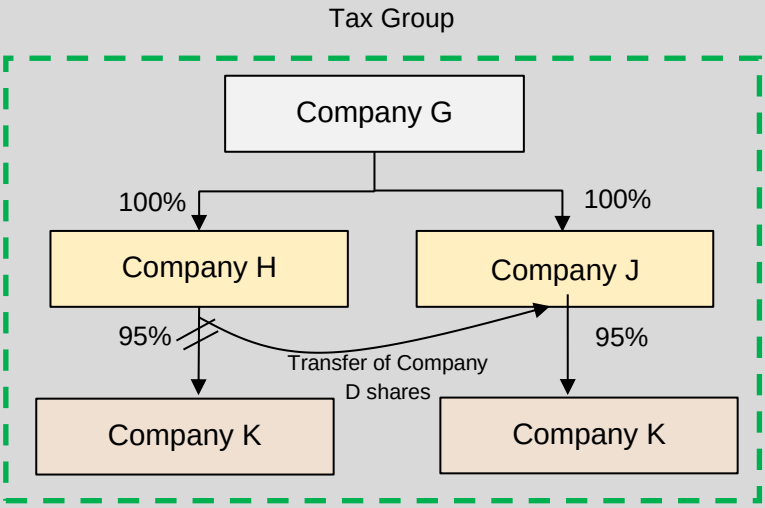
Company D holds a 50% direct stake in Company F. The remaining 50% is held by Company E. Accordingly, Company D holds 47.5% (i.e. 95% of 50%) of the share capital of Company F indirectly through Company E (which is considered a Subsidiary of Company D). As a result, Company D's total direct (50%) and indirect (47.5%) ownership of the share capital of Company F is 97.5%. This means Company D meets the share capital ownership condition in respect of Company F. Assuming all other conditions of Article 40(1) of the Corporate Tax Law are met, Company F can also be a member of the Tax Group with Company D and Company E.

4.3.5. Transfer of shares between members of a Tax Group

The transfer of shares of a Subsidiary held by one member of a Tax Group to another member of the same Tax Group will not impact the share capital ownership condition provided the Parent Company continues to hold at least 95% share capital of that Subsidiary directly or indirectly through one or more Subsidiaries throughout the relevant Tax Period.[42]

[42] Article 2(1) of Ministerial Decision No. 301 of 2024.

Example 8: Transfer of shares between members of a Tax Group



Company G, Company H, Company J and Company K are juridical Resident Persons. Company G holds 100% of the shares in Company H and 100% of the shares in Company J. Company B holds 95% of the shares in Company K. All four companies have formed a Tax Group for the Tax Period beginning 1 January 2024.

On 1 December 2024, Company H transfers its 95% shares in Company K to Company J.

The share capital ownership condition requires that Company G continuously holds at least 95% of the share capital of Company K, either directly or indirectly. Company G's direct or indirect shareholding of Company K during the Tax Period beginning 1 January 2024 is as follows:

- Before the transfer, Company G's indirect ownership of Company K was 95% (i.e. 100% of 95%).
- After the transfer on 1 December 2024, Company G's indirect ownership remains at 95% (i.e. 100% of 95%).

As Company G held an indirect ownership of at least 95% in Company K at all times throughout 2024, the share capital ownership condition has been met continuously for 2024. This means it is possible for Company K to remain a member of the Tax Group, provided all the other conditions continue to be met.

4.3.6. Transfer of shares outside the Tax Group

Transactions for the sale of shares between independent parties can be subject to a long negotiation process, usually resulting in the parties entering into a share purchase agreement ("signing") and a transfer of the shares ("closing"). Signing and closing can occur on the same date or there can be a time gap between signing and closing.

In the case of a time gap, questions can arise on whether the buyer or seller of the shares can continuously meet the share capital ownership condition between signing and closing of a share purchase agreement. As discussed in Section 4.3.2, the owner for the purposes of the share capital ownership condition is the legal owner of the share capital. Whether the legal ownership is transferred from the seller to the buyer depends on the specifics of the share purchase agreement. As a principle, until legal title in the shares is transferred to the buyer, the seller should be considered to be the legal owner of the shares. As a result, it is possible for the seller to meet the share capital ownership condition after signing if the legal title of the shares is not transferred to the buyer upon signing. Until legal title is transferred, the seller will continue to meet the share capital ownership condition. Once legal title of the shares is transferred to the buyer, the buyer will become the legal owner of the shares.

Where the shares in a Subsidiary are transferred to a buyer which is not part of the Tax Group, the Subsidiary will cease to form part of the Tax Group from the beginning of the Tax Period in which the transfer took place.[43]

If a sale of all the shares in a Subsidiary happens within a Tax Period, neither the seller nor the purchaser of the shares can meet the share capital ownership condition for the entire Tax Period.

The Subsidiary whose shares are sold and any Subsidiaries that are held through that Subsidiary, are considered to leave the Tax Group at the start of the Tax Period in which the share capital ownership condition was no longer met.[44] In addition, the purchaser would not be able to form a Tax Group with the acquired entity, or any entities held by the acquired entity, for that Tax Period, as it has not met the share capital ownership condition continuously for the entire Tax Period,[45] unless:

- a newly incorporated company which acquires shares of a Parent Company of a Tax Group during the Tax Period and which meets the conditions under Article 40(1) of the Corporate Tax Law (see Section 4), consequently becomes a new Parent Company of the Tax Group by replacing the former Parent Company,[46] or
- the Parent Company ceases to exist and transfers the shares of its Subsidiary to a universal legal successor who becomes the new Parent Company and consequently, the former Parent Company of the Tax Group is replaced.[47]

[43] Article 41(3) of the Corporate Tax Law.
[44] Article 41(3) of the Corporate Tax Law.
[45] Article 2(1) of Ministerial Decision No. 301 of 2024.
[46] Article 40(12)(a) of the Corporate Tax Law and Article 5(5)(b) of Ministerial Decision No. 301 of 2024.
[47] Article 40(12)(b) of the Corporate Tax Law.

4.4. Voting rights condition

4.4.1. General

The voting rights condition requires the Parent Company to hold at least 95% of the voting rights in the Subsidiary, either directly or indirectly through one or more Subsidiaries.[48] The condition is also met if the combination of direct and indirect entitlement to voting rights adds up to at least 95%. An indirect entitlement to voting rights is only considered if held through one or more Subsidiaries of the Parent Company.

Although the voting rights condition will often be met if the share capital ownership condition is met, voting rights need to be assessed independently and can have different results if there are restrictions on voting rights or if voting rights do not fully align with nominal share capital ownership.

To determine this, voting rights on matters that require shareholder approval are relevant. Voting rights on matters that only require board approval are not relevant. What qualifies as a matter requiring shareholder approval would usually depend on the constitutive documents of the entity and any shareholders' agreement that sets out the rights, responsibilities, and obligations of the shareholders of the entity. Usually, matters such as appointment of directors, Dividends and the decision to wind up a juridical person require shareholder approval.

The voting rights condition depends on whether the Parent Company and/or a relevant intermediary Subsidiary legally holds voting rights on shareholder matters.

A contractual agreement to vote in a certain way would not generally limit the legal right of a shareholder to vote. Similarly, appointing another person to vote on behalf of the shareholder through a proxy does not generally result in the shareholder losing its right to vote, as the proxyholder exercises the voting right on behalf of the shareholder. It is irrelevant for the voting rights condition whether the Parent Company and/or a relevant intermediary Subsidiary has exercised or regularly exercises its voting rights attached to the shares of the Subsidiary it owns.

Generally, voting rights are tied to the nominal value of share capital. Therefore, the voting rights condition will usually be met if the share capital ownership condition is met. However, some shares may not carry voting rights (non-voting shares) or carry extraordinary voting rights (see Section 4.4.2).

[48] Article 40(1)(c) of the Corporate Tax Law.

Where a Subsidiary has issued shares with voting rights and non-voting rights, the latter should be excluded when determining whether the voting right condition has been met. This means that it is possible that the share capital ownership condition is met but the voting rights condition is not met.

Alternatively, where the Parent Company or a relevant intermediary Subsidiary transfers legal title to the shares or other ownership interest to another Person while retaining the voting rights and entitlement to other benefits from such shares or other ownership interests, those voting rights would still count for the purposes of the voting right condition (even though the shares would not be counted for the share capital ownership condition, see Section 4.3.2).

4.4.2. Extraordinary voting rights

Sometimes a juridical person issues shares which carry extraordinary voting rights to significant shareholders, such as founders, as compared to other shareholders. For instance, holders of these shares can have the right to appoint one board member or the right to veto certain important business decisions such as mergers, significant acquisitions and disposals or liquidation of the company.

If the shares are held by a minority shareholder holding 5% or less ownership interest, the shares do not automatically prevent the formation of a Tax Group. For instance, the right of a minority shareholder to appoint a board member does not automatically jeopardise the voting rights condition, provided that the Parent Company and/or a relevant intermediary Subsidiary still has at least 95% of the voting rights.

Veto rights attached to certain shares do not prevent meeting the voting rights condition, provided that the Parent Company and/or a relevant intermediary Subsidiary continues to hold at least 95% of the voting rights on shareholder decisions. In other words, different classes of shares with different voting rights should generally not affect the voting right condition if the Parent Company can demonstrate that it directly or indirectly holds at least 95% or more of the total/overall statutory voting rights of the Subsidiary. However, this would need to be considered on a case-by-case basis depending on the facts and circumstances.

4.4.3. Indirect holding of voting rights

The same principle as discussed above in relation to share capital ownership applies to determine the percentage of voting rights held directly or indirectly. See Section 4.3.4 for situations where the Parent Company holds voting rights indirectly through Subsidiaries and how to determine the percentage of voting rights held by the Parent Company.

4.5. Profits and net assets condition

A Tax Group requires the Parent Company to have, either directly or indirectly, an entitlement to at least:[49]

- 95% of the Subsidiary's profits (the "profits condition"), and
- 95% of the Subsidiary's net assets (the "net assets condition").

This means that the profits and net assets condition is only met if both elements are met, i.e. the profits condition and the net assets condition. Both of these conditions need to be assessed on the basis of effective entitlement. Although the profits and net assets condition will often be met if the share capital ownership condition is met, the profits and net assets rights need to be assessed independently and can have different results if contractual arrangements limit the rights to profits and net assets, or if the rights to profits and net assets do not fully align with nominal share capital ownership.

4.5.1. Profits condition

The profits condition requires that the Parent Company is, directly or indirectly, entitled to receive at least 95% of profits from the Subsidiary. This consists of distributable and un-distributable profits. Distributable profits of a juridical person are determined by the corporate law and applicable legislation of the UAE or a foreign jurisdiction which governs the formation or existence of the Subsidiary.

Distributable profits will often be the accumulated realised net profits based on the applicable Accounting Standards. If certain profits are not available for distribution, such as those allocated to a (non-distributable) legal reserve, the shareholders can generally be considered to hold a right to such profits and the profits condition can be met if the Parent Company (whether directly or indirectly through one or more Subsidiaries) holds at least 95% of the rights to the profits if they were to be distributed.

Any portion of share capital that is not held by the Parent Company or a relevant intermediary Subsidiary should be taken into account when assessing who would have the right to receive profit distributions.

Profit allocation can be determined by various factors, such as shareholder agreements, company bylaws, or specific arrangements made among the shareholders. Different classes of shares with different economic entitlement (for example, Preferred Shares) may impact the entitlement of the Parent Company and/or a relevant intermediary Subsidiary. These factors can allow for different profit-sharing ratios from the shareholding/ownership percentages. Irrespective of the percentage of the legal ownership interest held by the Parent Company (whether directly, or indirectly

[49] Article 40(1)(d) of the Corporate Tax Law.

through one or more Subsidiaries), the profits condition requires that the Parent Company is directly or indirectly entitled to at least 95% of the profits of the Subsidiary.

If a juridical person contractually agrees to share a portion of operational results with a third party, this would not necessarily reduce a shareholder's right to the profits provided that the contractual entitlement is not an equity relationship. However, this would need to be determined based on the facts and circumstances on a case-by-case basis.

4.5.2. Entitlement to at least 95% of the Subsidiary's net assets

The net assets condition requires the direct or indirect entitlement to be at least 95% of the net assets of the Subsidiary.[50] "Net assets" means the value of the Subsidiary's total assets minus its total liabilities. In other words, the net assets of the Subsidiary upon liquidation after all creditors have been settled. The total amount of net assets equals the equity of the shareholders in the Subsidiary.

4.5.3. Impact of different share classes

If a company has several share classes with different economic entitlements, situations can occur where meeting the profits and net assets condition is not immediately obvious. This is illustrated in the example below.

Example 9: Profit distribution only to holders of Preferred Shares

Company N is incorporated in and tax resident of the UAE. The share capital of Company N is as follows:

Class of share	Number of shares issued	Nominal value per share (AED)	Total capital (AED)
Ordinary Shares	100	10	1,000
Preferred Shares	1	50	50
Total	**101**		**1,050**

Company L holds all the Ordinary Shares and Company M holds all the Preferred Shares of Company N. Since Company M holds Preferred Shares, it enjoys priority in terms of entitlement to profits and liquidation proceeds ahead of owners of

[50] Article 40(1)(d) of the Corporate Tax Law.

Ordinary Shares. Company N uses the Gregorian calendar year as its Financial Year.

The distribution policy in respect of the Preferred Shares of Company N entitles Company M to a fixed Dividend of AED 0.1 million per Preferred Share from available profits.

Company N reported a profit of AED 3 million for Financial Year 2024 and the profit was fully distributed in March 2025. Company N reported a profit of AED 0.15 million for Financial Year 2025 and the profit was fully distributed in March 2026.

In respect of 2024 Tax Period, Company L is entitled to receive Company N's profits of AED 2.9 million (i.e. AED 3 million – AED 0.1 million). Accordingly, Company L meets the profits condition since it received more than 95% of the profits for the year (AED 2.9 million / AED 3 million * 100 = 96.67%).

Company L would also meet the net assets condition, provided it would be entitled to at least 95% of the proceeds if Company N were to be liquidated. Typically this would not be based on the number of shares held by Company L and Company M respectively, but by the entitlement to return of capital.

Assuming all of the other conditions are met, Company L can form a Tax Group with Company N as of 1 January 2024. The possibility that the 95% profits condition may not be met in future does not prevent the formation of a Tax Group in 2024.

However, in 2025 Tax Period, after the fixed Dividend of AED 0.1 million is paid to Company M, Company L is entitled to receive profit of AED 0.05 million. Accordingly, the profits condition is not met since Company L is only entitled to 33.33% of the profits of Company N [(AED 0.05 million / AED 0.15 million) * 100]. Therefore, if a Tax Group was formed in 2024, it would cease to exist from 1 January 2025, i.e. with effect from the beginning of the Tax Period in which the profits condition was not met.[51]

The Tax Group shall notify the FTA within 20 business days from the date on which the conditions are no longer met.[52] As the entitlement of shareholders to profits can only be assessed at the end of the Financial Year, the Tax Group is required to notify the FTA within 20 business days of the end of the 2025 Financial Year.

[51] Article 41(3) of the Corporate Tax Law.
[52] Article 12 of Ministerial Decision No. 301 of 2024.

4.5.4. Transfer of shares outside the Tax Group

Where a shareholder has entered into an agreement to sell its shares, the share purchase agreement will determine whether the economic entitlement is transferred from the seller to the buyer and the effective date of the transfer. As a general principle, the buyer will be considered entitled to the profits and net assets relating to the shares when the share purchase agreement becomes unconditional. Then the buyer can meet the profits and net assets condition (assuming the shares transferred represent at least 95% entitlement to profits and net assets). That also means the seller then no longer meets the profits and net assets condition.

4.5.5. Indirect holding of rights to profits or net assets

The same principles as discussed above in relation to share capital ownership and voting rights apply to determine the percentage of rights to profits and net assets held directly or indirectly. See Section 4.3.4 for situations where the Parent Company holds rights to profits or net assets indirectly through Subsidiaries and how to determine the percentage of rights to profits or net assets held directly or indirectly by the Parent Company.

4.6. Exempt Person condition and Qualifying Free Zone Person condition

4.6.1. General

A Tax Group is intended to allow for the grouping of entities which are subject to Corporate Tax in the same manner. In line with this principle, an Exempt Person or a Qualifying Free Zone Person cannot form or join a Tax Group.[53]

In contrast, a juridical Resident Person that is a Free Zone Person but not a Qualifying Free Zone Person can be a member of a Tax Group, whether as a Parent Company or as a Subsidiary, if the other conditions of forming or joining a Tax Group are met. The mere fact that a juridical person is incorporated or established in a Free Zone is not, in itself, a barrier to being a member of a Tax Group. A Qualifying Free Zone Person that has elected to be subject to Corporate Tax at the standard rates may also form or join a Tax Group starting from the Tax Period in which the election takes effect, provided all other conditions of Article 40(1) of the Corporate Tax Law are also met.[54]

A branch of a Non-Resident Person could also fall within the definition of a Free Zone Person, if it is registered in a Free Zone.[55] However, a branch of a Non-Resident

[53] Article 40(1)(e) and 40(1)(f) of the Corporate Tax Law.
[54] Articles 18(1)(c) and 19 of the Corporate Tax Law.
[55] Article 1 of the Corporate Tax Law.

Person registered in a Free Zone cannot be a member of a Tax Group since it would not meet the juridical person condition, as the branch does not have a separate legal personality from its head office. The Non-Resident Person of which the branch is a part would also not meet the Resident Persons condition.[56]

Where a member of a Tax Group becomes an Exempt Person during a Tax Period or is a Qualifying Free Zone Person for a Tax Period and does not elect to be subject to tax under Article 19 of the Corporate Tax Law, the Exempt Person condition or Qualifying Free Zone Person condition will no longer be met. As a result, that member of the Tax Group shall be treated as leaving the Tax Group from the beginning of the Tax Period in which the event took place.[57]

Where a Parent Company becomes an Exempt Person, the Tax Group ceases to exist from the beginning of the Tax Period in which it becomes an Exempt Person,[58] and all members of the Tax Group will be subject to Corporate Tax on a standalone basis (see Section 7), unless the Parent Company is replaced by another Parent Company under Article 40(12) of the Corporate Tax Law (see Section 6.4).

4.6.2. Exception for Government Entities

A Government Entity could be the shareholder of juridical Resident Persons. Government Entities are Exempt Persons under Article 4(1)(a) of the Corporate Tax Law. Hence, they cannot form or join a Tax Group as per the Exempt Person condition under the Tax Group regime. However, taxable Subsidiaries of a Government Entity can form or join a Tax Group without the Government Entity, subject to meeting certain conditions. [59] These conditions are set out in FTA Decision No. 12 of 2023.

4.7. Financial Year condition

4.7.1. General

A key aim of the Tax Group regime is to reduce the compliance burden by allowing group members to calculate single Taxable Income and file a single Tax Return. Where Taxable Persons have different Financial Years, it would require the apportionment of results which will add a layer of complexity. Therefore, a Tax Group requires all members to have the same Financial Year.[60]

[56] Article 11(3)(a) of the Corporate Tax Law.
[57] Article 41(3) of the Corporate Tax Law.
[58] Article 41(3) of the Corporate Tax Law.
[59] Article 40(2) of the Corporate Tax Law.
[60] Article 40(1)(g) of the Corporate Tax Law.

The Corporate Tax Law defines Financial Year as either the Gregorian calendar year (beginning on 1 January and ending on 31 December) or a 12-month period for which Financial Statements according to the applicable Accounting Standards are prepared.[61] Therefore, by requiring to have all members to have the same Financial Year, the members have the same Tax Period.[62]

If the Parent Company of a Tax Group wants to change its Financial Year, all members of the Tax Group would need to change their Financial Year simultaneously for the Tax Group to continue to exist. If some but not all of the Tax Group members change their Financial Year, the Financial Year condition will no longer be met in relation to those members that have a different Financial Year from the Parent Company. Accordingly, those members will be treated as leaving the Tax Group from the beginning of the Tax Period in which they have a different Financial Year.[63]

4.7.2. Newly established juridical person joining a Tax Group

A newly established juridical person can join an existing Tax Group from the date of incorporation if the conditions of Article 40(1) of the Corporate Tax Law are met from the date of incorporation.[64]

The Financial Year of newly incorporated entities usually starts as of the date of incorporation, which means that the first Financial Year will not always be a 12-month period. For example, under the Commercial Companies Law, the first Financial Year of a newly established company may not necessarily be a 12-month period, but instead can be a period between 6 months and 18 months. In such case, the Financial Year of a newly established juridical person may be different from the 12-month Financial Year of other members of the Tax Group.

The Financial Year condition can be met provided the end date of the Financial Year of the newly established juridical person joining the Tax Group is aligned with that of the existing members of the Tax Group. This means that if the other conditions are met, a newly established juridical person can join a Tax Group from the date of its incorporation and does not have to wait until the start of the Tax Group's next Tax Period. However, if upon incorporation the Financial Year end date of the newly incorporated juridical person differs from the Financial Year end date of the Tax Group, it cannot join the Tax Group as of the date of incorporation. It will first need to change its Financial Year to align with the existing Tax Group members.

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[61] Article 57(2) of the Corporate Tax Law.
[62] Article 57(1) of the Corporate Tax Law.
[63] Article 41(3) of the Corporate Tax Law.
[64] Article 5(5) of Ministerial Decision No. 301 of 2024.

The above principle also applies where juridical Resident Persons want to form a Tax Group with a newly incorporated entity. In such case, the Financial Year condition can be met provided the end date of the Financial Year of the newly established juridical person is aligned with that of other juridical Resident Persons who want to form the Tax Group.

4.7.3. Change of Tax Period in order to form or join a Tax Group

If a juridical Resident Person meets all the conditions for forming or joining a Tax Group except for the Financial Year condition, the Person can apply to the FTA to change the start and end date of its Tax Period, or use a different Tax Period.[65] This will allow the juridical Resident Person to align its Financial Year (i.e. the start and end date of a financial reporting period) so that a Tax Group can be formed or the person can join an existing Tax Group.

The FTA may allow a juridical Resident Person to change its Tax Period to align Financial Years for the purpose of forming a Tax Group or joining an existing Tax Group[66], provided the Tax Period is not extended to more than 18 months or reduced to less than 6 months.[67]

Example 10: Change of Tax Period to form a Tax Group

Company P has a Gregorian calendar year end (31 December). Company Q has a Financial Year that ends on 31 August. On 3 May 2024, Company P buys all the shares in Company Q.

Company P could change its Financial Year end to 31 August and consequently change its Tax Period with the approval of the FTA to allow formation of a Tax Group with Company Q effective from 1 September 2025.

Alternatively, after 3 May 2024, Company Q could change its Financial Year to the Gregorian calendar year with the approval of the FTA to allow Company Q to form a Tax Group with Company P effective from 1 January 2025.

Company P and Company Q can form a Tax Group, with approval from the FTA, when both companies have the same Financial Year.

[65] Article 58 of the Corporate Tax Law.
[66] Article 2(1)(b) of FTA Decision No. 5 of 2023.
[67] Article 2(3) of FTA Decision No. 5 of 2023.

4.8. Accounting Standards condition

A key aim of the Tax Group regime is to reduce the compliance burden by allowing group members to calculate a single Taxable Income based on the Aggregated Financial Statements of the Tax Group. For this purpose, the standalone Financial Statements of the Parent Company and each Subsidiary that is a member of the Tax Group must be combined by way of aggregation, generally eliminating any transactions between the members of the Tax Group (see Section 8.2).[68] Where Taxable Persons apply different Accounting Standards in standalone Financial Statements, it would be difficult to prepare the Aggregated Financial Statements of the Tax Group. Therefore, all members of the Tax Group must prepare their Financial Statements using the same Accounting Standards.[69]

For the purposes of the UAE Corporate Tax Law, a Taxable Person is required to prepare Financial Statements based on IFRS.[70] Where the Revenue of the Taxable Person does not exceed AED 50 million, they may choose to apply IFRS for SMEs instead.[71] Therefore, to meet this condition, all members of the Tax Group must prepare their standalone Financial Statements based on IFRS or IFRS for SMEs.

All members of the Tax Group must use the same Accounting Standards to prepare their standalone Financial Statements for the relevant Tax Period in which the Tax Group is formed and subsequent Tax Periods in which they are members of the Tax Group. This condition would not be met if one juridical Resident Person uses IFRS and another juridical Resident Person uses IFRS for SMEs. If a juridical Resident Person that prepares its standalone Financial Statements based on IFRS for SMEs wants to join a Tax Group whose members prepare standalone Financial Statements based on IFRS, the juridical person would need to prepare its standalone Financial Statements based on IFRS to join the Tax Group.

The Accounting Standards condition does not explicitly require all the members to follow the same accounting policy in the standalone Financial Statements. However, for the purposes of preparing the Aggregated Financial Statements of the Tax Group, all members of the Tax Group will need to apply the same accounting policies consistent with the applicable Accounting Standards.[72]

[68] Article 42(1) of the Corporate Tax Law and Article 3 of Ministerial Decision No. 114 of 2023.
[69] Article 40(1)(h) of the Corporate Tax Law.
[70] Article 4(1) of Ministerial Decision No. 114 of 2023.
[71] Article 4(2) of Ministerial Decision No. 114 of 2023.
[72] Article 3(4)(e) of FTA Decision No. 7 of 2025.

5. Forming a Tax Group and tax compliance obligations

5.1. Application to FTA to form a Tax Group

Where the conditions of Article 40(1) of the Corporate Tax Law are met, the Parent Company can form a Tax Group with its Subsidiaries. In such a case, the Parent Company and each Subsidiary seeking to become members of the Tax Group shall jointly make an application to the FTA through Emaratax.[73] This application should also specify the first intended Tax Period of the Tax Group. A request should be submitted to the FTA before the end of the Tax Period for which the formation of the Tax Group is requested.[74] In principle, the Tax Group will be formed from the beginning of the Tax Period specified in the application, but the FTA has the right to determine the Tax Period from which a Tax Group may be formed, even if this differs from the date requested in the application.[75] The FTA may decide to do so in case of errors in the date specified in the application or if it determines, based on the available information, that the conditions for forming a Tax Group were only met as of a later Tax Period.

The FTA will review the application to determine whether the conditions for forming a Tax Group are met. The application must be approved by the FTA before the Tax Group can be formed. An initial approval by the FTA does not provide an ongoing confirmation that the conditions continue to be met.[76] After receiving FTA approval to form a Tax Group, if the Parent Company or any Subsidiary fail to continuously meet the conditions in the first Tax Period for which they are part of the newly formed Tax Group, then it will be treated as if no Tax Group had been formed or the Subsidiary is not a member of the Tax Group, from the beginning of that Tax Period, even if the FTA has approved the application.[77] The FTA can reassess compliance with the conditions at any time.

5.2. Responsibilities of the Parent Company of a Tax Group

Where a Tax Group has been formed, the Parent Company will be required to meet the ongoing Corporate Tax compliance obligations on behalf of the Tax Group and represent the Tax Group. This includes:

- The Parent Company and the relevant Subsidiary should jointly apply to the FTA, if a new Subsidiary wishes to join an existing Tax Group.[78]

[73] Article 40(3) of the Corporate Tax Law.

[74] Article 5(1) of Ministerial Decision No. 301 of 2024.

[75] Article 41(1) of the Corporate Tax Law.

[76] Articles 40(11)(b) and 41(3) of the Corporate Tax Law.

[77] Article 41(3) of the Corporate Tax Law.

[78] Article 40(9) of the Corporate Tax Law.

- The Parent Company shall prepare Aggregated Financial Statements of the Tax Group in accordance with the framework provided in FTA Decision No. 7 of 2025.[79]
- The Parent Company must file a Tax Return on behalf of the Tax Group no later than 9 months from the end of the relevant Tax Period, or by such other date as directed by the FTA.[80]
- The Parent Company must settle the Corporate Tax Payable on behalf of the Tax Group within 9 months from the end of the relevant Tax Period, or by such other date as determined by the FTA.[81]
- The Parent Company may apply for a Corporate Tax refund on behalf of the Tax Group, if the relevant conditions are met.[82]
- The Parent Company must register and deregister the Tax Group.[83]
- The Parent Company is responsible for maintaining sufficient and adequate supporting documents related to the financial records, transfer pricing documentation, and submitting any clarification request to the FTA.[84]

5.3. Liability for Corporate Tax Payable

As indicated above, the Tax Group, as a single Taxable Person that is represented by the Parent Company, is liable to settle the Corporate Tax due within 9 months from the end of the relevant Tax Period, or by such other date as directed by the FTA.[85]

In a case where the Parent Company fails to settle the Corporate Tax Payable by the due date, Administrative Penalties can apply to the Parent Company.

All members of the Tax Group shall be jointly and severally liable for Corporate Tax Payable for the Tax Group for the Tax Periods when they are members of the Tax Group.[86] However, the Parent Company remains liable for any Administrative Penalties which arise if it does not meet its compliance obligations as a representative of the Tax Group or violates any provisions of the Corporate Tax Law or Tax Procedures Law as a representatitve of the Tax Group.

A Tax Group can apply to the FTA to limit the joint and several liability for Corporate Tax to one or more members of the Tax Group. The application would be assessed by the FTA on a case-by-case basis. Following the FTA approval, the joint and several

[79] Article 42(11) of the Corporate Tax Law and Article 3 of Ministerial Decision No. 114 of 2023.
[80] Article 53(1) and 53(7) of the Corporate Tax Law.
[81] Articles 40(5) and 48 of the Corporate Tax Law.
[82] Articles 40(5) and 49(1) of the Corporate Tax Law.
[83] Articles 40(5), 51 and 52 of the Corporate Tax Law.
[84] Articles 40(5), 54, 55 and 56 of the Corporate Tax Law.
[85] Articles 40(5) and 48 of the Corporate Tax Law.
[86] Article 40(6) of the Corporate Tax Law.

liability for Corporate Tax in respect of a Tax Period shall be limited to the relevant members of the Tax Group.[87]

5.4. Tax Registration of the Tax Group and members of the Tax Group

The Parent Company and each Subsidiary that wants to apply to form a Tax Group should have a Tax Registration Number (TRN) for Corporate Tax purposes. Once the FTA approves the application to form a Tax Group, the Tax Group will be issued a separate TRN, and this TRN will be used for the Tax Group for Corporate Tax purposes.

5.5. Tax Deregistration of the Tax Group and members of the Tax Group

Forming or joining a Tax Group will not cause or require the members of the Tax Group to be deregistered, even though the members of the Tax Group will no longer be required to file a Tax Return as a standalone Taxable Person.

A Parent Company may make an application to the FTA under Article 40(11)(a) of the Corporate Tax Law for cessation of the Tax Group. The application should declare whether the Parent Company has paid all the Corporate Tax and Administrative Penalties due and filed all Tax Returns due of the Tax Group. If not paid, the Parent Company and Subsidiaries remain jointly liable for the Corporate Tax Payable of the Tax Group for those Tax Periods in which they are members of the Tax Group.[88] However, the Parent Company is liable for any Administrative Penalties of the Tax Group, as joint and several liability does not extend to Administrative Penalties.

If the application is approved, the Tax Group shall cease to exist and the FTA shall deregister the Tax Group for Corporate Tax purposes with effect from the date of cessation or from such other date as may be determined by the FTA.[89]

If a member of the Tax Group ceases to exist without transferring its entire Business to another member of the Tax Group, the conditions for it being a member of the Tax Group are no longer met and it will leave the Tax Group as from the start of the Tax Period in which the conditions are no longer met. The former member of a Tax Group will need to file a standalone Tax Return for Tax Periods between it ceasing to be a member of a Tax Group and its own Tax Deregistration. It will then need to apply for standalone Tax Deregistration within 3 months of the former member ceasing to exist.[90]

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[87] Article 40(7) of the Corporate Tax Law.

[88] Article 40(6) of the Corporate Tax Law.

[89] Article 41(2) of the Corporate Tax Law.

[90] Article 52(1) of the Corporate Tax Law read together with Article 2(2) of FTA Decision No. 6 of 2023.

The requirement for Tax Deregistration in the following cases is discussed as indicated:

- Tax Group ceases to exist (see Section 7.2),
- replacement of Parent Company of the Tax Group (see Section 6.4), and
- Subsidiary of a Tax Group ceases to exist (see Section 6.3.2).

6. Change in members of a Tax Group

6.1. General

In broad terms, the following can take place in relation to a Tax Group:

- forming a Tax Group,
- joining a Tax Group,
- leaving a Tax Group,
- replacing a Parent Company, and
- ceasing to be a Tax Group.

These events are discussed in this guide. A summary of relevant timelines for these events is tabulated below.

Event	Description	Timeline
Forming a Tax Group	When must an application be made to the FTA to form a Tax Group? (see Section 5.1)	The application must be submitted to the FTA before the end of the Tax Period within which the formation of a Tax Group is requested. [91]
	From when is a Tax Group formed? (see Section 5.1)	From the beginning of the Tax Period specified in the application submitted to the FTA, or from the beginning of any other Tax Period determined by the FTA.[92]
Joining a Tax Group	When must an application be made to join an existing Tax Group? (see Section 6.2.1)	The application must be submitted to the FTA before the end of the Tax Period within which joining of a Tax Group is requested. [93]
	From which date does a Subsidiary join a Tax Group? (see Section 6.2.1)	From the beginning of the Tax Period specified in the application submitted to the FTA, or from the beginning of any other Tax Period as determined by the FTA.[94]

[91] Article 5(1) of Ministerial Decision No. 301 of 2024.
[92] Article 41(1) of the Corporate Tax Law.
[93] Article 5(1) of Ministerial Decision No. 301 of 2024.
[94] Article 41(1) of the Corporate Tax Law.

Event	Description	Timeline
	From which date does a newly established entity join an existing Tax Group? This may be: • a Subsidiary, or • a Parent Company replacing the existing Parent Company. (see Section 6.2.2)	From the date of its incorporation.[95]
Leaving a Tax Group	From which date does a Subsidiary leave a Tax Group where an application was made to the FTA under Article 40(10)(a) of the Corporate Tax Law for the Subsidiary to leave the Tax Group? (see Section 6.3.1)	From the beginning of the Tax Period specified in the application submitted to the FTA, or from the beginning of any other Tax Period as determined by the FTA.[96]
	When must an application be made to the FTA to leave a Tax Group? (see Section 5.1)	The application must be submitted to the FTA before the end of the Tax Period in which the Subsidiary wants to leave the Tax Group.
	From when does a Subsidiary leave a Tax Group where it ceased to comply with the conditions specified under Article 40(1) of the Corporate Tax Law to be a member of the Tax Group? (see Section 6.3.1)	From the beginning of the Tax Period in which the conditions under Article 40(1) of the Corporate Tax Law are no longer met.[97]

[95] Article 5(5) of Ministerial Decision No. 301 of 2024.
[96] Article 41(2) of the Corporate Tax Law.
[97] Article 41(3) of the Corporate Tax Law.

Event	Description	Timeline
	From when does a member of a Tax Group leave a Tax Group where such member becomes a resident for tax purposes in another country or foreign territory in accordance with a Double Tax Agreement? (see Section 4.2.2.1)	From the beginning of the Tax Period in which it became a resident for tax purposes in the other country or foreign territory.[98]
	From which date does a Subsidiary leave a Tax Group if the Subsidiary transfers its entire business to another member of the Tax Group and ceases to exist as a result of such transfer? (see Section 6.3.2)	The Subsidiary shall remain a member of the Tax Group until the date it ceases to exist.[99] In other words, it shall be considered to leave the Tax Group on the date it ceases to exist.
Replacement of the Parent Company without discontinuation of the Tax Group	When must an application be made to replace the Parent Company of an existing Tax Group under Article 40(12) of the Corporate Tax Law? (see Section 6.4).	The application must be submitted before the end of the relevant Tax Period.[100]

[98] Article 3(2) of Ministerial Decision No. 301 of 2024.
[99] Article 10(1)(a) of Ministerial Decision No. 301 of 2024.
[100] Article 5(2) of Ministerial Decision No. 301 of 2024.

Event	Description	Timeline
	From which date should the conditions be met where a new Parent Company replaces an existing Parent Company without the discontinuation of the Tax Group under Article 40(12) of the Corporate Tax Law? (see Section 6.4)	The new Parent Company should meet the conditions specified in Article 40(1) of the Corporate Tax Law from the beginning of the relevant Tax Period.[101] If the new Parent Company is a newly established juridical person, it should meet the conditions specified in Article 40(1) of the Corporate Tax Law from the date of its incorporation.[102]
	From which date shall a Parent Company of a Tax Group be replaced where the Parent Company transfers its entire Business to another member of the same Tax Group and the former Parent Company ceases to exist as a result of this transfer? (see Section 6.4).	The former Parent Company shall be replaced by that member on the effective date of the transfer.[103]
Cessation of a Tax Group	From when do the relevant members leave a Tax Group where an application has been made to the FTA under Article 40(11)(a) of the Corporate Tax Law to cease the Tax Group? (see Section 7.1)	From the beginning of the Tax Period specified in the application submitted to the FTA, or from the beginning of any other Tax Period determined by the FTA.[104] The application must be submitted to the FTA before the end of the Tax Period within which cessation of the Tax Group is requested.

[101] Article 5(3) of Ministerial Decision No. 301 of 2024.
[102] Article 5(5)(b) of Ministerial Decision No. 301 of 2024.
[103] Article 5(4) of Ministerial Decision No. 301 of 2024.
[104] Article 41(2) of the Corporate Tax Law.

Event	Description	Timeline
	From when do the members of a Tax Group leave the Tax Group where the Parent Company no longer meets conditions of Article 40(1) of the Corporate Tax Law? (see Section 7.1)	From the beginning of the Tax Period in which the conditions under Article 40(1) of the Corporate Tax Law are no longer met.[105]
	From which date does a Tax Group cease to exist where the Tax Group comprises of only two members and one member transfers the entire Business to another member and then ceases to exist? (see Section 7.1).	The Tax Group ceases to exist from the date that the transfer becomes effective.[106]

6.2. Joining a Tax Group

6.2.1. Subsidiary joins a Tax Group

A Subsidiary can join an existing Tax Group following a joint application to the FTA by the Parent Company and the relevant Subsidiary, if the conditions of Article 40(1) of the Corporate Tax Law are met.[107] The application should specify the Tax Period for which the Subsidiary is intending to join the Tax Group. The application must be submitted to the FTA via Emaratax before the end of the Tax Period within which the joining of the Tax Group is requested.[108] Upon FTA approval, the relevant Subsidiary shall join the Tax Group from the beginning of the Tax Period specified in the application or such other Tax Period determined by the FTA.[109]

6.2.2. Newly incorporated entity joins an existing Tax Group

A newly established juridical person may join an existing Tax Group from the date of incorporation only where it is:

- a newly established Subsidiary,[110] or

[105] Article 41(3) of the Corporate Tax Law.
[106] Article 10(1)(b) of Ministerial Decision No. 301 of 2024.
[107] Article 40(9) of the Corporate Tax Law.
[108] Article 5(1) of Ministerial Decision No. 301 of 2024.
[109] Article 41(1) of the Corporate Tax Law.
[110] Article 5(5)(a) of Ministerial Decision No. 301 of 2024.

- a newly established Parent Company replacing the existing Parent Company of the Tax Group.[111]

Example 11: A newly established juridical person joining an existing Tax Group

Company R is a Parent Company of an existing Tax Group which has the Gregorian calendar year as its Tax Period. On 15 September 2024, Company S is formed as a newly incorporated entity. Company R owns 100% of the shares in Company S as of the date of its incorporation. All other conditions for becoming members of the same Tax Group are met between Company R and Company S.

Company R and Company S can jointly file an application to the FTA for Company S to join the existing Tax Group. This request can specify that Company S would join the Tax Group as from Company S's incorporation date. Upon approval by the FTA, Company S will be part of the Tax Group from its date of incorporation (i.e. 15 September 2024).

6.3. Leaving a Tax Group

6.3.1. General

A Subsidiary shall leave the Tax Group in the following circumstances:

- Following approval by the FTA of an application made by the Parent Company and the relevant Subsidiary.[112] In such a case, the Subsidiary leaves the Tax Group from the beginning of the Tax Period specified in the application or such other Tax Period determined by the FTA.[113] The application to leave a Tax Group should be submitted via Emaratax.
- Where the relevant Subsidiary no longer meets the conditions to be a member of the Tax Group, the Subsidiary leaves the Tax Group from the beginning of the Tax Period in which the conditions are no longer met.[114] In this scenario, the Parent Company is required to notify the FTA within 20 business days of the date the conditions are no longer met.[115]

[111] Article 40(12)(a) of the Corporate Tax Law read with Article 5(5)(b) of Ministerial Decision No. 301 of 2024.
[112] Article 40(10)(a) of the Corporate Tax Law.
[113] Article 41(2) of the Corporate Tax Law.
[114] Article 40(10)(b) read with Article 41(3) of the Corporate Tax Law.
[115] Article 12 of Ministerial Decision No. 301 of 2024.

Example 12: Subsidiary leaves a Tax Group after failing to meet conditions

Company T (as the Parent Company), Company U and Company V formed a Tax Group during the Tax Period ending 31 December 2024. Company T owns 100% of the share capital of Company U. On 1 October 2025, Company T transfers 10% of the share capital in Company U to a third party. On 8 October 2025, the 10% share capital in Company U is transferred back to Company T.

As a result of the above, the conditions for Company U to be a member of the Tax Group were not continuously met throughout the Tax Period ending 31 December 2025. Therefore, Company U will leave the Tax Group as of the beginning of the 2025 Tax Period (i.e. from 1 January 2025). Company T is required to notify the FTA within 20 business days from 1 October 2025.

6.3.2. Member of a Tax Group ceases to exist upon transfer of Business

Where a member of the Tax Group transfers its entire Business to another member of the same Tax Group and ceases to exist as a result of the transfer (for example, due to a legal merger), this member shall remain a member of the Tax Group until the date it ceases to exist and the Tax Group shall continue to exist.[116]

However, where the Tax Group is comprised of only two members, and one member transfers its entire Business to the other member and the first mentioned member ceases to exist as a result of that transfer, the Tax Group shall be considered to cease to exist on the date that the transfer is effective.[117]

When the member is no longer part of the Tax Group because it has transferred its Business to another member of the Tax Group and simultaneously ceases to exist as a result of the transfer, a gain or loss on the assets and liabilities transferred as part of the transfer of the Business shall be taken into account when determining the Taxable Income of the Tax Group.[118]

However, the gain or loss would not be taken into account for Corporate Tax purposes if the relevant members of the Tax Group would have met the conditions for Business Restructuring Relief or Qualifying Group Relief, if the parties to that transfer were not members of a Tax Group.[119]

[116] Article 10(1)(a) of Ministerial Decision No. 301 of 2024.
[117] Article 10(1)(b) of Ministerial Decision No. 301 of 2024.
[118] Article 42(9) and 42(10) of the Corporate Tax Law.
[119] Article 11(1) of Ministerial Decision No. 301 of 2024.

The income associated with the transfer shall not be taken into account for Corporate Tax purposes, even if the former member did not elect for Business Restructuring Relief or Qualifying Group Relief, if:[120]

- the election would have been possible if the parties to the transfer had not been members of a Tax Group, and
- no clawback would have applied under Article 26(4) or Article 27(6) of the Corporate Tax Law.

Where the former member was not eligible to claim the relief (for example, due to not meeting the conditions of the respective relief) or a clawback would have applied under Article 26(4) or Article 27(6) of the Corporate Tax Law, the gain or loss which was not taken into account on the transfer of Business shall be included as Taxable Income on the date when the former member left the Tax Group.[121] The gain or loss is taken into account in the Taxable Income of the Tax Group.

This applies even in the case where the Tax Group is comprised of only two members, and one member transfers its entire Business to the other member and the transferor ceases to exist as a result of that transfer, and consequently, the Tax Group also ceases to exist on the date that the transfer is effective.

If the former member was not eligible to claim relief or a clawback would have applied under Article 26(4) and Article 27(6) of the Corporate Tax Law, the gain or loss on transfer of Business is not eliminated in determining the Taxable Income of the Tax Group in its last Tax Period by virtue of Article 42(9) of the Corporate Tax Law.[122]

Furthermore, where the gain or loss has been included in the Taxable Income as mentioned above, the Tax Group, or the transferee if the Tax Group has ceased to exist, shall make a corresponding adjustment to the cost base of the asset or liability for Corporate Tax purposes.[123]

Example 13: A Subsidiary is merged into the Parent Company

Company W (the Parent Company), Company X and Company Y formed a Tax Group during the Tax Period ending 31 December 2024. Company W owns 100% of the share capital of Company X and Company Y.

On 1 March 2024, Company X transfers an asset (asset 1) to Company Y in exchange for cash.

[120] Article 10(3) and Article 11 of Ministerial Decision No. 301 of 2024.

[121] Article 42(10) of the Corporate Tax Law and Article 11(2) of Ministerial Decision No. 301 of 2024.

[122] Article 26(5) of the Corporate Tax Law and Article 27(7) of the Corporate Tax Law read with Article 5(2) of Ministerial Decision No. 132 of 2023 and Article 8(2) of Ministerial Decision No. 133 of 2023.

[123] Article 42(10) of the Corporate Tax Law.

On 1 March 2025, Company X merges into Company W and Company X ceases to exist as a result of the merger. In such a case, Company X will remain a member of the Tax Group until 1 March 2025 (i.e. until it ceases to exist) and will be considered to leave the Tax Group on 1 March 2025.[124]

Transfer of assets and liabilities as part of legal merger

The assets or liabilities transferred as part of the legal merger are considered to have been transferred between two members of the Tax Group. However, as a result of the merger, Company X ceases to exist and is considered to leave the Tax Group. In such case, any gain or loss on the transfer of the assets and liabilities should be taken into account on the date Company X leaves the Tax Group, unless the associated income would have been exempt from Corporate Tax or not taken into account under any other provision of the Corporate Tax Law.[125]

Where the conditions of Business Restructuring Relief relating to the legal merger of Company X with Company W are met, no gain or loss would need to be taken into account.[126] Since the gain or loss would not have been taken into account had Company X elected for Business Restructuring Relief, it would not be taken into account when Company X ceases to exist and leaves the Tax Group.

Transfer of asset 1 by Company X to Company Y

The asset transferred by Company X to Company Y on 1 March 2024 (asset 1) was a transaction between two members of the Tax Group and, therefore, is eliminated when determining Taxable Income for the Tax Period ending 31 December 2024. This asset is considered to have been transferred between members of the Tax Group and Company X (the transferee) has left the Tax Group within 2 years of the transfer. As a result, the gain on transfer of asset 1 shall be taken into account in the Taxable Income of the Tax Group, unless the associated income would have been exempt from Corporate Tax or not taken into account under any other provisions of the Corporate Tax Law.[127]

If Company X and Company Y had not been members of a Tax Group, the transfer of asset 1 could potentially have met the conditions for Qualifying Group Relief.[128] However, Company X leaves the Tax Group within 2 years of the date of the asset transfer, as it ceased to exist on 1 March 2025 as a result of a transfer of Business

[124] Article 10(1)(a) of Ministerial Decision No. 301 of 2024.
[125] Article 42(9) and 42(10) of the Corporate Tax Law.
[126] Article 27(1) of the Corporate Tax Law.
[127] Article 42(9) of the Corporate Tax Law.
[128] Article 26(1) of the Corporate Tax Law.

under a legal merger. As Company X ceases to be part of a Qualifying Group with Company Y within 2 years of the transfer of asset 1, the clawback of Qualifying Group Relief would have been triggered, if Company X and Company Y would not have been members of a Tax Group.[129] Therefore, the associated income on the transfer of asset 1 would have not been exempt and would have been taken into account in such case, meaning that the exception to Article 42(9) of the Corporate Tax Law does not apply.

Therefore, the transfer of asset 1 shall be treated as taking place at its Market Value determined at the time of the asset transfer.[130] The resulting gain or loss from the transfer of asset 1 by Company X to Company Y should be taken into account in the hands of Company X (transferor) on the date the transferor (Company X) leaves the Tax Group.[131] However, as Company X ceases to exist, the relevant gain or loss must be taken into account in the hands of the Tax Group.[132] The Tax Group is allowed a corresponding adjustment to the cost base of asset 1 for Corporate Tax purposes.

6.4. Change of the Parent Company of a Tax Group

The Parent Company of a Tax Group may submit an application to the FTA to be replaced by another Parent Company without a discontinuation of the Tax Group in any of the circumstances described below:[133]

- the new Parent Company meets the conditions under Article 40(1) of the Corporate Tax Law relating to the former Parent Company, or
- the former Parent Company ceases to exist and the new Parent Company or a Subsidiary is its universal legal successor.

Each of these circumstances is considered below.

6.4.1. New Parent Company meets all the conditions under Article 40(1) of the Corporate Tax Law in relation to the former Parent Company

A Parent Company of the Tax Group can make an application to the FTA to be replaced by another Parent Company without discontinuation of the Tax Group if the new Parent Company meets the conditions of Article 40(1) of the Corporate Tax Law.[134] The new Parent Company should meet the conditions of Article 40(1) of the

[129] Article 26(4) of the Corporate Tax Law.
[130] Article 26(5) of the Corporate Tax Law.
[131] Article 42(9) and 42(10) of the Corporate Tax Law.
[132] Article 26(5) of the Corporate Tax Law read with Article 5(2) of Ministerial Decision No. 132 of 2023.
[133] Article 40(12) of the Corporate Tax Law.
[134] Article 40(12)(a) of the Corporate Tax Law.

Corporate Tax Law from the beginning of the relevant Tax Period.[135] Alternatively, if the new Parent Company (that replaces the former Parent Company) has been newly incorporated, it must meet the conditions from the time of its incorporation.[136]

For example, the holding company of the Parent Company was a Qualifying Free Zone Person and, hence, was not a member of the Tax Group. However, in a subsequent Tax Period, it elects to be taxed as per standard Corporate Tax rates under Article 19 of the Corporate Tax Law. Assuming all other conditions of Article 40(1) of the Corporate Tax Law are met, the holding company can become the new Parent Company of the Tax Group by replacing the former Parent Company after the FTA approves the application for replacement of the Parent Company and the former Parent Company will become a Subsidiary of the Parent Company. This will be effective from the start of the Tax Period in which the conditions of Article 40(1) of the Corporate Tax Law are met.[137]

The application to replace a Parent Company without discontinuation of the Tax Group should be submitted before the end of the relevant Tax Period.[138] The FTA will review the application to determine whether the conditions of Article 40(1) of the Corporate Tax Law are met or there is sufficient evidence to reasonably believe that the conditions will be met. However, an initial approval by the FTA does not provide an ongoing confirmation that the conditions continue to be met. After receiving FTA approval to replace the Parent Company, if the new Parent Company or all Subsidiaries fail to continuously meet the conditions throughout the Tax Period, then it will be treated as if the Tax Group ceased to exist, even if the FTA had approved the application.

6.4.2. New Parent Company or Subsidiary is universal legal successor to former Parent Company

A Parent Company of the Tax Group can make an application to the FTA to be replaced by another Parent Company without discontinuation of the Tax Group if the former Parent Company ceases to exist and a new Parent Company or a Subsidiary is its universal legal successor, for instance as a result of a merger or other transfer under universal title.[139]

This scenario can arise where a Parent Company transfers its Business to another member of the same Tax Group and the Parent Company ceases to exist as a result

[135] Article 5(3) of Ministerial Decision No. 301 of 2024.
[136] Article 5(5)(b) of Ministerial Decision No. 301 of 2024.
[137] Article 5(3) of Ministerial Decision No. 301 of 2024.
[138] Article 5(2) of Ministerial Decision No. 301 of 2024.
[139] Article 40(12)(b) of the Corporate Tax Law.

of the transfer. In such case, the Parent Company shall be replaced by that member as of the date the transfer is effective.[140]

Alternatively, if the universal legal successor was not a member of the Tax Group (for example, the Parent Company merges into a third party), the new Parent Company would replace the old Parent Company without a discontinuation of the Tax Group if

- the universal legal successor is a newly established juridical person,[141] or
- the transfer of Business to the universal legal successor is effective at the start of the relevant Tax Period such that the new Parent Company meets the conditions of Article 40(1) of the Corporate Tax Law from the start of the relevant Tax Period.[142]

Although an application to form a Tax Group can generally only be submitted after the relevant conditions of Article 40(1) of the Corporate Tax Law are met, a request to replace a Parent Company in without discontinuation of the Tax Group can be made while a transfer of universal title is being prepared and should be submitted to the FTA before the end of the relevant Tax Period.[143]

6.5. Compliance impact of changes in a Tax Group

If the conditions for a Tax Group are not continuously met throughout a Tax Period in relation to a specific Subsidiary, that Subsidiary is considered to leave the Tax Group from the start of that Tax Period.[144] As a result, the Subsidiary would need to file a Tax Return as a separate Taxable Person for that Tax Period and is liable for its own Corporate Tax Payable.

If a Tax Group did not realise that the conditions for a Tax Group were not met in relation to a certain Subsidiary, it is possible that the Tax Group would have filed Tax Returns as if the Subsidiary was still part of the Tax Group. This implies that such Tax Return of the Tax Group was incorrect and would need to be corrected once the error has been identified. Any Administrative Penalties relating to filing an incorrect Tax Return of the Tax Group remain the liability of the Parent Company of the Tax Group, and any underpayment of Corporate Tax, if applicable, shall be the liability of entities that remain part of the Tax Group. Where a Taxable Person did not file a standalone Tax Return as it mistakenly thought that the conditions for the Tax Group were met for that Tax Period, the entity could also be subject to Administrative Penalties for failure to file a Tax Return.

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[140] Article 5(4) of Ministerial Decision No. 301 of 2024.
[141] Article 5(5)(b) of Ministerial Decision No. 301 of 2024.
[142] Article 5(3) of Ministerial Decision No. 301 of 2024.
[143] Article 5(2) of Ministerial Decision No. 301 of 2024.
[144] Article 41(3) of the Corporate Tax Law.

6.5.1. Tax Deregistration

A Subsidiary leaving a Tax Group which does not cease to exist should not deregister for Corporate Tax purposes. The Subsidiary's individual Tax Registration Number shall be used for its standalone Tax Returns, paying Corporate Tax and any other compliance obligations.

Further, even after the Subsidiary leaves the Tax Group it remains liable (jointly with other members of the Tax Group) for any Corporate Tax Payable of the Tax Group in relation to Tax Periods in which it was a member of the Tax Group unless the liability has been limited to one or more members of the Tax Group.[145]

Where a Subsidiary of a Tax Group ceases to exist in a Tax Period (for example, through dissolution or liquidation), the relevant Subsidiary is deemed to leave that Tax Group from the start of that Tax Period,[146] except if it ceases to exist as part of a Business restructuring taking place within the Tax Group.[147]

Where the Subsidiary leaves the Tax Group from the start of the Tax Period, it would generally be required to settle its Corporate Tax and Administrative Penalties due and file any Tax Returns for the period between its date of leaving the Tax Group (i.e. the beginning of the relevant Tax Period) and its date of cessation. The former Subsidiary that ceases to exist is required to file an application with the FTA for Tax Deregistration within 3 months of the date when it ceases to exist.[148]

A Tax Group has a separate Tax Registration Number which is not affected if a Subsidiary leaves the Tax Group, unless the Tax Group itself ceases to exist due to the Subsidiary leaving the Tax Group (see Section 7).

6.5.2. Financial Statements

Where a member of a Tax Group leaves the Tax Group or the Tax Group ceases to exist, each Subsidiary leaving the Tax Group or the former Parent Company of the Tax Group (as applicable) leaving the Tax Group shall prepare standalone Financial Statements on the same accounting basis applied by the Tax Group and must adopt the values of the relevant assets and liabilities as recorded by the Tax Group as the opening values of those assets and liabilities in the standalone Financial Statements.[149] Accordingly, where a member leaves the Tax Group or the Tax Group ceases to exist, each former member of the Tax Group shall adopt the values of the

[145] Article 40(6) and 40(7) of the Corporate Tax Law.
[146] Article 41(3) of the Corporate Tax Law.
[147] Article 10 of Ministerial Decision No. 301 of 2024.
[148] Article 2(2) of FTA Decision No. 6 of 2023.
[149] Article 13 of Ministerial Decision No. 301 of 2024 and Article 5 of FTA Decision No. 7 of 2025.

relevant assets and liabilities as recorded by the Tax Group in its Aggregated Financial Statements as the opening values of those assets and liabilities in its standalone Financial Statements.[150] If the applicable Accounting Standards do not permit using such values, the former member of the Tax Group will calculate its Taxable Income as if the Accounting Standards would have allowed using such values.[151]

Example 14: Value to be considered in standalone Financial Statements of members leaving the Tax Group

Company A and Company B are in a Tax Group. On 1 January 2025, Company A has an asset with a book value of AED 100, which it transfers on that date at fair market value of AED 120 to Company B. Company A records a gain of AED 20 in its standalone Financial Statements and Company B records the asset at AED 120 in its standalone Financial Statements. However, on aggregation, (i) the gain of AED 20 in the standalone Financial Statements of Company A is eliminated and (ii) the asset will be recorded at AED 100 in the Aggregated Financial Statements of the Tax Group. The transferred asset is not depreciable.

On 1 January 2028, Company B leaves the Tax Group. As the asset is not a depreciable asset, the closing value of the asset in the Aggregated Financial Statements of the Tax Group on 31 December 2027 is AED 100. The standalone Financial Statements of Company B prepared for financial reporting purposes have a net book value of AED 120. However, for the purposes of Corporate Tax, Company B will be required to adopt the net book value of the asset as AED 100. This would be relevant when, for example, Company B disposes of the asset and recognises a gain or loss in the income statement. For accounting purposes, the gain or loss will be determined based on a net book value of AED 120, whereas for Corporate Tax Purposes, the gain or loss will need to be determined based on a value of AED 100.

<u>Clawback triggered</u>

An exception applies to the above if a clawback under Article 42(9) of the Corporate Tax Law is triggered.

For example, if Company B leaves the Tax Group one year after the date of transfer (i.e. on 1 January 2026), the gain of AED 20 that was eliminated upon aggregation (and, accordingly, not included in the Taxable Income of the Tax Group) will be clawed back (assuming the exception to the clawback does not apply). This means that the gain of AED 20 shall be taken into account in the Taxable Income of the

[150] Article 13 of Ministerial Decision No. 301 of 2024 and Article 5(1) of FTA Decision No. 7 of 2025.
[151] Article 5(2) of FTA Decision No. 7 of 2025.

Tax Group on the date when Company B leaves the Tax Group (i.e. on 1 January 2026). Company B shall make a corresponding adjustment to the cost base of the asset for Corporate Tax purposes (i.e. increasing the carrying value to AED 120).

If the Tax Group has made any elections under the Corporate Tax Law, such as an election to apply the realisation basis under Article 20(3) of the Corporate Tax Law, the Subsidiary must adopt the same accounting basis and follow the same elections after it ceases to be a member of the Tax Group.[152] See Section 8.4 in relation to elections made by the Tax Group or members of a Tax Group before a Tax Group was formed or before joining the Tax Group.

[152] Article 13 of Ministerial Decision No. 301 of 2024.

7. Cessation of a Tax Group

7.1. General

The table below summarises the various circumstances in which a Tax Group can cease to exist.

Circumstance	Date from which Tax Group is dissolved
Following approval by the FTA of an application by the Parent Company.[153]	The Tax Group is dissolved from the beginning of the Tax Period specified in the application submitted or any other Tax Period determined by the FTA.[154] The application must be submitted to the FTA before the end of the Tax Period within which cessation of the Tax Group is requested.
The Parent Company no longer meets the conditions to form a Tax Group[155] and is not replaced by another Parent Company without discontinuation of the Tax Group (see Section 6.4). In such case, the Tax Group should notify the FTA within 20 business days from the date the conditions are no longer met.[156]	The Tax Group is dissolved from the beginning of the Tax Period in which the conditions are no longer met.[157]
If a Tax Group only has two members, and one of them transfers its entire Business to the other and ceases to exist as a result of the transfer.[158] In such a case, the surviving entity should notify the FTA within 20	The Tax Group is dissolved on the date the transfer is effective.[160] If this occurs during the course of a Tax Period, two separate Tax Returns would need to be filed for the Tax Period: • before the transfer under universal title, which will be filed by the Parent

[153] Article 40(11)(a) of the Corporate Tax Law.
[154] Article 41(2) of the Corporate Tax Law.
[155] Article 40(11)(b) of the Corporate Tax Law.
[156] Article 12 of Ministerial Decision No. 301 of 2024.
[157] Article 41(3) of the Corporate Tax Law.
[158] Article 10(1)(b) of Ministerial Decision No. 301 of 2024.
[160] Article 10(1)(b) of Ministerial Decision No. 301 of 2024.

business days from the date the transfer of Business has occurred.[159]	Company of the Tax Group under the Tax Group's Tax Registration Number, and • after the transfer which will be filed by the surviving entity under that entity's Tax Registration Number.

In addition, the FTA may, at its discretion, dissolve a Tax Group or change the Parent Company of a Tax Group based on information available to the FTA and notify the Parent Company of the action taken.[161]

Example 15: Parent Company merges into a Subsidiary

Company C directly holds 100% of the shares of Company D and Company E. Assuming all conditions of Article 40(1) of the Corporate Tax Law are met, Company C (as the Parent Company), Company D and Company E formed a Tax Group during the Tax Period ending 31 December 2024.

On 1 May 2025, Company C sells all of the shares in Company E to a third party. On 1 March 2026, Company C merges into Company D, with Company D being Company C's universal legal successor and Company C ceases to exist.

In 2025, the conditions for forming a Tax Group between Company C and Company E are not continuously met. As a result, Company E is considered to leave the Tax Group from the start of the 2025 Tax Period (i.e. on 1 January 2025).[162] However, as the conditions for Company C forming a Tax Group with Company D are still met, the Tax Group continues to exist.

On 1 March 2026, Company C enters into a legal merger with Company D, under which it transfers all its assets and liabilities (other than the shares in Company D, which are transferred to Company C's shareholders) to Company D and ceases to exist with Company D being the legal universal successor. The Tax Group shall be considered to cease to exist on 1 March 2026.[163]

The obligation to file the Tax Return of the Tax Group is on the Parent Company (i.e. Company C). However, since Company C ceases to exist upon the merger, Company D (in its capacity as legal successor of Company C) will file the Tax Return and be liable for Administrative Penalties (if any) on behalf of the Tax Group for its

[159] Article 12 of Ministerial Decision No. 301 of 2024.
[161] Article 40(13) of the Corporate Tax Law.
[162] Article 41(3) of the Corporate Tax Law.
[163] Article 10(1)(b) of Ministerial Decision No. 301 of 2024.

last Tax Period from 1 January 2026 to 28 February 2026. The deadline for filing the Tax Return shall be 9 months from the end of the Tax Period, i.e. 30 November 2026.

Furthermore, Company D will also file a Tax Return as a standalone Taxable Person for the Tax Period ended 31 December 2026.

7.2. Tax Deregistration of a Tax Group

Where a Tax Group ceases to exist under Article 40(11)(a) of the Corporate Tax Law as a result of an application by the Parent Company, the application will also be treated by the FTA as a simultaneous application for Tax Deregistration of the Tax Group. The Tax Group shall confirm in its application if all Corporate Tax and Administrative Penalties have been paid and all Tax Returns have been filed, in order for the FTA to also process the Tax Deregistration. The FTA will process the Tax Deregistration only after all Corporate Tax and Administrative Penalties have been paid and all Tax Returns have been filed.[164]

Where a Tax Group ceases under Article 40(11)(b) of the Corporate Tax Law as a result of the conditions no longer being met, the Tax Group shall notify the FTA within 20 business days.[165] This notification shall also be treated as a request to deregister the Tax Group. The Tax Group shall specify in its notification if all Corporate Tax and Administrative Penalties have been paid and all Tax Returns have been filed, in order for the FTA to also process the Tax Deregistration. The FTA will process the Tax Deregistration only after all Corporate Tax and Administrative Penalties have been paid and all Tax Returns have been filed.[166]

Where the Tax Group only has two members, and one of them transfers its entire Business to the other and ceases to exist as a result of the transfer, the Tax Group ceases to exist on the date the transfer is effective.[167] No election to apply Business Restructuring Relief under Article 27 of the Corporate Tax Law is required for this treatment.[168] However, the surviving entity should notify the FTA within 20 business days.[169] This notification shall also be treated as an application to deregister the Tax Group. The Tax Group shall specify in its notification if all Corporate Tax and Administrative Penalties have been paid and all Tax Returns have been filed, in order for the FTA to also process the Tax Deregistration. The FTA will process the Tax

[164] Article 52(2) of the Corporate Tax Law.
[165] Article 12 of Ministerial Decision No. 301 of 2024.
[166] Article 52(2) of the Corporate Tax Law.
[167] Article 10(1)(b) of Ministerial Decision No. 301 of 2024.
[168] Article 10(3) of Ministerial Decision No. 301 of 2024.
[169] Article 12 of Ministerial Decision No. 301 of 2024.

Deregistration only after all Corporate Tax and Administrative Penalties have been paid and all Tax Returns have been filed.[170]

[170] Article 52(2) of the Corporate Tax Law.

8. Taxable Income of a Tax Group

8.1. Determining the Taxable Income of a Tax Group

A Tax Group is treated as a single Taxable Person for the purposes of the Corporate Tax Law.[171] As a result, the Tax Group has one Taxable Income, which is reported by the Parent Company. The Parent Company shall calculate the Taxable Income after aggregating the financial results, assets and liabilities of each Subsidiary and eliminating transactions between the Parent Company and each Subsidiary that is a member of the Tax Group.[172] These are referred to as Aggregated Financial Statements and should be prepared annually in a manner consistent with the special purpose framework as explained in Section 8.2 below.

The Aggregated Financial Statements of the Tax Group are required to be audited by way of a special purpose audit.[173] An illustrative auditor's report on Aggregated Financial Statements of a Tax Group is included in Appendix A (see Section 14.1). However, the Corporate Tax Law does not require the separate Financial Statements of the Parent Company and Subsidiary members to be audited. The Aggregated Financial Statements of a Tax Group must be audited and submitted to the FTA no later than nine months from the end of the relevant Tax Period, or such other date as determined by the FTA.[174]

Although a Tax Group may have consolidated Financial Statements that are already available for financial reporting purposes, the Aggregated Financial Statements used for the purposes of determining the Taxable Income of the Tax Group for Corporate Tax purposes should be consistent with the special purpose framework outlined in Section 8.2, which means they may deviate from any existing consolidated Financial Statements.

8.2. Special purpose framework for Aggregated Financial Statements

The Aggregated Financial Statements for the purposes of determining the Taxable Income of the Tax Group for Corporate Tax purposes must be prepared by aggregating the IFRS compliant standalone Financial Statements of the members of the Tax Group and eliminating the transactions between them.[175]

[171] Article 40(4) of the Corporate Tax Law.
[172] Article 42(1) of the Corporate Tax Law.
[173] Article 54(2) of the Corporate Tax Law read with Article 2(2) of Ministerial Decision No. 84 of 2025.
[174] Article 2(3) of FTA Decision No. 7 of 2025.
[175] Article 3(1) of FTA Decision No. 7 of 2025.

Given the requirement to prepare Financial Statements for Tax Groups and because, amongst other reasons, consolidated Financial Statements do not necessarily include only the members of the Tax Group, the Corporate Tax Law requires an alternative basis to prepare Financial Statements of a Tax Group for Corporate Tax purposes which deviates from consolidated Financial Statements in relation to some specific aspects as explained in Section 8.2.1. Such special purpose Financial Statements shall be prepared in the form of Aggregated Financial Statements.

The term "Aggregated Financial Statements" in this context is used to describe Financial Statements that aggregate the standalone Financial Statements of all the members of the Tax Group, eliminating transactions between them. Only transactions between the members of a Tax Group for Corporate Tax purposes should, in principle, be eliminated. This includes transactions between the Parent Company and each Subsidiary that is a member of a Tax Group or transactions between two or more Subsidiaries that are members of the same Tax Group.[176]

Eliminations must include:

- valuation adjustments and provisions in relation to transactions between two or more members of the same Tax Group, [177] and
- any change in accounting values of assets and liabilities that may have arisen as a consequence of a gain or loss in respect of a transaction between members of the same Tax Group.[178]

However, transactions between members of a Tax Group must not be eliminated insofar as a member has recognised a deductible loss in a Tax Period in respect of those transactions prior to becoming a member of the Tax Group, until such deductible loss is fully reversed. Where a transaction is not eliminated, the Tax Group must include any income in relation to that transaction in determining the Taxable Income of the Tax group for the Tax Period in which that income arises up to the amount of the deductible loss that was previously deducted prior to becoming a member of the Tax Group.[179]

Transactions with entities which are not members of the Tax Group (but are still in scope of consolidation under IFRS 10) shall not be eliminated for the purposes of Aggregated Financial Statements of a Tax Group.[180] Standalone Financial Statements of entities which are not part of a Tax Group must not be aggregated for the purposes of preparing the Aggregated Financial Statements of the Tax Group. [181]

[176] Article 6(1)(a) of Ministerial Decision No. 301 of 2024.
[177] Article 6(1)(b) of Ministerial Decision No. 301 of 2024.
[178] Article 6(2) of Ministerial Decision No. 301 of 2024.
[179] Article 4 of Ministerial Decision No. 301 of 2024.
[180] Article 3(4)(c) of FTA Decision No. 7 of 2025.
[181] Article 3(4)(b) of FTA Decision No. 7 of 2025.

While standalone Financial Statements of members of a Tax Group must be prepared in accordance with IFRS, not all the principles relating to consolidation under IFRS apply to Aggregated Financial Statements of a Tax Group. As a result, there are certain deviations from IFRS that are necessary to prepare the Aggregated Financial Statements.

These Aggregated Financial Statements will be prepared in accordance with a special purpose framework, which will depart from certain IFRS accounting standards as issued by the International Accounting Standards Board (IASB). However, other than the deviations from IFRS discussed below in Section 8.2.1, the Aggregated Financial Statements should comply with IFRS (or IFRS for SMEs).

The special purpose framework is explained below.

8.2.1. Preparation of the Aggregated Financial Statements

The following requirements must be adopted in preparation of the Aggregated Financial Statements.

The Aggregated Financial Statements of the Tax Group must be presented in AED.[182] This must follow the approach required in FTA Decision No. 13 of 2023.

All members of the Tax Group must have the same Financial Year (see Section 4.7).

The standalone Financial Statements of all members of the Tax Group must apply uniform accounting policies.[183] For example, where a Subsidiary follows an accounting policy that differs from the Parent Company, the Financial Statements of the Subsidiary must be adjusted to reflect the accounting policy of the Parent Company.

The Aggregated Financial Statements shall be built up by aggregating standalone Financial Statements of the members of the Tax Group on a line-by-line basis and elimination of specific transactions between them.[184]

The accounting profit/loss that shall be aggregated must be the pre-tax profit/loss of the members of the Tax Group.[185] Corporate Tax balances (current or deferred), if any, shall not be aggregated from the standalone Financial Statements of the members of the Tax Group, since this is not relevant to the calculation of Taxable Income for the Tax Group.

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[182] Article 3(4)(h) of FTA Decision No. 7 of 2025.
[183] Article 3(4)(e) of FTA Decision No. 7 of 2025.
[184] Article 42(1) of the Corporate Tax Law read with Article 3 of Ministerial Decision No. 114 of 2023.
[185] Article 3(4)(f) of FTA Decision No. 7 of 2025.

The Parent Company is required to make the payment of the Corporate Tax on behalf of the Tax Group.[186] However, all members of the Tax Group are jointly and severally liable for the Corporate Tax Payable.[187] The allocation of the Tax Group Corporate Tax expense (current or deferred tax) in the standalone Financial Statements of the members will depend on the commercial arrangement between the members.

The purpose of the Aggregated Financial Statements is only to arrive at the aggregated accounting net profit to be used in the preparation of the Tax Return. Where members of the Tax Group are subject to taxes other than Corporate Tax (for example, taxes in a foreign jurisdiction or other taxes levied in the UAE such as Emirate-level taxation), those taxes continue to be aggregated and presented in the aggregated income statement as follows:

Profit before tax	X
Less: Taxes other than UAE Corporate Tax	(X)
Profit after non-UAE Corporate Tax	X

Whilst a group may have prepared consolidated Financial Statements under IFRS, the starting point for preparing the Aggregated Financial Statements of a Tax Group for Corporate Tax purposes is the standalone Financial Statements of the members, i.e. unconsolidated Financial Statements. Therefore, for the purposes of the aggregation, the standalone Financial Statements of an acquiring entity (within the Tax Group) should not reflect the accounting implications of business combinations (IFRS 3) and consolidated Financial Statements (IFRS 10) in relation to such business combinations.[188] The adjustments relating to goodwill, gain on bargain purchase or fair value adjustments to assets and liabilities that are typically recorded in IFRS consolidated Financial Statements will not be recorded in the Aggregated Financial Statements.[189] However, this requirement does not apply to transactions where business combinations are executed without the acquisition of a separate legal entity. In those instances, the resultant assets, liabilities, goodwill or gain on bargain purchase are part of the separate Financial Statements of the acquiring entity and are to be aggregated completely into the Aggregated Financial Statements of the Tax Group.[190]

[186] Article 40(5) of the Corporate Tax Law.
[187] Article 40(6) of the Corporate Tax Law.
[188] Article 3(3)(a) of FTA Decision No. 7 of 2025.
[189] Article 3(3)(b) of FTA Decision No. 7 of 2025.
[190] Article 3(3)(c) of FTA Decision No. 7 of 2025.

Example 16: Business combinations

Company F, Company G and Company H are UAE incorporated companies that use the Gregorian calendar year for their Financial Year. Company F and Company G formed a Tax Group with effect from 1 January 2024 (2024 Tax Period). Company F is the Parent Company of the Tax Group. In the 2024 Tax Period, Company F acquired the shares of Company H. Company H is included in the Tax Group as a Subsidiary with effect from the 2025 Tax Period. At the start of the 2026 Tax Period, Company F acquired a group of assets constituting a Business, though no separate legal entity was acquired.

The acquisition of Company H is considered to be a business combination and, therefore, it is possible that Company F applies the relevant IFRS 3 and IFRS 10 accounting adjustments in relation to this acquisition for the purposes of preparing its consolidated 2025 Financial Statements. Similarly, Company F may apply IFRS 3 and IFRS 10 accounting adjustments in relation to its acquisition of assets for the purposes of preparing its consolidated 2026 Financial Statements.

However, the calculation of Taxable Income for the Tax Group will be based on the Aggregated Financial Statements. The Aggregated Financial Statements for 2025 and later Tax Periods will not include the IFRS 3 and IFRS 10 accounting adjustments in relation to the acquisition of Company H.

On the other hand, the IFRS 3 and IFRS 10 adjustments relating to the acquisition of assets by Company F in 2026 which are recorded in the separate Financial Statements of Company F shall also be included in the Aggregated Financial Statements because the business combination did not involve the acquisition of a separate legal entity.

The line-by-line aggregation of Financial Statement captions performed by the Parent Company (see above) shall include those relating to investments recorded by the Parent Company (and any investments held by Subsidiaries directly) and equity recorded by the Subsidiaries within the Tax Group without any eliminations between these captions.[191] While this treatment may result in a grossing up of the aggregated balance sheet, this is required to completely exclude the impact of IFRS 10 and IFRS 3 accounting for goodwill, gain on bargain purchase, step acquisitions, if any, and fair value adjustments etc.

Further, any impairment that a Parent Company within the Tax Group has recorded over its investment in a Subsidiary within the Tax Group should not be eliminated for

[191] Article 3(3)(d) of FTA Decision No. 7 of 2025.

the purpose of aggregation of the Financial Statements.[192] For the avoidance of doubt this equally applies where one Subsidiary directly holds another Subsidiary in the Tax Group. [193]

All other inter-company balances (i.e. excluding investments recorded by the Parent Company and equity recorded by the subsidiaries within the Tax Group), income, expenses, unrealised gains and losses, and any other transactions between members of the Tax Group shall be eliminated (in the same way as if consolidated Financial Statements were being prepared under IFRS or IFRS for SMEs),[194] subject to the exception in Article 4 of Ministerial Decision No. 301 of 2024 and Article 4 of Ministerial Decision No. 125 of 2023, respectively (see Section 8.2.3).

Investments in subsidiaries, joint ventures and associates that are not members of the Tax Group must be carried at cost less impairment, [195] if any.

Example 17: Aggregated Financial Statements (balance sheet)

Company J directly holds 100% of the shares of Company K. Assuming all conditions of Article 40(1) of the Corporate Tax Law are met, Company J (as the Parent Company) and Company K formed a Tax Group with effect from the Tax Period ending 31 December 2025.

For the Financial Year 2025, Company J and Company K have the following opening balance sheet in their standalone Financial Statements (amounts in AED million):

Description	Company J	Company K
Cash, inventories		5
Loan receivable from Company K	10	
Investment in Company K	5	
Property, plant and equipment		20
Total assets	**15**	**25**
Trade payables		10
Loan payable to Company J		10
Total liabilities	**0**	**20**
Equity	**15**	**5**

[192] Article 3(3)(e) of FTA Decision No. 7 of 2025.
[193] Article 3(3)(f) of FTA Decision No. 7 of 2025.
[194] Article 3(4)(a) of FTA Decision No. 7 of 2025.
[195] Article 3(4)(g) of FTA Decision No. 7 of 2025.

On aggregation as per the special framework, the opening balance sheet in the Aggregated Financial Statements for the Tax Group is as follows (amounts in AED million):

Description	**Aggregated**
Cash, inventories (of Company K)	5
Loan receivable from Company K (eliminated)	0
Investment in Company K (of Company J)	5
Property, plant and equipment (of Company K)	20
Total assets	**30**
Trade payables (of Company K)	10
Loan payable to Company J (eliminated)	0
Total liabilities	**10**
Equity (includes the equity of Company K that is held by Company J)	**20**

Example 18: Aggregated Financial Statements – impairment of intra-group loan

Continuing the previous example, if Company J fully impaired its loan receivable from Company K, the resulting balance sheets of Company J and Company K would be as follows (amounts in AED million):

Description	**Company J**	**Company K**
Cash, inventories		5
Loan receivable from Company K (impaired)	0	
Investment in Company K	5	
Property, plant and equipment		20
Total assets	**5**	**25**
Trade payables		10
Loan payable to Company J		10
Total liabilities	**0**	**20**
Equity (opening position)	15	5
Profit / (loss) for the period	(10)	0
Equity	**5**	**5**

As the loan transaction is eliminated on aggregation, both the loan and the loss associated with the loan impairment are eliminated in the Aggregated Financial Statements. The balance sheet of the Tax Group after the impairment is as follows (amounts in AED million):

Description	Aggregated
Cash, inventories (of Company K)	5
Loan receivable from Company K (eliminated)	0
Investment in Company K (of Company J)	5
Property, plant and equipment (of Company K)	20
Total assets	**30**
Trade payables (of Company K)	10
Loan payable to Company J (eliminated)	0
Total liabilities	**10**
Equity (includes the equity of Company K that is held by Company J)	**20**
Profit / loss for the period	**0**

As this shows, the impairment of the loan between Company J and Company K does not have an impact on the Aggregated Financial Statements.

Example 19: Aggregated Financial Statements – multi-tier structure

Company L owns 100% of the shares of Company M. At the start of the Tax Period ending 31 December 2026 (i.e. on 1 January 2026), Company M acquires 100% of the shares of Company P. Company P becomes a member of the Tax Group with Company L and Company M for the same Tax Period.

For the Financial Year 2026, Company L, Company M and Company P have the following closing balance sheet (amounts in AED million):

Description	Company L	Company M	Company P
Loan receivable from Company P		5	
Investment in Company M	5		
Investment in Company P		5	
Property, plant and equipment		20	15
Total assets	**5**	**30**	**15**
Trade payables		10	5
Loan payable to Company M			5

Total liabilities	**0**	**10**	**10**
Equity	**5**	**20**	**5**
Profit / (loss) for the period	0	0	0
Equity	**5**	**20**	**5**

The closing balance sheet in the Aggregated Financial Statements for the Tax Group comprising Company L, Company M and Company P is as follows (amounts in AED million):

Description	**Aggregated**
Loan receivable from Company P (eliminated)	0
Investment in Company M (of Company L)	5
Investment in Company P (of Company M)	5
Property, plant and equipment (of Company M and Company P)	35
Total assets	**45**
Trade payables (of Company M and Company P)	15
Loan payable to Company M (eliminated)	0
Total liabilities	**15**
Equity (includes the equity of Company M that is held by Company L and the equity of Company P held by Company M)	**30**
Profit / loss for the period	**0**

Thus, in a multi-tier structure the Aggregated Financial Statements may reflect the investment in a Subsidiary more than once. In this example the investment in Company P is included even though the investment in Company M – which owns Company P – is also included.

For an example of the elimination of an intra-group asset transfer in the Aggregated Financial Statements, see Section 9.2.1.

8.2.2. Disclosure requirements for the Aggregated Financial Statements

The primary statements to be presented in a set of Aggregated Financial Statements are:[196]

- aggregated statement of financial position,

[196] Article 4(1) of FTA Decision No. 7 of 2025.

- aggregated statement of profit or loss,
- aggregated statement of other comprehensive income, and
- aggregated statement of changes in equity.

The Aggregated Financial Statements of the Tax Group should present comparative information in respect of the preceding Tax Period for all amounts reported in the current Tax Period, with the exception of the first Tax Period for which the Tax Group exists (as it does not have a preceding Tax Period).

The disclosure requirements for the Aggregated Financial Statements should comprise of the following:[197]

- The framework under which the Financial Statements have been prepared, i.e. the special purpose Aggregated Financial Statements prepared solely for submission to the FTA to comply with the requirements of Corporate Tax Law.
- Basis of aggregation, i.e. entities that are members of the Tax Group and the percentage of share capital owned, percentage of voting rights held and percentage of entitlement to the profits and net assets held, directly or indirectly, by the Parent Company.
- Material accounting policies, estimates and judgments based on which the Financial Statements are prepared.
- Explanatory information/notes that support the numbers presented in the Aggregated Financial Statements. This must be in line with IAS 1: Presentation of Financial Statements.

See Section 14.2 for an example of the disclosure.

8.2.3. Exception to elimination for transactions prior to joining or forming the Tax Group

The requirement to eliminate intra-group transactions does not apply to transactions where a member has recognised a deductible loss in a Tax Period in respect of those transactions prior to forming or joining the Tax Group, until the deductible loss is reversed in full.[198] In such cases, the transaction is not eliminated and income is included in the Taxable Income of the Tax Group up to the amount that was previously deducted prior to forming or joining the Tax Group.[199]

This can occur if, for instance, one member of the Tax Group has recognised a deductible loss by impairing a loan receivable due from another member of the Tax Group prior to forming or joining of the Tax Group. In that case, the relevant transaction

[197] Article 4(2) of FTA Decision No. 7 of 2025.
[198] Article 4(1) of Ministerial Decision No. 301 of 2024.
[199] Article 4(2) of Ministerial Decision No. 301 of 2024.

shall not be eliminated. Any income in relation to the transaction, for example, reversal of the impairment, shall be included in the Taxable Income of the Tax Group up to the amount of the loss previously deducted. After the reversal of the impairment has been taken into account up to the same amount as the deductible loss, the exception will no longer apply, i.e. the loan will be eliminated as an intra-group transaction. This prevents the non-taxation of income on an intra-group transaction where that income reverses a loss that had already been deducted prior to forming or joining a Tax Group.

This exception to elimination only applies to transactions that resulted in both a "deductible loss" before forming or joining the Tax Group and a reversal of the loss after forming or joining the Tax Group. The exception requires the inclusion of income in relation to the transaction, but would not allow a Tax Group to claim an additional deductible loss on the transaction.[200] For example, if one member of the Tax Group has recognised a deductible loss by partially impairing a loan due from another member of the Tax Group prior to forming or joining the Tax Group, the exception does not apply to any further impairments of the loan. As a result, any further impairment (after the lender and borrower form part of a Tax Group) must be eliminated and, therefore, would not be deductible. However, the exception to elimination would apply to a reversal of the impairment, as this would generate income that could wholly or partially reverse the deductible loss.[201]

The exception only applies to income that represents a reversal of the deductible loss on the same transaction.[202] For instance, if a company (Company A) has provided an interest-bearing loan to another company (Company B), the Interest would generally result in a deductible expense for the borrower (Company B). If Company A and Company B are included in a Tax Group in a later Tax Period, a reversal of the Interest payable that was previously deducted (such as in the form of release or waiver) is not eliminated on consolidation. If the Interest was paid and Company A or Company B realises income in relation to that loan on another basis (such as the receipt of interest for Company A or the release of the principal amount for Company B), it is not a reversal of the deductible loss.

Similarly, if a company (Company C) incurs a foreign exchange loss on a loan provided to or from another company (Company D), that foreign exchange loss would generally be a deductible loss. If Company C and Company D are included in a Tax Group in a later Tax Period, a reversal of the foreign exchange loss within the Tax Group is not eliminated on consolidation.

[200] Article 4 of Ministerial Decision No. 301 of 2024.
[201] Article 4 of Ministerial Decision No. 301 of 2024.
[202] Article 4(1) of Ministerial Decision No. 301 of 2024.

8.3. Consequence of leaving a Tax Group or cessation of Tax Group on transfers within the Tax Group

The requirement to eliminate transactions within the Tax Group generally also applies to transfers of assets and liabilities between members of the Tax Group. However, the gain or loss on such a transfer may need to be taken into account at the level of the Tax Group, if the transferor or the transferee leaves the Tax Group within 2 years of the date of the transfer. One exception to this is where the associated income would have been exempt or not taken into account for Corporate Tax purposes (for instance, under the Participation Exemption, Business Restructuring Relief or Qualifying Group Relief) and the relevant conditions for the reliefs were and continue to be met (as applicable).[203]

Unless the exception applies, any corresponding gain or loss on the transfer of assets and/or liabilities which was not taken into account previously, will be taken into account when the transferor or transferee leaves the Tax Group within 2 years of the date of the transfer.[204] The gain or loss in question will be calculated consistently with the other provisions of the Corporate Tax Law.

If there is no other provision of the Corporate Tax Law that either exempts the transfer or requires the income to not be taken into account, the corresponding income shall be taken into account by the Tax Group on the date the transferor or transferee leaves the Tax Group.[205]

Where the Tax Group ceases to exist on the same date that the transferor or the transferee leaves the Tax Group, the income shall be taken into account by the Tax Group in its last Tax Return.

The Tax Group or former member of the Tax Group shall make a corresponding adjustment to the cost base of the asset or liability for Corporate Tax purposes.[206]

The situation where a Subsidiary transfers its entire Business to another member of the same Tax Group and then ceases to exist as a result of this transfer is discussed in Section 6.3.2.

[203] Article 42(9) of the Corporate Tax Law.
[204] Article 42(9) of the Corporate Tax Law.
[205] Article 42(10) of the Corporate Tax Law.
[206] Article 42(10) of the Corporate Tax Law.

Example 20: Transfer within the Tax Group

Company T, Company U and Company W are members of a Tax Group for the 2024 Tax Period. Company T is the Parent Company and Company U and Company W are the Subsidiaries. The Tax Group members use the Gregorian calendar year as their Financial Year. The following transactions take place between the members of the Tax Group:

Date of transaction	Description of transaction	Net book value of asset 1	Market value of asset 1
31 March 2024	Company T transfers an asset (asset 1) to Company U for cash	AED 1 million	AED 1.2 million
31 March 2025	Company U transfers asset 1 to Company W for cash	AED 1 million	AED 1.4 million
1 February 2027	Company T transfers the shares in Company U to a third party	AED 1 million	AED 1.5 million

Tax Period ending 31 December 2024:

- Since the transfer of the asset from Company T to Company U is a transaction between two members of a Tax Group, the transaction will be eliminated when calculating the Taxable Income of the Tax Group for this Tax Period.

Tax Period ending 31 December 2025:

- Since the transfer of the asset from Company U to Company W is a transaction between two members of a Tax Group, this transaction will be eliminated when calculating Taxable Income of the Tax Group for this Tax Period.

Tax Period ending 31 December 2027:

- As a result of the transfer of the shares of Company U to a third party, Company U is considered to leave the Tax Group from the beginning of 2027 Tax Period (i.e. 1 January 2027).[207] This will be the case even if the sale had occurred later in 2027 (for example, after 31 March 2027). The Tax Group with the Parent Company (Company T) continues with its other Subsidiary.

[207] Article 41(3) of the Corporate Tax Law.

- Transfers of assets and liabilities between members of the Tax Group should not be eliminated where the transferor or the transferee leaves the Tax Group within 2 years from the date of the transfer, unless the associated income would not have been taken into account under Qualifying Group Relief or Business Restructuring Relief without a clawback applying.[208]
- This rule does not impact the transfer of the asset from Company T to Company U on 31 March 2024 since Company U does not leave the Tax Group within 2 years from the date of the transfer of asset from Company T to Company U.
- However, Company U leaves the Tax Group within 2 years from the transfer of the asset from Company U to Company W on 31 March 2025. Hence, the gain or loss on such transfer shall need to be taken into account, unless the associated gain or loss on the transfer of the asset would have been exempt or not taken into account under another provision of the Corporate Tax Law.[209]
- This means it should be assessed whether the transfer of asset from Company U to Company W could have qualified for Qualifying Group Relief or Business Restructuring Relief if Company U and Company W had not been members of a Tax Group and the clawback of Qualifying Group Relief or Business Restructuring Relief is not triggered.
- As shares of Company U are sold to a third party, Company U ceases to be part of the same Qualifying Group as Company W within 2 years of the transfer and, hence, Qualifying Group Relief would have been clawed back.[210]
- The facts do not clarify if asset 1 can be regarded as an entire Business or an independent part of a Business of Company U. However, even if it is regarded as such, the conditions for Business Restructuring Relief are not met, as (i) the transfer is not in exchange for shares and (ii) Company U did not cease to exist as a result of the transfer.[211]
- Thus, the gain on the transfer of the asset must be determined in the hands of the Tax Group with reference to Market Value at the time of transfer (i.e. the Market Value of the asset on 31 March 2025).[212] In this case at the time of the transfer of the asset to Company W, the net book value of the asset was AED 1 million and Market Value was AED 1.4 million. The Market Value at the original transfer date should not be used as the income is only recognised at the time of the subsequent transfer of asset to Company W. Thus, the gain at time of transfer would be AED 0.4 million.
- Thus, a gain of AED 0.4 million should be taken into account on the date the transferor or the transferee leaves the Tax Group (i.e. on 1 January 2027) and

[208] Article 42(9) of the Corporate Tax Law.
[209] Article 42(9) of the Corporate Tax Law.
[210] Article 26(4) of the Corporate Tax Law.
[211] Article 27(1) of the Corporate Tax Law.
[212] Article 26(5) of the Corporate Tax Law.

so is included in the Taxable Income of the Tax Group for the Tax Period ending 31 December 2027.[213]

- Going forward, the cost base of asset 1 for the Tax Group increases to AED 1.4 million.[214]

8.4. Application of the provisions of the Corporate Tax Law to Tax Groups

A Tax Group is treated as a single Taxable Person for the purposes of the Corporate Tax Law.[215] As a result, the provisions of the Corporate Tax Law have to be applied to the Tax Group as a whole, unless the Corporate Tax Law specifically provides otherwise.[216]

8.4.1. Application of reduced Corporate Tax rate and Small Business Relief

The portion of the Taxable Income that is subject to the 0% Corporate Tax rate will be limited up to AED 375,000,[217] regardless of the number of entities that are included in the Tax Group.

Similarly, whether Small Business Relief is available shall be determined with reference to the aggregated Revenue of the Tax Group.[218]

A Resident Person with Revenue equal to or below AED 3 million in a relevant Tax Period and all previous Tax Periods can elect for Small Business Relief.[219] As a Tax Group will be treated as a single Taxable Person, Small Business Relief applies to the Tax Group rather than the individual members of the Tax Group. This means the Revenue threshold for Small Business Relief applies to the aggregated Revenue of the Tax Group, and not to each member individually.

If a Resident Person that is a juridical person and eligible for Small Business Relief during the relevant Tax Period joins a Tax Group, it will no longer be eligible for Small Business Relief on a standalone basis as the Tax Group is treated as a single Taxable Person. Small Business Relief would be applicable at the level of that single Taxable

[213] Article 42(10) of the Corporate Tax Law read with Article 11(2) of Ministerial Decision No. 301 of 2024.
[214] Article 42(10) of the Corporate Tax Law.
[215] Article 40(4) of the Corporate Tax Law.
[216] Article 42(2) of the Corporate Tax Law.
[217] Article 3(1)(a) of the Corporate Tax Law read with Article 2(1) of Cabinet Decision No. 116 of 2022.
[218] Article 2(1) of Ministerial Decision No. 73 of 2023.
[219] Article 21(1) of the Corporate Tax Law, and Article 2(1) of Ministerial Decision No. 73 of 2023 read with Article 1 of Ministerial Decision No. 131 of 2026.

Person (i.e. the Tax Group) if the relevant conditions are met. Therefore, the Tax Group can only benefit from Small Business Relief if on an aggregated basis:

- the Tax Group has Revenue below or equal to AED 3 million in a relevant Tax Period and all previous Tax Periods,[220] and
- none of the members of the Tax Group is a Constituent Company of a Multinational Enterprises Group that is required to prepare a Country-by-Country Report under the UAE's Country-by-Country Reporting legislation.[221]

8.4.2. Application of ownership conditions at the level of Tax Group

For purposes of the Participation Exemption,[222] whether the Tax Group holds a 5% or greater ownership interest in the shares or capital is determined by combining ownership interests held by all members of the Tax Group as well as ownership interests held by other entities that are not part of the Tax Group but that belong to the same Qualifying Group with any of the members of that Tax Group.[223]

Also, for the purposes of the Participation Exemption, the acquisition cost of ownership interests held by all members of the Tax Group as well as entities who are not part of the Tax Group but are members of a Qualifying Group with any of the members of the Tax Group, should be combined to determine whether the aggregated acquisition cost is equal to or exceeds AED 4 million.[224]

For purposes of the ownership requirements for Qualifying Group Relief[225] and the transfer of Tax Losses,[226] the direct and indirect ownership interest held by members of the same Tax Group shall be determined on the basis of the aggregation of the ownership interests of the Parent Company and each Subsidiary that is a member of the Tax Group.[227]

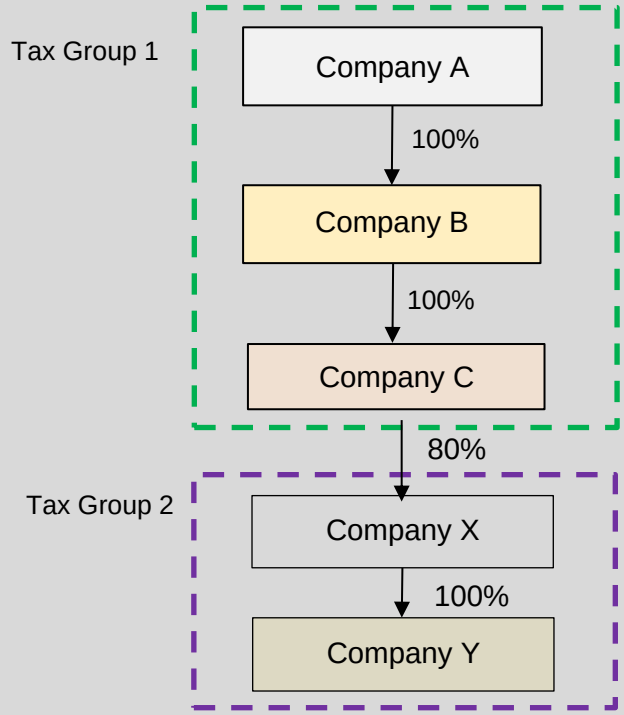
Example 22: Transfer of Tax Loss between two Tax Groups

Company A, Company B and Company C are members of Tax Group 1. Company A (Parent Company) owns 100% of the share capital in Company B, and Company B holds 100% of the share capital in Company C.

[220] Article 2 of Ministerial Decision No. 73 of 2023 read with Article 1 of Ministerial Decision No. 131 of 2026.
[221] Article 3(1) of Ministerial Decision No. 73 of 2023 and Cabinet Resolution No. 44 of 2020.
[222] Article 23 of the Corporate Tax Law.
[223] Article 3(1)(b) of Ministerial Decision No. 302 of 2024.
[224] Articles 3(2) and 8(1) of Ministerial Decision No. 302 of 2024 and Article 23(11) of the Corporate Tax Law.
[225] Article 26(2)(b) of the Corporate Tax Law.
[226] Article 38(1)(c) of the Corporate Tax Law.
[227] Article 9 of Ministerial Decision No. 301 of 2024.

Company X and Company Y are members of Tax Group 2. Company X (Parent Company) owns 100% of the share capital in Company Y.

Company C holds 80% ownership interest in Company X.



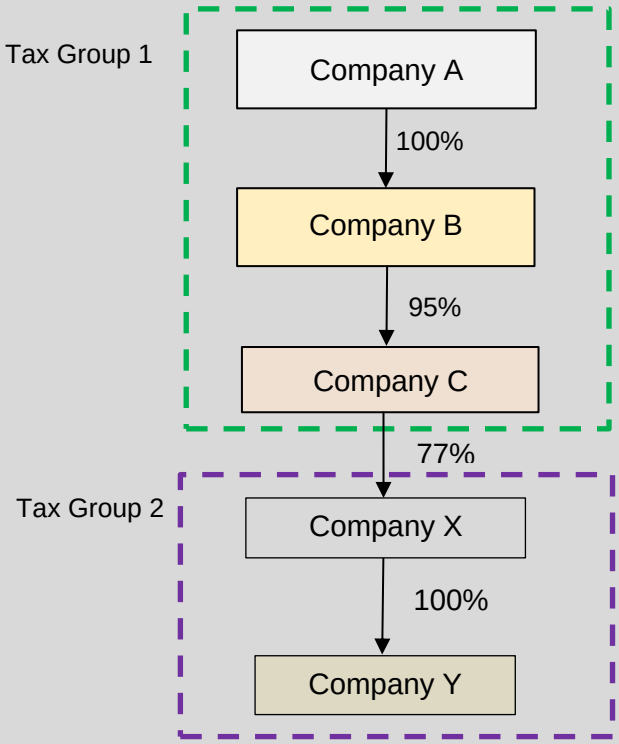
Tax Group 1 has a Tax Loss of AED 3 million in Tax Period ending 31 December 2025 and wants to transfer the Tax Loss to Tax Group 2.

Under Article 38(1)(c) of the Corporate Tax Law, the ownership condition for transfer of a Tax Loss requires that:

- either Taxable Person has a direct or indirect ownership interest of at least 75% in the other, or
- a third Person has a direct or indirect ownership interest of at least 75% in each of the Taxable Persons.

For purposes of Article 38(1) of the Corporate Tax law, the Taxable Persons are Tax Group 1 and Tax Group 2. In respect of Article 38(1)(c) of the Corporate Tax Law, the 75% ownership condition needs to be met at the level of the Tax Group having regard to the indirect ownership interest of the Parent Company. In this case, Company A (Parent Company of Tax Group 1) holds 100% ownership interest in Company C and Company C holds 80% ownership interest in the Parent Company of Tax Group 2. Accordingly, Tax Group 1 holds 80% (100% of 80%) in Tax Group 2. Accordingly, the condition in Article 38(1)(c) of the Corporate Tax Law is met.

Variation:



In Tax Group 1, A (Parent Company) owns 100% of the share capital in Company B, and Company B holds 95% of the share capital in Company C.

Company X and Company Y are members of Tax Group 2. Company X (Parent Company) owns 100% of the share capital in Company Y.

Company C holds 77% ownership interest in Company X.

In this case, Company A (Parent Company of Tax Group 1) indirectly holds 95% ownership interest in Company C and Company C holds 77% ownership interest in the Parent Company of Tax Group 2. Accordingly, Tax Group 1 holds 73.15% (95% of 77%) in Tax Group 2. Accordingly, the condition in Article 38(1)(c) of the Corporate Tax Law is not met.

Example 23: Transfer of Tax Loss between two Tax Groups in case of replacement of Parent Company

Assume the same facts as in Example 22 (before the variation referred to in that Example), with the following exception.

Company A merges with Company D (a newly incorporated entity) with effect from 1 March 2025 as a result of which Company A ceased to exist. Consequently, Company D became the new Parent Company of Tax Group 1 for Tax Period ending 31 December 2025, after the FTA approved an application for replacement of the Parent Company under Article 40(12)(b) of the Corporate Tax Law read with Article 10(2) of Ministerial Decision No. 301 of 2024.

Article 38(1)(d) of the Corporate Tax Law states that the 75% ownership condition in Article 38(1)(c) of the Corporate Tax Law must be met from the start of the Tax Period in which the Tax Loss is incurred to the end of the Tax Period in which the other Taxable Person offsets the Tax Loss transferred against its Taxable Income.

As the 75% ownership interest under Article 38(1)(c) of the Corporate Tax Law is tested based on the indirect ownership interest of one Parent Company of a Tax Group in the Parent Company of another Tax Group, in order for this condition to be met the respective Parent Company's must remain the same throughout the Tax Periods referred to in Article 38(1)(d) of the Corporate Tax Law. Accordingly, it must be considered whether the ownership interest in Tax Group 2 is held by the same Parent Company directly or indirectly through the same chain of Subsidiaries of Tax Group 1 throughout the 2025 Tax Period.

The Parent Company of Tax Group 1 was replaced during the 2025 Tax Period. Since the new Parent Company of Tax Group 1 did not own at least 75% of Tax Group 2 throughout the 2025 Tax Period, the condition in Article 38(1)(d) of the Corporate Tax Law was not met during the 2025 Tax Period. Accordingly, Tax Group 1 (that is represented by the new Parent Company, Company D) cannot transfer its Tax Losses to Tax Group 2 for the 2025 Tax Period.

8.4.3. Application of Qualifying Group Relief

A Taxable Person can elect to not take into account gains or losses in relation to transfers within a Qualifying Group.[228] The election should be made when filing the Tax Return for the first Tax Period in which the transfer within a Qualifying Group takes

[228] Article 26(1) of the Corporate Tax Law.

place.[229] Such an election is irrevocable.[230] If a Tax Group makes such an election for Qualifying Group Relief, it shall apply to transfers between any member of the Tax Group and Taxable Persons that are outside the Tax Group and the election would continue to apply to the members even after such members leave the Tax Group or after the Tax Group ceases to exist.[231]

A Taxable Person that has not made an election for Qualifying Group Relief is treated as making such an election if it forms a Tax Group or joins a Tax Group that includes one or more members that have made such an election. Similarly, a Tax Group that has not made such an election, is treated as making the election if a new Subsidiary joins the Tax Group and the Subsidiary has made such an election.

If a member of a Tax Group transfers an asset or liability to or from a member of its Qualifying Group (not being part of the Tax Group), no gain or loss needs to be taken into account in relation to this transfer provided that an election has been made.[232] However, a gain or loss may need to be taken into account if, within 2 years from the date of the transfer, the transferor and the transferee cease to be members of the same Qualifying Group or there is a subsequent transfer of the asset or liability outside the Qualifying Group.[233]

Two Taxable Persons can be members of a Qualifying Group when certain conditions are met.[234] One of the conditions is that a Taxable Person must have a direct or indirect ownership interest of at least 75% in another Taxable Person or a common owner that holds at least 75% in both Taxable Persons.[235] As the ownership interests held by members of the Tax Group are aggregated (see Section 8.4.2),[236] it is possible for two Taxable Persons to be part of a Qualifying Group where one of them is a member of a Tax Group. However, they may cease to qualify as a Qualifying Group if one of the members leaves the Tax Group or the Tax Group ceases to exist. Therefore, it is possible that the Qualifying Group Relief may need to be clawed back if a Subsidiary leaves a Tax Group within 2 years of the transfer in respect of which Qualifying Group Relief was applied.[237]

[229] Article 3(2) of Ministerial Decision No. 132 of 2023.
[230] Article 3(3) of Ministerial Decision No. 132 of 2023.
[231] Article 13 of Ministerial Decision No. 301 of 2024.
[232] Article 26(1) of the Corporate Tax Law.
[233] Article 26(4) of the Corporate Tax Law.
[234] Article 26(2) of the Corporate Tax Law.
[235] Article 26(2)(b) of the Corporate Tax Law.
[236] Article 9 of Ministerial Decision No. 301 of 2024.
[237] Article 26(4) of the Corporate Tax Law.

8.4.4. Application of limitation of Tax Losses carried forward

A Tax Loss can be carried forward by a Taxable Person provided:

- the owners of the Taxable Person continuously hold at least 50% ownership from the start of the period in which the Tax Loss is incurred to the end of the Tax Period in which the Tax Loss is used to offset against Taxable Income (the "ownership continuity condition"), or[238]
- there is a change in ownership of more than 50%, but the same or similar Business is carried on following the change in ownership (the "Business continuity condition").[239]

In relation to the ownership continuity condition, for the relevant period, the same Person or Persons must continuously own at least a 50% ownership interest in the Taxable Person. When applying this continuous ownership condition for Tax Losses of the Tax Group, the ownership interest in the Parent Company, is relevant (see Example 24 below). Thus, the ownership interest has to be tested at the Parent Company level.

Example 24: Ownership and carry forward of Tax Losses

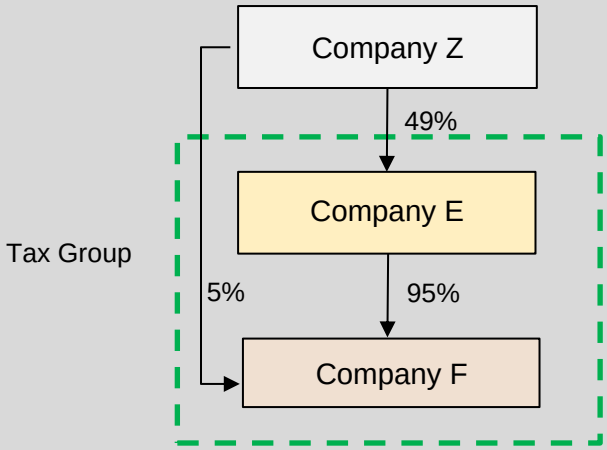
Company Z owns 49% of the shares in Company E. The remaining 51% shares of Company E is owned by unrelated parties. Company E owns 95% of the shares in Company F. The remaining 5% of the shares in Company F are owned by Company Z. Company Z, Company E and Company F use the Gregorian calendar year as their Financial Year.

Company E and Company F are in a Tax Group as from the 2025 Tax Period, with Company E as the Parent Company. In 2025, the Tax Group incurs Tax Losses.

As a result, Company Z's direct ownership in the members of the Tax Group is 54% (49% held directly in Company E and 5% held directly in Company F)

Company Z's ownership of Company E and Company F does not change from 2024 onwards. However, all of the other shareholders in Company E dispose of their ownership interests to unrelated parties on the first day of the 2026 Tax Period.

[238] Article 39(1)(a) of the Corporate Tax Law.
[239] Article 39(1)(b) and 39(2) of the Corporate Tax Law.



In considering the ownership continuity condition in respect of the carry forward of Tax Losses of the Tax Group, the ownership in the Parent Company of the Tax Group has changed by more than 50% of ownership interest.

Even though Company Z continues to hold more than 50% of the direct ownership interest in the members of the Tax Group (Company E and Company F), the ownership continuity condition is not met in respect of the Tax Loss of the Tax Group, as the ownership interest in Company E (i.e. the Parent Company of the Tax Group) has changed by more than 50%. Therefore, the Business continuity condition needs to be considered to determine whether the Tax Loss of the Tax Group can be carried forward.

As the ownership continuity condition is assessed based on the ultimate ownership, changes in the members of the Tax Group do not by themselves cause the ownership continuity condition to be failed. For example, the ownership continuity condition is not impacted by a member of the Tax Group leaving the Tax Group, if a new member joins the Tax Group or if a new Parent Company replaces the former Parent Company (unless there are other ownership changes accompanying such change). This applies even if the former member of the Tax Group has a subsequent change of ownership or ceases to exist, as such changes do not affect the ultimate ownership of the members of the Tax Group.

The conditions in Articles 39(1)(b) and 39(2) of the Corporate Tax Law (i.e. the requirement to conduct the same or similar business if there is a greater than 50% change in ownership), are to be determined by reference to Business Activities of the Tax Group as a whole. In other words, if a substantial part of the Business of the Tax Group is operated by a particular Subsidiary, it is possible that the Business continuity condition in Article 39(1)(b) of the Corporate Tax Law is not met in respect of a Tax Loss of the Tax Group after that Subsidiary leaves the Tax Group, which would prevent the carry forward and use of the loss, if there had been a change of ownership of more

than 50% in the Parent Company or a Subsidiary (directly and indirectly through the Parent Company).

When applying the ownership continuity condition of Article 38(1)(a) of the Corporate Tax Law to pre-Grouping Tax Losses, only the ownership interest in the relevant Subsidiary is relevant. Similarly, the Business continuity condition of Article 38(1)(b) of the Corporate Tax Law is determined by reference to Business Activities of that Subsidiary. In other words, if the Subsidiary transfers a substantial part of its Business within the Tax Group, it is possible that its remaining Business is no longer the same or similar to the Business it was when its pre-Grouping Tax Losses were incurred. That means that the Business continuity condition may not be met in respect of the pre-Grouping Tax Losses of that Subsidiary.

8.4.5. Application of election for realisation basis

8.4.5.1. General

As the Tax Group determines its Taxable Income on an aggregated basis,[240] all members of the Tax Group would need to follow the same accounting basis in calculating the Taxable Income. The Tax Group will determine whether to prepare its Aggregated Financial Statements on a Cash Basis of Accounting (if permitted) or an Accrual Basis of Accounting in a manner consistent with the relevant Accounting Standards and the Corporate Tax Law.

Where a Tax Group prepares its Financial Statements on an Accrual Basis of Accounting, the Tax Group can make an election during its first Tax Period to take into account gains and losses on a realisation basis in respect of either all accounting gains or losses or only gains and losses on assets and liabilities held on capital account), provided the relevant conditions are met.[241] Where the Tax Group makes the election for realisation basis, it would make the specified adjustments to its Taxable Income in respect of assets and liabilities as reflected in the Aggregated Financial Statements of the Tax Group.[242]

Where a member of the Tax Group leaves the Tax Group or the Tax Group ceases to exist, the former members of the Tax Group are required to prepare their standalone Financial Statements on the same accounting basis as applied by the Tax Group and to adopt the values of the relevant assets and liabilities as recorded by the Tax Group as the opening value of those assets and liabilities in the standalone Financial Statements.[243] Therefore, if the Tax Group has applied an Accrual Basis of Accounting

[240] Article 42(1) of the Corporate Tax Law.
[241] Article 20(3) of the Corporate Tax Law.
[242] Article 2(3) and 2(4) of Ministerial Decision No. 134 of 2023.
[243] Article 13 of Ministerial Decision No. 301 of 2024.

and has elected to take into account gains and losses on a realisation basis,[244] any former member of the Tax Group is required to follow the same accounting basis and the same election.[245] Similarly, if the Tax Group has not made an election, any former member of the Tax Group is required to follow the same basis. If a former member of a Tax Group and the Tax Group applied the Accrual Basis of Accounting (and has not elected to apply the realisation basis), the former member shall also include future gains and losses on the Accrual Basis of Accounting.

Where the Tax Group includes members that had a first Tax Period before joining the Tax Group, these members would have determined their standalone basis of accounting and would have made a decision to elect or not elect the realisation basis in their first Tax Period. It is possible that the Tax Group made a different decision than a member that joined the Tax Group after its first Tax Period. In such case, the joining member will need to follow the decision of the Tax Group. For example, if a Taxable Person (i.e. Subsidiary) that did not elect the realisation basis joins a Tax Group that has elected the realisation basis, any unrealised gains or losses of the joining Subsidiary in the Aggregated Financial Statements of the Tax Group, will be included in the Taxable Income of the Tax Group only upon realisation. This does not extend to unrealised gains or losses of the joining Subsidiary that were already subject to Corporate Tax in Tax Periods before it joined the Tax Group. Alternatively, if a Taxable Person (a Subsidiary) elected for the realisation basis, and had unrealised gains or losses which were excluded from its Taxable Income (before joining the Tax Group) but in a subsequent Tax Period joins a Tax Group that has not elected for the realisation basis, upon realisation the Tax Group is required to include the unrealised gains or losses which were not previously included by the Subsidiary. If the Subsidiary leaves the Tax Group before the realisation takes place the Subsidiary would need to include the unrecognised unrealised gains/losses upon realisation.

The transfer of assets or liabilities between members of a Tax Group is not considered as a realisation event.

Where the FTA approves the application to form or join a Tax Group, the member would be required to follow the same accounting basis and elections made (or not made) by the Tax Group, even in Tax Periods after it has left the Tax Group or the Tax Group ceases to exist.[246] Therefore, if a Subsidiary had previously made the election to apply the realisation basis but the Tax Group has not elected the realisation basis, it would not be able to apply the realisation basis after it has left the Tax Group.

[244] Article 20(3) of the Corporate Tax Law.
[245] Article 13 of Ministerial Decision No. 301 of 2024.
[246] Article 13 of Ministerial Decision No. 301 of 2024.

8.4.5.2. Banks and Insurance Providers

Banks and Insurance Providers can elect the realisation basis only in relation to assets and liabilities held on capital account and not in relation to all assets and liabilities that are subject to fair value or impairment accounting.[247]

Where a Tax Group includes any such Taxable Persons, the Tax Group would not be allowed to make an election for the realisation basis in respect of all assets and liabilities that are subject to fair value or impairment accounting, as the Tax Group aggregates financial results, and assets and liabilities, applying a single accounting basis for the purposes of determining Taxable Income.[248] Thus, it would need to limit the election to assets and liabilities held on capital account. Similarly, if Banks or Insurance Providers apply to join an existing Tax Group, the Tax Group would not be allowed to apply the realisation basis in respect of all assets and liabilities that are subject to fair value or impairment accounting. In such situations, the Tax Group is required to change its election or to revoke an existing election.

As indicated above, a decision to make an election or not make an election is irrevocable, except under exceptional circumstances and pursuant to approval by the FTA.[249] If a Bank or Insurance Provider applies to join a Tax Group which has elected to apply the realisation basis to all assets and liabilities that are subject to fair value or impairment accounting, this may be an exceptional circumstance under which a previous election can be amended or revoked. Such amendment or revocation would only apply prospectively to Tax Periods after the Bank or Insurance Provider has joined the Tax Group.

8.4.5.3. Depreciation adjustments for Investment Properties

Where a Taxable Person has elected to apply the realisation basis and such Taxable Person holds one or more Investment Properties on the fair value basis under the applicable Accounting Standards, it may also make an irrevocable election to adjust its Taxable Income by applying a tax depreciation deduction that is the lower of: [250]

1. 4% on the Original Cost of all their Investment Properties, held on fair value basis, in each 12-month Tax Period or prorated where the Tax Period is shorter or longer than 12 months, or where the Investment Property is held for only part of the Tax Period, and
2. the Tax Written Down Value at the start of the relevant Tax Period.

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[247] Article 8(2) of Ministerial Decision No. 134 of 2023.
[248] Article 42(1) of the Corporate Tax Law.
[249] Article 8(3) of Ministerial Decision No. 134 of 2023.
[250] Article 2(1) of Ministerial Decision No. 173 of 2025.

The election for tax depreciation for Investment Properties shall be available for Tax Periods starting on or after 1 January 2025.[251]

The Tax Group is a separate Taxable Person and can decide to elect or not elect to apply the tax depreciation deduction as follows:

- If the members of the Tax Group held any Investment Property during the first Tax Period of the Tax Group starting on or after 1 January 2025, the Tax Group can make the election in the Tax Return for that Tax Period.
- If the members of the Tax Group first held Investment Property in a subsequent Tax Period, the Tax Group must make the election in the Tax Return filed for the Tax Period in which the Investment Property was first held.
- If the Tax Group has elected for Small Business Relief, the election must be made in the Tax Return for the first Tax Period during which the Small Business Relief did not apply.

Where an election is not made within the timelines specified above, the Tax Group shall be considered to have forfeited its right to make an election. [252]

Where the Tax Group makes the election for tax depreciation, it would make the specified adjustments to its Taxable Income in respect of all Investment Properties reflected in the Aggregated Financial Statements of the Tax Group on a fair value basis.[253] If a member of the Tax Group leaves the Tax Group or the Tax Group ceases to exist, any former members of the Tax Group are required to follow the same decision of the Tax Group (i.e. the decision to elect or not elect for tax depreciation).[254] It is possible that the Tax Group made a different decision regarding the election prior to the Tax Period in which a member joined the Tax Group. In such case, the joining member will then need to follow the decision of the Tax Group, even if it later leaves the Tax Group. For example, if a Taxable Person (i.e. Subsidiary) that did not make an election for tax depreciation joins a Tax Group that has made an election for tax depreciation, the election for tax depreciation shall apply to all Investment Properties of the Tax Group, including the joining Subsidiary, and will continue to apply to the Subsidiary if it later leaves the Tax Group.

If an Investment Property is transferred between members of a Tax Group, no gain or loss is recorded on the transfer, as the Tax Group is regarded as a single Taxable Person.[255] The transfer is not treated as a realisation of the Investment Property and the Tax Group will continue to apply the tax depreciation deduction on the same basis

[251] Article 7 of Ministerial Decision No. 173 of 2025.
[252] Article 3 of Ministerial Decision No. 173 of 2025.
[253] Article 2(4) of Ministerial Decision No. 173 of 2025.
[254] Article 13 of Ministerial Decision No. 301 of 2024.
[255] Article 42(1) of the Corporate Tax Law.

and with reference to the same Original Cost as before the transfer that occurred within the Tax Group.[256]

Where a Subsidiary holding an Investment Property joins an existing Tax Group and the Subsidiary had not elected to apply the tax depreciation deduction and the Tax Group has made (or in the Tax Period in which the Subsidiary joins the Tax Group makes) an election to apply the tax depreciation deduction on the Investment Property, the Opening Value in respect of the Investment Property held by that Subsidiary at the time of joining the Tax Group shall be the Original Cost reduced by an aggregate depreciation deduction of 4% for each Gregorian calendar year or otherwise prorated for part of the Gregorian calendar year during which the Subsidiary held the Investment Property before joining the Tax Group.

Upon realisation of an Investment Property, the Taxable Income of the Tax Group shall be increased by the aggregate depreciation deduction claimed under Article 2(1) of Ministerial Decision No. 173 of 2025.[257]

Furthermore, where a Subsidiary holding an Investment Property joins an existing Tax Group and the Subsidiary had elected to apply the tax depreciation deduction but the Tax Group has not made an election to apply the tax depreciation deduction on the Investment Property, upon realisation of an Investment Property by the Tax Group, the Taxable Income of the Tax Group shall be increased by the aggregate depreciation deduction claimed by the Subsidiary under Article 2(1) of Ministerial Decision No. 173 of 2025 before joining the Tax Group.

Where a Tax Group had elected to apply the tax depreciation deduction and a member leaves the Tax Group or the Tax Group ceases to exist, the election for tax depreciation as applied by the Tax Group will continue to apply to any former members of the Tax Group.[258] Upon realisation of an Investment Property, the Taxable Income of the former member of the Tax Group that holds the Investment Property shall be increased by the aggregate depreciation deduction claimed under Article 2(1) of Ministerial Decision No. 173 of 2025, regardless of whether this deduction was claimed by the Tax Group or the former member of the Tax Group.[259]

If a member of a Tax Group transfers its Investment Property to another member of the Tax Group and either the transferor or the transferee leaves the Tax Group within two years of that transfer and the clawback under Article 42(9) of the Corporate Tax Law applies, the transferee (or the Tax Group where the transferee remains a member of the Tax Group) shall adjust its Taxable Income during the Tax Period in which the

[256] Article 2(2)(a) of Ministerial Decision No. 173 of 2025.
[257] Article 4(2) of Ministerial Decision No. 173 of 2025.
[258] Article 13 of Ministerial Decision No. 301 of 2024.
[259] Article 4(2) of Ministerial Decision No. 173 of 2025.

clawback occurs for a depreciation deduction that has not been previously adjusted by the transferee (or the Tax Group where the transferee is member of the Tax Group) for that Investment Property due to the restriction for tax depreciation claims for transfers within a Tax Group which are eliminated during aggregation. [260] Consequently, after the clawback, the transferee or the Tax Group (where the transferee remains a member of the Tax Group) is entitled to claim additional depreciation that it was previously not entitled to claim due to the no gain or loss transfer between members of the Tax Group.

No tax depreciation adjustments for Investment Properties recorded on a fair value basis are available in respect of Tax Periods commencing before 1 January 2025.

8.4.6. Deduction of expenditure

Expenditure incurred wholly and exclusively for the purposes of the Taxable Person's Business that is not capital in nature shall be deductible.[261] In the case of a Tax Group, whether expenditure is incurred wholly and exclusively for the purposes of a Taxable Person's Business should be assessed on the basis of the whole Tax Group. Therefore, expenditure may be deductible if it is incurred wholly and exclusively for the Business of another member of the Tax Group (or the Business of several members of the Tax Group). On the other hand, expenditure incurred by a member of the Tax Group for the purposes of a non-Tax Group member's Business (for instance a foreign parent that is not a Resident Person), is not deductible.

8.4.7. Application of transitional rules

A Taxable Person's opening balance sheet for Corporate Tax purposes is the closing balance sheet prepared for financial reporting purposes under the applicable Accounting Standards on the last day of the Financial Year that ends immediately before its first Tax Period commences.[262] The transitional rules in the Corporate Tax Law aim to limit the taxable gain to the gain which arises after the start of the first Tax Period, in relation to certain categories of assets that are owned by the Taxable Person prior to the first Tax Period.[263]

Where a Tax Group was formed in the first Tax Period following the introduction of Corporate Tax, the opening balance sheet of a Tax Group is the aggregated balance sheet of each member of the Tax Group on the last day of the Financial Year that ends immediately before the beginning of the Tax Group's first Tax Period. Any election in respect of the transitional rules needs to be made by the Tax Group and will continue

[260] Article 2(3) of Ministerial Decision No. 173 of 2025.
[261] Article 28(1) of the Corporate Tax Law.
[262] Article 61(1) of the Corporate Tax Law.
[263] Assets as specified in Ministerial Decision No. 120 of 2023.

to apply to any members of the Tax Group after they leave the Tax Group or the Tax Group ceases to exist.[264]

Under the transitional rules, adjustments can be made to the Taxable Income of a Taxable Person in respect of gains recognised on Immovable Property, gains on Intangible Assets and gains or loss on Financial Assets and Financial Liabilities owned prior to the Taxable Person's first Tax Period.[265]

In the case of Tax Groups, when determining whether these assets were owned prior to the first Tax Period,[266] ownership of the asset by all members of the Tax Group should be considered.[267]

When calculating the apportionment of gains under the transitional rules,[268] any period in which a member of the Tax Group held the relevant asset should be considered.[269] This means that if an asset, within the scope of the transitional rules has been transferred between members of a Tax Group, the ownership period is determined by combining all ownership periods, provided that the Tax Group was formed as of the start of the first Tax Period.

Example 25: Transitional rules on Immovable Property held within a Tax Group

Date	Event
27 January 2019	Company G acquired an Immovable Property in the UAE from a third party for AED 10 million.
1 December 2021	Company H was incorporated with Company G as its 100% shareholder.
1 January 2022	Company G transferred the Immovable Property to Company H for AED 12 million. Company H measures its Immovable Property on a historical cost basis.
1 January 2024	Company G and Company H form a Tax Group and follow the Gregorian calendar year as their Tax Period. The net book value of the Immovable Property on 1 January 2024 was AED 12 million. The Market Value of

[264] Article 13 of Ministerial Decision No. 301 of 2024.
[265] Articles 2, 3 and 4 of Ministerial Decision No. 120 of 2023.
[266] As required for Articles 2(1)(a) and 3(1)(a) of Ministerial Decision No. 120 of 2023.
[267] Article 5(3) of Ministerial Decision No. 120 of 2023.
[268] As required for Articles 2(2) and 3(3) of Ministerial Decision No. 120 of 2023.
[269] Article 5(4) of Ministerial Decision No. 120 of 2023.

	the Immovable Property on 1 January 2024 was AED 19 million.
19 July 2025	Company H sold the Immovable Property for AED 20 million. As a result, Company H included a gain of AED 8 million in its financial statements.

In its first Tax Return, the Tax Group elected to apply the transitional rules in relation to the Immovable Property. In this regard, it elected to apply the Market Value to determine any gain or loss on disposal in the future.[270]

The Tax Group elected to calculate the amount to be excluded in the determination of the gain or loss on disposal as the amount of gain that would have arisen if Company H had disposed of the Immovable Property at Market Value at the start of the first Tax Period and the cost of the Immovable Property was the higher of the original cost and the net book value.[271]

Therefore, the following are relevant:

- the start of the first Tax Period was 1 January 2024,
- the Market Value of the Immovable Property as of 1 January 2024 was AED 19 million,
- the original cost for the Tax Group was AED 10 million, and
- the net book value at the start of the first Tax Period was AED 12 million.

As a result, this would exclude a gain of AED 7 million (AED 19 million – AED 12 million) from the Taxable Income of the Tax Group.

Example 26: Transitional rules on Immovable Property held within a Tax Group

The facts are the same as in Example 25, except that the Tax Group elects to apply the time apportionment method to determine any gain or loss on disposal in the future.[272]

In line with this, it calculates the amount of gain to be excluded as follows:[273]

- The amount of total gain is determined by reference to the disposal proceeds and the higher of the Original Cost and the net book value at the start of the first Tax Period. The disposal proceeds were AED 20 million. The Original Cost

[270] Article 2(2)(a) of Ministerial Decision No. 120 of 2023.
[271] Article 2(2)(a) of Ministerial Decision No. 120 of 2023.
[272] Article 2(2)(b) of Ministerial Decision No. 120 of 2023.
[273] Article 2(4) of Ministerial Decision No. 120 of 2023.

for the Tax Group was AED 10 million. The net book value at the start of the first Tax Period was AED 12 million, which was higher than the original cost. As a result, the gain would amount to AED 8 million (AED 20 million – AED 12 million).

- The number of days the Immovable Property was owned by the Tax Group before the first Tax Period is divided by the total number of days the Immovable Property was owned. In this example, before the first Tax Period, the Tax Group owned the Immovable Property from 27 January 2019 to 1 January 2024 (i.e. 1,800 days). The Immovable Property was owned by the Tax Group from 27 January 2019 to 19 July 2025 (i.e. 2,366 days) in total. The result of this calculation is 76%.
- The results of both calculations are multiplied and, thus, resulting in an exclusion of AED 6.08 million (AED 8 million * 76%).

As a result, this would exclude a gain of AED 6.08 million from the Taxable Income of the Tax Group.

The transitional rules apply to certain assets and liabilities owned prior to a Taxable Person's first Tax Period.[274] If a new Tax Group is formed in subsequent Tax Periods, it is not possible for the Tax Group to elect for the transitional rules if the members of the Tax Group had one or more Tax Periods before forming the Tax Group and did not make an election to apply the transitional rules.

It is possible that a Taxable Person has elected to apply the transitional rules on assets or liabilities and enters into a Tax Group in a later Tax Period. If so, the transitional rules will continue to apply in the hands of the Tax Group in relation to such assets and liabilities that were held at the start of the first Tax Period by any Taxable Person that has made the election.

8.5. Treatment of Subsidiaries which have shareholders outside the Tax Group

All the income of the members of the Tax Group is included in the Taxable Income of the Tax Group, unless specified otherwise.[275] This means that any income realised by a Subsidiary should be included in full in the Taxable Income of the Tax Group (unless eliminated for purposes of aggregation), even if the Parent Company does not wholly own the Subsidiary.

At the level of the Tax Group, the ownership in Subsidiaries that is held by Persons who are not members of the Tax Group is recorded as part of the Tax Group's capital.

[274] Articles 2(1), 3(1) and 4(1) of Ministerial Decision No. 120 of 2023.
[275] Article 42 of the Corporate Tax Law.

If a Parent Company sells shares in a Subsidiary to a third party while continuing to meet the conditions to form a Tax Group, any capital gain or loss arising on such a transaction under the applicable Accounting Standards may benefit from the Participation Exemption.

Profit distributions from Subsidiaries to other members of the Tax Group (i.e. to the Parent Company or other Subsidiaries) are eliminated in the Aggregated Financial Statements of the Tax Group and, hence, not included in the Taxable Income of the Tax Group.

8.6. Loss on liquidation of a Participation

Generally, gains or losses resulting from the transfer, sale or other disposition ("disposal") of a Participating Interest, or part thereof, derived after expiry of the 12-month holding period are exempt from Corporate Tax.[276]

Whilst gains in respect of the liquidation of a Participating Interest are exempt from Corporate Tax, as an exception to the general rule, losses realised on the liquidation of a Participating Interest are deductible from Taxable Income, subject to the limitations explained below.[277]

Article 13 of Ministerial Decision No. 302 of 2024 explains how a liquidation loss should be calculated for purposes of the Corporate Tax Law. The sections below discuss how a liquidation loss should be calculated in the case of:

- liquidation of a Participation that is held by a Tax Group but that is not a member of the Tax Group, and
- liquidation of a Participation that is or was a member of the Tax Group.

8.6.1. Liquidation loss on a Participation that was not a member of the Tax Group (for Tax Periods commencing on or after 1 January 2025)

A Tax Group may hold a Participation that is not a member of the Tax Group. A loss on liquidation of a Participation held by the Tax Group may be deductible from the Taxable Income of the Tax Group.[278]

This liquidation loss is calculated by reference to the difference between the acquisition cost of the Participation for Corporate Tax purposes and the fair value of the liquidation proceeds received by the Tax Group.[279] If Participating Interests are

[276] Article 23(5)(b) of the Corporate Tax Law.
[277] Article 23(8) of the Corporate Tax Law.
[278] Article 23(8) of the Corporate Tax Law.
[279] Article 13(2) of Ministerial Decision No. 302 of 2024.

transferred within the Tax Group, this does not change the acquisition cost of the Participating Interests as the Tax Group is treated as a single Taxable Person and the transfer is eliminated for the purpose of aggregation.[280]

In relation to the Tax Group: The amount of liquidation loss shall be reduced by the following in the relevant Tax Period and preceding seven Tax Periods, as applicable:[281]

1. Tax Losses transferred:
   a. by the Participation to the Tax Group, (including Tax Losses transferred to a member of the Tax Group before such member joined the Tax Group), or the Tax Group's Related Parties,
   b. by any Participation of the Participation (for example a Participation's subsidiary) to the Tax Group, (including Tax Losses transferred to a member of the Tax Group before such member joined the Tax Group), or the Tax Group's Related Parties.
2. Dividends or other profit distributions received by the Tax Group from the Participation that are exempt, including Dividends or other profit distributions received by a member of the Tax Group before such member joined the Tax Group. Thus, if the Participation distributed a Dividend to a member of a Tax Group in any of the seven years prior to liquidation, the amount of liquidation loss to be taken into account by the Tax Group will be reduced by the Dividend regardless of which entity in the Tax Group received the Dividend.[282] This is in line with the principle that the Tax Group is treated as a single Taxable Person.[283] If Participating Interests are transferred between members of the Tax Group, this adjustment applies regardless of whether those Dividends were paid before or after the transfer and regardless of whether the transferor of the Participating Interests is still a member of the Tax Group when the liquidation loss arises.
3. The difference between the Market Value and the consideration paid for an asset or liability transferred between the Tax Group, including a member of the Tax Group before such member joined the Tax Group, or the Tax Group's Related Parties and the Participation or its Participations. This adjustment applies only when the Market Value exceeds the consideration paid insofar such difference is not already taken into account by the Tax Group under (1) or (2) above or through transfer pricing adjustments required under the Corporate Tax Law.[284]

Where the Participation being liquidated has realised any loss on liquidation of its Participations and in this regard, the Participation made adjustments under (1) or (3) above, such adjustments should be included by the Tax Group, but only to the extent

[280] Article 42(1) of the Corporate Tax Law.
[281] Article 13(4) of Ministerial Decision No. 302 of 2024.
[282] Article 13(4)(b) of Ministerial Decision No. 302 of 2024.
[283] Article 40(4) of the Corporate Tax Law.
[284] Article 13(4)(c) of Ministerial Decision No. 302 of 2024.

that the Tax Group has not already included a reduction for them while making the adjustments under (1), (2) or (3) above.[285]

In relation to a former member of the Tax Group: Where a member of the Tax Group holds Participating Interests and the member leaves the Tax Group or the Tax Group ceases to exist, the former member will have an acquisition cost in the Participating Interests equal to the acquisition cost of such Participating Interests by the Tax Group.[286] Such former member of the Tax Group would adjust a liquidation loss on a Participating Interest for: [287]

1. Tax Losses transferred to the former member of the Tax Group, the Tax Group itself, any members of the Tax Group or any Related Parties of the Tax Group or any Related Party of the former member of the Tax Group.
2. Dividends received by the former member of the Tax Group or the Tax Group that were Exempt Income.
3. The difference between the Market Value and the consideration paid for an asset or liability transferred between the former member of the Tax Group, the Tax Group itself, any members of the Tax Group or any Related Parties of the Tax Group or Related Parties of the former member of the Tax Group and the Participation or its Participations.
4. Any adjustments taken into account by the Participation itself under Article 13(4)(a) or (c) of Ministerial Decision No. 302 of 2024, except insofar such adjustment was already taken into account by the former member of the Tax Group under the previous bullets.[288]

Example 27: Liquidation Loss on a transferred Participation

Company J holds all the shares in Company K. Company J also holds a 25% Participating Interest in Company L, with an acquisition cost of AED 4 million. Company L is a juridical person, incorporated outside the UAE and it is not a Resident Person. Company J and Company K use the Gregorian calendar year as their Financial Year. Company J and Company K form a Tax Group as from 1 January 2025, which continues to exist until 31 December 2026.

Between 1 January 2025 and 1 September 2027, the following events occur:

- On 1 January 2025, Company J and Company K formed a Tax Group.
- On 1 July 2025, Company L distributed a Dividend of AED 0.5 million to Company J. This Dividend is exempt under the Participation Exemption.

[285] Article 13(4)(d) of Ministerial Decision No. 302 of 2024.
[286] Article 13 of Ministerial Decision No. 301 of 2024.
[287] Article 13(4) of Ministerial Decision No. 302 of 2024.
[288] Article 13(4)(d) of Ministerial Decision No. 302 of 2024.

- On 1 September 2025, Company J transferred the Participating Interest in Company L within the Tax Group to Company K for AED 3.2 million. As a transfer within a Tax Group, this transaction was eliminated, i.e. not taxable.
- On 1 July 2026, Company L distributed a Dividend of AED 0.6 million to Company K. This Dividend is exempt under the Participation Exemption.
- As of 1 January 2027, the Tax Group between Company J and Company K ceases to exist following an application submitted to the FTA by Company J under Article 40(11)(a) of the Corporate Tax Law. Even though Company J and K are no longer members of the Tax Group, Company J continues to hold 100% shares of Company K.
- Furthermore, though Company J and Company K cease to be members of the Tax Group within 2 years from the date of transfer of the Participation from Company J to Company K, the clawback under Article 42(9) of the Corporate Tax Law does not apply since the transfer would not have been taken into account due to the applicability of Qualifying Group Relief under Article 26 of the Corporate Tax Law and, absent Qualifying Group Relief, would have been exempt under the Participation Exemption under Article 23 of the Corporate Tax Law.
- On 1 July 2027, Company L distributes a Dividend of AED 0.4 million to Company K. This Dividend is exempt under the Participation Exemption.
- On 1 September 2027, Company L is liquidated, distributing AED 2.2 million of liquidation proceeds to Company K.

As Company L is liquidated on 1 September 2027, a liquidation loss can potentially arise for Company K. This liquidation loss is calculated as the difference between the acquisition cost and the fair value of liquidation proceeds (before any specific reductions).[289]

Before joining the Tax Group, Company J acquired Company L for AED 4 million. The ownership interests were transferred to Company K in 2025 when Company J and Company K were part of a Tax Group. This transfer within the Tax Group does not affect the acquisition cost of the ownership interests in Company L. As a result, Company K's acquisition cost in the Participating Interests in Company L is AED 4 million.

The fair value of the liquidation proceeds was AED 2.2 million. As a result, the liquidation loss realised by Company K amounts to AED 1.8 million (i.e. the difference between the AED 4 million acquisition cost and the AED 2.2 million liquidation proceeds).

[289] Article 13(2) of Ministerial Decision No. 302 of 2024.

The liquidation loss is reduced for any Dividends or other profit distributions received by Company K from Company L that were exempt under Article 22(2) and 23 of the Corporate Tax Law.[290] As Company K was part of a Tax Group, this extends to Dividends and other profit distributions received by the Tax Group for any Tax Period during which Company K was part of the Tax Group. The Tax Group received Dividends from Company L on 1 July 2025 (AED 0.5 million) and 1 July 2026 (AED 0.6 million). Company K also received Dividends from Company L on 1 July 2027 (AED 0.4 million). In all three cases, the Participation Exemption applied. As a result, the liquidation loss of Company K is reduced by AED 1.5 million to AED 0.3 million (AED 1.8 million less AED 1.5 million).[291]

8.6.2. Loss realised on liquidation of a Participation which was a former member of a Tax Group

Any income derived from a transaction between a Subsidiary and the Parent Company or any other Subsidiary is not ordinarily included in the Taxable Income of the Tax Group, as it would have been eliminated in the aggregation of results (see Section 8.2.3 for cases where this does not apply).[292]

However, if a Subsidiary which is a member of a Tax Group goes through a liquidation process and at the end of the process the entity ceases to exist, the conditions for the Tax Group are no longer met for that Subsidiary. In such case, the entity ceases to be a member of the Tax Group from the beginning of the Tax Period in which the liquidation becomes final and the entity ceases to exist.[293] The former Subsidiary will have a Tax Period as a standalone Taxable Person in that Tax Period as it will not form part of the Tax Group.

Accordingly, such a liquidation would take place outside the Tax Group and any gain or loss on liquidation of the Subsidiary will not be eliminated in the Aggregated Financial Statements of the Tax Group.

After a Subsidiary is deemed to leave the Tax Group, the Tax Group must apply the Participation Exemption in relation to income derived from liquidation of the former Subsidiary, if the relevant conditions under Article 23 of the Corporate Tax Law are met. In such circumstances, the provisions regarding the calculation of liquidation losses in the context of the Participation Exemption must be considered.

[290] Article 13(4)(b) of Ministerial Decision No. 302 of 2024.
[291] Article 13(4)(b) of Ministerial Decision No. 302 of 2024.
[292] Article 42(1) of the Corporate Tax Law.
[293] Article 41(3) of the Corporate Tax Law.

This is relevant even though the Participation Exemption does not apply to a loss realised on liquidation of a Participation held by a Taxable Person (including a Tax Group).[294] In other words, when a Tax Group realises losses on a liquidation of a Participation, such losses are deductible from the Tax Group's Taxable Income, subject to certain limitations as set out below.[295]

8.6.2.1. Calculation of liquidation loss where Participation was a member of Tax Group (for Tax Periods commencing on or after 1 January 2025)

The liquidation loss is calculated by reference to the difference between the 'acquisition cost' of the Participation for Corporate Tax purposes and the fair value of the liquidation proceeds received by the Taxable Person.[296] Where the Participation was a member of a Tax Group, the acquisition cost for that Subsidiary is determined as the acquisition cost that its shareholder would have had on a standalone basis. If the shares or other ownership interest in a Subsidiary are transferred within the Tax Group or through a transaction to which Qualifying Group Relief or Business Restructuring Relief applied, the transferee will inherit the acquisition cost of the transferor.

A loss realised by the Taxable Person on the liquidation of any Participation as calculated above shall be reduced by any of the following items taken into account in the relevant Tax Period and the preceding seven Tax Periods.[297] The following table considers the relevant adjustments in the context of liquidation where the Tax Group is the Taxable Person and the former member of the Tax Group is the Participation.

[294] Article 23(8) of the Corporate Tax Law.
[295] Article 23(8) of the Corporate Tax Law.
[296] Article 13(2) of Ministerial Decision No. 302 of 2024.
[297] Article 13(4) of Ministerial Decision No. 302 of 2024.

Amount to be adjusted	Application to Tax Group (as Taxable Person) in context of liquidation of a former member of a Tax Group
1. Tax Losses transferred by the Participation or its Participations to the Taxable Person, or any of the Taxable Person's Related Parties.[298]	This adjustment does not apply in respect of the loss offset within the Tax Group as a result of the aggregation. However, see adjustment provided under 13(5)(a) of Ministerial Decision No. 302 of 2024, in respect of pre-Grouping Tax Losses, as explained in the table below. This adjustment shall apply if pre-Grouping Tax Losses of the former member of the Tax Group are transferred to a Related Party of the Tax Group that meets the conditions of Article 38 of the Corporate Tax Law. In addition, this adjustment shall apply if the former Subsidiary or a Participation of that former Subsidiary transfers Tax Losses to the Tax Group or Related Parties of the Tax Group.
2. Dividends or other profit distributions received by the Taxable Person from the Participation that are exempt under Article 22 of the Corporate Tax Law.[299]	This adjustment does not apply in the context of Dividends paid between members of a Tax Group, as such Dividends and profit distributions are eliminated for the purpose of aggregation without application of Article 22 of the Corporate Tax Law. However, see adjustment provided under 13(5)(b) of Ministerial Decision No. 302 of 2024 as explained in the table below. The adjustment does apply for Dividends paid in a Tax Period before the former Subsidiary was part of the Tax Group.

[298] Article 13(4)(a) of Ministerial Decision No. 302 of 2024.
[299] Article 13(4)(b) of Ministerial Decision No. 302 of 2024.

Amount to be adjusted	Application to Tax Group (as Taxable Person) in context of liquidation of a former member of a Tax Group
3. The difference between Market Value and the consideration paid where there has been a transfer at below Market Value of an asset or liability between the Taxable Person or the Taxable Person's Related Parties and the Participation or its Participations.[300] This adjustment is only required to the extent the difference is not already taken into account by the Taxable Person under (1) or (2) above or under a transfer pricing adjustment.	Assets and liabilities transferred between members of the Tax Group do not impact the Taxable Income of the Tax Group as such transactions would have been eliminated for the purposes of aggregation. However, upon liquidation of a former member of a Tax Group, the Tax Group is required to make this adjustment in respect of assets or liabilities that have been transferred by that former member of the Tax Group to another member of the Tax Group or to a Related Party of the Tax Group for a consideration below Market Value in the relevant Tax Period and the preceding seven Tax Periods. This adjustment should be made even if the transaction was eliminated for the purpose of aggregation in the Tax Period when the asset/liability was transferred.
4. Any adjustments taken into account by the Participation itself in relation to (1) and (3) above while determining the losses realised on liquidation of its own Participation, but only to the extent that the Taxable Person has not already reduced its liquidation loss.[301]	Where the Participation (that was a member of a Tax Group) being liquidated has realised any loss on liquidation of its Participations, and the Participation made an adjustment under (1) or (3) above, such adjustments should be included by the Taxable Person, but only to the extent that the Taxable Person has not already reduced them while making the adjustments under (1), (2) or (3) above.

In addition, where the Participation was at any time a member of a Tax Group, any liquidation loss recognised in relation to that Participation by the Tax Group or the

[300] Article 13(4)(c) of Ministerial Decision No. 302 of 2024.
[301] Article 13(4)(d) of Ministerial Decision No. 302 of 2024.

Parent Company or any of its Related Party shall be reduced by the following in the relevant Tax Period and preceding seven Tax Periods.[302]

Amount to be adjusted	Description
1. Pre-Grouping Tax Losses attributable to the Participation while it was a member of the Tax Group which have been taken into account in determining the Taxable Income of the Tax Group. [303]	If a Subsidiary joins a Tax Group, its existing unutilised Tax Losses become pre-Grouping Tax Losses and can only be offset against the Taxable Income of the Tax Group insofar as this income is attributable to the relevant Subsidiary.[304] Any pre-Grouping Tax Loss of a member of a Tax Group utilised by the Tax Group in the relevant Tax Period and preceding seven Tax Periods shall be reduced from the liquidation loss.
2. Dividends or other profit distributions made by the Participation while it was a member of the Tax Group that were eliminated for the purposes of determining the Taxable Income of the Tax Group. [305]	The reduction only applies to Dividends and profit distributions that were eliminated within the Tax Group. If the Participation was the Parent Company of a Tax Group, any Dividends or profit distributions would not have been eliminated from the Taxable Income of the Tax Group under Article 42 of the Corporate Tax Law. As a result, this reduction would not apply in such case.

Example 28: Liquidation Loss in relation to a former Subsidiary

Company M acquired all the shares in Company N for AED 1 million in 2023. Company M and Company N both use the Gregorian calendar year as their Financial Year. Company M and Company N form a Tax Group as of 1 January 2025.

Company N had a pre-Grouping Tax Loss of AED 0.6 million and this loss was utilised by the Tax Group in the 2025 Tax Period.

[302] Article 13(5) of Ministerial Decision No. 302 of 2024.
[303] Article 13(5)(a) of Ministerial Decision No. 302 of 2024.
[304] Article 42(3) of the Corporate Tax Law.
[305] Article 13(5)(b) of Ministerial Decision No. 302 of 2024.

In 2026, operations in Company N ceased and the Market Value of its shares is nil. Company N is liquidated as of 1 July 2026 without any liquidation proceeds.

As Company M and Company N no longer meet the requirements to form a Tax Group after 1 July 2026, the Tax Group ceases to exist. Under Article 41(3) of the Corporate Tax Law, the Tax Group ceases to exist as of 1 January 2026. The acquisition cost of the shares in Company N remains at AED 1 million and, therefore, the liquidation loss arising is AED 1 million (i.e. proceeds of nil less cost of AED 1 million), before any adjustment.

Since the Tax Group utilised a pre-Grouping Tax Loss of AED 0.6 million in determining the Taxable Income for the 2025 Tax Period, the liquidation loss shall be reduced by AED 0.6 million.[306] The result is that the liquidation loss included in the Taxable Income of Company M will be AED 0.4 million.

8.6.3. Liquidation loss in case of transfer of Business between members of a Tax Group

As an exception to the general rule as set out above, a loss cannot be realised by a Tax Group on the liquidation of a Participation that is a member of a Tax Group where the Participation ceases to exist as a result of transferring its entire Business to another member of the Tax Group and, consequently, leaving the Tax Group due to the application of Article 10 of Ministerial Decision No. 301 of 2024.[307]

8.6.4. Liquidation of Participation in Tax Periods commencing prior to 1 January 2025

Where the Participation is liquidated in a Tax Period commencing prior to 1 January 2025, irrespective of whether or not the Participation was a member of the Tax Group, the following items must be reduced when determining the deductible liquidation loss, if they were taken into account in the Tax Period in which the liquidation took place and the previous Tax Period:[308]

1. Tax Losses transferred from the Participation to the Taxable Person,
2. exempt Dividends or other profit distributions received by the Taxable Person from the Participation, and
3. income or gains on the transfer of assets or liabilities between the Taxable Person and the Participation which benefited from relief for transfers within a Qualifying Group or Business Restructuring Relief.

[306] Article 13(5)(a) of Ministerial Decision No. 302 of 2024.
[307] Article 13(6) of Ministerial Decision No. 302 of 2024 and Article 10 of Ministerial Decision No. 301 of 2024.
[308] Article 12(4) of Ministerial Decision No. 116 of 2023.

9. Attribution of Taxable Income between members of a Tax Group

9.1. Situations in which attribution is required

9.1.1. Tax Periods commencing on or after 1 January 2025

A Tax Group must calculate the Taxable Income of the Tax Group that is attributable to one or more of its members where any of the following occurs:[309]

- a member of the Tax Group has unutilised pre-Grouping Tax Losses and the Tax Group opts to use the pre-Grouping Tax Losses to offset the Taxable Income of the Tax Group for the relevant Tax Period, (for the general application of the Tax Loss provisions to Tax Groups, refer to Section 10),
- a new member joins an existing Tax Group and the existing Tax Group has unutilised Tax Losses,
- a member of the Tax Group benefits from certain Corporate Tax incentives as specified under Article 20(2)(g) of the Corporate Tax Law, or
- a member of the Tax Group has unutilised pre-Grouping carried forward NIE and the Tax Group opts to use this in determining Taxable Income of the Tax Group for the relevant Tax Period (for the general application of the general interest deduction limitation rules to Tax Groups, refer to Section 11).

9.1.2. Tax Periods commencing before 1 January 2025

In Tax Periods commencing before 1 January 2025, a Tax Group was required to calculate the Taxable Income of the Tax Group that was attributable to one or more of its members, where any of the following occurred:[310]

- a member of the Tax Group had unutilised pre-Grouping Tax Losses,
- a member of the Tax Group had earned income for which the Tax Group could claim a Foreign Tax Credit, or
- a member of the Tax Group had unutilised carried forward pre-Grouping NIE under Article 30(4) of the Corporate Tax Law.

9.2. Principles of attribution of Taxable Income

For the purposes of attribution of the Taxable Income of a Tax Group to certain members of the Tax Group, the Taxable Income of the relevant members shall be calculated as if each member were a separate Taxable Person and based on their standalone Financial Statements.

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[309] Article 8(1) of Ministerial Decision No. 301 of 2024.

[310] Article 8(1) of Ministerial Decision No. 125 of 2023 and Articles 14 and 15 of Ministerial Decision No. 301 of 2024.

Therefore, the starting point for determining the Taxable Income attributable to the relevant member shall be the Accounting Income recorded in its standalone Financial Statements. This shall be subject to:

- aggregation adjustments (see Section 9.2.1),
- the arm's length principle (see Section 9.2.2), and
- the adjustments under Article 20(2) of the Corporate Tax Law.

The principles for applying the General Interest Deduction Limitation Rule for the purposes of these adjustments are provided in Section 9.2.3.

The aggregate of the Taxable Income (before Tax Loss relief) attributable to the relevant members and other members of the Tax Group would generally be expected to equal the Taxable Income (before Tax Loss relief) of the entire Tax Group.

For the purposes of determining the Taxable Income of a particular member of the Tax Group, even though the starting point is the Accounting Income from the standalone Financial Statements of the relevant member of the Tax Group, any adjustments made to the Taxable Income of the Tax Group should also be reflected in determining the Taxable Income attributable to the relevant member of the Tax Group.

9.2.1. Aggregation adjustments

There are several adjustments to be made by the Tax Group for preparation of the Aggregated Financial Statements. The same adjustments must be made to the standalone Financial Statements of the relevant member of the Tax Group to arrive at its Taxable Income for purposes of the attribution of Taxable Income to that member. The impact of such aggregation adjustments in determining the Taxable Income of a member of the Tax Group is discussed below:

	Aggregation adjustment	**Impact on determination of Taxable Income of the member of the Tax Group**
1.	For the purposes of the aggregation, the standalone Financial Statements of an acquiring entity (within the Tax Group) should not reflect the accounting implications of business combinations (IFRS 3) and consolidated financial statements (IFRS 10) in relation to the business	If the standalone Financial Statements of a member of the Tax Group reflects the accounting implications of business combinations (IFRS 3) and consolidated financial statements (IFRS 10) in relation to a business combination, such impact should be disregarded for the purpose of determining Taxable Income attributable to the member.

	Aggregation adjustment	Impact on determination of Taxable Income of the member of the Tax Group
	combinations. [311] The adjustments relating to goodwill, gains on bargain purchases or fair value adjustments to assets and liabilities that are typically recorded in IFRS consolidated Financial Statements will not be recorded in the Aggregated Financial Statements. [312]	If the standalone Financial Statements of the member do not reflect an accounting implication of IFRS 3 or IFRS 10, then no adjustment is required when determining Taxable Income attributable to the member.
2.	The requirement in (1) above does not apply to transactions where business combinations are executed without the acquisition of a separate legal entity. In those instances, the resultant assets, liabilities, goodwill or gains on bargain purchases are part of the separate Financial Statements of the acquiring entity and should be aggregated completely into the Aggregated Financial Statements of the Tax Group. [313]	In this case, since the resulting assets, liabilities, goodwill or gains on bargain purchases that are part of the separate Financial Statements of the acquiring member entity are reflected in the Aggregated Financial Statements of the Tax Group, the amount should also be considered when determining Taxable Income attributable to the member.
3.	Investments recorded by the Parent Company in a Subsidiary directly and any investments held by intermediate Subsidiaries directly in another Subsidiary and equity recorded by the Subsidiaries within the Tax Group are considered in Aggregated Financial Statement without any eliminations. [314] Further, any impairment that a Parent Company/ intermediate Subsidiary of the Tax Group has recorded over its direct investment in a Subsidiary within the Tax Group are not eliminated for the purpose of	Investment made in a Subsidiary and corresponding equity recorded by the Parent Company or intermediate Subsidiary are balance sheet items (i.e. not profit and loss statement). Hence, this aggregation adjustment does not automatically impact Taxable Income attributable to the member. However, any impairment recorded in respect of an investment made in a Subsidiary should be considered when determining Taxable Income attributable to the member since the impairment is not eliminated in the

[311] Article 3(3)(a) of FTA Decision No. 7 of 2025.
[312] Article 3(3)(b) of FTA Decision No. 7 of 2025.
[313] Article 3(3)(c) of FTA Decision No. 7 of 2025.
[314] Article 3(3)(d) of FTA Decision No. 7 of 2025.

	Aggregation adjustment	Impact on determination of Taxable Income of the member of the Tax Group
	aggregation of the Financial Statements. [315]	Aggregated Financial Statements of the Tax Group.
4.	All other inter-company balances (i.e. excluding investments recorded by the Parent Company and equity recorded by the Subsidiaries within the Tax Group), income, expenses, unrealised gains and losses, and any other transactions between members of the Tax Group shall be eliminated while preparing the Aggregated Financial Statements of the Tax Group (subject to exceptions discussed in (5) below). [316] Further, eliminations must include: • valuation adjustments and provisions in relation to transactions between two or more members of the same Tax Group, [317] and • any change in accounting values of assets and liabilities that may have arisen as a consequence of a gain or loss in respect of a transaction between members of the same Tax Group that has been eliminated. [318]	For the purpose of determining Taxable Income attributable to the relevant member of the Tax Group, even though the starting point is the Accounting Income from the standalone Financial Statements of the relevant member of the Tax Group, any income or expense in the standalone Financial Statements from transactions between members of the Tax Group should generally be eliminated.
5.	Transactions between members of a Tax Group must not be eliminated insofar as a member has recognised a deductible loss in a Tax Period in respect of those transactions prior to becoming a member of the Tax Group, until such deductible loss is	Transactions which are not eliminated for the purposes of the Aggregated Financial Statements should also not be eliminated when determining Taxable Income attributable to the member.

[315] Article 3(3)(e) and 3(3)(f) of FTA Decision No. 7 of 2025.
[316] Article 3(4)(a) of FTA Decision No. 7 of 2025.
[317] Article 6(1)(b) of Ministerial Decision No. 301 of 2024.
[318] Article 6(2) of Ministerial Decision No. 301 of 2024.

	Aggregation adjustment	Impact on determination of Taxable Income of the member of the Tax Group
	fully reversed. Where a transaction is not eliminated, in determining the Taxable Income attributable to the member, the Tax Group must include any income in relation to that transaction in determining the Taxable Income of the relevant member for the Tax Period in which that income arises up to the amount of the deductible loss that was previously deducted prior to becoming a member of the Tax Group. [319]	
6.	Investments in subsidiaries, joint ventures and associates that are not members of the Tax Group, must be carried at cost less impairment, if any. [320]	For purposes of determining Taxable Income attributable to the member, the amount of impairment recorded on investment by the member in entities that are not part of the Tax Group (if any) must be aligned with the Aggregated Financial Statements of the Tax Group.

Example 29: Aggregation adjustment when determining Taxable Income attributable to a member of a Tax Group for purposes of utilisation of pre-Grouping Tax Loss

Company P, Company Q and Company R are in a Tax Group from 1 January 2025, with Company P being the Parent Company. All three entities use the Gregorian calendar year as their Tax Period.

Company Q and Company R have unutilised pre-Grouping Tax Losses of AED 4 million and AED 6 million, respectively. Hence, if the Tax Group opts to use the pre-Grouping Tax Losses, the Tax Group is required to determine Taxable Income attributable to Company Q and Company R on a standalone basis.[321]

[319] Article 4 of Ministerial Decision No. 301 of 2024.
[320] Article 3(4)(g) of FTA Decision No. 7 of 2025.
[321] Article 8(1)(a) of Ministerial Decision No. 301 of 2024.

In 2025 Tax Period, Company Q held an asset and the value of the asset in the standalone Financial Statements of Company Q and the Aggregated Financial Statements of the Tax Group was:

Description	Amount (AED)
Carrying value of the asset on 1 January 2025	10 million
Less: Depreciation for the year	(1 million)
Closing value of the asset on 31 December 2025	9 million

During 2025 Tax Period, Company Q did not have any other income/expense in its standalone Financial Statements.

On 1 January 2026, Company Q transferred the asset to Company R at the Market Value of AED 18 million. After acquiring the asset from Company Q, Company R depreciates the asset over a restated term of 10 years. The transaction is recorded in the standalone Financial Statement of Company Q and Company R and the Aggregated Financial Statements of the Tax Group as follows:

Relevant Financial Statements	Description
Standalone Financial Statements of Company Q for 2026	• Sale consideration: AED 18 million • Less: Carrying value of asset: (AED 9 million) • Gain on sale recorded in Company Q's Financial Statements in 2026: AED 9 million • Other than the sale transaction, Company Q does not have any other income/expense in 2026.
Standalone Financial Statements of Company R for 2026	• Cost of the asset: AED 18 million • Less: Depreciation (over reinstated useful life of 10 years): (AED 1.8 million) • Carrying value of the asset as on 1 Dec 2026: AED 16.2 million • Excluding the depreciation expense, Company R has a net income of AED 6 million from Business Activities.
Aggregated Financial Statements of the Tax Group for 2026	The gain on transfer of asset by Company Q to Company R is eliminated in the Aggregated Financial Statements of the Tax Group. In the Aggregated Financial Statements of the Tax Group, the value of the asset is as under:

	• Opening value of the asset on 1 January 2026: AED 9 million • Less: Depreciation for 2026: (AED 1 million) • Carrying value of the asset as on 31 December 2026: AED 8 million.

On 1 January 2027, Company R sells the asset to a third party for AED 18 million.

Relevant Financial Statements	**Description**
Standalone Financial Statements of Company R for 2026	• Sale consideration: AED 18 million • Less: Carrying value of asset: (AED 16.2 million) • Gain on sale: AED 1.8 million
Aggregated Financial Statement of the Tax Group for 2026	• Sale consideration: AED 18 million • Less: Carrying value of asset: (AED 8 million) • Gain on sale: AED 10 million

The Taxable Income/(Tax Loss) of the Tax Group (before any Tax Loss relief), is reflected below. These figures are part of the facts and not derived from the above.

Year	**Taxable Income/ (Tax Loss) for the Tax Period of the Tax Group (before any Tax Loss relief)**
2025	(10 million)
2026	15 million
2027	30 million

The Taxable Income attributable to Company Q and Company R (for 2026 and 2027 Tax Period) is calculated as follows:

<u>2026 Tax Period:</u>

The gain recorded in the standalone Financial Statements of Company Q on transfer of the asset to Company R is eliminated on aggregation. Since Company Q does not have any other income or expense, the Tax Group will not be able to use the pre-Grouping Tax Loss of Company Q. Accordingly, the Tax Group does not determine Company Q's attribution of the Taxable Income for 2026.

The Tax Group opts to use the pre-Grouping Tax Loss of Company R and, hence, is required to determine Company R's attribution of the Taxable Income for 2026. In this regard, the Aggregated Financial Statements of the Tax Group record a depreciation expense of AED 1 million. Hence, for the purpose of determining

Taxable Income attributable to Company R, depreciation of AED 1 million shall be used. Excluding the depreciation expense, Company R has net Business income of AED 6 million. Accordingly, after taking into account its depreciation expense, Company R will reflect a Taxable Income of AED 5 million (i.e. AED 6 million – AED 1 million).

Utilisation of Company R's pre-Grouping Tax Losses is limited to the lower of
1. 75% of the Taxable Income of the Tax Group, and
2. the Taxable Income attributed to Company R.

The Taxable Income of the Tax Group is AED 15 million, which means that AED 11.25 million (75% of AED 15 million) can potentially be offset by Tax Losses. As the Taxable Income attributable to Company R for 2026 Tax Period is AED 5 million, AED 5 million of Company R's pre-Grouping Tax Losses can be utilised, after which AED 1 million (AED 6 million – AED 5 million) of Company R's pre-Grouping Tax Losses remain to be carried forward to subsequent Tax Periods.

Following the utilisation of pre-Grouping Tax Losses, the Tax Group has capacity to utilise the Tax Group Tax Loss of 6.25 million (AED 11.25 million – AED 5 million). Accordingly, the Tax Group can utilise its 2025 Tax Losses of AED 6.25 million, whereafter AED 3.75 million (AED 10 million – AED 6.25 million) of Tax Group's Tax Losses remain to be carried forward to subsequent Tax Periods. Therefore, following utilisation of the pre-Grouping Tax Losses and Tax Group Tax Losses, the Tax Group's Taxable Income for 2026 Tax Period is AED 3.75 million (AED 15 million – AED 5 million of pre-Grouping Tax Loss – AED 6.25 million of Tax Group Tax Loss).

<u>2027 Tax Period:</u>
On 1 January 2027, Company R sold the asset to a third party, which is a realisation event. Since this asset was acquired by Company R from another member of the Tax Group, this realisation event shall impact the Taxable Income attributable to both Company Q (original transferor) and Company R.

The Tax Group opts to use the pre-Grouping Tax Loss of Company Q and, hence, is required to determine Company Q's attribution of the Taxable Income for 2027. The determination of the Taxable Income attributable to Company Q will start from the Accounting Income in its standalone Financial Statements. Assuming that Company Q did not have any income or expenses in 2027 its Accounting Income is nil. However, for the purposes of the attribution of Taxable Income, due to the realisation event, the gain on disposal of the asset to Company R on 1 January 2026 of AED 9 million (AED 18 million – AED 9 million) which was eliminated in 2026 will

be included in the 2027 Taxable Income attributable to Company Q. Accordingly, the Taxable Income attributable to Company Q for 2027 shall be AED 9 million.

In addition, the Tax Group opts to use the remaining pre-Grouping Tax Loss of Company R and, hence, is required to determine Company R's attribution of the Taxable Income for 2027. The determination of the Taxable Income attributable to Company R will start from the Accounting Income in its standalone Financial Statements. Since Company R sold the asset to a third party in 2027, it has a disposal gain of AED 1.8 million (AED 18 million – AED 16.2 million) in its standalone Financial Statements. However, due to the realisation event, the gain reported in the standalone Financial Statements will be disregarded and the Taxable Income attributable to Company R will be calculated as follows:

Description	**Amount (in AED)**
Sale proceeds on sale to third party	18 million
Less: Net book value of the asset in the Aggregated Financial Statements of the Tax Group	(8 million)
Less: Amount of gain attributed to Company Q	(9 million)
Gain attributable to Company R	1 million

Accordingly, the Taxable Income attributable to Company R for 2027 shall be AED 1 million.

Utilisation of Company Q's and Company R's pre-Grouping Tax Losses is limited to the lower of (i) 75% of the Taxable Income of the Tax Group, and (ii) the Taxable Income attributed to Company Q or Company R, respectively. The Taxable Income of the Tax Group is AED 30 million, which means that AED 22.5 million (75% of AED 30 million) can potentially be offset against Tax Losses, as follows:

- as the Taxable Income attributed to Company Q is AED 9 million, all of Company Q's pre-Grouping Tax Losses (i.e. AED 4 million) can be utilised, and
- as the Taxable Income of Company R is AED 1 million, the balance of AED 1 million of Company R's pre-Grouping Tax Losses can be utilised.

Therefore, in total, a pre-Grouping Tax Loss of AED 5 million can be applied to reduce the Taxable Income of the Tax Group.

Following the utilisation of pre-Grouping Tax Losses, the Tax Group has capacity to utilise the Tax Group Tax Loss of AED 17.5 million (AED 22.5 million less AED 5 million). Accordingly, the Tax Group can utilise its balance of 2025 Tax Losses (AED 3.75 million). Therefore, following utilisation of the pre-Grouping Tax Losses and

Tax Group Tax Losses, the Tax Group will have Taxable Income of AED 21.25 million (AED 30 million – AED 5 million of pre-Grouping Tax Loss – AED 3.75 million of Tax Group Tax Loss).

Summary of utilisation of Tax Loss (in AED) by the Tax Group:

Tax Period	Taxable Income of Tax Group (before Tax Loss adjustment)	Pre-Grouping Tax Loss utilised	Tax Group Tax Loss utilised	Taxable Income of the Tax Group (after Tax Loss adjustment)
2026	15 million	5 million (related to Company R)	6.25 million	3.75 million
2027	30 million	5 million (4 million related to Company Q's pre-Grouping Tax Loss and 1 million related to Company R's pre-Grouping Tax Loss)	3.75 million	21.25 million

9.2.2. Application of arm's length principle

The Taxable Income that is attributable to each relevant member of the Tax Group shall be calculated in accordance with Article 34 of the Corporate Tax Law.[322] Therefore, the pricing and conditions of transactions between those members and other members of a Tax Group and between the relevant members and their Related Parties and Connected Persons should be determined consistently with the arm's length principle.

Transactions between members of the Tax Group are generally eliminated while preparing the Aggregated Financial Statements of the Tax Group and such eliminations are also required when determining the Taxable Income attributable to the relevant members of the Tax Group. Thus, where a transaction has been eliminated on aggregation, the adjustment in respect of the arm's length principle does not apply.

[322] Article 8(2)(a) of Ministerial Decision No. 301 of 2024.

However, if a transaction is relevant for a specific aspect or calculation under the Corporate Tax Law in the relevant Tax Period or subsequent Tax Period. For example:

- In the case of any incentives under the Corporate Tax Law, the value of the transaction should be consistent with the arm's length principle where considered for Corporate Tax Law.
- If a member of a Tax Group has a Foreign Permanent Establishment, the profits of the Foreign Permanent Establishment for the purposes of the Foreign Permanent Establishment Exemption or Foreign Tax Credit should be determined as if the Tax Group did not exist, meaning that the transactions between the Foreign Permanent Establishment and other members of the Tax Group are taken into account to the extent consistent with the arm's length principle.
- If an asset or liability is transferred between members of the Tax Group, and no gain is recorded in the Aggregated Financial Statements, no gain shall be recorded for the purposes of the attribution of Taxable Income. If subsequently there is a realisation event relating to the transaction, the gain or loss on the original transaction which was previously eliminated on aggregation will be included when determining the Taxable Income attributable to the relevant member in the Tax Period in which the realisation event takes place and such gain or loss should be calculated in accordance with the arm's length principle. In other words, the price of the transaction between members of the Tax Group should be adjusted in accordance with the arm's length principle for purposes of determining the attributable Taxable Income to the relevant member when a realisation event occurs.

Where a transaction between members of a Tax Group is not eliminated on aggregation (see Section 9.2.1 for exceptions), the price of the transaction should be in accordance with the arm's length principle for purposes of attribution of Taxable Income to the relevant member.

Where a Tax Group is required to determine Taxable Income attributable to a relevant member and the member has transactions and arrangements with other members of the Tax Group or their Related Parties and Connected Persons, the Tax Group is required to disclose information regarding such transactions and arrangements to the FTA in accordance with Article 55(1) of the Corporate Tax Law.[323]

[323] Article 8(2)(b) of Ministerial Decision No. 301 of 2024.

Example 30: Aggregation adjustment and transfer pricing adjustment for determining Taxable Income attributable to a member of the Tax Group for purposes of utilisation of pre-Grouping Tax Loss

Assuming the same facts as in Example 29 except that on 1 January 2026, Company Q transferred the asset to Company R at the carrying value of AED 9 million (and not at the Market Value of AED 18 million).

For purposes of determining the attributable Taxable Income for the 2027 Tax Period, Company Q will include the gain or loss derived on disposal of the asset to Company R on 1 January 2026 calculated in accordance with the arm's length principle. Thus, even though Company Q sold the asset to Company R at its carrying value, for purposes of determining the Taxable Income attributable to Company Q, the arm's length gain of AED 9 million (AED 18 million - AED 9 million) will be included in the Taxable Income of Company Q in 2027. Accordingly, in the absence of any other income or expense, the Taxable Income attributable to Company Q for 2027 shall be AED 9 million and the outcome of this example remains the same as Example 29.

9.2.3. Application of the General Interest Deduction Limitation Rule

Where a Tax Group is required to attribute the Taxable Income of the Tax Group to relevant members, including cases where the relevant member of the Tax Group has unutilised pre-Grouping NIE and the Tax Group opts to use the pre-Grouping NIE to offset the Taxable Income of the Tax Group for the relevant Tax Period, the calculation of the deductible NIE, including pre-Grouping NIE, of the relevant member is explained below.

The Tax Group must calculate the Taxable Income that is attributable to the relevant member of the Tax Group taking into account all of the following:

- aggregation adjustments (see Section 9.2.1),
- the arm's length principle (see Section 9.2.2), and
- adjustments under Article 20(2) of the Corporate Tax Law,
- the allocable portion of the deductible NIE of the Tax Group as explained in Section 9.2.3.1 below.

9.2.3.1. Allocable portion of Tax Group's deductible NIE

Generally, for the purposes of determining Taxable Income, NIE is deductible in a Tax Period subject to the limitation provided under Article 30 of the Corporate Tax Law. However, a standalone application of Article 30 of the Corporate Tax Law at the level of the member of the Tax Group would entail significant complexity and can lead to a

divergence of the Taxable Income of the Tax Group and the aggregate Taxable Income attributable to all its members. Therefore, where a Tax Group is required to determine Taxable Income attributable to relevant members, the deductible NIE attributable to the relevant member shall be determined by apportioning the deductible NIE of the Tax Group (i.e. the deductible NIE for a Tax Period including any amount of NIE carried forward as determined under Article 30 of the Corporate Tax Law), based on the ratio of the member's NIE for the relevant Tax Period (before any carried forward pre-Grouping NIE amounts from previous Tax Periods), to the Tax Group's NIE for the relevant Tax Period (before any carried forward NIE amounts from previous Tax Periods), in accordance with the following formula (where NIE represents NIE):

$$\frac{\text{NIE of the member for the relevant Tax Period}}{\text{NIE of the Tax Group for the relevant Tax Period}} * \text{Deductible NIE of the Tax Group}$$

Any Interest expense and Interest income arising from transactions between members of the Tax Group that are eliminated during aggregation should not be taken into account for the purposes of determining NIE and should be eliminated from the numerator (NIE of the member for the relevant Tax Period) and the denominator (NIE of the Tax Group for the relevant Tax Period).

If Article 30 of the Corporate Tax Law does not result in any limitation in the deduction of NIE at Tax Group level, the NIE of each member shall be regarded as deductible for the purposes of the attribution of Taxable Income, subject to other Corporate Tax Law provisions including the general principles of deductibility of expenses under Chapter 9 of the Corporate Tax Law such as incurred wholly and exclusively for the purposes of the Taxable Person's Business.

Example 31: Determining Taxable Income attributable to members of a Tax Group where the Tax Group has NIE (for the purpose of utilisation of pre-Grouping Tax Loss)

Company S wholly owns Company T. Company S and Company T both use the Gregorian calendar year as their Financial Year and formed a Tax Group as of 1 January 2025. Company T has pre-Grouping Tax Losses of AED 30 million relating to 2024. For 2025, the Tax Group has to determine Taxable Income attributable to Company T if it opts to utilise the pre-Grouping Tax Losses of Company T.

Based on their respective standalone Financial Statements for 2025:

- Company S has a net profit before tax of AED 30 million. This is after NIE of AED 100 million and depreciation of AED 150 million.
- Company T has a net profit before tax of AED 20 million. This is after NIE of AED 100 million and depreciation of AED 100 million.

The Aggregated Financial Statements of the Tax Group show a net profit before tax of AED 50 million.

Other than the deduction of NIE (see below), there are no provisions in the Corporate Tax Law that adjust the profits of the Tax Group.

In 2025, the Tax Group had NIE of AED 200 million and depreciation of AED 250 million. Accordingly, the tax-adjusted EBITDA of the Tax Group is calculated as follows:

Description	**Amount (in AED million)**
Taxable Income of the Tax Group before Interest limitation rules (same as Accounting Income in Aggregated Financial Statements since no other provisions in the Corporate Tax Law adjusts the profits of the Tax Group)	50
Add: Depreciation	250
Add: NIE for 2025	200
Tax-adjusted EBITDA of the Tax Group	**500**

Under Article 30(1) of the Corporate Tax Law, only AED 150 million of the NIE is regarded as deductible (i.e. 30% of AED 500 million), which means that NIE of AED 50 million is non-deductible. After applying this limitation, the Tax Group has a Taxable Income of AED 100 million (Accounting Income of AED 50 million + disallowed NIE of AED 50 million).

For the purposes of determining Taxable Income attributable to Company T, the deductible NIE (NIE) of Company T must be determined as follows:

$$\frac{\text{NIE of Company T for 2025}}{\text{NIE of the Tax Group for 2025}} * \text{Deductible NIE of the Tax Group} = \frac{100}{200} * 150 = 75$$

Based on the formula, out of total NIE of Company T for 2025 (i.e. 100), 75 is deductible and 25 is non-deductible.

Therefore, the Taxable Income that can be attributed to Company T is AED 45 million (i.e. Accounting Income of AED 20 million + non-deductible NIE of AED 25 million).

Accordingly, Company T's full pre-Grouping Tax Loss of AED 30 million can be offset against the 75% of Taxable Income of the Tax Group which is AED 75 million (i.e. Taxable Income of AED 100 million * 75%), as the Taxable Income attributable to Company T is AED 45 million.

Where some member(s) of the Tax Group have NIE for the relevant Tax Period on a standalone basis and some member(s) have no NIE, for example, where the Interest income is more than the Interest expense for the relevant Tax Period on a standalone basis, for the purposes of the formula stated above, the denominator should only include the NIE of the members.

Example 32: Determining Taxable Income attributable to members of a Tax Group where the Tax Group has NIE but some of its members do not have NIE for the relevant Tax Period

Company V owns all the shares in Company W and Company Y. Company V, Company W and Company Y each use the Gregorian calendar year as their Financial Year and they are included in a Tax Group as of 1 January 2025. Company W has pre-Grouping Tax Losses of AED 30 million relating to 2024. For 2025, the Tax Group prepares an attribution of Taxable Income to Company W because it opts to utilise the pre-Grouping Tax Losses of Company W.

Based on their respective standalone Financial Statements for 2025:

- Company V has a net profit before tax of AED 30 million. This is after NIE of AED 100 million.
- Company W has a net profit before tax of AED 20 million. This is after NIE of AED 100 million.
- Company Y has a net profit before tax of AED 100 million. This profit includes AED 100 million of Interest income. Company Y has no NIE.

In line with this, the Aggregated Financial Statements of the Tax Group show a net profit before tax of AED 150 million.

Other than the deduction of NIE, there are no provisions in the Corporate Tax Law that adjust the profits of the Tax Group.

In 2025, the Tax Group has NIE of AED 100 million (AED 100 million + AED 100 million – AED 100 million) and depreciation of AED 50 million. Accordingly, the tax-adjusted EBITDA of the Tax Group is calculated as under:

Description	**Amounts for the year 2025 (in AED million)**
Taxable Income of the Tax Group before Interest limitation rules (same as Accounting Income in Aggregated Financial	150

Statements since no other provisions in the Corporate Tax Law adjusts the profits of the Tax Group)	
Add: Depreciation	50
Add: NIE for 2025	100
Tax-adjusted EBITDA of the Tax Group	**300**

Under Article 30(1) of the Corporate Tax Law, only AED 90 million of the NIE (30% of tax adjusted EBITDA) is regarded as deductible, which means that AED 10 million of NIE is non-deductible. After application of this limitation, the Tax Group has a Taxable Income of AED 160 million (i.e. Accounting Income of AED 150 million + non-deductible NIE of AED 10 million).

For the purposes of determining Taxable Income attributable to Company W, the deductible NIE of Company W must be determined as follows:

$$\frac{\text{NIE of Company W for 2025}}{\text{NIE of Company V and W for 2025}} * \text{Deductible NIE of the Tax Group} = \frac{100}{200} * 90 = 45$$

Out of total NIE of Company W for 2025 (i.e. 100), 45 is deductible and 55 is non-deductible.

Therefore, the Taxable Income that can be attributed to Company W is AED 75 million (i.e. Accounting Income of AED 20 million + non-deductible NIE of AED 55 million). In line with this, Company W's pre-Grouping Tax Loss of AED 30 million can be offset against the Taxable Income of the Tax Group.

9.2.3.2. Limit on utilisation of pre-Grouping NIE for a Tax Group

In addition to determining the amount of NIE of a Tax Group which must be attributed to a member of the Tax Group, if a member of a Tax Group has pre-grouping NIE, it must also be considered how much of that pre-grouping NIE may be utilised in determining the Taxable Income of the Tax Group.

The Taxable Income of a member, determined after aggregation and transfer pricing adjustments (see Section 9.2.1 and 9.2.2 above), shall be used to calculate the tax-adjusted EBITDA of the member of the Tax Group for the purposes of Article 9(1) of Ministerial Decision No. 126 of 2023. The pre-Grouping NIE of the relevant member shall be deductible up to the higher of 30% of the tax-adjusted EBITDA of that member or AED 12 million. Any unutilised pre-Grouping NIE as a result of this deduction limitation shall continue to be carried forward subject to the 10-year limitation since the NIE was incurred.

When calculating the EBITDA of the member of the Tax Group, the depreciation and amortisation amount to be added back should be aligned to the Aggregated Financial Statements of the Tax Group.

When determining the Taxable Income of the Tax Group, the aggregate of the deductible NIE, including pre-Grouping NIE, of the relevant members and that of other members of the Tax Group in the relevant Tax Period cannot exceed the higher of:

- 30% of the tax-adjusted EBITDA of the Tax Group, or
- the de minimis threshold of AED 12 million.

Example 33: Utilisation of NIE including pre-Grouping NIE by a Tax Group

Company A owns all the shares in Company B. Company A and Company B both use the Gregorian calendar year as their Financial Year and they are members of a Tax Group as of 1 January 2025. Company B has pre-Grouping NIE of AED 60 million relating to 2024. For 2025, the Tax Group is required to determine Taxable Income attributable to Company B if the Tax Group opts to utilise pre-Grouping NIE of Company B.

Based on their respective standalone Financial Statements for 2025:

- Company A has a net profit before tax of AED 20 million. This is after NIE of AED 25 million and depreciation of AED 25 million.
- Company B has a net profit before tax of AED 30 million. This is after NIE of AED 75 million and depreciation of AED 25 million.

In line with this, the Aggregated Financial Statements of the Tax Group show a net profit before tax (Accounting Income) of AED 50 million.

Other than the deduction of NIE, there are no provisions in the Corporate Tax Law that adjust the Accounting Income of the Tax Group.

In 2025, the Tax Group has NIE of AED 100 million and depreciation of AED 50 million. Accordingly, the tax-adjusted EBITDA of the Tax Group is calculated as under:

Description	**Amounts for the year 2025 (in AED million)**
Taxable Income of the Tax Group before Interest deduction limitation rules (same as Accounting Income in Aggregated Financial Statements since no other provisions in the Corporate Tax Law adjusts the profits of the Tax Group)	50

Add: Depreciation	50
Add: NIE for the 2025 Tax Period	100
Tax-adjusted EBITDA of the Tax Group	**200**

Under Article 30(1) of the Corporate Tax Law, the Tax Group is allowed to deduct up to AED 60 million (30% of AED 200 million). NIE (including carried forward NIE and pre-Grouping NIE) must be utilised in the order in which it was incurred.[324] In this case, the pre-Grouping NIE of Company B relates to 2024 and the NIE of the Tax Group relates to the 2025 Tax Period. Hence, the pre-Grouping NIE shall be utilised first.

Step 1: Utilisation of pre-Grouping NIE of Company B:

To determine the amount of Company B's pre-Grouping NIE that can be deducted by the Tax Group, the Taxable Income attributable to Company B has to be determined before applying the General Interest Deduction Limitation Rule. In this example, the Taxable Income attributable to Company B before Interest limitation rules is the same as the Accounting Income in the standalone Financial Statements since no other aggregation adjustments or provisions in the Corporate Tax Law adjusts the net profit before tax of the Tax Group. Accordingly, the Taxable Income attributable to Company B (before the application of the Interest limitation rule) is AED 30 million.

Further, the pre-Grouping NIE of Company B shall be deductible up to the higher of 30% of the tax-adjusted EBITDA of Company B or AED 12 million.

Description	**Amounts in AED million**
Taxable Income of Company B before Interest deduction limitation rules	30
Add: Depreciation	25
Add: NIE for the 2025 Tax Period	75
Tax-adjusted EBITDA of Company B	**130**

In this case, pre-Grouping NIE of Company B shall be deductible up to the lower of:

- Taxable Income attributable to Company B calculated for purposes of pre-Grouping NIE (i.e. AED 30 million), and
- 30% of Company B's EBITDA being AED 39 million (30% of 130).

[324] Article 30(4) of the Corporate Tax Law.

Accordingly, the Tax Group can deduct pre-Grouping NIE of Company B of AED 30 million in 2025. The balance of AED 30 million of pre-Grouping NIE of Company B can be carried forward to a subsequent Tax Period.

Step 2: Utilisation of NIE of the Tax Group:

When determining the Taxable Income of the Tax Group, the aggregate of the deductible NIE, including pre-Grouping NIE of Company B, is limited to 30% of the tax adjusted EBITDA of the Tax Group (i.e. 30% of 200 = AED 60 million).

For 2025 Tax Period, the Tax Group can deduct NIE up to a maximum of AED 60 million. After utilising pre-Grouping NIE of AED 30 million of Company B, the Tax Group can deduct the Tax Group's NIE up to a maximum of AED 30 million. In 2025, the Tax Group has NIE of AED 100 million. Hence, the Tax Group can deduct its NIE of AED 30 million and the balance of AED 70 million will be carried forward to the subsequent Tax Period.

9.2.3.3. Attribution of Interest expense to members of a Tax Group where the General Interest Deduction Limitation Rule does not apply

Subject to aggregation adjustments and arm's length principle adjustments (see Sections 9.2.1and 9.2.2) any Interest expenditure related to the relevant member that is not subject to the General Interest Deduction Limitation Rule (as listed hereunder) shall be fully allocated to that member, and shall be adjusted for, accordingly, in determining the Taxable Income of the relevant member, including:

- Interest expenditure that is disallowed under any other provisions of the Corporate Tax Law, for example, Interest paid to Related Parties that exceeds the arm's length amount, (the Specific Interest Deduction Limitation Rule),
- Interest expenditure related to grandfathered debts, i.e. debts entered into prior to 9 December 2022,
- Interest expenditure in relation to Qualifying Infrastructure Projects, and
- all Interest expenditure of the member if it is a Bank or Insurance Provider.

9.2.4. Application of the Tax Loss relief

Where the relevant member of the Tax Group has unutilised pre-Grouping Tax Losses and the Tax Group opts to use the pre-Grouping Tax Losses to offset the Taxable Income of the Tax Group for the relevant Tax Period, the amount of the pre-Grouping Tax Losses of that member that can be used to offset the Taxable Income of the Tax Group in that Tax Period shall be the lesser of:

1. Taxable Income (before any Tax Loss adjustment) of that member determined after taking into account all of the following:

a. the aggregation adjustments (see Section 9.2.1),
b. the arm's length principle (see Section 9.2.2),
c. adjustments of Article 20(2) of the Corporate Tax Law, and
d. adjustment for General Interest Deduction Limitation Rule (see Section 9.2.3).

2. 75% of the Taxable Income of the Tax Group in the relevant Tax Period.

Where a member of the Tax Group has unutilised pre-Grouping NIE and the Tax Group opts to use the pre-Grouping NIE, any utilisation of pre-Grouping NIE will reduce both the amount of Taxable Income (before Tax Loss relief) of the Tax Group, and the amount of Taxable Income (before Tax Loss relief) that can be attributed to such member.

Example 34: **Determination of Taxable Income attributable to a member who has pre-Grouping NIE and pre-Grouping Tax Loss**

The facts are the same as in Example 33. In addition to Company B's pre-Grouping NIE of AED 60 million relating to 2024, Company B also has a pre-Grouping Tax Loss of AED 50 million relating to 2024.

The calculation of Taxable Income attributable to Company B for purposes of the utilisation of pre-Grouping NIE and the amount of deductible NIE (including pre-Grouping NIE) in the hands of the Tax Group is discussed in Example 33.

For Tax Loss relief, the amount of the pre-Grouping Tax Losses of Company B that can be used to offset the Taxable Income of the Tax Group in 2025 shall be the lesser of:

- Taxable Income of Company B for 2025 (after adjustment based on Interest Deduction limitation rule but before any Tax Loss adjustment), and
- 75% of the Taxable Income of the Tax Group for 2025 (after adjustment based on Interest Deduction limitation rule but before any Tax Loss adjustment)

1. Taxable Income of Company B (after adjustment based on the General Interest Deduction Limitation Rule but before any Tax Loss adjustment)

Description	**Amounts in AED million**
Taxable Income of Company B before Interest deduction limitation rules or Tax Loss utilisation	30
Less: Deductible pre-Grouping NIE of Company B (see Step 1 of Example 33)	(30)
Add: Allocation of disallowed NIE of the Tax Group (see Note 1 below)	52.5

Taxable Income attributable to Company B (before Tax Loss adjustment)	**52.5**

Note 1:
For purposes of determining the Taxable Income attributable to Company B, a portion of the Tax Group's non-deductible NIE must be attributed to Company B. This is because the starting point for determining the attributable Taxable Income of Company B is net profit before tax which includes the NIE (before any limitation).

The non-deductible NIE must be determined as follows:

Firstly, the amount of deductible NIE is determined:

$$\frac{\text{NIE of Company B for 2025}}{\text{NIE of Tax Group for 2025}} * \text{Deductible NIE of the Tax Group} = \frac{75}{100} * 30 = \text{AED 22.5 million}$$

See Step 2 of Example 33 for calculation of deductible NIE of the Tax Group of AED 30 million.

Secondly, based on the above formula, out of the total NIE of Company B for 2025 (i.e. AED 75 million), AED 22.5 million is deductible and AED 52.5 million is non-deductible. Accordingly, the disallowed portion of NIE is added back when calculating the Taxable Income attributable to Company B.

2. Taxable Income of the Tax Group (after adjustment based on Interest Deduction limitation rule but before any Tax Loss adjustment)

Description	**Amounts in AED million**
Taxable Income of the Tax Group before Interest deduction limitation rules or Tax Loss utilisation	50
Add: Disallowed NIE of the Tax Group (see Step 2 of Example 33)	70
Less: Deductible pre-Grouping NIE of Company B (see Step 1 of Example 33)	(30)
Taxable Income of the Tax Group (before Tax Loss adjustment)	**90**

3. Utilisation of pre-Grouping Tax Loss of Company B by the Tax Group

For Tax Loss relief, the amount of the pre-Grouping Tax Losses of Company B that can be used to offset the Taxable Income of the Tax Group in 2025 shall be the lesser of:

A. Taxable Income of Company B for 2025 after adjustment based on Interest deduction limitation rules but before any Tax Loss adjustment	AED 52.5 million
B. 75% of the Taxable Income of the Tax Group for 2025 after adjustment based on Interest deduction limitation rules but before any Tax Loss adjustment	AED 67.5 million (75% of 90 million)

Accordingly, in this case, the Tax Group can apply pre-Grouping Tax Loss of AED 52.5 million against its Taxable Income of AED 90 million. Accordingly, the Taxable Income of the Tax Group (after Tax Loss adjustment) is AED 37.5 million.

Where a new Subsidiary joins an existing Tax Group, unutilised Tax Losses of the existing Tax Group cannot be used to offset the Taxable Income of the Tax Group insofar as this income is attributable to the new Subsidiary.[325] Accordingly, the amount of such unutilised Tax Group Tax Losses that can be used to offset the Taxable Income of the Tax Group in the relevant Tax Period cannot exceed 75% of the Taxable Income of the Tax Group (before any Tax Loss relief) less the Taxable Income of the relevant Subsidiary (before any Tax Loss relief) but after taking into account all other adjustments of Article 20(2) of the Corporate Tax Law, the aggregation adjustments (see Section 9.2.1), the arm's length principle (see Section 9.2.2) and the General Interest Deduction Limitation Rule (see Section 9.2.3).

Example 35: **Utilisation of restricted Tax Group Tax Losses**

Company E (as Parent Company) and Company F (as Subsidiary) are in a Tax Group from 1 January 2024. In 2024 Tax Period, the Tax Group incurred Tax Losses of AED 50 million.

As of 1 January 2025, Company G joined the Tax Group. As a result, the existing 2024 Tax Losses of the Tax Group (AED 50 million) become restricted Tax Group Tax Losses.

Based on their respective standalone Financial Statements for 2025:

- Company E has a net profit before tax of AED 30 million.
- Company F has a net profit before tax of AED 20 million. This includes income from sale of goods to Company G of AED 10 million.
- Company G has a net profit before tax of AED 50 million. This includes expense from purchase of goods from Company F of AED 10 million.

[325] Article 42(4) of the Corporate Tax Law.

In line with this, the Aggregated Financial Statements of the Tax Group show a profit of AED 100 million.

Other than Tax Loss adjustment, there are no provisions in the Corporate Tax Law that adjust the profits of the Tax Group.

Where a new Subsidiary joins an existing Tax Group, unutilised Tax Losses of the existing Tax Group cannot be used to offset the Taxable Income of the Tax Group insofar this income is attributable to the new Subsidiary.[326] Hence, where a new member joins an existing Tax Group, and that existing Tax Group has unutilised Tax Losses, the Tax Group is required to determine Taxable Income attributable to the new member.[327] Accordingly, in this case, the Tax Group is required to determine Taxable Income attributable to Company G for 2025 Tax Period.

The expense recorded in the standalone Financial Statements of Company G from purchase of goods from Company F is eliminated on aggregation and, hence, should be disregarded for purposes of determining Taxable Income attributable to Company G. Accordingly, Company G's attributable Taxable Income in 2025 is AED 60 million.

The Taxable Income of the Tax Group (before any Tax Loss adjustment) is AED 100 million, i.e. the same as the Accounting Income in the Aggregated Financial Statements since other than Tax Loss, no other provisions in the Corporate Tax Law adjusts the profits of the Tax Group.

The amount of unutilised Tax Group Tax Losses of 2024 that can be used to offset the Taxable Income of the Tax Group in 2025 Tax Period cannot exceed 75% of the Taxable Income of the Tax Group (before any Tax Loss relief) less the Taxable Income of the relevant Subsidiary (before any Tax Loss relief).

The restricted Tax Group Tax Loss is AED 50 million. However, the Tax Group can only utilise AED 30 million (i.e. 75% of (AED 100 million – AED 60 million)). The balance of the restricted Tax Group Tax Loss of AED 20 million will be carried forward.

[326] Article 42(4) of the Corporate Tax Law.
[327] Article 8(1)(b) of Ministerial Decision No. 301 of 2024.

10. Tax Losses

10.1. Overview

A Tax Loss in a Tax Period can be carried forward to subsequent Tax Periods upon meeting certain conditions (see Section 8.4.4).[328] Tax Losses carried forward can be offset against the Taxable Income in subsequent Tax Periods, where the conditions of loss utilisation are met. A Tax Loss brought forward from the prior Tax Period must be offset against up to 75% of the Taxable Income of the current Tax Period[329] before any remaining loss can be carried forward to subsequent Tax Periods.[330]

A Tax Group is treated as a single Taxable Person.[331] The Tax Group should use Aggregated Financial Statements for purposes of calculating Taxable Income. If a member of the Tax Group incurred a financial loss on a standalone basis and another member of the Tax Group realises profits, these results are automatically offset in the Tax Group through the process of aggregation. If the calculation of the Taxable Income of the Tax Group results in a Tax Loss, this is a Tax Loss of the Tax Group and not of any member of the Tax Group.

Where a member of a Tax Group has unutilised Tax Losses before forming or joining the Tax Group, it is referred to as a pre-Grouping Tax Loss.[332] See Section 10.2 for the conditions for utilising pre-Grouping Tax Losses.

Existing Tax Losses of a Tax Group cannot be set-off against the Taxable Income attributable to a Subsidiary that has joined the Tax Group after the Tax Losses were incurred ("restricted Tax Group Tax Losses").[333] See Section 10.3.

Where a Tax Loss has been transferred to a Taxable Person (including a Tax Group),[334] that Tax Loss can only be utilised by the Tax Group after utilising its own Tax Losses and any pre-Grouping Tax Losses, to the extent that the conditions of utilisation of Tax Losses are met.[335]

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[328] Article 39 of the Corporate Tax Law.
[329] Article 37(2) of the Corporate Tax Law.
[330] Article 37(4) of the Corporate Tax Law.
[331] Article 40(4) of the Corporate Tax Law.
[332] Article 42(3) of the Corporate Tax Law.
[333] Article 42(4) of the Corporate Tax Law.
[334] Article 38 of the Corporate Tax Law.
[335] Article 37(4) of the Corporate Tax Law.

10.2. Pre-Grouping Tax Losses

Pre-Grouping Tax Losses are the unutilised Tax Losses of a member of a Tax Group that were incurred prior to joining a Tax Group.[336]

If a Tax Group is formed for the first time, any existing unutilised Tax Losses of a Subsidiary become pre-Grouping Tax Losses of the Tax Group. If a Subsidiary joins a Tax Group, its existing unutilised Tax Losses become pre-Grouping Tax Losses of the Tax Group.

A Taxable Person cannot claim Tax Loss relief for losses incurred before the commencement of Corporate Tax.[337] Hence, any financial loss of members of a Tax Group prior to the commencement of Corporate Tax is not taken into account for Corporate Tax purposes.

10.2.1. Conditions for utilising pre-Grouping Tax Losses

Where a Tax Group opts to use the pre-Grouping Tax Losses of one of its members, the Tax Group is required to calculate the Taxable Income attributable to the relevant member of the Tax Group for the relevant Tax Period.[338]

Pre-Grouping Tax Losses can only be offset where the Tax Group has Taxable Income and only insofar as Taxable Income is attributable to the relevant member of the Tax Group.[339] Therefore, utilisation of pre-Grouping Tax Losses requires both:[340]

- the Tax Group to have Taxable Income (before taking into account a Tax Loss brought forward from a prior year), and
- Taxable Income that can be attributed to the relevant member of the Tax Group.

Utilisation of carried forward Tax Losses is limited to 75% of the Taxable Income of the Tax Group.[341] This restriction only applies at the Tax Group level. In other words, the utilisation of pre-Grouping Tax Losses is not limited to 75% of the Taxable Income of the relevant member of the Tax Group.

[336] Article 42(3) of the Corporate Tax Law.
[337] Article 37(3)(a) of the Corporate Tax Law.
[338] Article 8(1) of Ministerial Decision No. 301 of 2024.
[339] Article 42(3) of the Corporate Tax Law.
[340] Article 7(1) of Ministerial Decision No. 301 of 2024.
[341] Article 37(2) of the Corporate Tax Law.

Example 36: **Limits on utilisation of pre-Grouping Tax Losses**

Company H and Company J are in a Tax Group from 1 January 2025. They both use the Gregorian calendar year as their Tax Period. Company J has a pre-Grouping Tax Loss of AED 1 million.

The Tax Group realised Taxable Income of AED 0.8 million in the 2025 Tax Period. The Taxable Income attributable to Company J is AED 1.2 million.

The pre-Grouping Tax Loss which can be offset against Taxable Income is the lesser of:[342]

1. 75% of Taxable Income of the Tax Group i.e. 75% of AED 0.8 million = AED 0.6 million, and
2. the Taxable Income attributable to Company J, i.e. AED 1.2 million.

Accordingly, out of the pre-Grouping Tax Loss of AED 1 million, the Tax Group can utilise AED 0.6 million in 2025 Tax Period, and the balance AED 0.4 million will be carried forward.

Where the Tax Group opts to use pre-Grouping Tax Losses, these must be used to offset the Taxable Income of the Tax Group to the fullest extent possible for the relevant Tax Period before any remainder can be carried forward to a subsequent Tax Period.[343] In addition, if a Tax Group opts to use pre-Grouping Tax Losses then these have to be utilised before Tax Losses of the Tax Group can be utilised.[344]

10.2.2. Consequence where the pre-Grouping Tax Loss is not utilised as per required conditions

Pre-Grouping Tax Losses shall be forfeited where both:[345]

1. the Tax Group does not calculate the Taxable Income attributable to the relevant member in accordance with Article 34 of the Corporate Tax Law, and
2. the amount of pre-Grouping Tax Losses utilised by the Tax Group is less than the amount that could have been used to reduce the Taxable Income of the Tax Group in the relevant Tax Period.

Thus, pre-Grouping Tax Losses are forfeited in full for a member of a Tax Group where Taxable Income has not been attributed to that member and the amount of pre-

[342] Article 7(1) of Ministerial Decision No. 301 of 2024.
[343] Article 8(3) of Ministerial Decision No. 301 of 2024.
[344] Article 7(2) of Ministerial Decision No. 301 of 2024.
[345] Article 8(4) of Ministerial Decision No. 301 of 2024.

Grouping Tax Losses sought to be utilised by the Tax Group is less than the total amount that can be used to reduce the Taxable Income of the Tax Group.[346]

Therefore, where the Tax Group has capacity to utilise pre-Grouping Tax Losses of a Subsidiary but the Tax Group opts not to utilise the pre-Grouping Tax Loss, then such pre-Grouping Tax Loss is forfeited.

Example 37: **Forfeiture of pre-Grouping Tax Loss**

Company K holds 100% of the share capital of Company L. Company K and Company L both use the Gregorian calendar year as their Financial Year. In 2024, Company L incurs a Tax Loss of AED 0.1 million. Company K and Company L form a Tax Group with effect from 2025 and as a result the AED 0.1 million becomes a pre-Grouping Tax Loss.

In 2025, the Tax Group has Taxable Income of AED 0.4 million. The maximum amount of Tax Losses (including pre-Grouping Tax Losses) that can be used to reduce the Taxable Income of the Tax Group in the 2025 Tax Period is AED 0.3 million (75% of AED 0.4 million).[347]

The Tax Group has opted to not utilise the pre-Grouping Tax Losses of Company L and, accordingly, did not determine the Taxable Income attributable to Company L. Therefore, the pre-Grouping Tax Losses of Company L are forfeited.[348]

Example 38: **Effect of not attributing Taxable Income across multiple Tax Periods**

Company M holds 100% of the share capital of Company P. Company M and Company P both use the Gregorian calendar year as their Financial Year. In 2024, Company P incurs a Tax Loss of AED 0.3 million. Company M and Company P form a Tax Group with effect from 1 January 2025 and as a result the AED 0.3 million becomes a pre-Grouping Tax Loss.

In 2025, the Tax Group incurs a Tax Loss of AED 0.6 million. In 2026, 2027 and 2028, the Tax Group realises Taxable Income of AED 0.8 million, AED 0.2 million and AED 0.4 million, respectively.

[346] Article 8(4) of Ministerial Decision No. 301 of 2024.
[347] Article 37(2) of the Corporate Tax Law.
[348] Article 8(4) of Ministerial Decision No. 301 of 2024.

In 2026 and 2027, the Taxable Income attributable to Company P is determined as AED 0.1 million and a loss of AED 0.2 million respectively. No attribution of Taxable Income to Company P was done in 2025 and 2028.

2025 Tax Period:
As the Tax Group incurs a Tax Loss in 2025, it cannot utilise any pre-Grouping Tax Loss in 2025 Tax Period and, accordingly, it is not required to determine Taxable Income attributable to Company P for 2025 Tax Period. The pre-Grouping Tax Losses of Company P are not forfeited and are carried forward.

2026 Tax Period:
In 2026 Tax Period, the Tax Group has a Taxable Income of AED 0.8 million. The amount of Tax Losses that can be used to reduce the Taxable Income of the Tax Group in the 2026 Tax Period is AED 0.6 million (75% of AED 0.8 million).

Pre-Grouping Tax Losses are required to be utilised before any Tax Losses of the Tax Group.[349] Therefore, the Tax Group opts to use Company P's pre-Grouping Tax Losses in priority of the Tax Losses of the Tax Group.

In this regard, the Tax Group determines the Taxable Income attributable to Company P for 2026 as AED 0.1 million. Accordingly, out of its pre-Grouping Loss of AED 0.3 million, only up to AED 0.1 million of the pre-Grouping Tax Losses of Company P can be utilised in 2026. The balance of the pre-Grouping Tax Loss of Company P shall be carried forward to 2027.

The remaining Taxable Income of the Tax Group (i.e. AED 0.5 million) will be offset against the Tax Group's Tax Loss carried forward from 2025.

2027 Tax Period:
In 2027, the amount of Tax Losses that can be used to reduce the Taxable Income of the Tax Group in the 2027 Tax Period is AED 0.15 million (75% of AED 0.2 million).

As the Taxable Income attributable to Company P is a Tax Loss in 2027, none of the pre-Grouping Tax Losses of Company P can be utilised. The Tax Group can offset the remaining AED 0.1 million of the Tax Group's Tax Losses from 2025 against its Taxable Income in 2027. As attribution was done, the pre-Grouping Tax Losses are not forfeited. If no attribution was done, but the Tax Group can otherwise demonstrate that Company P would have been in a loss position, the pre-Grouping Tax Losses would not be forfeited.

[349] Article 7(2) of Ministerial Decision No. 301 of 2024.

2028 Tax Period:

In 2028, the amount of Tax Losses that can be used to reduce the Taxable Income of the Tax Group in the 2028 Tax Period is AED 0.3 million (75% of AED 0.4 million). In 2028, as the Tax Group has not calculated the Taxable Income attributable to Company P, the pre-Grouping Tax Losses of Company P are forfeited.[350]

Summary of analysis (figures in AED million):

Description	2025	2026	2027	2028
Tax Group's Taxable Income	(0.6)	0.8	0.2	0.4
Amount that can be used to reduce Taxable Income (75% of Tax Group's Taxable Income)	Nil	0.6	0.15	0.3
Taxable Income/ Loss attributable to Company P	Not prepared	0.1	(0.2)	Not prepared
Company P's pre-Grouping Tax Losses utilised	Nil	0.1	Nil	Nil
Company P's pre-Grouping Tax Losses carried forward	(0.3)	(0.2)	(0.2)	Forfeited
Tax Group Tax Losses utilised	Nil	0.5	0.1	Nil
Tax Group Tax Losses carried forward	(0.6)	(0.1)	Nil	Nil

10.2.3. Impact on pre-Grouping Tax Losses where Subsidiary leaves the Tax Group or the Tax Group ceases to exist

Where a Subsidiary leaves the Tax Group, the Tax Losses of the Tax Group will remain with the Tax Group, with the exception of any unutilised pre-Grouping Tax Losses of the relevant Subsidiary.[351]

Where a Tax Group ceases to exist, any unutilised Tax Loss of the Tax Group and any pre-Grouping Tax Losses of the Parent Company shall remain with the Parent

[350] Article 8(4) of Ministerial Decision No. 301 of 2024.
[351] Article 42(6) of the Corporate Tax Law.

Company.[352] Where the Parent Company also ceases to exist or is no longer a Taxable Person, then any Tax Losses of the Tax Group or pre-Grouping Tax Losses of the Parent Company are forfeited.[353]

10.2.4. Utilisation of pre-Grouping Tax Losses in Tax Period commencing prior to 1 January 2025

A Taxable Person is unlikely to have more than one Tax Period commencing prior to 1 January 2025, in which case there would be no opportunity for pre-Grouping Tax Losses to be applied in a Tax Period commencing prior to 1 January 2025. However, in the unlikely event that a Tax Group utilises pre-Grouping Tax Losses in a Tax Period commencing prior to 1 January 2025, the Tax Group must refer to Ministerial Decision No. 125 of 2023. [354]

10.3. Restricted Tax Group Tax Losses

Where a new Subsidiary joins an existing Tax Group, unutilised Tax Losses of the existing Tax Group cannot be used to offset the Taxable Income of the Tax Group insofar this income is attributable to the new Subsidiary ("restricted Tax Group Tax Losses").[355] The utilisation of restricted Tax Group Tax Losses follows the same attribution principles applicable to pre-Grouping Tax Losses (refer to Section 9.2).[356]

Where several Subsidiaries joined the Tax Group after the Tax Losses of the Tax Group arose, it is possible to limit the restriction to the net amount of Taxable Income attributable to such Subsidiaries.

Example 39: **Utilisation of pre-Grouping Tax Loss and restricted Tax Group Tax Loss**

Company Q (as Parent Company) and Company R (as Subsidiary) are in a Tax Group from 1 January 2024. Company Q holds all the shares in Company S and Company T. All four companies use the Gregorian calendar year as their Tax Period. In 2024, the Tax Group incurred Tax Losses of AED 2 million.

In 2024, Company S incurred Tax Losses of AED 0.6 million.

[352] Article 42(6) and 42(7)(a) of the Corporate Tax Law.
[353] Article 42(7)(b) of the Corporate Tax Law.
[354] Article 14 of Ministerial Decision No. 301 of 2024.
[355] Article 42(4) of the Corporate Tax Law.
[356] Article 8(1)(b) of Ministerial Decision No. 301 of 2024.

On 1 January 2025 Company S and Company T join the Tax Group. As a result, the 2024 Tax Losses of the Tax Group (AED 2 million) become restricted Tax Group Tax Losses. The 2024 Tax Losses of Company S become pre-Grouping Tax Losses.

In 2025, the Taxable Income of the Tax Group is AED 1.6 million. This Taxable Income could be attributed as follows:

- Company Q: income of AED 1.1 million
- Company R: income is nil
- Company S: income of AED 1 million
- Company T: a loss of AED 0.5 million

As the Taxable Income of the Tax Group in 2025 is AED 1.6 million, the Tax Group can utilise Tax Losses of AED 1.2 million (i.e. 75% of the Taxable Income of the Group).

Pre-Grouping Tax Losses are required to be utilised before any Tax Losses of the Tax Group.[357] The pre-Grouping Tax Loss of Company S (i.e. AED 0.6 million) which can be offset against Taxable Income is the lesser of:[358]

1. 75% of Taxable Income of the Tax Group, i.e. 75% of AED 1.6 million = AED 1.2 million, and
2. the Taxable Income attributable to Company S, i.e. AED 1 million.

Therefore, the Tax Group would utilise the entire pre-Grouping Tax Losses of Company S of AED 0.6 million before utilising any restricted Tax Group Tax Losses. After adjustment of pre-Grouping Tax Loss, the Tax Group's 2025 Taxable Income is 1 million (AED 1.6 million – AED 0.6 million).

The restricted Tax Group Tax Loss that can be used to offset the Taxable Income of the Tax Group in 2025 Tax Period cannot exceed 75% of the Taxable Income of the Tax Group (after adjustment of pre-Grouping Tax Loss) less the Taxable Income attributable to the newly joined Subsidiaries (Company S and Company T).

The restricted Tax Group Tax Loss is AED 2 million. However, the Tax Group can only utilise AED 0.375 million (i.e. 75% of (AED 1 million – AED 0.5 million)). The balance of the restricted Tax Group Tax Loss of AED 0.625 million will be carried forward to the subsequent Tax Period.

[357] Article 7(2) of Ministerial Decision No. 301 of 2024.
[358] Article 7(1) of Ministerial Decision No. 301 of 2024.

10.4. Order of utilisation where there are several Tax Losses

Several clauses in the Corporate Tax Law and its implementing decisions place restrictions on the order in which different types of Tax Losses can be utilised. As a result of these restrictions, the utilisation of Tax Losses by Tax Groups is in the following order:

- Pre-Grouping Tax Losses have to be utilised before Tax Losses of the Tax Group, unless the Tax Group opts not to utilise the pre-Grouping Tax Losses.[359]
- Where there are several pre-Grouping Tax Losses that could be utilised, the Parent Company shall determine the order in which they are utilised.[360]
- After utilisation of pre-Grouping Tax Losses, Tax Groups can utilise Tax Losses of the Tax Group.
- The utilisation of Tax Group Tax Loss should take into account that existing unutilised Tax Losses of an existing Tax Group cannot be used against the Taxable Income of a Subsidiary that has joined the existing Tax Group after the Tax Losses were incurred, i.e. restricted Tax Group Tax Losses.[361]
- After utilisation of pre-Grouping Tax Losses and Tax Losses of the Tax Group (including restricted Tax Group Tax Losses), the Tax Group can utilise any Tax Losses that were transferred to it under Article 38 of the Corporate Tax Law.[362]

Example 40: **Transfer of Tax Losses and multiple pre-Grouping Tax Losses**

Company W, Company X and Company Y, are in a Tax Group as of 1 January 2025. All three companies use the Gregorian calendar year as their Financial Year. Company X has a pre-Grouping Tax Loss of AED 1 million (incurred in 2024). Company Y has a pre-Grouping Tax Loss of AED 0.8 million (incurred in 2024).

In 2025, the Tax Group incurred a Tax Loss of AED 0.3 million.

In 2026, the Tax Group realised Taxable Income of AED 2 million.

The Taxable Income in 2026 is attributed as follows:

- Company W: a loss of AED 0.2 million
- Company X: income of AED 1.2 million
- Company Y: income of AED 1 million

[359] Article 7(2) of Ministerial Decision No. 301 of 2024.
[360] Article 7(3) of Ministerial Decision No. 301 of 2024.
[361] Article 42(4) of the Corporate Tax Law.
[362] Article 37(4) of the Corporate Tax Law.

If the Tax Group opts to use pre-Grouping Tax Loss of any of the Subsidiaries, the Tax Losses of the Tax Group can only be utilised after utilisation of the pre-Grouping Tax Losses (to the extent possible).

Under Article 37(2) of the Corporate Tax Law, at most AED 1.5 million (i.e. 75% of AED 2 million) of the Tax Group's Taxable Income can be offset with Tax Losses.[363]

The utilisation of pre-Grouping Tax Losses is limited to this amount. Therefore, the Tax Group has sufficient Taxable Income to utilise the pre-Grouping Tax Loss of Company X or Company Y. The Taxable Income attributed to Company X and Company Y is also sufficient to utilise the pre-Grouping Tax Losses of such entities.

However, after the utilisation of the pre-Grouping Tax Loss of either Company X or Company Y, there will not be sufficient Taxable Income in the Tax Group to utilise all of the pre-Grouping Tax Loss of the other company.

For instance, if the Tax Group opts to utilise all the pre-Grouping Tax Losses of Company X (i.e. AED 1 million), only AED 0.5 million of the pre-Grouping Tax Losses of Company Y can be utilised. Alternatively, the Tax Group could utilise all the pre-Grouping Tax Losses of Company Y (AED 0.8 million). After that, only AED 0.7 million of the pre-Grouping Tax Losses of Company X can be utilised against the Taxable Income of the Tax Group.

The Parent Company of the Tax Group would decide which pre-Grouping Tax Losses to utilise first.

After utilisation of the pre-Grouping Tax Losses, the Tax Group has exhausted its capacity to utilise other Tax Losses. Therefore, the Tax Group is not able to utilise its 2025 Tax Loss of AED 0.3 million. Similarly, the Tax Group is not able to utilise any Tax Losses transferred to it under Article 38 of the Corporate Tax Law.

10.5. Transfer of Tax Losses

If the conditions of Article 38 of the Corporate Tax Law are met, a Tax Group can transfer a Tax Loss to another Taxable Person, including another Tax Group, since the Tax Group is treated as a separate Taxable Person. Similarly, if another Taxable Person or another Tax Group meets the relevant conditions, it can transfer a Tax Loss to the Tax Group.

A Tax Loss can be transferred from one Taxable Person to another Taxable Person where certain conditions under Article 38 of the Corporate Tax Law are met. One of

[363] Article 7(1) of Ministerial Decision No. 301 of 2024.

the conditions is that either Taxable Person has a direct or indirect ownership interest of at least 75% in the other, or a third Person has a direct or indirect ownership interest of at least 75% in each of them (the common ownership condition).[364] As explained in Section 8.4.2, in case of Tax Groups, this condition is determined by aggregating all ownership interests held by members of the Tax Group.

A Tax Group can also transfer pre-Grouping Tax Losses if the relevant conditions are met. This requires that both the Tax Group and the relevant Subsidiary meet the common ownership condition in respect of the other Taxable Person from the start of the Tax Period in which the pre-Grouping Tax Losses is incurred to the end of the Tax Period in which the Tax Losses which are transferred, are offset.[365] However, as the relevant Subsidiary and other members of the Tax Group are regarded as a single Taxable Person,[366] the pre-Grouping Tax Losses cannot be transferred to the Tax Group itself and the Tax Group can only utilise the pre-Grouping Tax Losses in the way described in this Section 10.

Where a Tax Loss is transferred to the Tax Group, this can only be utilised after utilisation of any pre-Grouping Tax Losses, restricted Tax Group Tax Losses and other Tax Losses of the Tax Group.[367]

10.6. Interaction with Business Restructuring Relief

Where a Business has been transferred to a Taxable Person under Article 27 of the Corporate Tax Law (Business Restructuring Relief) and the transferor had unutilised Tax Losses, the Tax Losses can become Tax Losses of the transferee if certain conditions are met.[368]

Where the Parent Company or a Subsidiary transfers its entire Business to another member of the Tax Group and the transferor ceases to exist as a result of that transfer, it would remain a member of the Tax Group until the date it ceases to exist.[369] In case a Subsidiary ceases to exist in this way, any pre-Grouping Tax Losses would be foregone, [370] unless the transfer would have met the conditions for Business

[364] Article 38(1)(c) of the Corporate Tax Law.
[365] Article 38(1)(d) of the Corporate Tax Law.
[366] Article 40(4) of the Corporate Tax Law.
[367] Article 37(4) of the Corporate Tax Law.
[368] Article 27(3)(d) and 27(5) of the Corporate Tax Law and Article 5 of Ministerial Decision No. 133 of 2023.
[369] Article 10(1) of Ministerial Decision No. 301 of 2024.
[370] Article 42(6) of the Corporate Tax Law.

Restructuring Relief, if it had taken place outside a Tax Group.[371] For this exception to apply, no election to apply Business Restructuring Relief is required.[372]

Where a Parent Company ceases to exist in this way, the Tax Losses of the Tax Group would remain with the Tax Group, provided the Tax Group continues to exist.[373] Where the Tax Group ceases to exist as a result of the transfer,[374] any Tax Losses of the Tax Group (other than unutilised pre-Grouping Tax Losses of members of the Tax Group) would be foregone.[375]

10.7. Impact of changes in the members of a Tax Group on Tax Losses

Where a Subsidiary joins a Tax Group, its existing unutilised Tax Losses become pre-Grouping Tax Losses that can only be offset against the Taxable Income of the Tax Group insofar as this income is attributable to the relevant Subsidiary.[376] Any pre-Grouping Tax Losses will be Tax Losses of the relevant Subsidiary and will be available for future utilisation, if the Subsidiary continues to exist. Existing unutilised Tax Losses of an existing Tax Group cannot be used against the Taxable Income attributable to a Subsidiary that has joined the existing Tax Group after the Tax Losses were incurred, i.e. restricted Tax Group Tax Losses.

Where a Subsidiary leaves a Tax Group which continues to exist, any Tax Losses of the Tax Group continue to be Tax Losses of the Tax Group.[377] This is the case even if the Tax Losses could be attributed to the Subsidiary that has left the Tax Group. As an exception, any pre-Grouping Tax Losses will stay with the relevant Subsidiary as Tax Losses of that company.[378]

Where a Tax Group ceases to exist and the Parent Company continues to be a Taxable Person, any Tax Losses of a Tax Group will become Tax Losses of the Parent Company.[379] If the Parent Company ceases to exist or it ceases to be a Taxable Person, the Tax Losses of the Tax Group will not be available for utilisation except if the Parent Company is replaced under Article 40(12) of the Corporate Tax Law. Where Article 40(12) of the Corporate Tax Law applies, a Parent Company can be replaced by another Parent Company without discontinuation of the Tax Group (see Section

[371] Article 27(3)(d) of the Corporate Tax Law.
[372] Article 10(3) of Ministerial Decision No. 301 of 2024.
[373] Article 42(8) of the Corporate Tax Law.
[374] Article 10(1)(b) of Ministerial Decision No. 301 of 2024.
[375] Article 42(7)(b) of the Corporate Tax Law.
[376] Article 42(3) of the Corporate Tax Law.
[377] Article 42(6) of the Corporate Tax Law.
[378] Article 42(6) of the Corporate Tax Law.
[379] Article 42(7)(a) of the Corporate Tax Law.

6.4).[380] In this case, any unutilised Tax Losses of the Tax Group continue to be available as Tax Losses of the Tax Group and can be offset against the Taxable Income of the Tax Group even when some of this income is attributable to the new Parent Company.

[380] Article 42(8) of the Corporate Tax Law.

11. Interest Deduction Limitation Rule

11.1. Application of the General Interest Deduction Limitation Rule to Tax Groups

NIE is the amount by which Interest expenditure exceeds Interest income as determined in accordance with the provisions of the Corporate Tax Law.[381] Where a Taxable Person's NIE exceeds AED 12 million in a relevant Tax Period, NIE shall be deductible up to the greater of:

1. 30% of EBITDA (earnings before the deduction of Interest, tax, depreciation and amortisation) for a Tax Period, calculated as the Taxable Income for the Tax Period with adjustments for:[382]
   a. NIE for the relevant Tax Period,
   b. Depreciation and amortisation expenditure taken into account in determining the Taxable Income for the relevant Tax Period, and
   c. Interest income or expenditure relating to historical financial assets or liabilities held prior to 9 December 2022, or
2. the de minimis threshold of AED 12 million.[383]

The amount of NIE disallowed may be carried forward and deducted in the subsequent 10 Tax Periods in the order in which the amount was incurred.[384]

This restriction is called the General Interest Deduction Limitation Rule.[385] The restriction does not apply to Banks, Insurance Providers and certain other cases.[386]

A Tax Group is treated as a single Taxable Person.[387] This means this restriction and the carry forward is calculated at the level of the Tax Group . Even if a member of the Tax Group has insufficient EBITDA to utilise its NIE, the 30% restriction on Interest deduction under the General Interest Deduction Limitation Rule does not apply provided the Tax Group as a whole has sufficient EBITDA to utilise the Tax Group's NIE. However, where the Tax Group has combined NIE exceeding AED 12 million and the Tax Group has insufficient EBITDA to utilise its NIE, the 30% restriction on Interest deduction will apply, even if there are members of the Tax Group that on a standalone basis would have had sufficient EBITDA to utilise their NIE.

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[381] Article 1 of the Corporate Tax Law.
[382] Article 30(1) of the Corporate Tax Law and Article 9(1) of Ministerial Decision No. 126 of 2023.
[383] Article 8 of Ministerial Decision No. 126 of 2023.
[384] Article 30(4) of the Corporate Tax Law.
[385] Article 30 of the Corporate Tax Law.
[386] Article 30(6) of the Corporate Tax Law.
[387] Article 40(4) of the Corporate Tax Law.

11.2. Impact of changes in the members of a Tax Group on unutilised NIE

11.2.1. General

Where the General Interest Deduction Limitation Rule applies to a Tax Group, the disallowed NIE carried forward may be utilised in the subsequent 10 Tax Periods of the Tax Group. This NIE carried forward is an attribute of the Tax Group (as represented by the Parent Company) and not an attribute of any member of the Tax Group. Where a Subsidiary subsequently leaves the Tax Group the unutilised NIE shall remain with the Tax Group, with the exception of any pre-Grouping NIE of that Subsidiary.[388]

Where a Tax Group ceases to exist and the Parent Company continues to be a Taxable Person, any unutilised NIE of the Tax Group shall remain with the Parent Company.[389] Where the Parent Company ceases to exist without a universal successor or ceases to be a Taxable Person, any unutilised NIE of the Tax Group will be foregone.[390]

However, if the Parent Company merges with another Taxable Person and ceases to exist as a result, any unutilised NIE of the Tax Group will continue to be available to the Tax Group where the legal successor is the new Parent Company of the Tax Group that continues to exist.[391]

Attribution of Taxable Income (see Section 9) is required where a member of the Tax Group has unutilised pre-Grouping NIE carried forward and the Tax Group opts to utilise the pre-Grouping NIE.[392] Where the Tax Group opts to use pre-Grouping NIE, it must be used to offset the Taxable Income of the Tax Group to the fullest extent possible for the relevant Tax Period before any remainder can be carried forward to a subsequent Tax Period.[393]

A Tax Group can exercise its option to use pre-Grouping NIE by attributing Taxable Income in a Tax Period for which there is capacity to utilise pre-Grouping NIE.[394] Similar to the restriction on utilisation of pre-Grouping Tax Losses (see Section

[388] Article 12(2) of Ministerial Decision No. 126 of 2023.
[389] Article 12(3)(a) of Ministerial Decision No. 126 of 2023.
[390] Article 12(3)(b) of Ministerial Decision No. 126 of 2023.
[391] Article 12(4) of Ministerial Decision No. 126 of 2023.
[392] Article 8(1)(d) of Ministerial Decision No. 301 of 2024.
[393] Article 8(5) of Ministerial Decision No. 301 of 2024.
[394] Article 8(1)(d) of Ministerial Decision No. 301 of 2024.

10.3),[395] pre-Grouping NIE can only be utilised against the Taxable Income that is attributable to that member of the Tax Group.[396]

Where a Tax Group opts to utilise pre-Grouping NIE, the utilisation would be possible to the extent both:[397]

- the pre-Grouping NIE to be utilised is not more than 30% of the Tax Group's EBITDA (or AED 12 million, if higher), and
- the pre-Grouping NIE is not more than 30% of the EBITDA of the member to which the pre-Grouping NIE relates (or AED 12 million, if higher). This EBITDA is calculated based on attribution of the Taxable Income of the member, after adding back all NIE of the member (see Section 9.2.3.2).

Where a new Subsidiary joins an existing Tax Group, the restrictions on utilisation of Tax Losses under Article 42(4) of the Corporate Tax Law do not apply to NIE. Hence, carried forward NIE of the existing Tax Group can be utilised against future Tax Group EBITDA after the utilisation of current year Net Interest Expense of the Tax Group.

Carried forward NIE of a Taxable Person that subsequently becomes a Parent Company of a Tax Group becomes pre-Grouping NIE of that Tax Group.

11.2.2. Order of utilisation of unutilised NIE

Where a Tax Group has unutilised NIE and it also has members with pre-Grouping NIE, the NIE should be utilised in the order in which the amount was incurred.[398] Where several unutilised NIEs qualify for utilisation and they arose from Tax Periods with the same end date, there is no requirement to follow when the underlying Interest was incurred and the Taxable Person can choose the order in which NIE is utilised. This is because the NIE is treated as being incurred at the end of the Tax Period for the purpose of Article 30(4) of the Corporate Tax Law.

Where a Tax Group opts not to utilise pre-Grouping NIE when it was able to do so, such pre-Grouping NIE is forfeited.[399] Pre-Grouping unutilised NIE is also forfeited in full for a member of a Tax Group where: [400]

- Taxable Income has not been attributed to that member, and
- the amount of the NIE utilised is less than the amount that could be used to offset against the Taxable Income of the Tax Group.

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[395] Article 42(3) of the Corporate Tax Law.
[396] Article 12(1) of Ministerial Decision No. 126 of 2023.
[397] Articles 8 and 12(1) of Ministerial Decision No. 126 of 2023 and Article 30(1) of the Corporate Tax Law.
[398] Article 30(4) of the Corporate Tax Law.
[399] Article 8(1)(d) of Ministerial Decision No. 301 of 2024.
[400] Article 8(6) of Ministerial Decision No. 301 of 2024.

Example 41: **Order of different NIE**

On 1 January 2026, Company A holds all the shares in Company B, Company C and Company D. All four companies use the Gregorian calendar year as their Tax Period and meet all the requirements to form a Tax Group. As of 1 January 2026, Company A forms a Tax Group with Company B, Company C and Company D.
In 2026 Tax Period:

- the Tax Group's EBITDA is AED 100 million, and
- the Tax Group's NIE for the 2026 Tax Period is AED 38 million.

Company B, Company C and Company D have the following pre-Grouping NIE (amounts in AED):

Company	2024 Tax Period	2025 Tax Period	Total
Company B	15 million	5 million	20 million
Company C	5 million	5 million	10 million
Company D	7 million	5 million	12 million

The utilisation of any of the unutilised NIE requires sufficient capacity at Tax Group level. In addition, utilisation of Company B's, Company C's and Company D's pre-Grouping NIEs, also requires sufficient capacity at the level of the relevant Subsidiary.

In 2026, the Tax Group's Taxable Income is AED 42 million which can be attributed as follows:

- Company A: AED 2 million, after NIE of AED 5 million.
- Company B: AED 30 million, after NIE of AED 20 million.
- Company C: AED 14 million, after NIE of AED 10 million.
- Company D: a loss of AED 4 million, after NIE of AED 3 million.

Utilisation of NIE for 2026 Tax Period:

Description	Amount (in AED)
Tax Group's EBITDA for 2026 Tax Period	100 million
Maximum NIE deductible (30% of 100 million)	30 million

Capacity to utilise pre-Grouping NIE at the level of the respective Subsidiary(s) (amount in AED):

Subsidiary	Attributable Taxable Income, before Interest limitation rule	EBITDA	Capacity to utilise pre-Grouping NIE (greater of 30% EBITDA of the member or AED 12 million)
Company B	30 million	50 million	15 million (30% * 50 million)
Company C	14 million	24 million	12 million (minimum amount)
Company D	(4 million)	(1 million)	12 million (minimum amount)

Utilisation of pre-Grouping NIE:

The Tax Group could utilise up to AED 15 million of Company B's pre-Grouping NIE and AED 12 million of Company C's and Company D's pre-Grouping NIE. However, as the Tax Group can only utilise up to AED 30 million of pre-Grouping NIE, it should assess which pre-Grouping NIE can be utilised.

Article 30(4) of the Corporate Tax Law requires that the NIE be utilised in the order in which the NIE was incurred. This means the NIE in relation to 2024 Tax Period should be utilised prior to utilising NIE in relation to 2025 Tax Period. As a result, the 2024 pre-Grouping NIE of Company B (AED 15 million), Company C (AED 5 million) and Company D (AED 7 million) should be utilised before any 2025 pre-Grouping NIE can be utilised. After this, the capacity to utilise Company B's pre-Grouping NIE has been fully utilised, which means that Company B's 2025 pre-Grouping NIE cannot be utilised.

After fully utilising the 2024 pre-Grouping NIE, the Tax Group has AED 3 million of capacity left (AED 30 million – AED 15 million – AED 5 million – AED 7 million).

As the remaining unutilised pre-Grouping NIE of Company C and Company D was all incurred in the same Tax Period (i.e. 2025), the NIE is treated as incurred at the same time. The Tax Group can decide which of the remaining pre-Grouping NIE of Company C and/or Company D should be utilised. For example, the Tax Group can decide to utilise AED 3 million of Company C's or Company D's pre-Grouping NIE or any partial combination. The pre-Grouping NIE of these companies has been utilised to the fullest extent possible, meaning that the remaining pre-Grouping NIE of Company C and Company D can be carried forward to a subsequent Tax Period.[401]

[401] Article 8(5) of Ministerial Decision No. 301 of 2024.

11.2.3. Utilisation of pre-Grouping NIE in a Tax Period commencing prior to 1 January 2025

A Taxable Person is unlikely to have more than one Tax Period commencing prior to 1 January 2025, in which case there would be no opportunity for pre-Grouping NIE to be applied in a Tax Period commencing prior to 1 January 2025. However, in the event that a Tax Group utilises pre-Grouping NIE in a Tax Period commencing prior to 1 January 2025, the Tax Group must refer to Ministerial Decision No. 125 of 2023. [402]

11.2.4. Interaction with Business Restructuring Relief

Where a Business has been transferred to a Taxable Person and the conditions of Article 27 of the Corporate Tax Law are met, the transferor can elect for Business Restructuring Relief to apply in respect of gains or losses that arise from the transfer of Business. The relief does not extend to unutilised NIE. Therefore, the utilisation of NIE is unaffected by the application of Business Restructuring Relief, meaning that unutilised NIE will remain with the Taxable Person that incurred it, which may be able to utilise it if it continues to exist. As a result, the other comments in this section would apply equally to Taxable Persons that were subject to Business Restructuring Relief.

Where the Parent Company or a Subsidiary ceases to exist as a result of a Business restructuring under which it transfers all its assets and liabilities to another member of the Tax Group, it would remain a member of the Tax Group until the date it ceases to exist.[403] Where a Subsidiary ceases to exist in this way, any unutilised pre-Grouping NIE tied to the Subsidiary would be forfeited. Where a Parent Company ceases to be a Taxable Person in this way, any carried forward pre-Grouping NIE of the Parent Company and any carried forward NIE of the Tax Group shall not be available against future Taxable Income of individual Subsidiaries, unless the Tax Group continues to exist without discontinuation.[404]

11.3. Impact of a Tax Group that includes Banks and Insurance Providers

The General Interest Deduction Limitation Rule does not apply to Banks, Insurance Providers and certain other specified Taxable Persons.[405] Where a member of a Tax Group is a Bank or Insurance Provider, any income or expenditure of such member shall be disregarded for the calculation of total NIE and EBITDA of the Tax Group.[406] If such Tax Group includes members that are not a Bank or Insurance Provider, only

[402] Article 14 of Ministerial Decision No. 301 of 2024.
[403] Article 10(1) of Ministerial Decision No. 301 of 2024.
[404] Article 40(12) of the Corporate Tax Law read with Article 12(3) of Ministerial Decision No. 126 of 2023.
[405] Article 30(6) of the Corporate Tax Law.
[406] Article 12(5) of Ministerial Decision No. 126 of 2023.

the EBITDA and the NIE of such members will be taken into account for the calculation under Article 30 of the Corporate Tax Law.

12. Foreign Tax Credits and Foreign Permanent Establishment

12.1. Foreign Tax Credit

12.1.1. Impact of Tax Group on Foreign Tax Credit

Where a Taxable Person's foreign source income is subject to Corporate Tax, the Person can claim a Foreign Tax Credit by deducting taxes paid under the tax laws of a foreign jurisdiction from the Corporate Tax due in the UAE on the same income.[407]

The Foreign Tax Credit cannot exceed the amount of Corporate Tax due on the relevant foreign income.[408] Hence, the amount of Foreign Tax Credit is the lower of:

1. The actual amount of tax paid on the foreign source income in the foreign jurisdiction, or
2. The amount of Corporate Tax due on the foreign source income as determined for the purposes of Corporate Tax Law after deducting economically linked expenditure from the relevant income.

The unutilised Foreign Tax Credit (if any) cannot be carried forward or carried back and shall be forfeited.[409]

12.1.1.1. Calculation of Foreign Tax Credit for a Tax Period commencing on or after 1 January 2025

Where a member of a Tax Group has foreign source income in respect of which a Foreign Tax Credit can be claimed, the utilisation of the Foreign Tax Credit shall be calculated on the basis of the aggregated results of the Tax Group.

In the case of Tax Groups, Corporate Tax due on the relevant foreign income is calculated as $\frac{X}{Y} * Z$ where:

- X = the relevant foreign income that has been included in the Taxable Income of the Tax Group,
- Y = the total Taxable Income of the Tax Group, and
- Z = Corporate Tax due by the Tax Group on its total Taxable Income.

[407] Articles 1 and 47(1) of the Corporate Tax Law.
[408] Article 47(2) of the Corporate Tax Law.
[409] Article 47(3) of the Corporate Tax Law.

In determining the economically linked costs in respect of the foreign income earned by the Tax Group, any economically linked costs should be considered, even if these are incurred by other members of the Tax Group.

12.1.1.2. Calculation of Foreign Tax Credits for Tax Periods commencing before 1 January 2025

Where a member of a Tax Group has foreign source income for which a Foreign Tax Credit can be claimed in a Tax Period commencing before 1 January 2025, the Taxable Income attributable to that member of the Tax Group shall be calculated separately on a standalone basis.[410] In those cases, the amount of Foreign Tax Credit should be calculated at the level of the member of the Tax Group that has received the relevant foreign source income. The amount of Foreign Tax Credit due to a member of a Tax Group reduces the Corporate Tax due for the Tax Group.

Corporate Tax due on the relevant foreign income is calculated as $\frac{X}{Y} * Z$ where:

- X = the relevant foreign income that has been included in the Taxable Income of the Tax Group,
- Y = the total Taxable Income attributable to the relevant member of the Tax Group, and
- Z = the Corporate Tax due attributable to the relevant member on its total Taxable Income, and equals $\frac{A}{B} * C$, where:

  A = Taxable Income attributable to the relevant member of the Tax Group,
  B = Taxable Income of the Tax Group,
  C = Corporate Tax due by the Tax Group.

Example 42: **Corporate Tax due on relevant foreign income for a Tax Group in Tax Periods commencing before 1 January 2025**

Company F and Company G are incorporated and Resident in the UAE for Corporate Tax purposes, and both apply the Gregorian calendar year as their Financial Year. Company F holds 100% of the shares in Company G. On 1 January 2024, Company F and Company G enter into a Tax Group. Company G has foreign sourced income in respect of which it has paid foreign tax. The Foreign Tax Credit must be calculated as explained below.

The following information is relevant:

[410] Article 8(1)(b) of Ministerial Decision No. 125 of 2023.

Description	Amount (AED)
Taxable Income of the Tax Group	10,000,000
Taxable Income attributable to the relevant Subsidiary (Company G)	6,000,000
Foreign source income earned by Company G (based on Taxable Income as per UAE Corporate Tax Law)	1,000,000
Tax paid in foreign jurisdiction	100,000
Corporate Tax due on total Taxable Income of the Tax Group (before Foreign Tax Credit)	866,250

Calculation of Corporate Tax due on the foreign source income (Note 1):

$\frac{X}{Y} * Z = \frac{\text{AED 1 million}}{\text{AED 6 million}} * \text{AED 519,750 (see Note 2)}$ = AED 86,625

- X = the relevant foreign income that has been included in the Taxable Income of the Tax Group, i.e. AED 1 million.
- Y = the total Taxable Income attributable to the relevant member of the Tax Group (Company G), i.e. AED 6 million.
- Z = the Corporate Tax attributable to the relevant member on its total Taxable Income calculated as per Note 2 below.

Calculation of Corporate Tax due attributable to the relevant member on its total Taxable Income (Note 2):

$\frac{A}{B} * C = \frac{\text{AED 6 million}}{\text{AED 10 million}} * \text{AED 866,250}$ = AED 519,750

- A = Taxable Income attributable to the relevant member of the Tax Group, i.e. AED 6 million
- B = Taxable Income of the Tax Group, i.e. AED 10 million

C = Corporate Tax due by the Tax Group, i.e. AED 866,250

Calculation of Corporate Tax Payable:

Description	Amount (AED)
Corporate Tax due on total Taxable Income of the Tax Group (before Foreign Tax Credit)	866,250
Less: Foreign Tax Credit being the lower of:	(86,625)
• Actual tax paid in foreign country, i.e. AED 100,000	
• Corporate Tax due on the foreign source income, i.e. AED 86,625 (see Note 1 above)	
Corporate Tax Payable	**779,625**

12.2. Foreign Permanent Establishments

12.2.1. Application of Foreign Permanent Establishment exemption to Tax Groups

A Taxable Person may elect to exclude the net income of its Foreign Permanent Establishments from its Taxable Income for the relevant Tax Period (Foreign Permanent Establishment exemption).[411] In the case of a Tax Group, the Parent Company is responsible for making an election and if an election is made, it applies to all Qualifying Foreign Permanent Establishments held by the Tax Group.[412]

12.2.2. Calculation of Taxable Income of Foreign Permanent Establishment

The income or loss attributable to Foreign Permanent Establishments is calculated as if the Foreign Permanent Establishments were Resident Persons.[413] As the Foreign Permanent Establishment is legally the same person as its head office, all income and expenditure of the entity will need to be allocated between the head office and the Permanent Establishment. The attribution of income and expenditure to a Foreign Permanent Establishment must be performed in accordance with internationally accepted profit attribution methods such as the Authorised Organisation for Economic Co-operation and Development (OECD) Approach (i.e. this is the preferred approach of the OECD for attributing profits to permanent establishments) and the relevant provisions of the Corporate Tax Law for the determination of Taxable Income. This requires the application of the arm's length principle with regards to any transactions between the Taxable Person and its Foreign Permanent Establishment as if the Permanent Establishment was a separate and independent Person.[414]

Where a member of a Tax Group has a Foreign Permanent Establishment and the Foreign Permanent Establishment has transactions with other members of the Tax Group, the financial results of such transaction will be eliminated in the Aggregated Financial Statements of the Tax Group. However, for the purposes of Foreign Permanent Establishment Exemption, the profits of Foreign Permanent Establishments should be determined as if the Tax Group did not exist, meaning that the transactions between a Foreign Permanent Establishment and other members of the Tax Group are taken into account to the extent consistent with the arm's length principle. Where several members of a Tax Group have a Foreign Permanent Establishment in the same foreign jurisdiction, the income or loss of these Foreign

[411] Article 24(1) of the Corporate Tax Law.
[412] Article 24(6) of the Corporate Tax Law and Article 1 of Ministerial Decision No. 302 of 2024.
[413] Article 24(2)(a) and 24(2)(b) of the Corporate Tax Law.
[414] Article 24(4) of the Corporate Tax Law.

Permanent Establishments is calculated separately before being aggregated with all Foreign Permanent Establishments in that foreign jurisdiction.[415]

12.2.3. Limits on Foreign Permanent Establishment exemption election in case of losses from Foreign Permanent Establishments

Where a Resident Person has incurred Tax Losses in respect of a Qualifying Foreign Permanent Establishment(s) and these have been taken into account in a previous Tax Period (i.e. the Resident Person has not elected for Foreign Permanent Establishment exemption in those previous Tax Periods), before the Resident Person can elect for Foreign Permanent Establishment exemption in the subsequent Tax Period, those Tax Losses must be fully offset as follows:[416]

- by the aggregate Taxable Income from that or any other Qualifying Foreign Permanent Establishments of the Resident Person, or
- where the Qualifying Foreign Permanent Establishment transfers all its assets and liabilities to a Participation, the Tax Losses can be offset by the income from Participation that was not exempt under Participation Exemption (see Section 12.2.4).

In the case of a Tax Group, these conditions are applied at the level of the Tax Group as a whole. It means that if the Tax Group has taken into account Tax Losses from Qualifying Foreign Permanent Establishments, the Foreign Permanent Establishment exemption is not available to the Tax Group until the Tax Losses taken into account are fully offset against the aggregate Taxable Income from the Tax Group's Qualifying Foreign Permanent Establishments or by the adjustment referred to in Section 12.2.4 below.

Where a Taxable Person that has taken into account Tax Losses from Qualifying Foreign Permanent Establishments joins a Tax Group, the requirement to offset those Tax Losses before the Foreign Permanent Establishment exemption is available, will also apply to the Tax Group (regardless of whether the Taxable Person joins as Parent Company or Subsidiary).

Where a Tax Group has utilised Tax Losses from Qualifying Foreign Permanent Establishments, the Foreign Permanent Establishment exemption election is not available to the Tax Group until the losses utilised by the Tax Group are fully offset.

Where the Tax Group ceases to exist or a Subsidiary leaves the Tax Group, the restriction on Foreign Permanent Establishment exemption election continues for the former member of the Tax Group that still holds the Qualifying Foreign Permanent

[415] Article 24(3) of the Corporate Tax Law.
[416] Article 14 of Ministerial Decision No. 302 of 2024.

Establishment for which Tax Losses were offset against the Taxable Income of the Tax Group.

The existence of a Tax Group also means that Tax Losses of Qualifying Foreign Permanent Establishments of one member can be offset by the Taxable Income of Qualifying Foreign Permanent Establishment(s) of another member, after which the Foreign Permanent Establishment exemption election can be made.

If a Tax Group has or had several Foreign Permanent Establishments for which Tax Losses were taken into account in a previous Tax Period which are held by different members of the Tax Group, the restriction applies at the level of the Tax Group until the losses of all such Foreign Permanent Establishments are fully offset. If the Tax Group ceases to exist or a Subsidiary leaves the Tax Group, the restriction on Foreign Permanent Establishment exemption election continues for the former member(s) of the Tax Group that still hold the Qualifying Foreign Permanent Establishment for which Tax Losses were offset against the Taxable Income of the Tax Group. Any offset of Tax Losses that has taken place before the cessation of the Tax Group or the Subsidiary leaving the Tax Group will be apportioned to each Foreign Permanent Establishment, in proportion to the amount of Tax Losses that were previously taken into account.

Example 43: **Apportionment of offset of Tax Losses from Foreign Permanent Establishments**

Company K, Company L and Company M are in a Tax Group as of 1 January 2025. All three companies use the Gregorian calendar year as their Financial Year. Company K has a Qualifying Foreign Permanent Establishment in Country X. Company L has a Qualifying Foreign Permanent Establishment in Country Y. Company M has a Qualifying Foreign Permanent Establishment in Country Z. The details are as follows (all amounts in AED million)

Tax Period	Income/ loss attributable to QFPE of Company K	Income/ loss attributable to QFPE of Company L	Income/ loss attributable to QFPE of Company M	Tax Group
2025	(30)	(20)	15	(35)
2026	(20)	30	(5)	5

The Tax Group does not elect to apply the Foreign Permanent Establishment exemption in 2025 Tax Period. As a result, the income and losses attributable to Qualifying Foreign Permanent Establishments in respect of 2025 Tax Period are

taken into account in determining the Taxable Income of the Tax Group for 2025 Tax Period.

In 2026 Tax Period, the Foreign Permanent Establishment exemption is not available to the Tax Group since the Tax Losses taken into account in 2025 Tax Period are not fully offset against the aggregate Taxable Income from the Tax Group's Qualifying Foreign Permanent Establishments in 2026 Tax Period.

On 1 January 2027, Company L leaves the Tax Group.

In 2027 Tax Period, the restriction on the Foreign Permanent Establishment exemption election will apply to Company L if the Tax Losses attributable to the Qualifying Foreign Permanent Establishment of Company L is not fully offset by the aggregate Taxable Income from the Tax Group's Qualifying Foreign Permanent Establishments, as apportioned to Company L.

For the purposes of Article 14 of Ministerial Decision No. 302 of 2024, the aggregate Taxable Income from the Tax Group's Qualifying Foreign Permanent Establishments shall be apportioned to Company L as under:

	Description	**Amount (in AED million)**
A.	Aggregate gross Tax Loss from Qualifying Foreign Permanent Establishments of all members of the Tax Group in all Tax Periods before Company L leaves the Tax Group (i.e. Company K's QFPE + Company L's QFPE + Company M's QFPE)	(75)
B.	Aggregate gross Taxable Income from all Qualifying Foreign Permanent Establishments of the Tax Group before Company L leaves the Tax Group (i.e. Company L's QFPE + Company M's QFPE)	45
C.	Amount of Tax Losses from Company L's Qualifying Foreign Permanent Establishment that were previously taken into account by the Tax Group	(20)
D.	Portion of aggregate Taxable Income of all QFPEs of the Tax Group allocated to Qualifying Foreign PE of Company L	12 (calculated as B * C / A)
E.	Amount of Tax Losses attributable to Company L's Qualifying Foreign Permanent Establishment that is not offset by Taxable	8 (calculated as C – D)

	Income apportioned to Company L under row D above	

In 2027 Tax Period, Company L cannot elect for the Foreign Permanent Establishment exemption since Tax Losses from Qualifying Foreign Permanent Establishments of Company L are not fully offset against the Taxable Income apportioned to Company L.

Furthermore, the Tax Losses from Qualifying Foreign Permanent Establishments of the remaining members of the Tax Group are AED 55 million (AED 50 million for Company K + AED 5 million for Company M) and the remaining aggregate Taxable Income from the Tax Group's Qualifying Foreign Permanent Establishments, after deducting the Taxable Income apportioned to Company L, is AED 33 million (AED 45 million – AED 12 million). The amount of Tax Losses attributable to the remaining Qualifying Foreign Permanent Establishment that is not offset by Taxable Income of the Tax Group is AED 12 million (AED 55 million – AED 33 million). Hence, in 2027 Tax Period, the Tax Group also cannot elect for the Foreign Permanent Establishment exemption until the Tax Losses of AED 12 million from Qualifying Foreign Permanent Establishments of remaining members of the Tax Group are fully offset against the aggregate Taxable Income from the Tax Group's remaining Qualifying Foreign Permanent Establishments.

12.2.4. Limits on Participation Exemption in case of deduction of losses from Foreign Permanent Establishments

12.2.4.1. Tax Periods commencing on or after 1 January 2025

A Tax Group may elect to exclude the net income of its Qualifying Foreign Permanent Establishments in determining its Taxable Income (Foreign Permanent Establishment exemption).[417]

However, if a Tax Group does not make the election for the Foreign Permanent Establishment exemption for a Tax Period, the net income is included in the Taxable Income of the Tax Group. This means that the Tax Losses incurred by a Foreign Permanent Establishment reduce its Taxable Income. Where, in the subsequent Tax Period, the Tax Group transfers all the assets and liabilities of its Qualifying Foreign Permanent Establishment(s) to a Participation (that is outside the Tax Group) which results in termination of the existence of such Foreign Permanent Establishment(s), the Tax Group can benefit from the Participation Exemption in respect of income from

[417] Article 24(1) and 24(7) of the Corporate Tax Law.

the Participation only after any aggregate Tax Losses incurred in relation to the Qualifying Foreign Permanent Establishments of the Tax Group are fully offset by:

- the aggregate Taxable Income from the Tax Group's Qualifying Foreign Permanent Establishment(s), or
- any income from Participations (which received the assets and liabilities from the former Qualifying Foreign Permanent Establishment(s)) that has been adjusted in any previous Tax Period.[418]

The income of a Non-Qualifying Foreign Permanent Establishment of a Resident Person is not eligible for Foreign Permanent Establishment exemption. Accordingly, where a Tax Group's Non-Qualifying Foreign Permanent Establishment(s) has incurred Tax Losses in a Tax Period, such Tax Losses would have to be taken into account by the Tax Group in determining its Taxable Income. In the subsequent Tax Period, if the Tax Group transfers all the assets and liabilities of its Non-Qualifying Foreign Permanent Establishment(s) to a Participation (outside the Tax Group) which results in the termination of the existence of the Foreign Permanent Establishment(s), the Tax Group can benefit from Participation Exemption in respect of income from the Participation only after any aggregate Tax Losses incurred by those Non-Qualifying Foreign Permanent Establishments from which the assets and liabilities were transferred, are fully offset by:

- the aggregate Taxable Income from the Tax Group's Non-Qualifying Foreign Permanent Establishment(s), or
- any income from Participations (which has received the assets and liabilities from the former Non-Qualifying Foreign Permanent Establishment(s)) that has been adjusted in any previous Tax Period.[419]

To calculate the aggregate Tax Losses and aggregate Taxable Income, the Tax Group should combine the Taxable Income and Tax Losses of all the Qualifying Foreign Permanent Establishments or Non-Qualifying Foreign Permanent Establishments (as the case may be) for each Tax Period, including Tax Periods commencing prior to 1 January 2025 (see Section 12.2.4.2). Note, such aggregate Tax Losses or aggregate Taxable Income shall be adjusted by income from the Participation (which has received the assets and liabilities from the former Qualifying Foreign Permanent Establishment(s) or Non-Qualifying Foreign Permanent Establishment(s), as the case may be) that has previously been adjusted. For a given Tax Period, a Tax Group's Qualifying Foreign Permanent Establishments would have either aggregate Tax Losses or aggregate Taxable Income, and likewise for its Non-Qualifying Foreign Permanent Establishments.

[418] Article 14(2) of Ministerial Decision No. 302 of 2024.
[419] Article 14(3) of Ministerial Decision No. 302 of 2024.

The aggregate Tax Losses can only be offset against aggregate Taxable Income arising in subsequent Tax Periods. In other words, an aggregate Tax Loss cannot offset against an aggregate Taxable Income from a Tax Period before the Tax Loss was realised. The Participation Exemption will apply to the extent that income from a Participation exceeds the remaining Tax Losses to be offset (i.e. the balance of the income from the Participation would be subject to Corporate Tax). If a portion of the Tax Losses were offset before the Foreign Permanent Establishment was converted into a Participation, this reduces the remaining Tax Losses that are required to be offset before the Participation Exemption is available. If there were several Foreign Permanent Establishments for which Tax Losses were taken into account, any offset of Tax Losses before the conversion will be apportioned to each Foreign Permanent Establishment, in proportion to the amount of Tax Losses that were previously taken into account (following the same approach as outlined in Section 12.2.3). Any aggregate Tax Losses that have not been offset in a Tax Period can be offset against aggregate Taxable Income in subsequent Tax Periods.

In the context of Tax Groups, if a Subsidiary leaves the Tax Group while holding a Participation that has been created upon incorporation of the Qualifying Foreign Permanent Establishment or Non-Qualifying Foreign Permanent Establishment, the restriction on the Participation Exemption will continue to apply to the former Subsidiary in relation to any future income from that Participation until the relevant Tax Losses have been offset.

If a Tax Group has or had several Foreign Permanent Establishments for which Tax Losses were taken into account in a previous Tax Period, any offset of such Tax Losses that takes place before the Subsidiary leaves the Tax Group will be apportioned to each Foreign Permanent Establishment or Participation, in proportion to the amount of Tax Losses that were previously taken into account.

12.2.4.2. Tax Periods commencing before 1 January 2025

Where a Tax Group has a Foreign Permanent Establishment and has taken into account a Tax Loss incurred by that Foreign Permanent Establishment in determining the Tax Group's Taxable Income, and the Foreign Permanent Establishment is incorporated before the previously utilised Tax Loss is fully offset, any Dividends or other income arising upon or following incorporation of the relevant Foreign Permanent Establishment cannot benefit from the Participation Exemption until such income offsets the entirety of the previously utilised Tax Loss.[420]

Where the Tax Group has Tax Losses from a Foreign Permanent Establishment which has not been fully offset by the end of the last Tax Period that commences before 1

[420] Article 13 of Ministerial Decision No. 116 of 2023.

January 2025, such accumulated losses would become subject to the rules provided above under Section 12.2.4.1.

In this situation the Tax Group would then treat the Tax Losses as arising from a Qualifying Foreign Permanent Establishment or a Non-Qualifying Foreign Permanent Establishment, depending on whether the Foreign Permanent Establishment was subject to Corporate Tax, or a tax of a similar character, at a rate not less than 9%, in the foreign jurisdiction in which the Foreign Permanent Establishment is established/arises.[421] The Tax Losses would be treated as part of the aggregate Tax Losses from Qualifying Foreign Permanent Establishments or Non-Qualifying Foreign Permanent Establishments when applying the rules above in Section 12.2.3.

[421] Article 6 of Ministerial Decision No. 302 of 2024.

13. Updates and Amendments

Date of amendment	Amendments made
January 2024	• First version
November 2026	• Revised the whole guide for simplification and amendment of content in light of recent updates specifically in relation to: - Section 4.1 has been updated to clarify the application of conditions to be a member of Tax Group in case of an Unincorporated Partnership that is approved to be a separate Taxable Person, as per Cabinet Decision No. 63 of 2025. - Section 8.2 has been updated to clarify the preparation of the Aggregated Financial Statements of the Tax Group, as per Ministerial Decision No. 84 of 2025 and FTA Decision No. 7 of 2025. - Section 8.4.5.3 has been updated to clarify the application of the depreciation adjustments on Investment Properties, as per Ministerial Decision No. 173 of 2025. - Section 8.6 has been updated to clarify the determination of liquidation loss in case of liquidation of a Participation that is a member of the Tax Group, and also liquidation of Participation that is held by the Tax Group but is not a member of the Tax Group, as per Ministerial Decision No. 302 of 2024. - Section 12.2.3 has been updated to clarify the limitation of the Foreign Permanent Establishment exemption election in case of deduction of losses from Foreign Permanent Establishments, as per Ministerial Decision No. 302 of 2024. - Section 12.2.4 has been updated to clarify the limitation of the Participation Exemption in case of the deduction of losses from Foreign Permanent Establishments and the Foreign Permanent Establishment subsequently transfers its assets and liabilities to a Participation, resulting in the termination of the

Date of amendment	Amendments made
	existence of that establishment, as per Ministerial Decision No. 302 of 2024. - Sections 10.2 and 11.2.3 have been updated to clarify the utilisation of pre-Grouping Tax Losses and pre-Grouping NIE by a Tax Group, as per Ministerial Decision No. 301 of 2024. - Sections 10.2.2 and 11.2.2 have been updated to clarify the consequences where the Tax Group does not opt to utilise pre-Grouping Tax Losses or pre-Grouping NIE, as per Ministerial Decision No. 301 of 2024. - Section 12.1 has been updated to clarify the calculation of Foreign Tax Credit at the level of the Tax Group, as per Ministerial Decision No. 301 of 2024.

14. Appendix A: Aggregated Financial Statements – illustrative special purpose audit report and basis of preparation

14.1. Illustrative auditor's report on Aggregated Financial Statements

Practitioner's notes:

- Use of the auditor's report is restricted to the management of the relevant entities and the FTA.
- Other information is not applicable to the Aggregated Financial Statements and, hence, not considered in the audit opinion.
- The FTA has not requested for key audit matters, hence, they are not applicable to the audit of the Aggregated Financial Statements.
- Auditors have no other reporting responsibilities required under local law or regulation that needs to be specifically referenced in the Aggregated Financial Statements. Therefore, paragraphs on "legal and other regulatory requirements" are not applicable.

INDEPENDENT AUDITOR'S REPORT TO [THOSE CHARGED WITH GOVERNANCE] OF [NAME OF THE COMPANY]

Opinion

We have audited the Aggregated Financial Statements of [Name of the Company] (the "Company" or "Parent") and its Subsidiaries (collectively referred to as the "Tax Group"), which comprise the aggregated statement of financial position as at [date], and the aggregated statement of income, the aggregated statement of other comprehensive income and the aggregated statement of changes in equity for the year then ended, and notes to the Aggregated Financial Statements, including material accounting policy information.

In our opinion, the accompanying Aggregated Financial Statements of the Tax Group for the Financial Year ended [date] are prepared, in all material respects, in accordance with the accounting policies described in Note [X] to the Aggregated Financial Statements.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the Aggregated Financial Statements section of our report. We are independent of the Tax Group in accordance with the International

Code of Ethics for the Professional Accountants (including International Independence Standards) (the "IESBA Code") together with the ethical requirements that are relevant to our audit of the Aggregated Financial Statements in United Arab Emirates, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter – basis of accounting and restriction on distribution and use

We draw attention to Note [X] to the Aggregated Financial Statements, which describes the basis of accounting. The Aggregated Financial Statements are prepared solely to assist the Tax Group in preparing Tax Returns and for submission to the FTA as required by Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses, and its amendments. As a result, the Aggregated Financial Statements may not be suitable for another purpose. Our report is intended solely for the information and use of the Tax Group and the FTA and should not be distributed to or used by parties other than Tax Group or the FTA. Our opinion is not modified in respect of this matter.

Responsibilities of management [and those charged with governance] for the aggregated financial statements

Management of the relevant entities is responsible for the preparation of these Aggregated Financial Statements in accordance with accounting policies described in Note [X] to the Aggregated Financial Statements, and for such internal control as management determines is necessary to enable the preparation of Aggregated Financial Statements that are free from material misstatement, whether due to fraud or error.

[Those charged with governance] are responsible for overseeing the Tax Group's combined financial reporting process.

Auditor's responsibilities for the audit of the Aggregated Financial Statements

Our objectives are to obtain reasonable assurance on whether the Aggregated Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Aggregated Financial Statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Aggregated Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Tax Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Plan and perform the Tax group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units in the Tax group as a basis for forming an opinion on the Aggregated Financial Statements. We are responsible for the direction, supervision and review of the audit work performed for the purposes of the Tax group audit. We remain solely responsible for our audit opinion.

We communicate with [those charged with governance] regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide [those charged with governance] with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

For [Name of Audit firm]

Signed by:
[Name of partner]
Partner
Registration No: [x]

[Date]
Dubai, United Arab Emirates

14.2. Illustrative basis of preparation to be included in the Aggregated Financial Statements

Practitioner's note: This section lays down the mandatory "basis of preparation" wording to be included in the Aggregated Financial Statements.

BASIS OF PREPARATION

Statement of compliance

These Aggregated Financial Statements have been prepared solely to assist the Tax Group in preparing Tax Returns and for submission to the Federal Tax Authority ("FTA") as required by Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses, and its amendments based on:

- Material accounting policies described in note [x]
- Critical accounting estimates and judgments described in note [x]

The Parent Company also prepares/d separately the consolidated Financial Statements in accordance with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), and applicable requirements of the UAE Federal Decree-Law No. 32 of 2021 and the Memorandum of Association of the Company. These consolidated Financial Statements are different from the Aggregated Financial Statements prepared for Corporate Tax purposes.

Basis of aggregation

The Aggregated Financial Statements have been prepared in accordance with the Aggregated Financial Statements framework issued by the FTA.

Scenario: Parent Company aggregates the results of Subsidiaries with an ownership of 95% or more that are members of a Tax Group. Results of all other subsidiaries that are not members of the Tax Group are carried at cost less impairment losses, if any.

These Aggregated Financial Statements comprise the Financial Statements of the Parent Company and the following Subsidiaries where the Parent Company [owns at least 95% of the share capital (directly or indirectly)] (and) [holds at least 95% of the voting rights (directly or indirectly)] (and) [is entitled to at least 95% of the profits and net assets (directly or indirectly)].

Name of subsidiary	Country of incorporation	Registration date in the commercial register:	Ownership (direct or indirect)

Remaining subsidiaries (that are not members of the Tax Group) are not consolidated and are carried at historical cost.

The Financial Statements of the Parent Company and its subsidiaries within the Tax Group have been aggregated on a line-by-line basis. Adjustments arising from business combinations of legal entities within the Tax Group, such as goodwill, gain on bargain purchase and fair value adjustments of assets and liabilities and inter-company eliminations relating to investment of the acquiring company and equity of the subsidiaries within the Tax Group have not been incorporated in these Aggregated Financial Statements. Assets, liabilities, goodwill (or) gain on bargain purchase relating to business combinations executed without the acquisition of a separate legal entity are part of the separate financial statements of the acquiring company and are aggregated completely into these Financial Statements.

All other inter-company balances, income, expenses and unrealised gains and losses and transactions between entities within the Tax Group have been eliminated.