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UAE Tax Alert

Updated Corporate Tax Guide on Tax Groups (CTGTGR1)

November 2026

Executive Summary

The Federal Tax Authority (FTA) issued an updated Corporate Tax Guide on Tax Groups (CTGTGR1) in November 2026, replacing the previous guidance published in January 2024.

The updated guide incorporates legislative developments and provides further clarification on the application of UAE Corporate Tax rules to Tax Groups.

Key areas addressed include the preparation and audit of aggregated financial statements, the treatment of pre-grouping tax losses and net interest expenditure, foreign permanent establishment exemptions, foreign tax credits and participation exemption adjustments.

These developments have important implications for existing and prospective Tax Groups, particularly in relation to tax compliance, financial reporting and tax planning.

Core Structural, Regulatory & Cross-Border Differences

Focus Area	January 2024 Guide	November 2026 Guide
Financial Statement Framework	Referenced general consolidation under IFRS / IFRS for SMEs; standalone audit required if revenue > AED 50M.	Requires Tax Groups to prepare audited special-purpose Aggregated Financial Statements in accordance with the applicable FTA requirements and prescribed aggregation methodology.
Foreign PE Exemption (Art. 24)	High-level mention of PE exemption election without detailed consolidated Tax Group interaction.	Clarifies the calculation and utilization of Foreign Tax Credits at Tax Group level, including the applicable limitation and restrictions on foreign taxes attributable to exempt income.
Foreign Tax Credit (FTC) Mechanics	Outlined general FTC principles under Article 47.	Establishes consolidated Tax Group FTC calculation, cap based on average group tax rate, and explicit prohibition of crediting foreign tax paid on exempt PE/Participation income.
Participation Exemption (Art. 23)	Governed by Ministerial Decision No. 116 of 2023.	Governed by Ministerial Decision No. 302 of 2024; details 7-year lookback adjustments for liquidation losses.
Unincorporated Partnerships	Excluded from Tax Groups entirely as non-juridical persons.	Unincorporated Partnerships that elect and obtain approval to be treated as taxable persons in their own right may qualify for Tax Group membership, subject to the applicable conditions.
Investment Property Adjustments	No special tax depreciation rules for fair-value Investment Properties.	Introduces Ministerial Decision No. 173 of 2025 allowing a 4% annual tax depreciation election on Original Cost for fair-value properties.

1. Aggregated Financial Statements & Special Audit

1 Line-by-Line Aggregation

No standard IFRS 10 consolidation: Tax Groups are required to prepare Aggregated Financial Statements using the prescribed tax aggregation methodology rather than conventional IFRS 10 consolidation. The process involves aggregating the financial information of eligible Tax Group members, subject to the prescribed adjustments and eliminations.

2 Un-Eliminated Asset Lines

Equity and Investment Retention: Investment asset lines in subsidiaries are retained un-eliminated on aggregation.

This prevents complex IFRS 3 fair value revaluations, purchase price allocations, and goodwill creation from corrupting the tax base.

3 Special Purpose Audit

Mandatory Group Audit: The Tax Group must prepare and maintain audited Aggregated Financial Statements.

Appendix A provides illustrative special purpose auditor reports and required basis-of-preparation note disclosures.

2. Foreign PE Exemption at Group Level (Article 24)

MANDATORY GROUP-WIDE "ALL-OR-NONE" RULE

When a Parent Company makes an Article 24 election, it applies to **ALL qualifying foreign PEs** held across all members of the Tax Group. Individual group members cannot selectively opt in or out for specific branches.

Qualifying Foreign PEs	Non-Qualifying PEs
Subject to host tax rate ≥ **9%**. Profits and losses completely excluded from Tax Group base.	Where exemption condition not satisfied (Host tax rate < 9%). Foreign PE Profits remain fully taxable at 9% in UAE (with Foreign Tax Credits).

KEY POINTS:

1. HISTORICAL LOSS RECAPTURE

If a foreign PE generated prior tax losses that offset UAE taxable income, the exemption does not apply until future PE profits fully recapture those past losses.

2. MANDATORY TRANSFER PRICING

Transactions between a UAE member and its foreign PE must strictly adhere to the Arm's Length Principle (Art. 34) to determine correct net exempt income.

3. Unincorporated Partnerships & Real Estate

UNINCORPORATED PARTNERSHIPS : Inclusion in Tax Groups

- While previously excluded as non-juridical persons, partnerships that successfully **elect standalone corporate taxability (i.e., fiscally opaque status)** are deemed juridical/resident persons.
- They can now act as a Parent Company or Subsidiary within a Tax Group provided the 95% ownership threshold is met.

INVESTMENT PROPERTY DEPRECIATION (Ministerial Decision 173 of 2025)

- 4% Tax Depreciation Election: Tax Groups holding real estate recorded at fair value under IFRS can make an irrevocable election to claim 4% annual tax depreciation on Original Cost.
- Cumulative tax depreciation claimed is added back to Taxable Income upon eventual asset realization/disposal.

4. Participation Exemption & Interest Attribution

Participation Exemption Liquidation Loss Adjustments (MD 302/2024)

Deductible liquidation losses on Participating Interests must be reduced by exempt dividends received, tax loss transfers, and below-market asset transfers across the preceding 7 Tax Periods prior to liquidation.

7-Year Lookback

Net Interest Expenditure (NIE) Mathematical Attribution

Deductible NIE at member level is apportioned based on the ratio of standalone member NIE to overall Tax Group NIE, ensuring alignment with the 30% tax-adjusted EBITDA cap under Article 30.

Formula Framework

Pre-Grouping Losses & Multi-Tier Loss Tracking (MD 301/2024)

Pre-grouping tax losses must be separately tracked for each relevant Tax Group member. Such losses can only be utilized against the portion of the Tax Group's Taxable Income attributable to the member that generated those losses, subject to the applicable statutory conditions and restrictions.

Loss Restrictions

Immediate Actions for Tax Groups

❖ **Review Tax Group Structure :**

- Assess group membership eligibility for fiscally opaque Unincorporated Partnerships (95% ownership threshold).
- Evaluate the group-wide "all-or-none" Foreign PE election (Article 24) across all subsidiary branches.
- Identify intra-group transfers or restructurings impacted by the 7-year Participation Exemption liquidation lookback

❖ **Review Tax Attributes:**

- Track pre-grouping tax losses per member to ring-fence utilization against member-attributable taxable income (MD 301/2024).
- Recalculate member-level Net Interest Expenditure (NIE) ratios against the 30% tax-adjusted EBITDA cap.
- Segregate Foreign Tax Credits on taxable streams from disallowed credits on exempt PE/Participation income.

❖ **Strengthen Tax Governance:**

- Configure ERP/accounting systems for line-by-line tax aggregation (excluding applicable consolidation adjustments).
- Engage statutory auditors early for mandatory special-purpose Aggregated Financial Statement audits.
- Document formal elections (e.g., 4% fair-value real estate depreciation under MD 173/2025) and Arm's Length transfer pricing for foreign PEs.



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