

MI CAPITAL

Comprehensive Financial Services



**MIC
TAX Services**

An Initiative of MI CAPITAL Services



**MIC
Technology Services**

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Revaluation of Assets & Liabilities under *UAE Corporate Tax*

Simplified for you



ARTICLE 61: TRANSITIONAL RULES



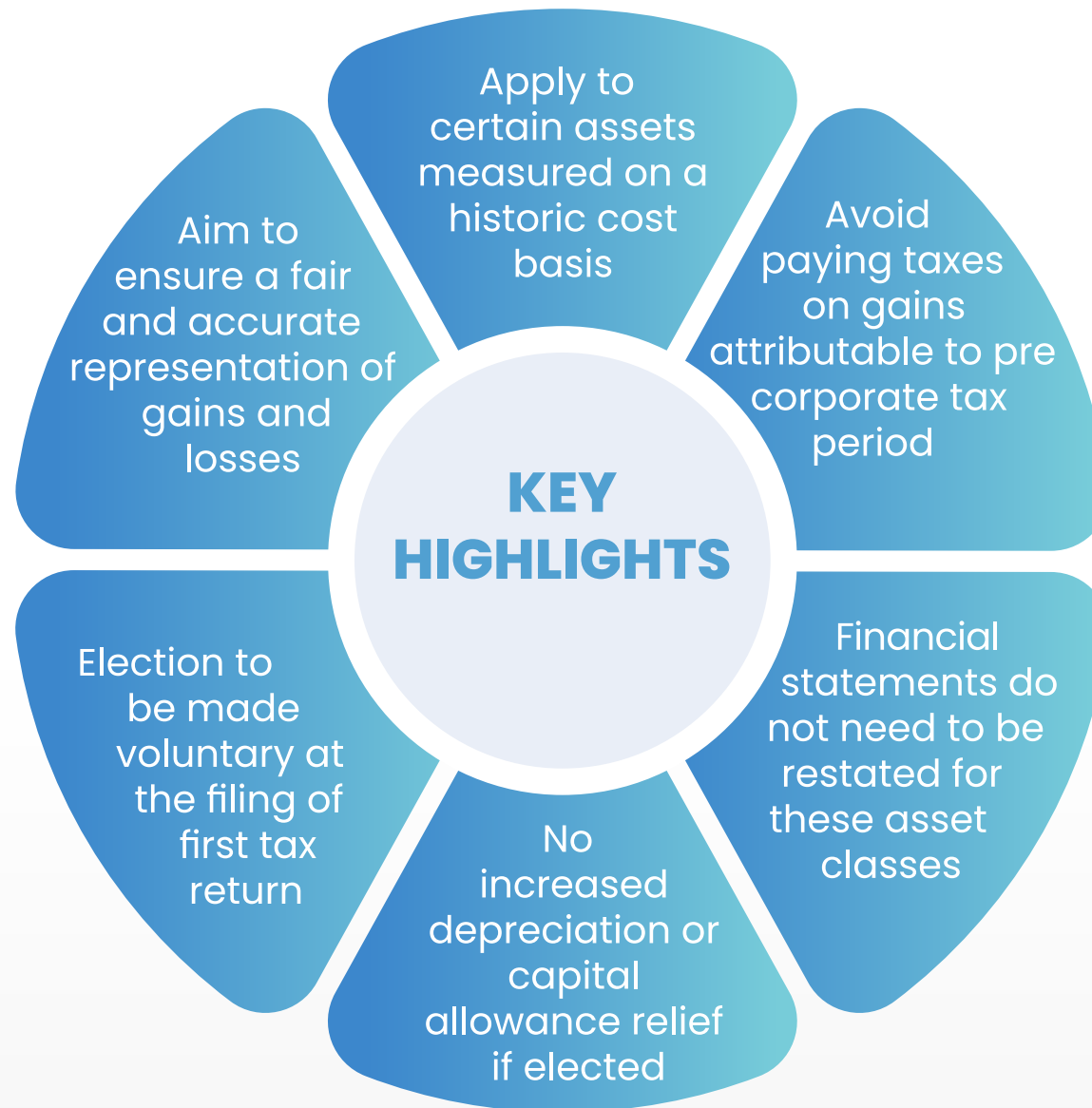
Taxable Person's Opening Balance Sheet = Closing Balance Sheet as per accounting standards on last day of FY ending before first tax period.

Opening Balance Sheet prepared considering Arm's length principle.

GAAR (Article 50) to apply over & above these rules (to avoid undue CT advantage , benefit or relief).

Article 61 – Federal Decree Law No. 47 of 2022

MINISTERIAL DECISION 120 OF 2023



Ministerial Decision No. 120 on Adjustments under transitional rules

ADJUSTMENTS TO TAXABLE INCOME

Taxable
Person
holding

- Immovable Property
- Intangible Assets
- Financial Assets & Liabilities

*Adjust Taxable Income for Gains/ losses recognized on disposal (upon election)

*Subject to fulfillment of conditions



Ministerial Decision No. 120 on Adjustments under transitional rules

ADJUSTMENTS FOR IMMOVABLE PROPERTY

**Immovable Property (IP) =
Qualifying Immovable
Property (QIP)**

Owned prior to
first tax period

Measured on historical
cost basis in Financial
Statements

Disposed or deemed
disposed during or after
first tax period for value
exceeding the Net Book
Value(i.e. for profits)

Exclude gains/profits from taxable income for each Qualifying Immovable Property

Option 1:

Gains = Market Value (MV) at
start of first tax period (-)
Higher of Cost/ Net Book Value
(NBV)

Option 2:

Gains = (1) x (2)

1. Sales Proceeds (-) higher of
Cost/ NBV
2. (No. of days Asset owned
before first tax period) / Total
no. of days IP owned

Other conditions :

1. Adjustment to taxable income is subject to election made by taxable person
2. Election to be made for each QIP upon submission of first tax return & deemed irrevocable unless exceptional cases
3. Market Value to be determined by relevant government authority
4. Ownership by Qualifying groups/ tax groups to be considered (if applicable)

Article 2,5 – Ministerial Decision No. 120 of 2023, on adjustments under transitional rules for Federal Decree Law No.47 of 2022

ILLUSTRATION

ABC Co. holding Property & Equipment purchased on **1st Jan 2020, for AED 6,000,000** with estimated useful life of **20 years**. The company to sell the property in the **year 2026 for 20,000,000**

Option 1 : Exclude Gains from Taxable Income

Step 1 – Calculate NBV as on 31 st Dec,2023	
Cost as on 1 st Feb, 2020	6,000,000
Less : Depreciation from 2020 to 2023	1,200,000
WDV as on 31 st Dec, 2023 (Net Book Value)	4,800,000
Step 2– Calculate estimated Gains to be excluded	
Market Value as on 31 st Dec, 2023	12,000,000
Less : Higher of Cost or NBV	6,000,000
Estimated Gain to be excluded from Taxable Income (in 2026)	6,000,000
Step 3 – Calculate NBV as on 31 st Dec, 2026	
WDV as on 31 st Dec,2023	4,800,000
Less : Depreciation from 2024 to 2026	900,000
WDV as on 31 st Dec,2026 (Net Book Value)	3,900,000
Step 4– Taxable gains under Corporate tax	
Sales Price as on 31 st Dec,2026	20,000,000
Less : Net Book Value as on 31 st Dec,2026	3,900,000
Gain on Sale of Property	16,100,000
Less : Estimated gains as calculated in Step 2	6,000,000
Gains subject to Corporate Tax @ 9%	10,100,000

Option 2 : Exclude Gains from Taxable Income

Step 1 – Calculate estimated Gains	
Sales Price as on 31 st Dec, 2026	20,000,000
Less : Higher of Cost or NBV	6,000,000
Estimated Gain on Sale of property	14,000,000
Step 2 – Calculate no. of days	
No. of days property held in pre tax period (1/1/20– 31/12/23)	1460
Total No. of days Asset holding (2020–2026)	2555
% of no. of days Asset held in pre tax period	57.14%
Gain for pre tax period (14,000,000 * 57.14%)	8,000,000
Step 3 – Taxable Gains under Corporate Tax	
Sales Price as on 31 st Dec,2026	20,000,000
Less : Net Book Value as on 31 st Dec,2026	3,900,000
Gain on sale of Property	16,100,000
Gains for Pre tax period as calculated in Step 2	8,000,000
Gains subject to Corporate Tax @ 9%	8,100,000

ADJUSTMENT FOR INTANGIBLE ASSETS

**Intangible Assets (IA) =
Qualifying Intangible
Assets (QIA)**

Owned prior to
first tax period

Measured on historical
cost basis in Financial
Statements

Disposed or deemed
disposed during or after
first tax period for value
exceeding the Net Book
Value(i.e. for profits)

Other conditions :

1. Adjustment to taxable income is subject to election made by taxable person
2. Election to be made for QIA upon submission of first tax return & deemed irrevocable unless exceptional cases
3. Ownership by Qualifying groups/ tax groups to be considered (if applicable)

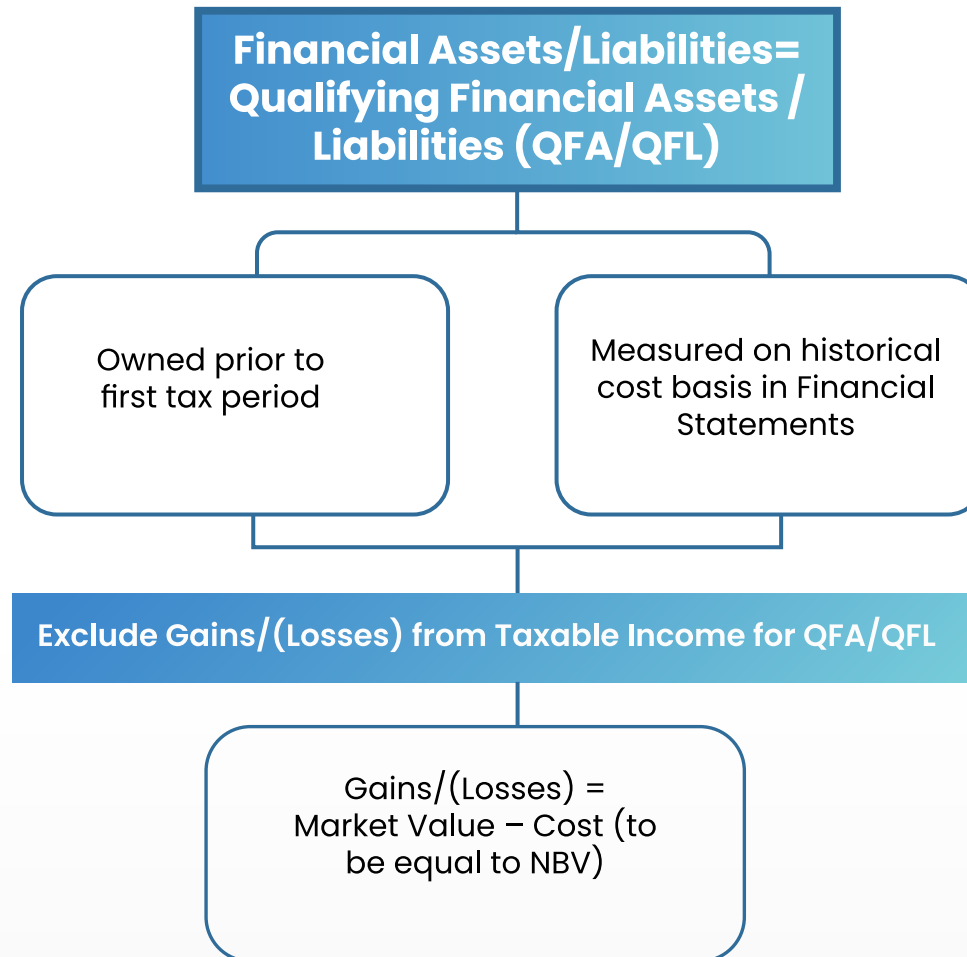
Exclude gains/profits from taxable income for each Qualifying Intangible Asset

Gains = (1) x (2)

- A. Sales Proceeds (-) Higher of Cost/ Net Book Value
- B. (No. of days Asset owned before first tax period) / Total no. of days IA owned
capped to 10 years

Article 3,5 – Ministerial Decision No. 120 of 2023, on adjustments under transitional rules for Federal Decree Law No.47 of 2022

ADJUSTMENT FOR FINANCIALS ASSETS & LIABILITIES



Other conditions :

1. Adjustment to taxable income is subject to election made by taxable person
2. Election to be made for QFA/QFL upon submission of first tax return & deemed irrevocable unless exceptional cases
3. Ownership by Qualifying groups/ tax groups to be considered (if applicable)

Article 4,5 – Ministerial Decision No. 120 of 2023, on adjustments under transitional rules for Federal Decree Law No.47 of 2022



MANAGEMENT TEAM



Mounir Douaidy, FCA
Chairman



Ala Khannak, FCA
Board Advisor



Sheetal Soni, CA, CFA
Partner



Prateek Tosniwal, FCA
Partner



Mohamed Khannak, CFA
General Manager

OPERATIONAL TEAM



Chadi El Mekhallalati
IT Director



Chadi Abdallah
Tax Director



Fadi A. Damaj
IT Director



Karishma B Suwarnakar, CA
Tax Manager



Lara Moussawi
Tax Consultant



Doha Harb
Tax Consultant

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CONTACT OUR EXPERTS NOW



Sheetal Soni, CA, CFA
Partner

+971 52 8002110

✉ sheetal.soni@micapitalservices.com



Prateek Tosniwal, FCA
Partner

+971 58 578 9015

✉ prateek@micapitalservices.com



Mohamed Khannak, CFA
General Manager

+41 79 665 91 93

✉ mohamed.khannak@micapitalservices.com



Chadi Abdullah
Tax Director

+961 3 887 229

✉ c.abdallah@micapitalservices.com



Karishma B Suwarnakar, CA
Tax Manager

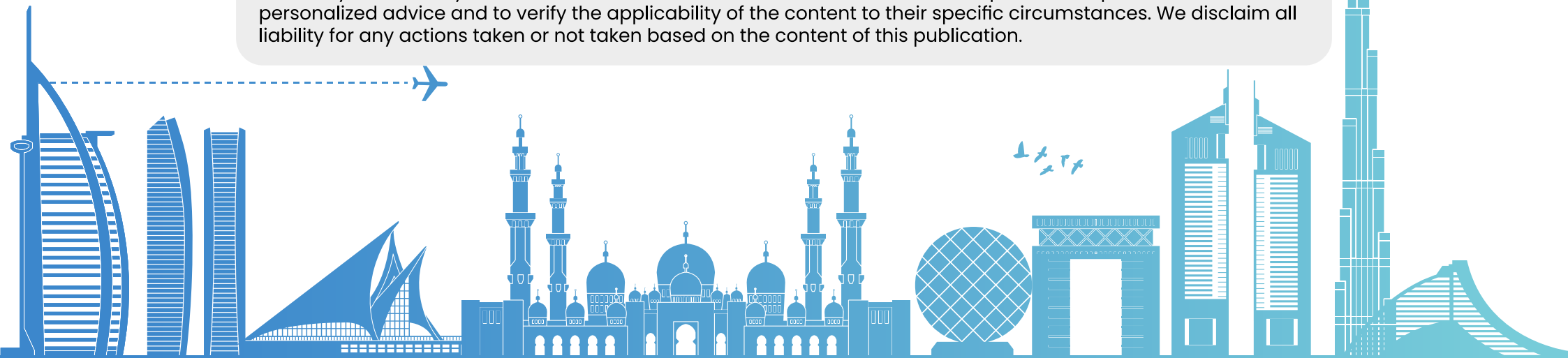
+971 56 687 5346

✉ karishma@micapitalservices.com

Thank you!

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📍 Level 4, 406, Citadel Towers, Business Bay, Dubai, United Arab Emirates

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