

Tax Groups Under UAE CT

Simplified for you

MICS

Comprehensive Financial Services



Our Videos/Webinars on Corporate Tax

- **Part 1- Taxable Persons & Basis of Taxation**
<https://youtu.be/Tp9fKHQaTn8>
- **Part 2 - Exempt Persons & Free Zone Persons**
<https://youtu.be/17-BpTYJL8E>
- **Part 3 - Calculation of Taxable Income**
<https://youtu.be/HKhC3OWzq44>
- **Part 4 - Transfer & Set Off of Losses and Calculation of Corporate Tax Liability**
<https://youtu.be/qcZg5wDM5FE>
- **Part 5 - Groups & Tax Groups**
<https://youtu.be/f4rJmR89WEQ>
- **UAE Corporate Tax Simplified (Public Consultation Document)**
<https://youtu.be/O5KdVbETdo4>
- **SMEsouk presents Webinar on Corporate Tax**
<https://youtu.be/8C9Ta0hp0kQ>
- **UAE CT Law Simplified (Federal Decree Law)**
<https://youtu.be/1GABzmHg64c>
- **UAE CT Law :Revaluation of Assets & Liabilities**
<https://youtu.be/zQL2dsK-IFc>



Our Webinars/Seminars/Staff Training



19 MAY, 2022

Understanding Public Consultation Document



23 JUNE, 2022

Understanding UAE CT with SME souk



19 DEC, 2022

UAE CT Law Simplified (Federal Decree Law)



25 MAY, 2023

Unravelling UAE CT



14 JUNE, 2023

UAE CT: Taxability of Free Zone entities



10 AUG, 2023

UAE CT: Simplifying freezone taxation



17 AUG, 2023

UAE CT: "Revaluation of Assets/Liabilities"

Our Webinars/Seminars/Staff Training



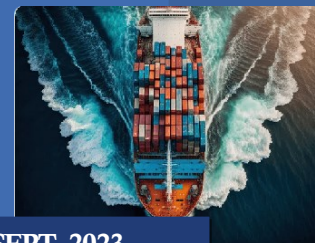
26 AUG, 2023

Seminar at Abu Dhabi
with ICAI Dubai
Chapter/Khaleej Times



31 AUG 2023

UAE CT Fund and Fund
Manager Taxation



2 SEPT, 2023

Staff Training for
Shipping industry



14 SEPT, 2023

Decoding UAE CT In
partnership with
Tally Solutions



15 SEPT, 023

Staff Training for
real estate
industry



27 SEPT, 2023

Simplify UAE CT In
association with *Dubai
eye & EY*



21 DEC, 2023

Natural Person
Taxation

UAE CT Opinion Articles in Newspapers

11 Sep 2023 Impact of corporate tax on real estate investors in the UAE

↳ www.khaleejtimes.com/business/impact-of-corporate-tax-on-real-estate-investors-in-the-uae

18 Sep 2023 Impact of corporate tax on Investment funds investment managers and investors

↳ www.khaleejtimes.com/business/impact-of-corporate-tax-on-investment-funds-investment-managers-and-investors

25 Sep 2023 Impact of corporate tax on freezone entity

↳ www.khaleejtimes.com/business/uae-impact-of-corporate-tax-on-free-zone-entities

2 Oct 2023 Impact of corporate tax on manufacturing companies

↳ www.khaleejtimes.com/business/impact-of-corporate-tax-on-manufacturing-companies

23 Oct 2023 Exempt Income

↳ <https://www.khaleejtimes.com/business/exempt-income-provisions-under-uae-corporate-tax>

26 Oct 2023 Tax Groups

↳ www.khaleejtimes.com/business/impact-of-corporate-tax-on-real-estate-investors-in-the-uae



UAE CT Opinion Articles in Newspapers

31 Oct 2023 **Transfer Pricing and arms Length Principle, Documentation**

www.khaleejtimes.com/business/navigating-global-business-the-art-of-transfer-pricing-and-the-arms-length-principle

5 Nov 2023 **Commodity traders in UAE**

www.khaleejtimes.com/business/exciting-news-for-commodity-traders-in-the-uae-on-corporate-taxation

11 Nov 2023 **UAE's single-digit corporate tax regime: Redefining global standards for fiscal efficiency**

www.khaleejtimes.com/business/uaes-single-digit-corporate-tax-regime-redefining-global-standards-for-fiscal-efficiency

10 Dec 2023 **MNE Taxation**

www.khaleejtimes.com/business/beyond-borders-unpacking-the-impact-of-corporate-tax-on-multinationals-in-the-uae

19 Dec 2023 **Accounting standards**

www.khaleejtimes.com/business/decoding-accounting-standards-insights-for-modern-businesses



Topics Covered

In this Webinar we will understand about

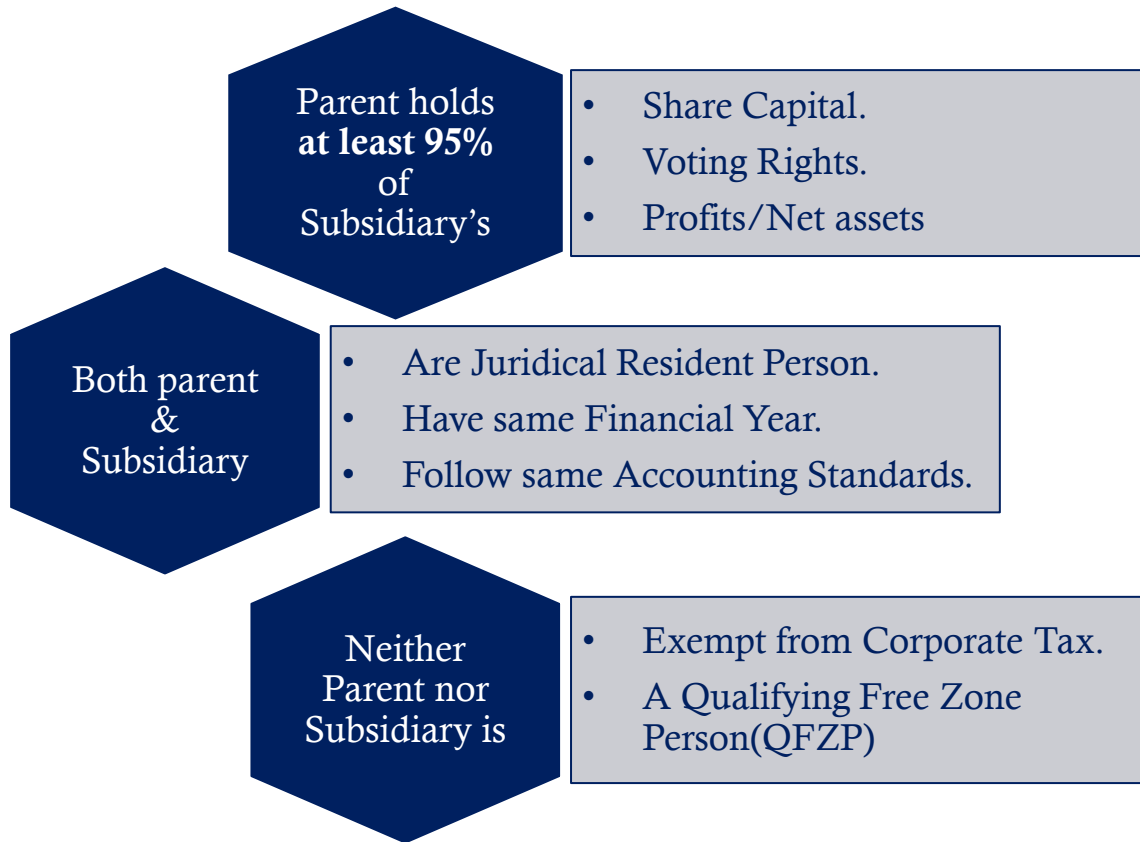
- Definitions and Conditions of Tax Groups
- Ownership Conditions
- Tax Period Satisfaction
- Residence and Tax Group
- Formation of Tax Group
- Changes in Members of Tax Group
- Cessation of Tax Group
- Attribution of Tax Group
- Tax Losses
- Interest Deduction Limitation Rule
- Foreign Tax Credit
- Consequences of Leaving Tax Group
- Taxable Income
- Pros and Cons



Definition And Conditions

A Tax Group is when two or more Taxable Persons are treated as a single Taxable Person. Subject to certain conditions and Application to FTA

Conditions to form a Tax Group:



Note: Above mentioned conditions should be continuously met throughout the relevant period.

Ownership Conditions

Share Ownership

Calculation of Ownership:
 $X/Y*100$

Where X = Capital owned by parent.

Y=Total issued capital of Subsidiary.

All Types of Shares (**Ordinary, Preference Shares**) to be considered

Voting Rights

Specific Considerations:
Matter Require Shareholder approval only consideration.

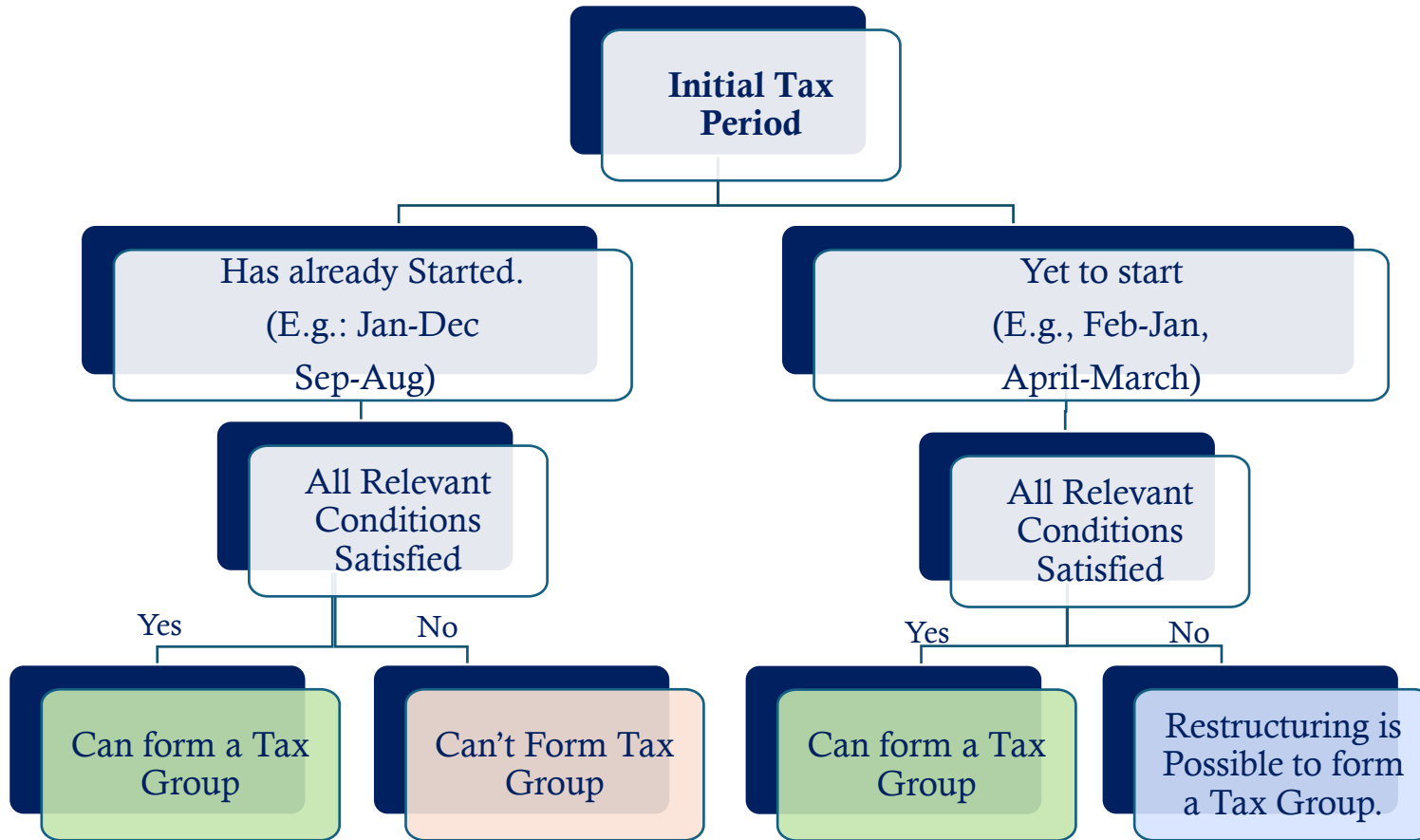
Proxy will not hamper right to Vote.

Profits and Net Assets

Net Assets=Total Asset-Total Liability.

Preference share profit to considered in 95% of Profits.

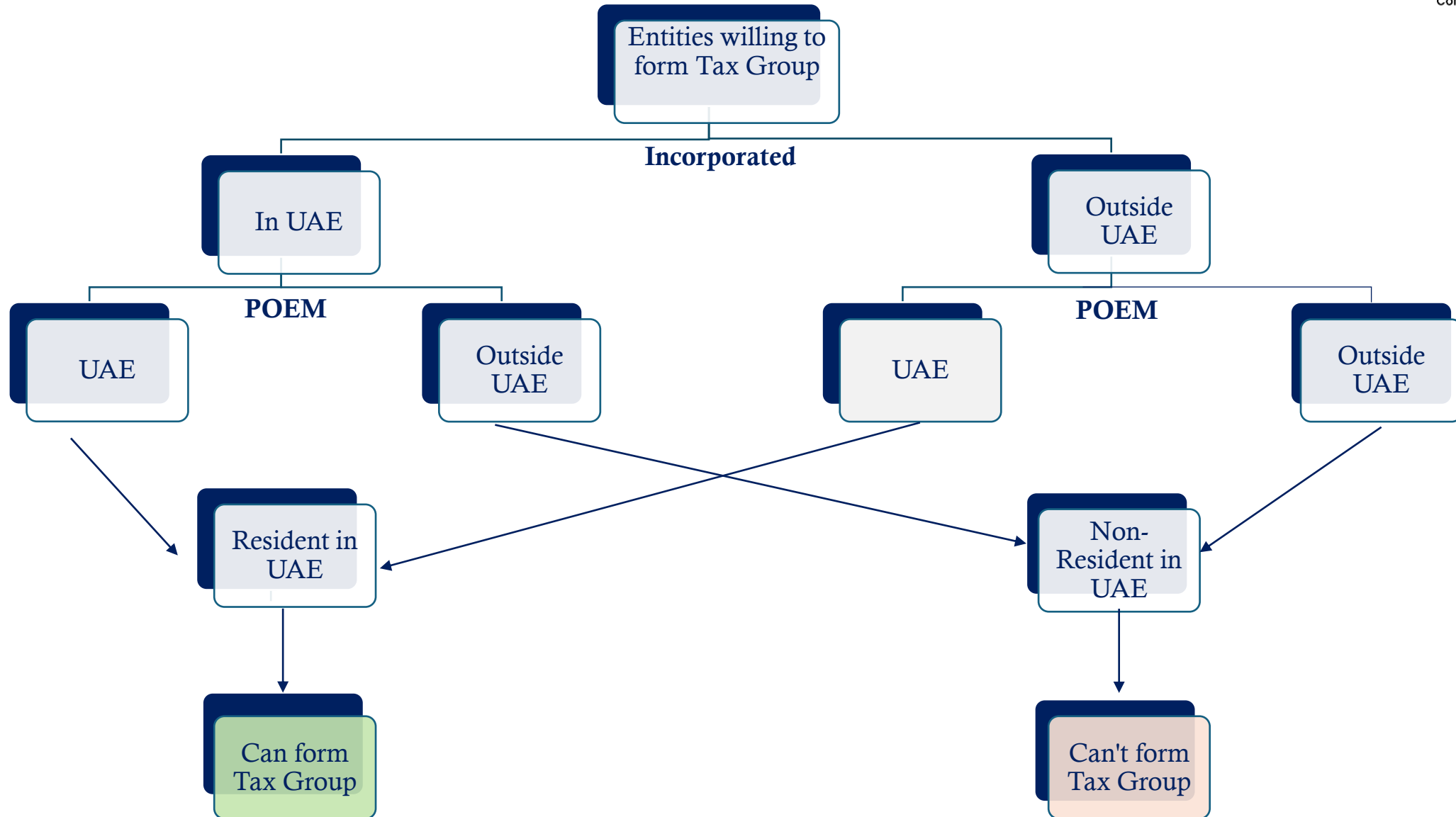
Conditions Satisfaction for Tax Period



Example:

- **Entity A Holds 100% of Entity B and 90% of Entity C:**
 - **If Jan-Dec financial year followed:**
 - ✓ Only A and B can form Tax Group.
 - **If April-March Financial year followed:**
 - ✓ A can acquire 5% more stake in C before 1st April.
 - ✓ And A,B and C all can form a Tax Group.

Residence and Tax Group



Formation of a Tax Group

➤ Process to form a Tax Group



➤ Responsibilities of the Parent Company

Preparation of Consolidated Financial Statements.

File Tax Return on behalf to Tax Group.

Payment of Tax on behalf to Tax Group.

Maintaining Sufficient and adequate supporting documents.

Other Conditions -

- Every Parent and Subsidiary company must have Separate TRN.
- Tax Group will have TRN.
- All Members Jointly and Severally Liable.

Changes in Members of Tax Group

Description	Timelines
Application to be made <ul style="list-style-type: none"> To form Tax Group To join Existing group To replace Parent company of existing group 	Before end of the Tax Period
Date for formation to join Existing Group	From Beginning of Tax period Specified in Application.
Date for Joining Tax Group by newly established entity	Date of its incorporation.
Leaving from Tax Group <ul style="list-style-type: none"> On Application Fail to comply with Tax Grouping conditions Tax Group cease to exist Member become Non-Resident for UAE 	From the Beginning Period : Specified in Application/ Period in which it becomes ineligible

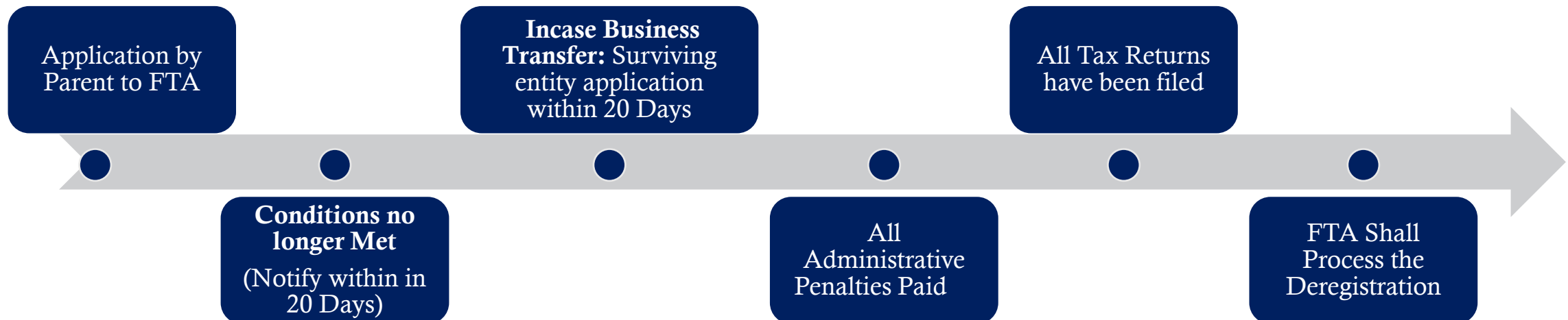


Cessation of Tax Group

➤ A Tax Group Shall Cease to exist in any of the following Circumstances:

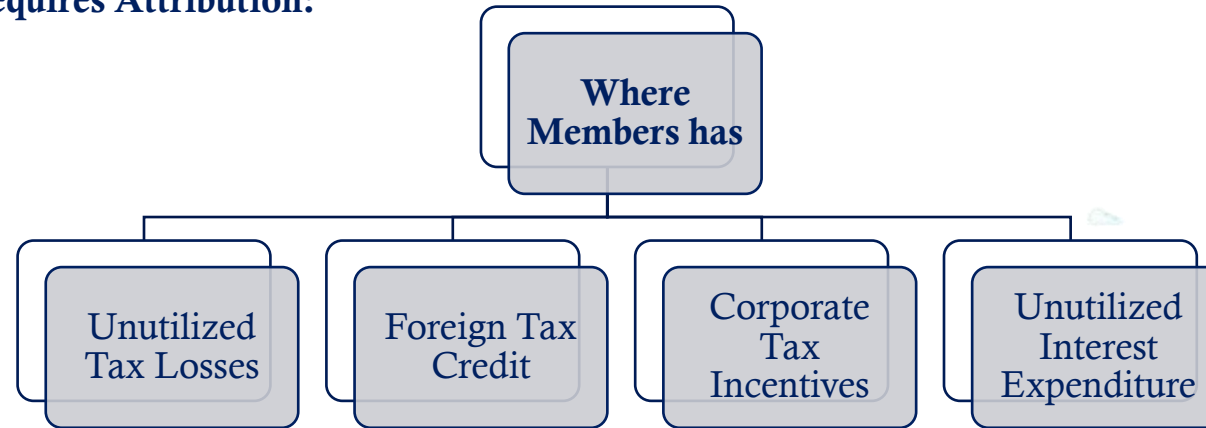
Circumstance	Date of Dissolution
On Application by Parent	Tax Period Specified in Application
Failure to meet Tax Grouping Conditions. (Notify FTA within 20 Days)	Beginning of tax period from which condition are not met.
If Only two members in Tax Group. (One Transfers entire Business to other)	Date when Transfer become effective; Two Separate Tax Returns: <ul style="list-style-type: none"> • One Before Transfer for tax Group by parent, • Second by Surviving entity after transfer.

➤ Tax De-Registration Process:







Attribution of Taxable Income

➤ Situations Requires Attribution:



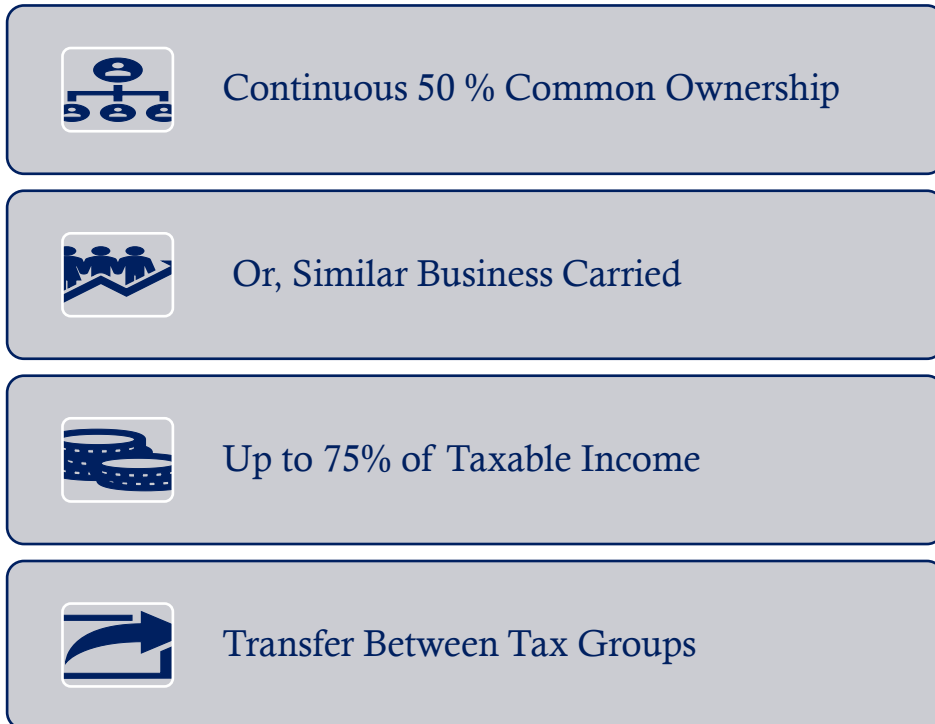
➤ Important Considerations:

-  Relief Available only in income attributed.
-  Separate Tax Calculation.
-  Arms length Principle to follow.
-  If loan Transaction between member, General Interest deduction limit will apply.

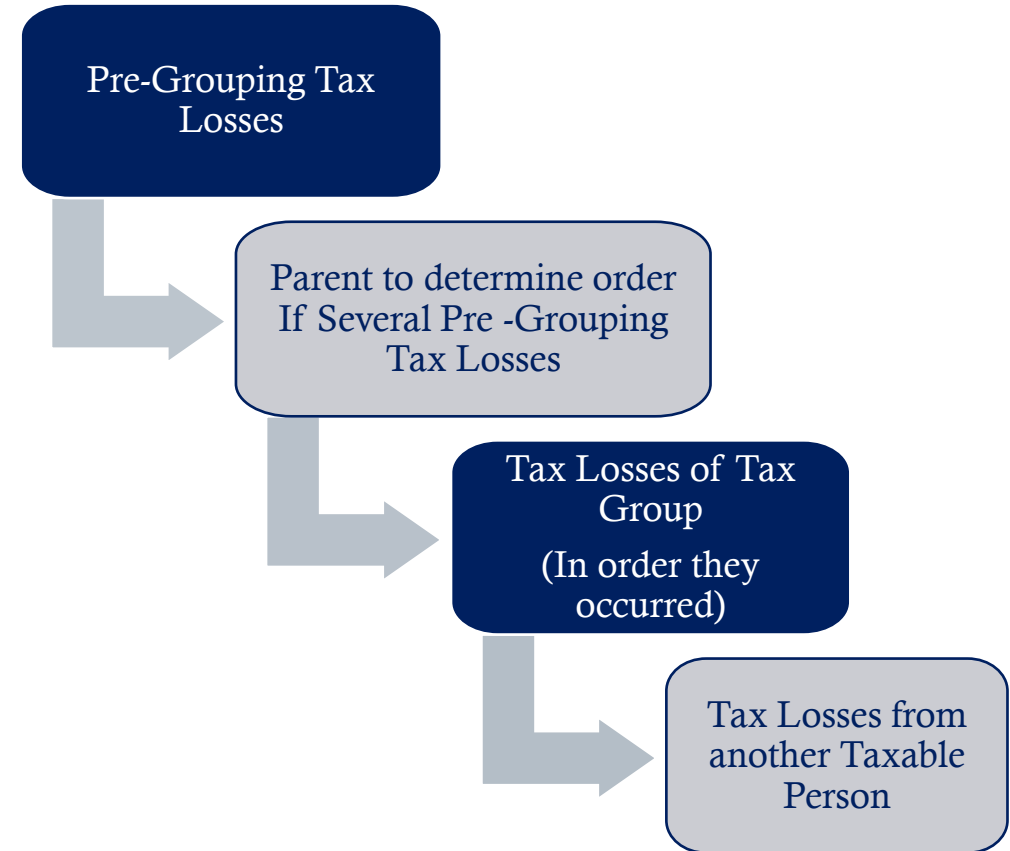


Tax Losses

➤ **Transfer of Tax Losses:**

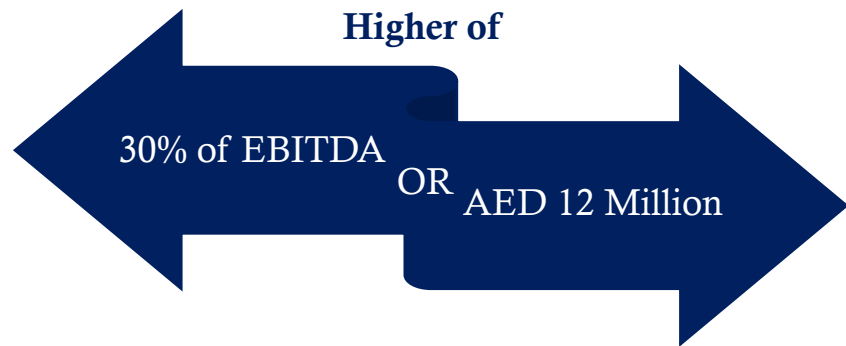


➤ **Order of utilization of Tax Losses:**



Interest Deduction Limitation Rule

➤ **Maximum Interest Allowed:**



- Disallowed Interest carried forward to **10 periods**.
- EBITDA calculation on **Group Level**.

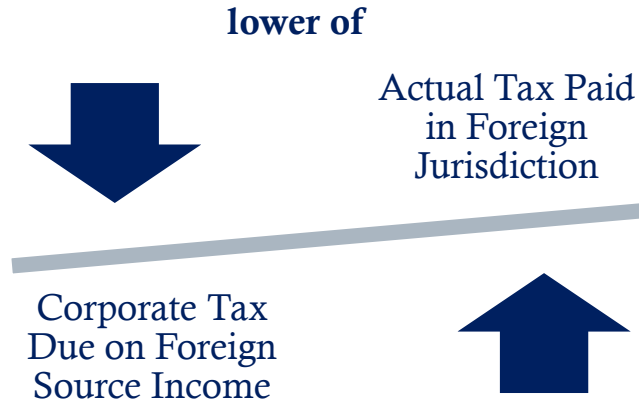
➤ **Unutilized Interest Expenditure:**

Event	Unutilized Interest shall remain with
Subsidiary Leaves	Tax Group
Tax Group Ceases To Exist	Parent Company



Foreign Tax Credit

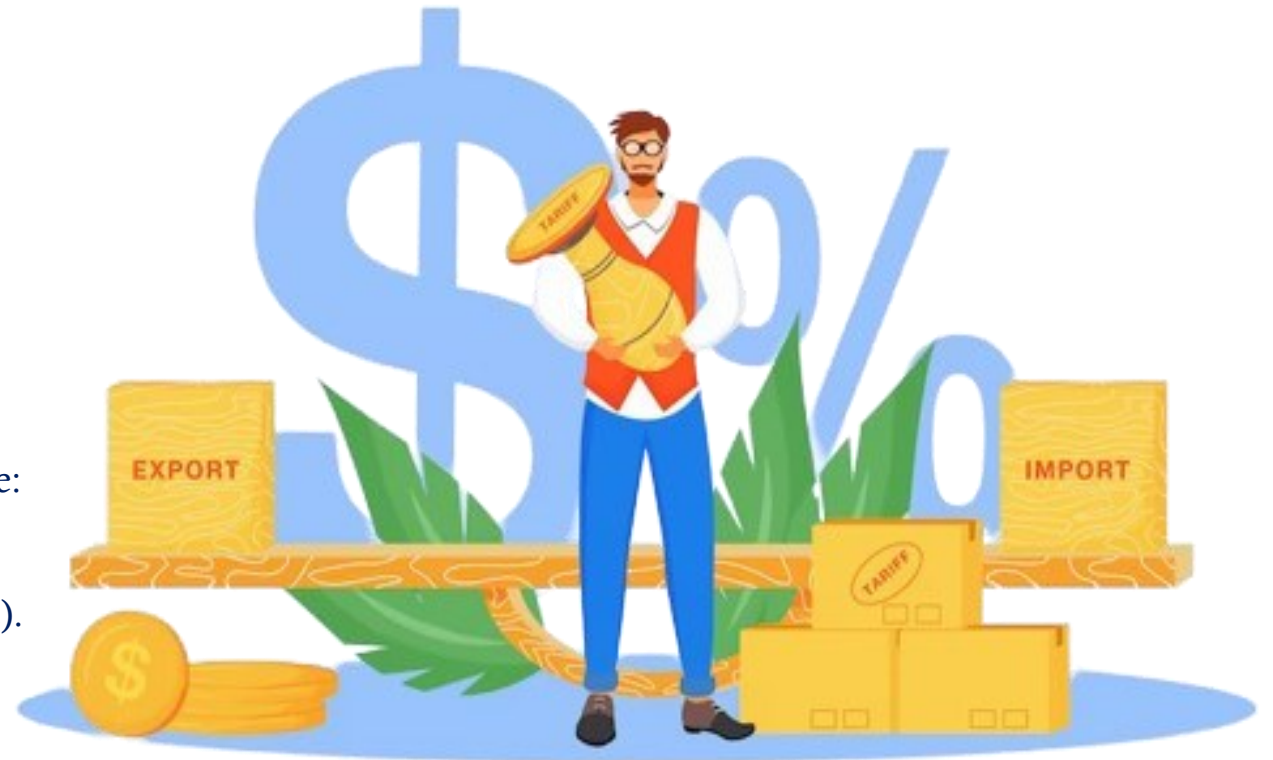
➤ **Maximum Allowed Foreign Tax Credit will be**



Corporate Tax due on the relevant foreign income = $X/Y * Z$ where:
X= Relevant foreign income,
Y= Taxable income of member.
Z= Corporate Tax attributable to the relevant member ($A/B * C$).

Where:

A= Corporate Tax on Group,
B= Taxable Income of Group,
C= Taxable Income attributable to relevant member.



Consequence of leaving Tax Group



Taxable Income of a Tax Group

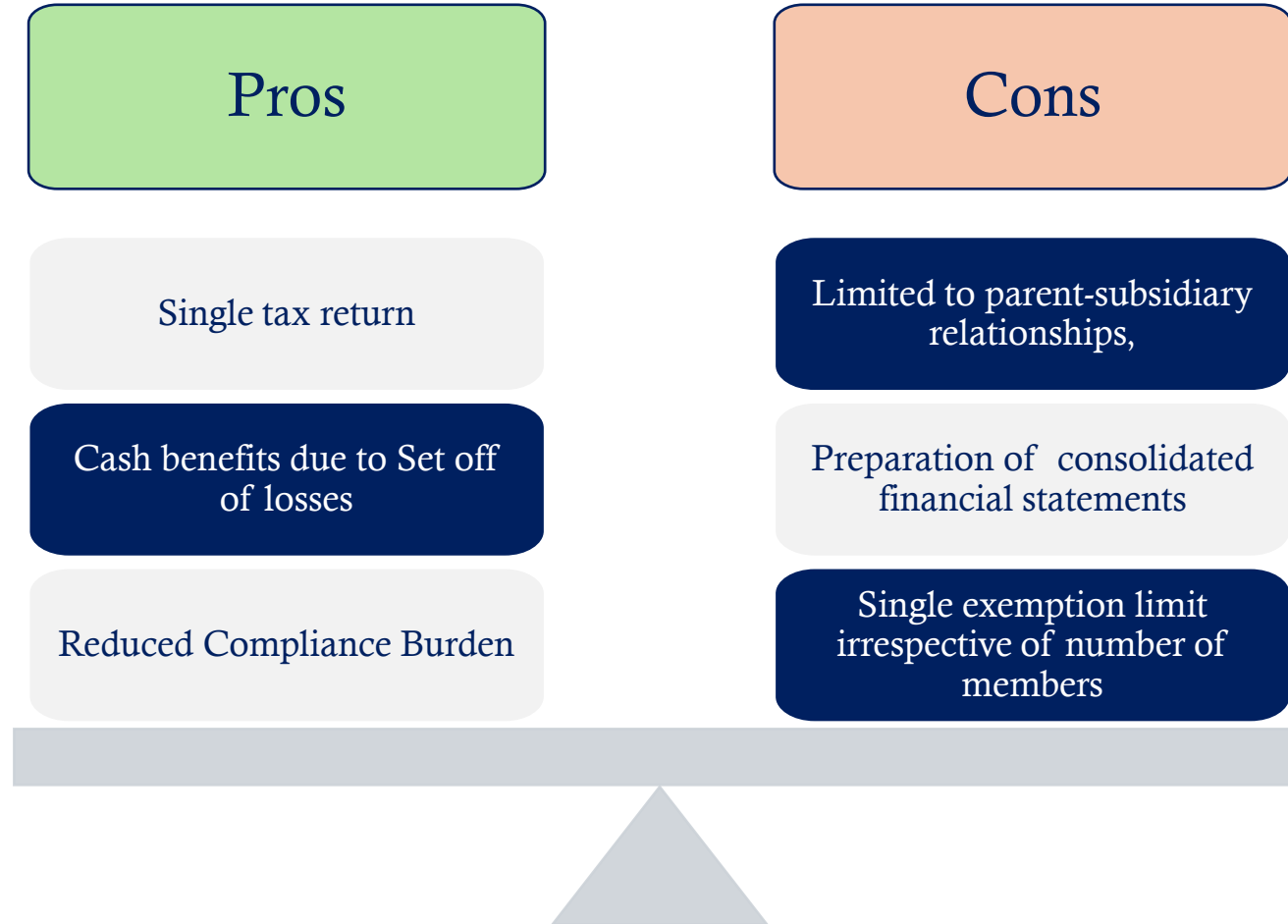
➤ **Determination of Taxable income of Tax Group:**

Particulars	Amount
Combined Income of all Tax Group entities	XXX
Adjustments for Intergroup Transactions (Except Pre-Grouping Tax Losses)	XXX
Taxable Income of Tax Group	XXX

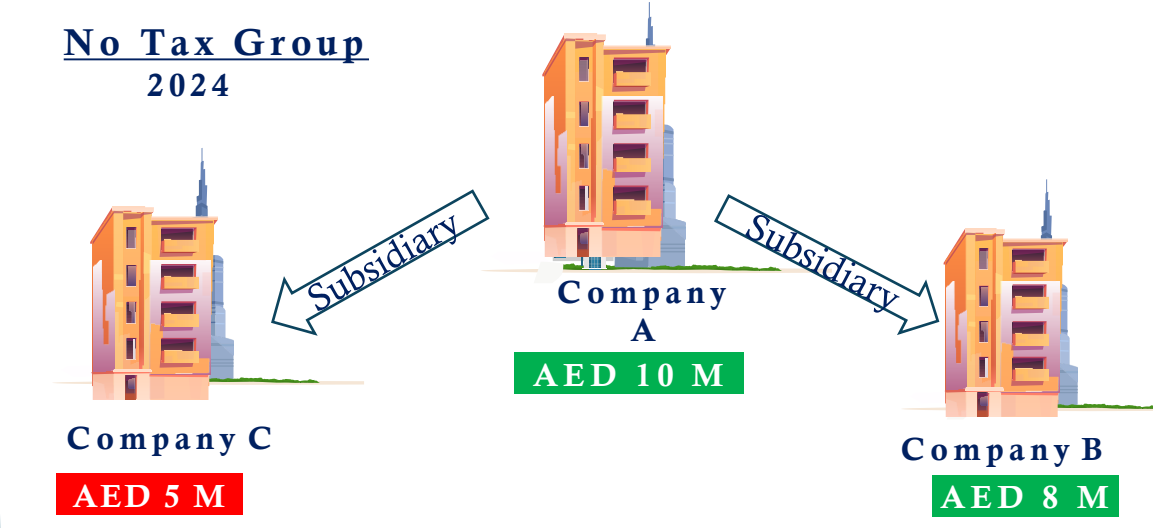
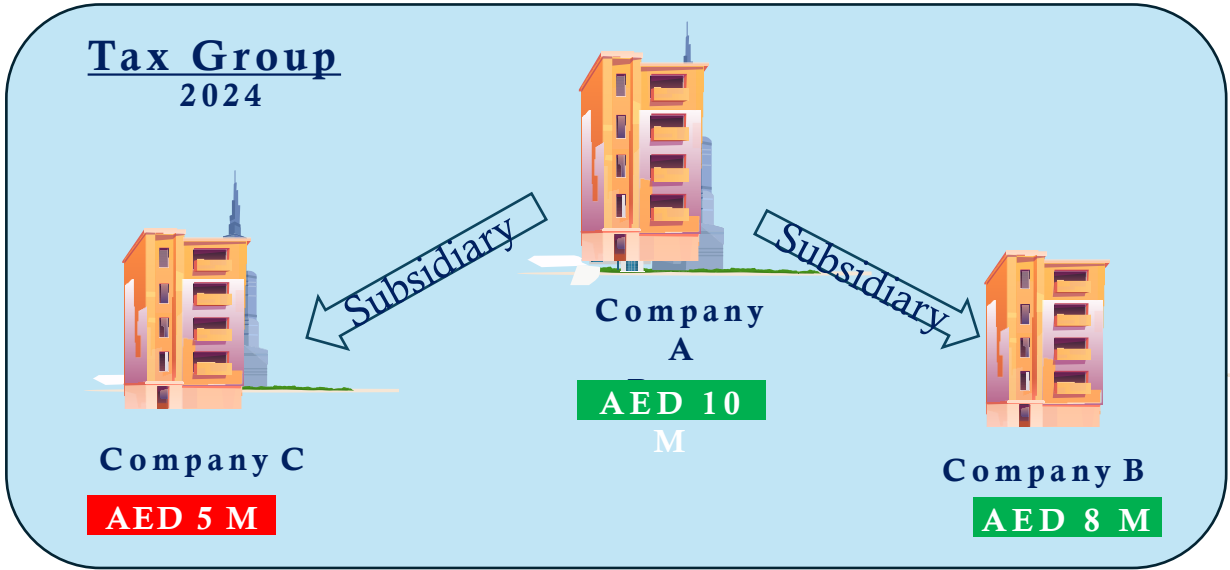
➤ **Application of Provisions of Law to Tax Group:**

Corporate Tax Rate	Small Business Relief	Ownership Conditions	Qualifying Group Relief	Limitation of Transfer of Tax Losses	Election of Realization basis
<ul style="list-style-type: none"> Group Tax Exemption limit of AED 375,000. 	<ul style="list-style-type: none"> Condition of < AED 3M revenue on Consolidated group revenue. 	<ul style="list-style-type: none"> Combined Group 5% ownership determines participation exemption. 	<ul style="list-style-type: none"> Option's application extends to all members if Opted. 	<ul style="list-style-type: none"> Continuous 50% ownership condition relevant to parent interest only. 	<ul style="list-style-type: none"> Option's application extends to all members if Opted

Pros and Cons of Tax Grouping



Example: Benefits of Tax Grouping



- If tax group is formed,
 - Company C's loss of AED 5 Million would be allowed to set off against A and B's income
 - Basic exemption of AED 375,000 would be allowed only once

- If no Tax group is formed,
 - Both Company A & B would be eligible for basic Exemption Limit of AED 375,000
 - Company C's Loss of AED 5 Million would not be taxed and would be carried forward for indefinite period.

Company	Total Income	Tax Payable
Company A	10,000,000	866,250
Company B	8,000,000	686,250
Company C	(5,000,000)	Nil
Tax Liability	13,000,000	1,136,250

Company	Total Income	Tax Payable
Company A	10,000,000	866,250
Company B	8,000,000	686,250
Company C	(5,000,000)	Nil
Tax Liability	18,000,000	1,552,500



Comprehensive Financial Services

Q & A

Session



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