

# **UAE Depreciation Rules for Investment Properties under Corporate Tax**

## Introduction

**Ministerial Decision No. 173 of 2025**, introduced new rules for **investment properties held at fair value** under UAE Corporate Tax. Effective **1 January 2025**.

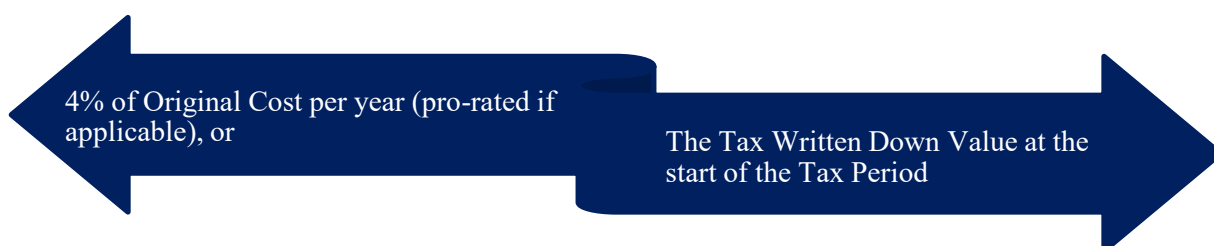
## Understanding Key Terms

| Term                          | Definition                                                                                                                                              |
|-------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Investment Property</b>    | A building or part of a building is held to earn rental income or for capital appreciation under IAS 40, excluding land and other exclusions in IAS 40. |
| <b>Original Cost</b>          | As defined under IAS 40 and includes capitalised costs                                                                                                  |
| <b>Tax Written Down Value</b> | Opening Value minus depreciation deduction previously claimed under this Decision.                                                                      |
| <b>Opening Value</b>          | Original Cost less 4% per year held before the tax period where election applies.                                                                       |

## Election to Apply Depreciation to Investment Property Held at Fair Value



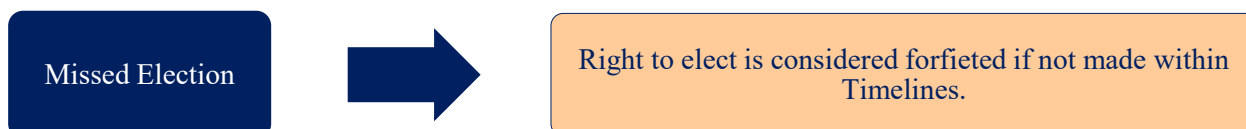
- Depreciation is the lower of:



- Taxpayers using accrual accounting may elect to recognise gains and losses on a realisation basis while making an election under this decision if not selected while filing tax return for first tax period.
- Such Election applies to all investment properties held at fair value.

### Election Timeline

| Holds property during any tax period on or after Jan 2025               | Property acquired on or after Jan 2025 tax period                                                             | Person claiming Small Business Relief                                               |
|-------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------|
| The election may be made in the Tax Return for the relevant Tax Period. | The election must be made in the Tax Return for the Tax Period in which the first investment property is held | Election to be made in the Tax Period when Small Business Relief no longer applies. |



### Determination of Gain or Loss upon Realisation

Realisation events include (whichever is earlier)

- Sale, disposal, derognition, or worthlessness of the property
- Change from fair value to cost model
- Taxpayer becomes exempt or elects for Small Business Relief
- Business Cessation



- However, when the taxpayer becomes exempt or claims Small Business Relief, then the adjustment must be made in tax period preceding the period in which the event occurred
- Further, when the transferor of property ceases to be a taxable person the accumulated depreciation claimed by the transferor is attributed to the transferee

### Anti-Abuse Provision

- If an Investment Property is transferred between Related Parties without a valid commercial or non-fiscal purpose reflecting economic reality, the Authority may disallow the transferee's depreciation claim.

### Treatment of Various Transfers

The treatment of investment property transfers:

- **Article 26** – Qualifying Group Relief
- **Article 27** – Business Restructuring Relief
- **Article 42** – Tax Groups

| Who determines Opening Value and Original Cost? | Income Adjustment where transferor claimed depreciation and transferee uses cost model | When the Cessation Trigger apply to a transfer of investment property           |
|-------------------------------------------------|----------------------------------------------------------------------------------------|---------------------------------------------------------------------------------|
| The Transferor                                  | Adjust taxable income to exclude depreciation, amortisation, or value changes.         | Transferee must add back any prior depreciation that has not been adjusted yet. |

### MICS Insights

- The election is irrevocable and must be timed carefully, especially for groups with multiple investment properties.
- Properties held at fair value (IAS 40) are impacted—those using cost model remain unaffected by this decision.
- Maintain detailed asset registers showing acquisition cost, holding periods, and election status.
- Recognition of fair value in accounting and depreciation for tax purposes (at 4% or less) creates a temporary difference between accounting carrying value and tax base, likely resulting in a deferred tax liability.

Source: [Ministerial Decision No. 173 of 2025](#)

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