



UNDERSTANDING TAX GROUP UNDER UAE CORPORATE TAX LAW: A SIMPLE GUIDE

INTRODUCTION

The UAE has introduced Corporate Tax, meaning businesses must now consider how they are taxed. One way companies can simplify tax payments is by forming a Tax Group. This allows multiple companies under the same ownership to pay tax as one entity instead of separately. Ministerial Decision No. 301 of 2024 explains the rules for forming and managing a Tax Group. This guide breaks it down into easy-to-understand terms.

1. WHAT IS A TAX GROUP?

A Tax Group is a way for companies that are connected (owned by the same parent company) to be treated as a single taxpayer under UAE Corporate Tax law. Instead of filing separate tax returns, the group files one tax return, making tax compliance simpler.

2. WHO CAN FORM A TAX GROUP?

To create a Tax Group, businesses must meet these conditions:

- **Common Ownership:** A Parent Company must own at least 95% of each Subsidiary, either directly or through other Subsidiaries.
- **Located in the UAE:** Both the Parent and its Subsidiaries must be tax residents in the UAE.
- **Legal Entity:** All Entities (Parent Company and each Subsidiary) must be Legal Entity (such as Private or Public Joint Stock Companies, LLP, or LLC, FZCo).
- **Same Financial Year:** All companies in the group must follow the same financial year.
- **Same Accounting Standards:** The group must prepare their financial statements using the same accounting standards.

- **Qualifying Free Zone Person:** All companies in the group must not be Qualifying Free Zone Person.
- **Exempt Person:** Both the Parent and its Subsidiaries must not be Exempt Person.
- **Voting Rights:** A Parent Company must hold at least 95% Voting Rights of the each Subsidiary, either directly or through other Subsidiaries.
- **Profits and Net Assets:** The Parent Company must be entitled to at least 95% Profits and Net Assets of the Subsidiary, either directly or through other Subsidiaries.
- **Stay Qualified:** The conditions must be met throughout the tax year for the Tax Group to remain valid.

3. WHY FORM A TAX GROUP?

- **Easier Tax Reporting:** The entire group files one tax return instead of many. This reduces the administrative burden and complexity associated with filing multiple individual tax returns.
- **Offsetting Income and Losses:** Income and Losses can be offset within the Group, potentially reducing the overall Tax Liability. This means that if one member has a loss, it can be used to reduce the taxable income of another member that has made a Profit.
- **No Tax on Internal Transactions:** Transactions between companies in the same Tax Group are not taxed. This helps with cash flow and makes internal business operations smoother.
- **Easier Business Restructuring:** If companies within a group merge or transfer business, they do not face extra tax burdens. If a Parent Company transfers all its business to another group company, that company becomes the new Parent automatically.

- **Use of Tax Losses:** If a company has tax losses before joining the group, those losses can be used to reduce the overall tax bill.
- **Pre-Grouping Net Interest Expenditure:** If a company has carried forward Net Interest Expenditure before joining the group, those can be used to reduce the overall tax bill.

4. CHALLENGES AND COMPLIANCE REQUIREMENTS

- **Transfer Pricing Still Applies:** Transactions with related parties within the Tax Group must comply with arm's length pricing principles. Even though intra-group transactions are eliminated, the group must maintain transfer pricing documentation.
- **Exit and Notification Requirements:** If a subsidiary leaves the Tax Group, it must notify the tax authority within 20 days and prepare separate financial statements.
- **Risk of Tax Group Dissolution:** Any change in ownership, residency, or structure may result in the dissolution of the Tax Group, leading to potential tax implications. If conditions are no longer met, the Tax Group ceases to exist. Businesses must continuously monitor ownership and compliance to avoid unexpected tax consequences.

5. THINGS TO KEEP IN MIND

- **Check if a Tax Group is Right for Your Business:** Not all companies will benefit from tax grouping. It depends on their financial situation.
- **Monitor Group Compliance:** Ensure that the Tax Group continues to meet UAE Corporate Tax requirements.
- **Get Professional Advice:** Tax laws are complex, so consulting with an expert like Almalia Consulting FZCO can help businesses make the best decision.

6. FINAL THOUGHTS

A Tax Group can streamline tax compliance, save time, and lower tax costs for eligible businesses. However, it requires careful planning and adherence to Ministerial Decision No. 301 of 2024 and UAE Corporate Tax law. Weigh the pros and cons and consult experts like Almalia Consulting FZCO to ensure it's the right fit for your company.

NEED HELP?

Almalia Consulting FZCO specializes in UAE Corporate Tax, VAT, Accounting and Business Compliance. Contact us today to see if a Tax Group is right for your business!

OUR SERVICES

UAE CORPORATE TAX SERVICES

- ✓ CT Registration
- ✓ CT Return Filing
- ✓ CT Training
- ✓ CT Penalties

ACCOUNTING & BOOKKEEPING SERVICES

- ✓ Cloud Accounting Services
- ✓ Crypto Accounting
- ✓ Balance Sheet Preparation
- ✓ Accounts Reconciliation
- ✓ Monthly MIS Reporting

UAE VAT SERVICES

- ✓ VAT Registration
- ✓ VAT Returns Filing
- ✓ VAT Deregistration
- ✓ VAT Training
- ✓ VAT Penalties
- ✓ VAT Refund

BUSINESS SETUP IN UAE

- ✓ Business Setup in Mainland
- ✓ Business Setup in Free Zones
- ✓ Offshore Business Setup
- ✓ Company/LLP Incorporation
- ✓ Trade License
- ✓ Crypto Tax Services
- ✓ AML/ESR/UBO Compliance
- ✓ Other Business Compliance Services

Contact us

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