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Tax Group or Separate Registration? Choosing the Right Structure for UAE Companies

Corporate tax grouping can simplify a qualifying UAE group's tax position, but it also centralises responsibility, combines risk and creates consequences that should be modelled before an application is made.

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> A UAE Corporate Tax Group can allow qualifying companies to be treated as one Taxable Person. That can simplify the calculation and neutralise many transactions between members, but it also centralises compliance, combines exposures and makes the Parent Company responsible for the group.

The decision should not be reduced to whether the ownership percentage exceeds 95%. Eligibility is only the first question. Management should model the tax result, losses, financing, Free Zone implications, systems, legal changes and governance before applying to the Federal Tax Authority (FTA).

Corporate Tax Group essentials

OWNERSHIP THRESHOLD	The Parent Company must generally hold at least 95% of each Subsidiary's share capital, voting rights, profits and net assets, directly or indirectly.
WHO CAN JOIN	Members must be qualifying Resident juridical persons, use the same Financial Year and prepare financial statements under the same accounting standards.
IMPORTANT EXCLUSIONS	An Exempt Person or a Qualifying Free Zone Person cannot be a member, and the detailed residence conditions must be satisfied.

What a Corporate Tax Group changes

Once approved, the Parent Company and Subsidiaries in a Corporate Tax Group are treated as a single Taxable Person for UAE Corporate Tax purposes. The Parent Company is responsible for administration, filing and payment on behalf of the group. The group prepares consolidated financial results for tax purposes and generally eliminates transactions between its members when determining Taxable Income.

This is different from several companies appointing one finance team or tax agent. Without an approved Corporate Tax Group, each company remains a separate Taxable Person, prepares its own calculation, files its own return and applies the related-party and relief rules to its circumstances.

Corporate Tax grouping is also separate from VAT grouping. An approved group under one regime does not automatically create or amend a group under the other. The eligibility tests, effective dates, compliance obligations and commercial effects must be considered independently.

Test every eligibility condition

The ownership test contains four elements. The Parent Company must generally own at least 95% of the share capital, hold at least 95% of the voting rights and be entitled to at least 95% of the profits and net assets of each Subsidiary. The holding can be direct or indirect through one or more qualifying Subsidiaries.

Ownership percentages should be supported by constitutional documents, shareholder registers, group charts and agreements affecting economic rights. Preference shares, different voting classes, profit arrangements, options and changes during the period can complicate the analysis. A visual structure chart is useful, but the legal documents determine the rights.

The Parent Company and Subsidiaries must be Resident juridical persons under the Corporate Tax Law and, where relevant, under an applicable Double Taxation Agreement. They must not be treated as resident for tax purposes in another country. Members must use the same Financial Year and the same accounting standards. An Exempt Person and a Qualifying Free Zone Person cannot join the Corporate Tax Group.

A foreign company cannot itself be a member merely because it owns UAE subsidiaries. However, resident subsidiaries held under a foreign group may be able to form a UAE Corporate Tax Group where a qualifying UAE Resident juridical person sits as the Parent Company and all conditions are met.

Model the combined tax result

Grouping may allow profits and losses generated within the approved group during membership to be reflected in one consolidated Taxable Income calculation. Transactions between members are generally eliminated. This can reduce administrative duplication and avoid timing differences that would arise when one member recognises income and another recognises an expense separately.

The benefit should be quantified using realistic forecasts. A group with consistently profitable entities may gain more from administrative simplification than from loss utilisation. A group with losses should examine when those losses arose, which entity generated them and the restrictions that may apply. Pre-grouping Tax Losses are not automatically available without limitation against all group income; the Corporate Tax Law and Tax Groups Guide contain attribution and utilisation rules.

Also model interest-deduction limitations, exempt income, foreign tax credits, asset transfers and reliefs. Consolidation can change the base against which limitations are measured. The answer should be tested over several years, not only against the most recent accounts.

> *A Corporate Tax Group is a legal and operational commitment, not simply a convenient way to offset one company's loss against another company's profit.*

Understand the liability and control implications

Members of a Corporate Tax Group can be jointly and severally liable for Corporate Tax payable by the group for Tax Periods during which they are members, subject to the law and any FTA-approved limitation. That changes the risk profile. A compliance failure associated with one business line can affect the wider group and should be considered in governance, transaction due diligence and shareholder arrangements.

The Parent Company needs authority and information to fulfil its obligations. It must obtain complete ledgers, tax adjustments, ownership updates, related-party data and supporting evidence from every member. A group application made without a central reporting process can replace several small compliance problems with one large one.

Define responsibility through a tax-group policy. Each Subsidiary should have a local data owner; the Parent Company should control the timetable, consolidation, review and submission. Management should agree how tax payments and refunds are allocated economically between members, even though the FTA deals with the group through the Parent Company.

Assess systems and consolidation readiness

Members may use different charts of accounts, enterprise systems, currencies or close procedures. Before grouping, determine whether transactions and balances can be reconciled and eliminated reliably. Intercompany differences that are immaterial to statutory accounts may still disrupt a tax consolidation.

Create a common reporting pack covering trial balances, permanent and temporary tax adjustments, fixed assets, interest, losses, foreign taxes, Related Parties and legal changes. Establish consistent accounting policies and mapping rules. The first consolidated tax computation should be tested before the effective period so that missing data is visible early.

Consider the cost of joining, leaving and restructuring

Group structures change. A sale, dilution, new investor, merger, liquidation, residence change or altered economic right can cause a company to leave or the group to cease meeting a condition. The FTA must be notified and applications must be made under the applicable procedures and deadlines.

Management should examine transactions involving members before they join and after they leave. The tax treatment of assets, liabilities, losses and intercompany arrangements can depend on timing and the applicable relief provisions. A planned acquisition should include Corporate Tax Group eligibility and integration in its due-diligence checklist.

When separate registration may be preferable

Separate registration preserves the legal entities as separate Taxable Persons for Corporate Tax. This may be operationally clearer where ownership is changing, businesses have different investors, entities use different financial years, a company is a Qualifying Free Zone Person, or management wants to contain compliance responsibility.

Separate taxpayers can still consider other provisions such as Qualifying Group Relief for eligible transfers and Business Restructuring Relief, subject to their conditions. Transactions between separate Related Parties remain subject to the arm’s-length principle. Separate status therefore does not mean that intercompany activity can be ignored.

The additional work includes separate registrations, returns, computations, payment processes and records. Losses generally remain with the entity that incurred them unless a specific provision applies. The cost of this duplication should be compared with the flexibility and risk separation it provides.

A decision framework for management

01	**Eligibility:** Verify residence, ownership rights, accounting standards and Financial Years.
02	**Forecast:** Model profits, losses, interest, credits and reliefs over multiple periods.
03	**Exposure:** Assess joint liability and the quality of each member's tax controls.
04	**Systems:** Test whether data can be consolidated and intercompany balances eliminated.
05	**Strategy:** Consider planned acquisitions, disposals, investors and Free Zone status.
06	**Governance:** Define Parent Company authority, Subsidiary responsibilities and approvals.
07	**VAT:** Review VAT grouping separately; do not assume the Corporate Tax result carries across.

Make the application after the operating model is ready

The strongest candidates for grouping have stable ownership, compatible accounting, reliable intercompany reconciliations and a Parent Company capable of controlling compliance. The tax modelling then confirms whether the consolidated outcome supports the wider commercial strategy.

Where those conditions are absent, separate registration may be the better interim position even if the ownership test is met. The group can first align year-ends, accounting policies, legal rights and reporting processes. Corporate Tax grouping should follow operational readiness, not be used as a substitute for it.

For business leaders, the decision is ultimately about control. A Corporate Tax Group can reduce duplication and present the UAE operations as one taxpayer, but the Parent Company must be able to see and support the whole position. If it cannot, the administrative simplicity on the return may hide greater risk underneath.

Official sources

SOURCE CHECK Official UAE government references. Links verified 4 August 2026.

1. **Federal Tax Authority: Tax Groups Guide CTGTGR1**
2. **Federal Tax Authority: Corporate Tax FAQs on Tax Groups**
3. **UAE Ministry of Finance: Ministerial Decision No. 301 of 2024 Update**
4. **Federal Tax Authority: Qualifying Group Relief Guide**

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Tax-readiness quick check

1. Confirm the responsible legal entity and registration position.
2. Reconcile the accounts, tax adjustments and supporting evidence.
3. Document ownership, review and approval before filing.

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