

UAE CORPORATE TAX LAW

CT Alert - 31 MAY 2023

Ministerial Decision No. 120 of 2023 | Adjustments Under Transitional Rules

The Ministry of Finance (MOF) has issued Decision No. 120 of 2023 on the Adjustments Under the Transitional Rules for the Purposes of Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses.

Summary of Decision

The Decision envisages the following adjustments for various classes of assets and/or liabilities held as at the beginning of the first Tax period.

Relevant Asset or Liability	Adjustments under this Decision
Immovable Property measured at historical cost disposed of during or after the 1 st Tax Period	<p>Option1: Exclude the amount of gain that would have arisen had the disposal happened at market value as at the start of the Tax Period.</p> <p>Option2: Exclude the amount of gain attributable to the holding period of the immovable property prior to the start of the Tax Period. The holding period will also include the period for which the asset was held by a person in the same Tax Group or in the same Qualifying Group.</p>
Intangible Assets measured at historical cost disposed of during or after the 1 st Tax Period	Exclude the amount of gain attributable to the holding period of the Intangible Asset prior to the start of the Tax Period. It may be noted that such holding period cannot exceed a period of 10 years for the purpose of this calculation. The holding period will also include the period for which the asset was held by a person in the same Tax Group or in the same Qualifying Group.
Assets or Liabilities measured at historical cost disposed of during or after the 1 st Tax Period	Exclude the amount of gain that would have arisen had the disposal happened at market value as at the start of the Tax Period.

The exercise of the options needs to be made in respect of each immovable property and all assets or liabilities in the other categories while submitting the first Tax Return and shall be irrevocable.

Key Takeaways

- The Decision provides relief to businesses who are holding properties or shares as investments. Due weightage is given for the holding period in calculation of the gains.
- Since the exercise of these options are irrevocable, businesses need to carefully evaluate the options before submitting their first tax return.

Disclaimer

The above seeks to summarise the update from the relevant authority. The same may not be construed to be a written opinion on matters that may require specific examination of the Decree on a case-to-case basis.

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✉ corporatetax@krestonmenon.com ☎ +971 4276 2233

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