

# Maximize the Tax Savings with Qualifying Group Relief in the UAE

In the ever-evolving business environment of the UAE, optimizing tax strategies is essential for corporate success. Qualifying Group Relief Guide (CTGQGR1) elaborating on Article 26 of the Federal Decree-Law No. 47 of 2022 under the Corporate Tax Regime provides a powerful tool for companies within the same group to improve their tax efficiency. Therefore, companies can attain relief from the Qualifying Group while transferring assets or liabilities within the same group without triggering a Corporate Tax gain or loss.

## BENEFITS

-  Reduced Overall Tax Burden for the Group
-  Strengthened Group's Market Position
-  Improved Financial Planning
-  Tax Efficiency
-  Strategic Flexibility
-  Simplified Compliance
-  Enhanced Competitiveness

## CONDITIONS

To get the above-mentioned benefits, Companies must satisfy the following conditions to qualify for the group relief:



## QUALIFYING GROUP



## CONSEQUENCES OF ELECTION FOR QUALIFYING GROUP RELIEF

Electing to utilize Qualifying Group Relief can have several significant consequences for the companies involved. These consequences, both positive and negative, should be carefully considered by the group before opting the relief:

01

Transfer of assets and liabilities at net book value

02

Determining the net book value of an asset or liability

03

Adjustments to Taxable Income of the Transferee upon realization of assets and liabilities

04

Adjust income on disposal for previous no-gain or loss transfers.

05

No gain or loss for exchange of assets or liabilities held on capital account.

06

No Transfer of Tax Losses to Transferee

07

Gain or Loss not meeting the requirements or not electing for Qualifying Group Relief:

- a. Adhering to Arm's Length for transfer between Related Parties
- b. Prepared on standalone Financial Statement for transfer between Non-related Parties



## CLAWBACK OF THE QUALIFYING GROUP RELIEF

Qualifying Group Relief is invalidated if any of the following events occurred within two years from the transfer date and the gain/loss from the initial transfer must be reported as taxable income in the current period:

- 1 The asset/liability is transferred outside the group
- 2 Either party exits the group

## INTERACTION OF QUALIFYING GROUP RELIEF WITH TRANSITIONAL RELIEF (FOR THE FIRST TAX PERIOD).



The opening balance sheet for Corporate Tax is the closing balance sheet of the last financial year.



Transitional relief should be claimed in the Tax Period when the clawback is triggered.



Adjustments allowed for gains on Immovable Property, Intangible Assets, and Financial Assets/Liabilities owned before the first Tax Period.



For immovable property, excluded gains are calculated by the following two methods:

1. Valuation Method
2. Time apportionment method



The ownership period by all Qualifying Group members is counted towards the ownership period.



Election can be applied in the first Tax Period for transitional relief.



No gain or loss transfers within the Qualifying Group are considered disposals.



The transferee will be eligible for transitional relief upon disposal of the asset or liability, even if it has not elected for transitional relief.



The asset or liability is treated as disposed of in the Tax Period of the original transfer, as the clawback nullifies the Qualifying Group Relief.

## HOW INSIGHTS CAN HELP?

We provide a comprehensive range of services to business groups for Qualifying Group Relief to ensure compliance. Our key offerings include:

- 01 Detailed analysis of the group structure to determine eligibility.
- 02 Identification of potential tax savings opportunities within the group.
- 03 Development of tax strategies to maximize the benefits of group relief.
- 04 Structuring of intra-group transactions to ensure tax efficiency and compliance.
- 05 Assistance with maintaining accurate records of agreements and asset transfers.
- 06 Preparation and submission of required documentation and reports to the authorities.
- 07 Establish proper reporting of group relief in tax returns of the parent and subsidiary companies.
- 08 Supporting the transfer of losses between group entities to optimize tax positions.
- 09 Continuous advisory support to address any tax-related queries or issues.
- 10 Updates on changes in tax legislation and their impact on the group.

### Disclaimer Statement

*“ This information is general and not addressed to specific individuals or entities. Although we endeavor for accuracy and timeliness, there can be no guarantee that it will remain accurate in the future. No one should act on such information without professional advice for their particular situation.”*

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