

## UAE FAMILY FOUNDATIONS:

FTA REVISES ITS CORPORATE TAX GUIDE (JUNE 2026)

The UAE Federal Tax Authority has issued an updated version of its Corporate Tax Guide on the Taxation of Family Foundations (CTGFFI), dated June 2026, replacing the first edition published in May 2025.

In this alert, we summarise the key changes, their practical implications for UAE family wealth structures, and the points that advisers, family offices and private clients should revisit.

## MULTI-TIER STRUCTURES:

### A REVERSAL ON JOINT OWNERSHIP – EXAMPLE 9 (SECTION 6)

#### **2025 Position**

A Special Purpose Vehicle jointly owned by two Family Foundations (e.g. 80% / 20%) was not considered "wholly owned" by one Family Foundation and therefore could not apply to be treated as fiscally transparent. Its income was subject to Corporate Tax.

#### **2026 Position**

A juridical person can be "wholly owned" by more than one Family Foundation. Where the SPV is wholly owned, jointly, by two or more Family Foundations (each treated as an Unincorporated Partnership) and is controlled by a Family Foundation, it meets the ownership condition and can apply under Article 17(1) to be treated as an Unincorporated Partnership (fiscally transparent).

## BENEFICIARY CONDITION – SECTION 6

The 2026 guide adds that where the Family Foundation meets the beneficiary condition under Article 17(1)(a), the wholly owned and controlled juridical person is also considered to meet that condition, on the basis that it "serves the same holistic purpose as the Family Foundation." This wasn't in the 2025 version.

# TRANSFERS TO AND FROM A FAMILY FOUNDATION

## – SECTION 7.8-7.9

### 7.8 – Transfers in

Where a founder/settlor is a Related Party to the Foundation (Article 35(1)(f) of Corporate Tax Law), contributions must meet the arm's length standard, and gains/losses may be taxable depending on the facts. However, where the transferor is a natural person contributing Personal Investments and/or Real Estate Investments, the transfer is not subject to Corporate Tax.

### 7.9 – Acquisitions/ disposals

A taxable juridical person can cease to be taxable when it becomes wholly owned and controlled by a Family Foundation, when certain conditions are met (and vice versa). Critically, there is no adjustment to the base cost of the entity's assets when its status flips from fiscally transparent to fiscally opaque.

## NEW GUIDANCE ON FAMILY OFFICES – SECTION 7.10

### Default position

An SFO or MFO held by a Family Foundation is unlikely to meet all conditions under Article 17(1) of Corporate Tax Law, in particular the requirement under Article 17(1)(c) that no Business or Business Activity subject to Corporate Tax is conducted. As a Resident Person, it is subject to Corporate Tax on all its income, including management fees.

### Arm's length

The office must be remunerated at arm's length for services provided to its Related Parties and Connected Persons.

### Free Zone relief

A family office that is a Free Zone Person may access the 0% rate on Qualifying Income from qualifying activities (e.g. wealth and investment management or fund management) only where these are subject to the regulatory oversight of a Competent Authority, namely, the UAE Central Bank, the DFSA (DIFC) or the FSRA (ADGM). A bare licence without that oversight does not qualify.

*(This section consolidates the FTA's existing Public Clarification CTP008 on family wealth and management structures.)*

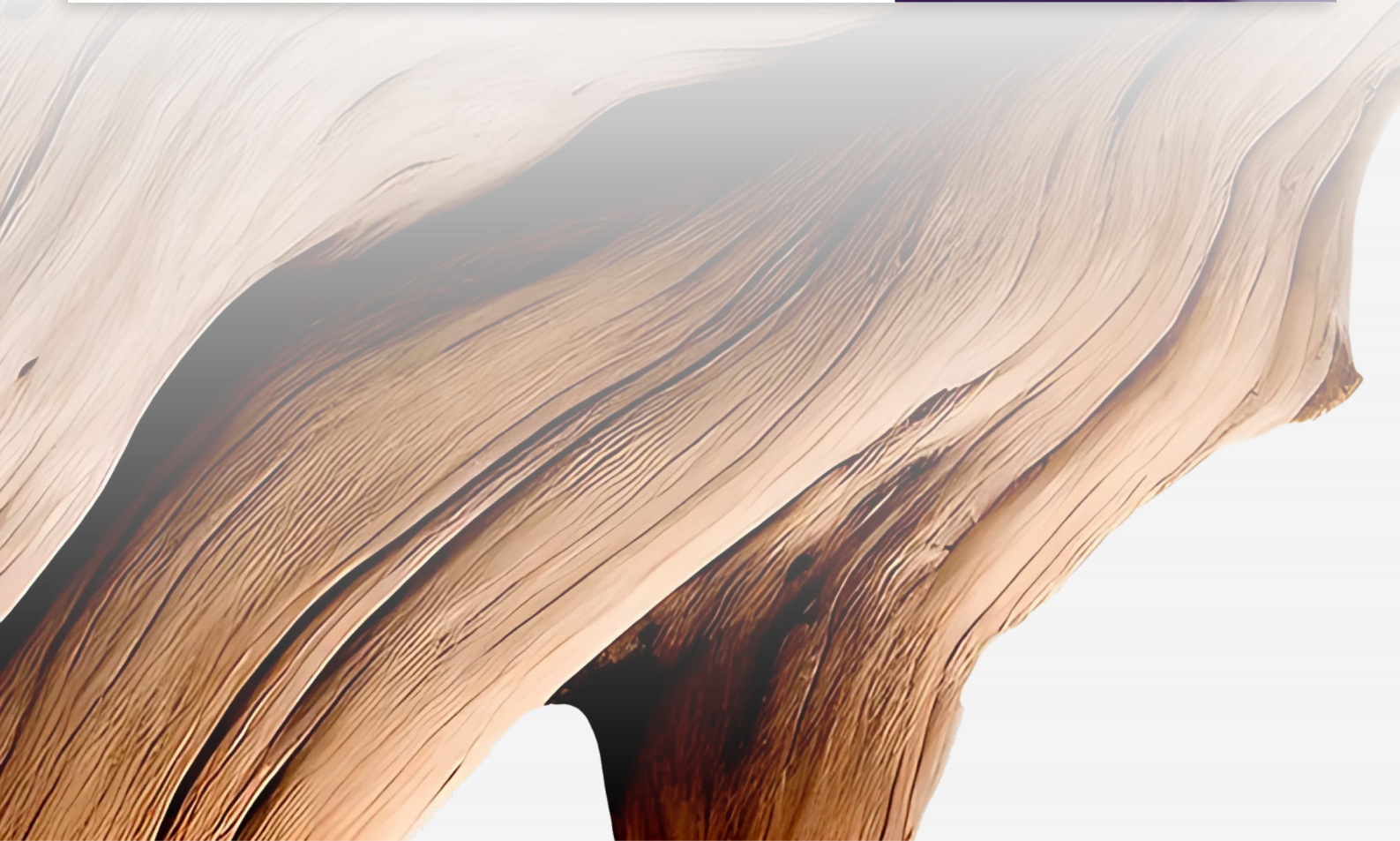
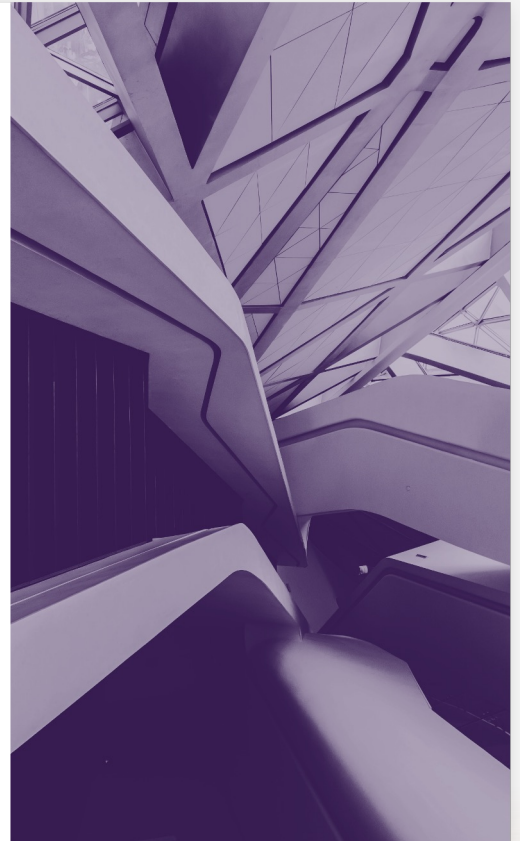
## OTHER CHANGES

- **Section 2.5 (Legislative References)** - Two instruments were added to the referenced legislation: Cabinet Decision No. 100 of 2023 (Determining Qualifying Income for the Qualifying Free Zone Person) and Ministerial Decision No. 229 of 2025 (Qualifying Activities and Excluded Activities). Both underpin the new family-office and Free Zone guidance in Section 7.10.
- **Section 3.3 (Trusts)** - The definition of a trust was refined to reflect trust law more precisely: a settlor now "transfers and assigns assets to be held and managed upon trust by a trustee," with the trustee's fee payable "in accordance with the terms of the trust deed."
- **Section 3.4 (Similar Entities)** – It confirms that a Limited Liability Company (LLC) is not a "similar entity" and therefore cannot apply to be treated as fiscally transparent. This was clarified already in Public Clarification CTP008. However, an LLC can still sit beneath a Family Foundation as a wholly owned and controlled juridical person under Section 3.5.

- **Example 9 (Section 6)** – There is an additional clarification that “there is no requirement for the Family Foundation to distribute the dividend income belonging to family members to those members”.
- **Section 8.1 (Tax Compliance)** – A new line has been added, which confirms that a fiscally transparent Foreign Partnership is not required to register for Corporate Tax.

## **Willow Tax & Legal advises Family Foundations, Family Offices and Private Clients across the full lifecycle of a family wealth structure, including:**

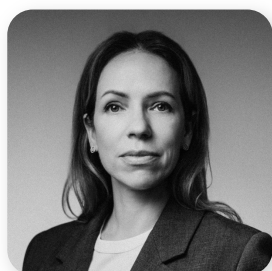
- Assessing eligibility for fiscally transparent treatment under Article 17;
- Designing and reviewing multi-tier and multi-foundation ownership structures;
- Structuring SFOs and MFOs and confirming Free Zone qualifying activity status;
- Ensuring arm's length compliance on asset contributions and fee payments;
- Preparing Unincorporated Partnership applications and annual confirmations; and
- Managing ongoing Corporate Tax compliance.



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Best regards,

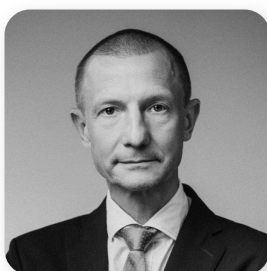
**Willow Tax&Legal**



**Maria  
Nikonova**

PhD, Partner

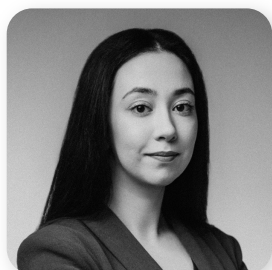
[m.nikonova@willow.law](mailto:m.nikonova@willow.law)



**Andrey  
Nikonov**

Partner

[a.nikonov@willow.law](mailto:a.nikonov@willow.law)



**Elizaveta  
Iasco**

Associate

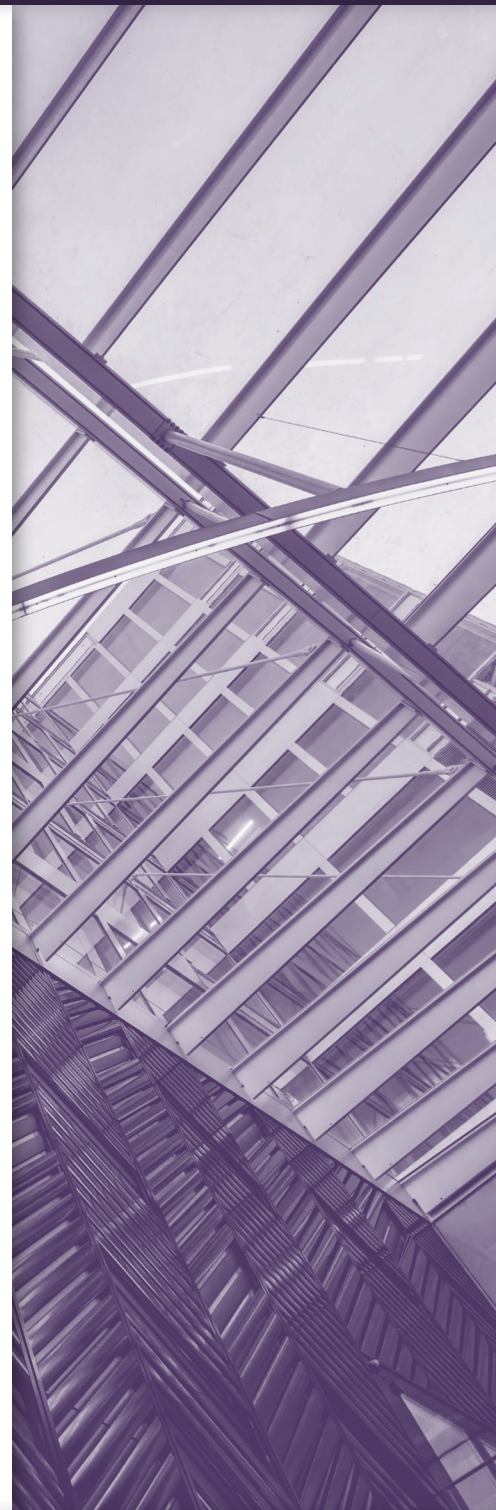
[e.iasco@willow.law](mailto:e.iasco@willow.law)



**Shraya  
Thiyagarajan**

Associate

[s.thiyagarajan@willow.law](mailto:s.thiyagarajan@willow.law)



The Offices 2, Level 3, One Central,  
Dubai World Trade Center



+971 50 258 9570  
+971 54 417 3060



[info@willow.law](mailto:info@willow.law)



[www.willow.law](http://www.willow.law)