



# **Taxation of Family Foundations Corporate Tax Guide**

Key takeaways

June 2025

A large, solid orange parallelogram is positioned horizontally across the lower half of the page, extending from the left margin towards the right. It is composed of two segments: a shorter one on the left and a longer one on the right, separated by a small gap. The parallelogram is tilted slightly upwards from left to right.

# In brief

The Federal Tax Authority ("FTA") has released a Corporate Tax ("CT") Guide on the taxation of Family Foundations.

This Guide provides clarifications on the CT treatment of Family Foundations, trusts and similar structures as well as their beneficiaries. The Guide provides additional insights on the requirements to qualify as a fiscally transparent Family Foundation and the associated registration and compliance requirements.

## In detail

### General CT treatment of family wealth holding entities

The Guide provides more insights on the UAE CT treatment of entities established for the purposes of holding family wealth.

Entity	Details
Foundation, incorporated trust, waqf (Islamic endowment)	<p>Entities which have separate legal personality, including foundations, incorporated trusts and awqaf are subject to CT but may make an application to the FTA to be treated as fiscally transparent Family Foundation, i.e. taxed as an Unincorporated Partnership (not subject to CT in their own right) if the relevant conditions are satisfied.</p> <p>Examples of incorporated trusts with separate legal personality include those established under Federal Decree-Law No. 31 of 2023 or awqaf (Islamic endowments).</p> <p>The Guide confirms foreign entities may also qualify as there is no requirement for a Family Foundation to be formed in the UAE.</p>
Unincorporated trusts	<p>Unincorporated trusts, which do not have a separate legal personality, are by default treated as an Unincorporated Partnership for CT purposes. As such, unincorporated trusts are fiscally transparent, without the need to make an application under Article 17(1). However, unincorporated trusts may have the status of a Family Foundation if they meet the conditions.</p> <p>Examples of unincorporated trusts include those established in the DIFC and/or ADGM, which are a contractual relationship and not legally incorporated.</p>
Similar entities	<p>The definition of a Family Foundation includes reference to foundations, trusts or a "similar entity". The Guide clarifies that a "similar entity" is one that is "intended to be used for the administration of family wealth and that is not a commercial company".</p>
Juridical persons underlying a Family Foundation	<p>As per Ministerial Decision No. 261 of 2024, other legal entities (e.g. limited liability companies and special purpose vehicles), which do not conduct commercial activities, may apply to be treated as fiscally transparent for CT purposes if they are wholly owned and controlled by a Family Foundation that is treated as an Unincorporated Partnership.</p> <p>The Guide confirms that legal entities wholly owned, directly or indirectly, by an unincorporated trust which has the status of a Family Foundation may also apply to be treated as an Unincorporated Partnership.</p>

# In detail

## Additional details on the Family Foundation conditions

Article 17(1) of the CT Law sets out the conditions which a Family Foundation must meet in order to qualify to make an application to the FTA to be treated as an Unincorporated Partnership, i.e. fiscally transparent for CT. The Guide gives each of these conditions a new title and provides useful insights on each.

Art. 17(1) condition	Details
<b>The “beneficiary condition”</b>	<p>The beneficiaries of the foundation (or trust/similar entity) can be:</p> <ul style="list-style-type: none"><li>• identified or identifiable natural persons; and/or</li><li>• a public benefit entity.</li></ul> <p>There is no minimum or maximum number of beneficiaries and natural person beneficiaries do not need to be from the same family.</p> <p>An important clarification is that natural persons can benefit indirectly via other which are fiscally transparent entities/structures, e.g. contractual trusts.</p> <p>A beneficiary which is a “public benefit entity” does not need to be a Qualifying Public Benefit Entity as defined in the CT Law.</p>
<b>The “principal activity condition”</b>	<p>The main activity of the Family Foundation is to receive, hold, invest, disburse, or otherwise manage assets or funds associated with savings or investment.</p>
<b>The “no Business Activity condition”</b>	<p>The Family Foundation does not conduct any activity that would have constituted a Business or Business Activity had it been undertaken, or its assets been held, directly by a natural person who is its founder, settlor, or any of its beneficiaries.</p>
<b>The “no tax avoidance condition”</b>	<p>The main/principal purpose of the Family Foundation must not be the avoidance of CT. This condition is met where a Family Foundation is used to receive, hold, invest, disburse or/and manage assets for the benefit of individuals or charitable organisations.</p> <p>The Guide confirms that applying to the FTA to be treated as fiscally transparent Family Foundation does not in itself count as a tax avoidance purpose.</p>
<b>The “distribution condition”</b>	<p>Where a public benefit entity is a beneficiary, the public benefit entity should not derive income from the Family Foundation that would be considered as Taxable Income had it derived it directly. Otherwise, any income that would be considered as Taxable Income must distributed to the relevant beneficiary within 6 months of the end of the relevant Tax Period in order for the foundation (or trust/similar entity) to qualify as a Family Foundation.</p> <p>The income received by the public benefit entity would not be considered as Taxable Income if it is Exempt Income the public benefit entity is a Qualifying Public Benefit Entity (as defined in Article 9 of the CT Law).</p>

# In detail

## Registration and compliance requirements

The Guide provides new details on the CT registration requirements for Family Foundations and juridical persons that they wholly own and control and the process for them to apply for fiscally transparent status. A new Annual Confirmation requirement is also introduced.

Requirement	Description
Registration for CT purposes	<p>A Family Foundation or juridical person that is a is wholly owned and controlled by a Family Foundation will first need to be registered for CT before it can make an application to the FTA to be treated as an Unincorporated Partnership, i.e. fiscally transparent.</p> <p>A Family Foundation that is by default treated as an Unincorporated Partnership is also required to register for CT purposes.</p> <p>Natural persons who are beneficiaries of a Family Foundation are not required to register for CT, unless they meet the requirements to do so in their own right, e.g. if they separately conduct Business or Business Activities with a total Turnover exceeding AED 1 million in a Gregorian Calendar year.</p>
Application to be treated as an Unincorporated Partnership	<p>The deadline for an application to the FTA for a Family Foundation to be treated as an Unincorporated Partnership is the end of the relevant Tax Period.</p> <p>The application can be made for either the current Tax Period during which the application is submitted or the following Tax Period.</p> <p>The Guide confirms special provisions for applications made on or before 31 December 2025. Such applications can be effective from the commencement of any Tax Periods ending on or before 31 December 2025 as stipulated in the application.</p>
Annual Confirmation of the Family Foundation	<p>A Family Foundation (or a juridical person wholly owned and controlled by a Family Foundation) which has made an application to the FTA to be treated as a fiscally transparent must file an Annual Confirmation.</p> <p>The Annual Confirmation is due for submission within 9 months of the end of the relevant Tax Period. For Tax Periods that ended on or before 31 March 2025, the deadline is 31 December 2025.</p> <p>One Annual Confirmation may be submitted by a Family Foundation covering itself and any juridical person(s) it wholly owns and controls. Alternatively, each entity in a multi-tier structure separately.</p> <p>If a Family Foundation subsequently fails to meet any of the conditions under Article 17(1) of the CT Law, it will be considered to have lost its fiscally transparent status from the beginning of the Tax Period in which the failure occurred. Any entities it holds (directly or indirectly) will also cease to be eligible to be treated as fiscally transparent.</p>

# Key takeaways

The FTA's new "Taxation of Family Foundations Corporate Tax Guide" is an essential resource for Family Foundations offering comprehensive guidance and key clarifications, including:

- New insights into the general UAE CT treatment of family wealth holding entities. This includes an important confirmation that legal entities wholly owned, directly or indirectly, by an unincorporated trust which has the status of a Family Foundation may also apply to be treated as an Unincorporated Partnership;
- More details on the Article 17(1) conditions which a Family Foundation or underlying entity must meet in order to qualify to make an application to be treated as fiscally transparent for CT. This includes confirmation that foreign entities may also qualify.
- Additional clarifications to the beneficiary condition also confirm that beneficiaries do not need to be related and may also benefit indirectly via another fiscally transparent structure such as an unincorporated trust.
- Confirmation of the CT compliance requirements for Family Foundations and juridical persons that they wholly own and control. This covers the CT registration requirements, the process to apply for fiscally transparent status and a new Annual Confirmation requirement.

## Let's talk



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