UAE Corporate Tax

Public clarification CTP007

Financial Statements and Related Audit Requirements for a Tax Group

September 2025

Overview

Prior to the issuance of this public clarification, the Federal Tax Authority ("FTA") had previously issued Decision No. 7 of 2025 setting out the requirements for preparing and maintaining audited special purpose financial statements for tax groups under Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses, specifically requiring Aggregated Financial Statements ("AFS"). The current public clarification expands on the guidance provided in the earlier FTA decision to help ensure taxpayers apply the framework requirements consistently.

Key highlights

The following important considerations are covered in the public clarification:

- **Required Primary Statements** - The primary statements to be presented in a set of Aggregated Financial Statements ("AFS") are:
  1) Aggregated statement of financial position.
  2) Aggregated statement of profit or loss.
  3) Aggregated statement of other comprehensive income.
  4) Aggregated statement of changes in equity.

- **Comparative Information** - Comparative figures for the preceding tax period must be presented in the AFS, except for the first tax period in which the Tax Group is formed.

- **Explanatory Notes and Disclosures** - Explanatory notes must sufficiently support the numbers in the AFS and should align with IAS 1 (Presentation of Financial Statements).

- **Treatment of Income Tax Balances** - The AFS serves to determine the aggregated accounting net profit for the Tax Return. UAE Corporate Tax balances (current or deferred) recognized in standalone financial statements are excluded from aggregation. Conversely, the effects of income taxes under other legislations, including foreign taxes and other taxes levied in the UAE, shall remain aggregated.

- **Uniform Accounting Policies** - All Tax Group members must apply uniform accounting policies. If differences exist, the financial statements of the Subsidiaries must be adjusted to align with the Parent Company's accounting policy for the purposes of preparing the AFS.

- **Investments and Equity Grossing Up** - Investments recorded by the Parent and equity recorded by Subsidiaries within the Tax Group are aggregated without elimination, resulting in a grossing up of the balance sheet. This is necessary to exclude the impact of IFRS 3 and IFRS 10 adjustments (e.g., goodwill, bargain purchase gains, fair value adjustments).

- **Audit Requirements** - For tax periods commencing on or after 1 January 2025, all Tax Groups are required to prepare and maintain audited special purpose AFS, regardless of revenue thresholds. The audit must be conducted in accordance with International Standards on Auditing (ISA) for special purpose frameworks. The audited AFS must be submitted to the FTA at the time of filing the tax return.

Next steps

The public clarification provides further clarity on the framework and presentation requirements of the AFS. It is essential for tax groups to carefully evaluate and incorporate these requirements to ensure complete compliance with the FTA's guidelines.

It is essential to stay alert and adapt to evolving UAE CT legislation for tax efficiency and tax compliance.

For further assistance, you can reach us at CT.UAE@pwc.com or your dedicated PwC tax contact.

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