Taxation of Family Foundations Corporate Tax Guide – FTA Key Updates

June 2026

In brief

The Federal Tax Authority ("FTA") has released the June 2026 update to its Corporate Tax (CT) Guide on the Taxation of Family Foundations, reference CTGFF1. The updated guide builds on, and replaces, the first version issued in May 2025.

The update provides further clarifications and new guidance on several important topics, including the treatment of trusts, similar entities, multi-tier structures, transfers to Family Foundations, juridical persons acquired or sold, and family offices.

These clarifications reinforce the importance of reviewing existing and planned family wealth structures through a Corporate Tax lens. They also create an opportunity for families to assess whether their structures remain fit for purpose, aligned with the FTA's latest guidance, and positioned to support long-term governance and succession objectives.

In detail

Key updates made in the June 2026 version of the guide.

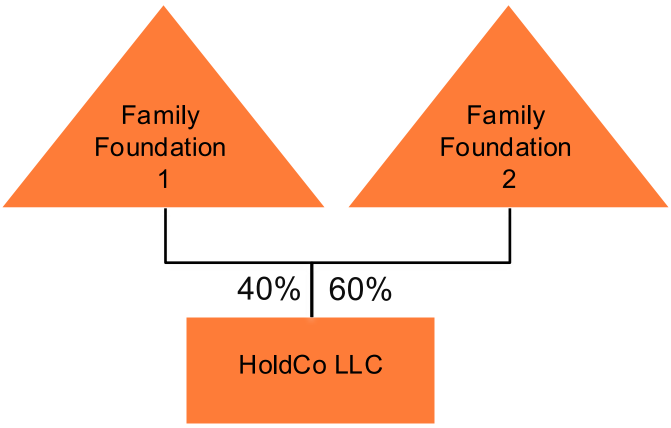
The guide provides more insights on the UAE CT treatment of entities established for the purposes of holding family wealth.

Subject area	Key update
Trusts and waqf (Islamic endowment)	**Unincorporated trusts** (e.g., those established in DIFC or ADGM) are Unincorporated Partnerships and fiscally transparent by default. They do not need to make an application under Article 17(1) to be treated as fiscally transparent, but would only have the status of a Family Foundation if they meet the relevant conditions. Having Family Foundation status is relevant when a juridical person held by the unincorporated trust wishes to apply to be treated as an Unincorporated Partnership to extend this treatment to qualifying underlying juridical persons. **Incorporated trusts** (e.g. those under Federal Decree-Law No. 31 of 2023 or Waqf) are treated as any other juridical person and subject to Corporate Tax, but can apply to be treated as fiscally transparent where conditions are met. A Waqf that is a Qualifying Public Benefit Entity would be exempt from Corporate Tax.
Similar entities to trusts and foundations	**Important clarification:** It is possible for a "similar entity" to a foundation to meet the Family Foundation conditions and apply to be treated as fiscally transparent where it is used within a family wealth structure. However, the FTA has confirmed that a Limited Liability Company (LLC) is not considered to be a "similar entity" and, therefore, cannot make an application to the FTA to be treated as fiscally transparent under the Family Foundation definition. An LLC may still qualify to apply for tax transparent status as a juridical person wholly owned and controlled by a Family Foundation if the conditions are met (see the multi-tier structures update on the next page) but an LLC cannot be the ultimate holding entity vehicle/Family Foundation.

Multi-tier structures

The updated guide provides important clarifications on multi-tier family ownership structures:

- **Uninterrupted chain requirement:** A juridical person in a multi-tier structure can apply to be treated as fiscally transparent if it is wholly owned and controlled, either directly or indirectly, by a Family Foundation that is treated as an Unincorporated Partnership. Where the ownership/control is indirect, this must be through an uninterrupted chain of other entities which are themselves all fiscally transparent. Any entity in the chain that is not fiscally transparent will represent an interruption, and any juridical persons held below it will not be eligible to apply for tax transparent status.
- **Trustee ownership:** Where a Family Foundation is automatically treated as an Unincorporated Partnership (such as an unincorporated trust) and wholly owns and controls a juridical person, the ownership condition is considered satisfied even though legal ownership of the trust assets may vest in the trustee(s).
- **Continuous compliance:** The conditions must be met continuously throughout the relevant Tax Period of the juridical person. If the conditions are not met continuously, the relevant juridical person (and any juridical persons it wholly owns and controls) will lose Unincorporated Partnership status from the beginning of that Tax Period.
- **Financial Year flexibility:** There is no requirement for juridical persons within the uninterrupted chain to have the same Financial Year. However, for a subsidiary to be treated as an Unincorporated Partnership for its Tax Period, the parent entity must also be treated as an Unincorporated Partnership for the whole of the subsidiary's Tax Period.
- **Joint ownership by multiple Family Foundations:** A juridical person can be "wholly owned" jointly by more than one Family Foundation. Where the ownership condition is met collectively by two or more Family Foundations that are each treated as Unincorporated Partnerships, and one or more of those Family Foundations effectively controls the entity, the juridical person may apply for tax transparent status.



Conclusion: As HoldCo LLC is wholly owned and controlled by qualifying Family Foundations, HoldCo LLC may apply for tax transparent status even though its shares are held by multiple Family Foundations.

- **Beneficiary condition for wholly owned entities:** Where the Family Foundation meets the beneficiary condition, a juridical person wholly owned and controlled by that Family Foundation is also considered to meet the beneficiary condition, on the basis that such entities serve the same holistic purpose as the Family Foundation.
- **Impact of failure to meet the conditions on underlying entities:** Where an entity in a multi-tier structure ceases to meet the conditions, any entities it wholly owns and controls, directly or indirectly, will also cease to be eligible to be treated as fiscally transparent under the Family Foundation provisions.

Transfers, acquisitions/disposals and family offices

The Guide provides new details on the CT implications of the transfers into a Family Foundation and where family offices are used as part of the wider family wealth structure.

Subject area	Key updates
Transfers into a Family Foundation	Federal Decree Law No. 47 of 2022 (the UAE CT Law) contains an article stating that a founder and their foundation are Related Parties. As a result, any transfers into the foundation should take place at market value. The Guide clarifies that where the founder is a natural person, and the assets transferred are Personal Investments and/or Real Estate Investments, there would be no UAE Corporate Tax implications for the founder. However, if there is a corporate founder, any transfer would also occur at market value, potentially giving rise to a gain or loss for the corporate founder. Whether this gain or loss may be subject to Corporate Tax depends on specific facts and circumstances.
Juridical persons acquired or sold	There are situations where a juridical person (such as a company holding Real Estate Investments) that is a Taxable Person becomes wholly owned and controlled by a Family Foundation. Providing the wider conditions are met, at this time, the juridical person could cease to be a Taxable Person. In the event of a sale of the company, the inverse could occur where a juridical person ceases to be wholly owned and controlled by a Family Foundation. As a result, it would change from being fiscally transparent to being a fiscally opaque Taxable Person. **Important clarification:** There is no adjustment in the base cost of any assets held by the juridical person for Corporate Tax purposes when its tax status changes.
Family offices	A Single Family Office (SFO) or Multi Family Office (MFO) established in one of the UAE Free Zones, such as DIFC, ADGM, DMCC or DWTC, could be a juridical person wholly owned and controlled by a Family Foundation. However, given the activities of a SFO/MFO, it is unlikely to meet all conditions of Article 17(1), particularly the no Business Activity condition. The SFO/MFO will be subject to Corporate Tax on all its income including management fees. The SFO/MFO will be a Related Party, and potentially a Connected Person, to the Family Foundation so payment for services provided will need to be on arm's length terms and then taxed in the SFO/MFO. Where the SFO/MFO is a Free Zone Person, it may benefit from a 0% Corporate Tax rate on Qualifying Income from Qualifying Activities (e.g. wealth and investment management services, fund management services) that are subject to regulatory oversight of a Competent Authority in the UAE (such as the UAE Central Bank, DFSA and FSRA). If the SFO/MFO only holds a licence without regulatory oversight, these services would NOT be considered Qualifying Activities. Other reliefs and exemptions may also apply.

Key takeaways and PwC's observations

The FTA's updated Taxation of Family Foundations Corporate Tax Guide provides important clarifications across several areas that are highly relevant to families, founders and family offices in the UAE. In particular:

- LLCs cannot qualify directly as "similar entities" for the purposes of applying for tax transparent status under the Family Foundation provisions. However, an LLC may still be able to qualify under the multi-tier structure rules if wholly owned and controlled by a Family Foundation.
- The guidance on multi-tier structures has been expanded, including helpful clarification on the uninterrupted chain requirement, continuous compliance throughout the relevant Tax Period, and the ability for a juridical person to be wholly owned and controlled by more than one Family Foundation.
- Transfers into a Family Foundation require careful analysis. Transactions between Related Parties must be conducted on an arm's length basis. However, where a natural person transfers Personal Investments or Real Estate Investments into a Family Foundation, there should be no UAE Corporate Tax implications for the founder.
- Changes in tax status do not trigger a base cost reset. Where a juridical person becomes, or ceases to be, fiscally transparent, the Guide clarifies that there is no adjustment to the Corporate Tax base cost of the assets it holds.
- Family offices remain an important part of the wider family wealth ecosystem, but SFOs and MFOs are unlikely to qualify for fiscally transparent status where they undertake activities that fall outside the relevant conditions. Where established as Free Zone Persons, they may still benefit from the 0% Corporate Tax rate on Qualifying Income from Qualifying Activities, subject to meeting the relevant regulatory and Corporate Tax requirements.

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