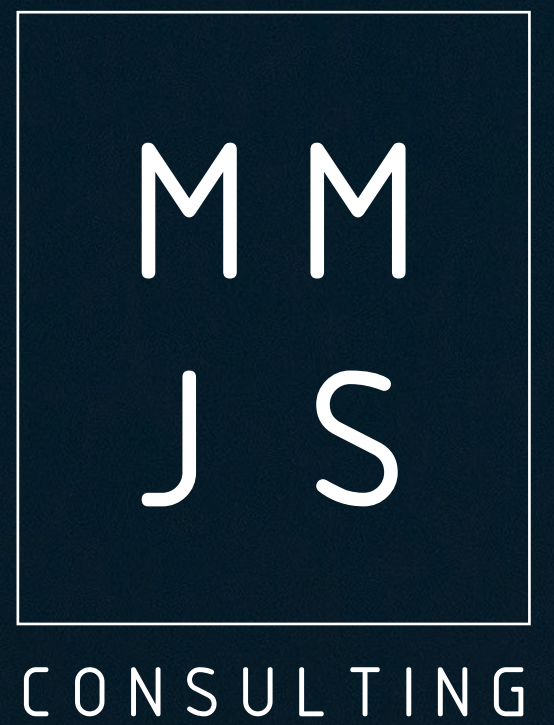


# UAE TAX ALERT



## FTA Decision on Audited Aggregated Financial Statements for Tax Groups

#taxatmmjs



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# FTA Decision on requirements for preparing and maintaining Audited Aggregated Financial Statements for a Tax Group

The UAE Ministry of Finance (MoF) had earlier issued Ministerial Decision No. 301 of 2024 (MD 301) in December 2024, which repealed and replaced Ministerial Decision No. 125 of 2023 (MD 125) on Tax Groups for the purpose of Federal Decree Law No. 47 of 2022 (UAE CT Law).

Subsequently, during March 2025, the MOF also issued Ministerial Decision No. 84 of 2025 (MD 84), wherein it was specified that, inter alia, a Tax Group shall prepare and maintain audited special purpose financial statements in accordance with the rules specified by The Federal Tax Authority (FTA).

Pursuant to MD 84, in a recent development, the FTA has issued Decision No. 7 of 2025 (the “Decision”) dated 16 July 2025 determining the requirements for preparation and maintenance of audited special-purpose financial statements for a Tax Group (referred as ‘**Aggregated Financial Statements**’).

**The requirements under MD 84 read with the Decision shall apply for tax periods beginning on or after 1 January 2025.**

We have provided the highlights of the Decision below:

## **A. Framework and principles for preparation of Aggregated Financial Statements**

- ▶ Transactions (including any income, expenses, unrealised gains and losses) between Tax Group members should be eliminated upon aggregation.
- ▶ Aggregated Financial Statements must be prepared annually based on the standalone financial statements of the Tax Group members and should include only Tax Group members.
- ▶ Aggregation (as well as corresponding elimination of intercompany transactions) should not include standalone financial statements of entities which are not a part of Tax Group.
- ▶ Aggregated Financial Statements must comply with International Financial Reporting Standards (IFRS) or IFRS for SMEs, as applicable, subject to specific requirements prescribed in the Decision.
- ▶ Also, the standalone Financial Statements of the members of the Tax Group must be prepared in accordance with IFRS or IFRS for SMEs (as applicable) as well as by using uniform accounting policies.
- ▶ The Aggregated Financial Statements must be presented in UAE Dirhams (AED).



## **B. Specific requirements/ conditions for preparing Aggregated Financial Statements**

- ▶ The implications of business combinations under IFRS 3 should not be considered in the standalone financial statements of an acquiring company (being a member of the tax group), and the consolidated/ Aggregated Financial Statements prepared under IFRS 10.
- ▶ Adjustments related to goodwill, gain on bargain purchase, or fair value adjustments to assets and liabilities should not be recorded in the Aggregated Financial Statements (though the same may be recorded in IFRS compliant consolidated financial statements).

However, where a business combination is undertaken without the acquisition of a separate legal entity, the resultant assets, liabilities, goodwill and gain on bargain purchase forming part of standalone financial statements of the acquiring entity must be aggregated in the Aggregated Financial Statements.

- ▶ Investments in subsidiaries, joint ventures and associates that are not members of the Tax Group must be carried at cost less impairment.
- ▶ Aggregated Financial Statements must include line-by-line aggregation of financial statement captions, without any elimination even for investments recorded by the Parent Company or any Subsidiary, or for corresponding equity recorded by the Subsidiaries within the Tax Group.
- ▶ Any impairment recorded for investment in any subsidiaries which are in the Tax Group, must not be eliminated for preparing the Aggregated Financial Statements.

## **C. Disclosure and presentation requirements**

- ▶ Aggregated Financial Statements must include Aggregated Statement of Financial Position, Aggregated Statement of Profit or Loss, Aggregated Statement of Other Comprehensive Income and Aggregated Statement of Changes in Equity.
- ▶ Further, Aggregated Financial Statements should also include the disclosures on the framework for preparation, basis of aggregation, the accounting policies used and notes to accounts for preparation of such financial statements.

## **D. Standalone Financial statements of members leaving the Tax Group or Tax Group ceasing to exist**

- ▶ The opening values of relevant assets and liabilities in the Standalone Financial Statement of a member leaving the Tax Group must be adopted basis the values recorded by the Tax Group (in its Aggregated Financial Statements).



- ▶ However, if applicable accounting standards do not permit use of such values in the standalone financial statements (i.e. basis the Tax Group's Aggregated Financial Statements), taxable income of such member must still be calculated considering the values of relevant assets and liabilities as recorded by the Tax Group (as if the relevant accounting statements permit using such values).

## MMJS INSIGHTS

- ▶ It is pertinent for the Tax Groups to take into account the aforesaid requirements, framework and principles for preparation of Aggregated Financial Statements. It would be necessary to identify and establish necessary updates in the ERP/ IT systems to comply with the specific requirements of this Decision.
- ▶ Members of Tax Groups could also be required to prepare standalone financial statements in compliance with IFRS/ IFRS for SMEs and by following uniform accounting policies (which should form the basis for preparation of Aggregated Financial Statements).
- ▶ Tax computations of any member leaving the Tax Group may require additional adjustments, in case relevant accounting standards do not permit recognition of opening values in the standalone financial statements, basis the values recorded by the Tax Group in Aggregated Financial Statements.
- ▶ Clarity is provided by the FTA on presentation of the Aggregated Financial Statements in AED.

*You may refer to all Cabinet Decisions and Ministerial Decisions issued relating to the UAE CT regime on Ministry of Finance's website: [www.mof.gov.ae](http://www.mof.gov.ae). Decisions, Guides as well as Public Clarifications issued by the FTA under the UAE CT Regime are available on FTA's website: <https://tax.gov.ae/en/taxes/corporate.tax.aspx>*

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