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Ministerial Decision 134 (Clauses 1 to 10)

Other adjustments to 'Accounting Income' for Determining Taxable income

Relevant Clauses in Decree Law 47:

Article 20: General Rules for Determining Taxable Income

Article 26: Transfers within Qualifying group

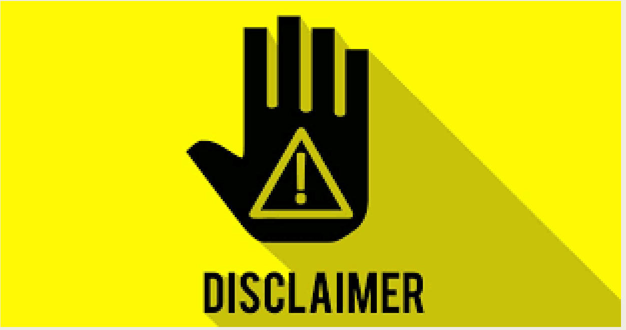
Article 27: Business Restructuring Relief

Article 16: Partners in an Unincorporated Partnership

Article 42: Transfer of Assets and liabilities within Tax group

Ministerial Decision 132 on transfers within a Qualifying Group.

Ministerial Decision 133 on restructuring relief.



The UAE Corporate Tax is a new regulation.

The views expressed here the interpretations made by the presenter from the Federal Decree law No 47 of 2022, Explanatory guide issued by Ministry of Finance, Ministerial Decisions 134 and FAQ's published by Ministry of Finance.

One should not act without referring to final legislation and without ascertaining applicability of relevant provisions to their own business.

Ministerial Decision 134 of 2023 on the General Rules for Determining Taxable Income for the Purposes of Federal Decree-law no 47 of 2022.

23 Articles and 14 Clauses/Sub-clauses

Article No	Provisions
134 (2)	Other Adjustments **to the Accounting Income** for Determining the **Taxable income**
134(3)	Other Adjustments **to the Accounting Income** for Determining the **Taxable income** in relation to transactions with **Related parties**
134(4)	Other Adjustments **to the Accounting Income** for Determining the **Taxable income** in relation to transfers within **Qualifying group**
134(5)	Other Adjustments **to the Accounting Income** for Determining the **Taxable income** in relation to **Business Restructuring Relief**
134(6)	Other Adjustments **to the Accounting Income** for Determining the **Taxable income** of a **Partner in an Unincorporated Partnerships**
134(7)	Other **Adjustments** on **Deductions**
134(8)	**Conditions to Elect the use of Realisation basis**
134(9)	**(Meaning of) Realisation of Assets or Liabilities**

Federal Decree Law 47, Article 20 (2)(i)
Any other adjustments as may be specified by the Minister

Ministerial Decision 134, Articles 2, Clauses 1 & 2

MD 134 Article 2 (1)

To include any realised or unrealised gains and losses that are ***reported*** in the Financial Statements insofar as they would not be subsequently recognised in the statement of income (if taken on accrual basis, not to be taken on realization basis)

This adjustment ensures that all relevant gains and losses are accounted for.

			ex rate		
Foreign receivable in the balance sheet		€ 100,000	4.00	€ 400,000	
Euro value on 31-12-24			4.10		
Unrealized gain in income statement		10,000		10,000	AED
Collected in 2025	@		4.25		
Total gain				25,000	AED
Realized gain current year				15,000	AED
Less: accounted previous year				10,000	AED

	Supplier account						
		Dr			Cr		
		€	**Ex rate**	**AED**	**€**	**Ex rate**	**AED**
01/07/2024	Purchase				100,000	4.00	400,000
31/12/2024	Exchange loss						
01/07/2025	Bank	100,000	4.25	425,000			
		100,000			100,000		
31/12/2024	Exchange loss/gain account		0.10	10,000			
01/07/2025	Exchange gain/loss account		0.25	25,000			
	Already accounted in previous year			10,000			
01/07/2025	Realised loss			15,000			

MD 134 Article (2)(2)

To make adjustments to replace the effect of Equity Method of Accounting, ***if applied***, with the effect of Cost Method of Accounting as allowed under the Accounting Standards

What is Equity method?

The equity method is an accounting technique used **by a company to record the profits earned through its investment in another company.**

Investment in shares of other companies

Investment of Company A in Company B (foreign company)	**300,000**	A	
Share capital of company B	**7,500,000**		
% of shareholding of Company A in Company B	**4%**	B	
Company B profit for the year	**5,000,000**	C	
Share of profits of Company A	**200,000**	D=CxB	
Investment value under Equity method	**500,000**	E=A+D	
Investment value under cost method	**300,000**		
Adjustment to be made- if Equity method is applied (Reduction of income)	**200,000**	F=E-A	
Scenario 2:			
Dividend declared by Company B	**20%**		
Received by Company A	**60,000**	G	**Realized**
Investment value under Equity method	**500,000**	D	
Investment value under cost method	**300,000**		
Adjustment to be made	**140,000**	H=D-G	**Unrealized**

Example 2		
Company A's investment in a joint venture with B	1,000,000	a
Total investment of joint venture	3,000,000	b
Share of company A	30%	c=a/b
Loss recorded	500,000	d
Share of loss of company A	150,000	e=d*c
Investment recorded under equity method	850,000	f=a-e
Adjustment to be made in books (losses) if JV is not completed	150,000	

Article 20 (3) of Decree Law: Election to apply on realisation basis:

For the purposes of calculating the Taxable Income for the relevant Tax Period, and subject to any conditions that the Minister may prescribe, a Taxable Person that prepares financial statements on an accrual basis may elect to take into account gains and losses on a realisation basis in relation to:

a. all assets and liabilities that are subject to fair value or impairment accounting under the applicable accounting standards; or (All assets & liabilities on realisation basis) OR
b. all assets and liabilities held on capital account at the end of a Tax Period, whilst taking into account any unrealized gain or loss that arises in connection with assets and liabilities held on revenue account at the end of that period (Capital Assets & liabilities on realization basis and current assets and liabilities on accrual basis)

Relevant Articles in Ministerial Decision 134

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MD134, Article 2, Clauses 3 (a),(b) & (c)

If no election is made, accrual basis will be applied

FAQ 231: **Will a Corporate Tax deduction be available for revaluation losses and provisions?**

The Corporate Tax treatment of a revaluation loss depends on whether the Taxable Person has made an election to recognise gains and losses on a realisation basis. If no election has been made, then the tax treatment should follow the accounting treatment. This means that revaluation gains and losses reflected in the accounts are subject to Corporate Tax in the relevant Tax Period.

If the Taxable Person has elected to recognise gains and losses on a realisation basis, then any gains or losses which relate to a change in the value of the asset or liability above its original cost shall be ignored for Corporate Tax Purposes. Instead, such gains and losses would be subject to Corporate Tax when the underlying asset or liability has been sold or settled.

Tax implications of Realised and Unrealised gains

Example given in the Corporate Tax guide by FTA
Point no: 6.3.1

Fair value gain on land

The original cost of the land was AED 50,000,000 and following the revaluation the net book value of the land is AED 60,000,000. The land was not sold at the end of the Tax Period and, therefore, the revaluation gain is considered 'unrealised'.

If no election is made, C LLC would be subject to tax on the unrealised gain of AED 10,000,000 in relation to the Tax Period ending on 31 December 2025. However, if C LLC elects to apply the realisation basis in respect of all assets and liabilities that are subject to fair value or impairment accounting, then the company would not have to include the revaluation gain of AED 10,000,000 when calculating their Taxable Income for this Tax Period.

MD 134 (8)

Conditions to Elect the Use of the Realization Basis

1. For the purposes of Clause (3) of Article (20) of the Corporate Tax Law, a Taxable Person that prepares Financial Statements on an Accrual Basis of Accounting may elect to recognise gains and losses on a realisation basis, subject to the provisions of Clause (2) of this Article.

2. Banks and Insurance Providers that are Taxable Persons and that prepare Financial Statements on an Accrual Basis of Accounting may elect to recognize gains and losses only on a realization basis in accordance with paragraph (b) of Clause (3) of Article (20)

3. For the purposes of Clauses (1) and (2) of this Article, ***the decision to make an election, or not to make an election, shall be made by the Taxable Person during the first Tax Period and shall be deemed irrevocable,*** except under exceptional circumstances and pursuant to approval by the Authority

Article 20, Clause 3

The essence.

Where the accrual method is used as the basis for a Taxable Person to prepare its accounts, unrealized gains or losses may arise where a change in the value of an asset or liability is recorded in the Person's financial statements, *but no transaction to realize a gain or loss has yet taken place*. It is therefore possible ***that profits (or losses) could arise where there has been no actual disposal or settlement (i.e. realization) of the relevant asset or liability, and therefore no receipts that could be used to pay any Corporate Tax liability that may arise as a result***.

An example of this would be a change in the exchange rate for a foreign currency contract yet to be settled at the end of an accounting period.

To prevent a Corporate Tax liability arising where there is no receipt of consideration to fund the resulting Corporate Tax payable, Taxable Persons who prepare their financial statements on an accrual basis may elect to take into account gains and losses on a realization basis.

MD 134 (9)
What is Realization of Assets or liabilities?

134(9)(1). Not considered as realization:

a. Transfer between Taxable persons of a qualifying group *that is not a TAX Group (Article 42 (9) of DL 47)***

b. Transfer when Restructuring relief is applied (Transfer of entire business or part of a business)

134(9)(2) What is realization?: (include but not limited to)

a. The *sale, disposal, transfer, other* than the transfers under Clause (1) of this Article, settlement and complete worthlessness of an asset as per the Accounting Standards applied by the Taxable Person.

b. The settlement, assignment, transfer, other than the transfers under Clause (1) of this Article, and forgiveness of a liability as per the Accounting Standards applied by the Taxable Person

** Transfers between group companies explained in subsequent slides

DL Article 20 (3)(a)- Option 1

Taxable person preparing financial statement on accrual basis, can account *ALL assets and liabilities subject to fair value of impairment on realization basis*)

Where the Taxable Person elects to take into account gains and losses on a realisation basis in accordance with paragraph (a) of Clause (3) of Article (20) of the Corporate Tax Law, to make the following adjustments for the assets and liabilities under that paragraph:

MD 134 (2)(3) (a) to (c)

MD 134 2 (3) (a)

In cases other than upon realisation, to exclude any depreciation, amortisation or other change in the value of the asset, other than a Financial Asset, to ***the extent*** that the adjustment amount relates to a ***change in the net book value exceeding the original cost of that asset***

Scenario 1:
Fixed assets recorded at revalued figures before realization

Original cost of asset	1,000,000	a	
Revalued at prior to 2024	1,500,000	b	
Revaluation gain	**500,000**		
Book value after depreciation (depreciated after revaluation)	900,000	c	2024
Deprecation (provided on revalued amount)	300,000	d=b*20%	20%
Written down value as per books	**600,000**	**900k-300k**	
Depreciation on revaluation amount	100,000	e=(b-a)*20%	
Adjustment to be made to income	100,000	e	add back
Depreciation as per income tax	200,000	f=a*20%	
Net Book value as per income tax	700,000	g=c-f	

DL Article 20(3)(a)-upon realization

MD 134 Article 2(3)(c)

Upon the realisation of an asset or a liability, to include any amount that has not been recognised for Corporate Tax purposes under paragraphs (a) and (b) of this Clause and paragraph (a) of Clause (3) of Article (20) of the Corporate Tax Law, other than any such amount that arose prior to the most recent acquisition which was not under the application of either Clause (1) of Article (26) *(Transfers within qualifying group)* or Clause (1) of Article (27) of the Corporate Tax Law *(Business restructuring relief)*

Fixed Asset upon realization

Value as per Revaluation	**1,500,000**	
Depreciation rate	**20%**	
Sold in July 2025 at	1,300,000	**a**
Depreciation for 2025 as per books-6 months	150,000	**b**
Opening balance as per tax calculations	700,000	**c**
Opening balance as per books	600,000	**d**
Less: Depreciation for current year (realization basis)	150,000	**e**
Less: Depreciation disallowed before	100,000	**f**
Book value after deprecaition as per income tax	450,000	**g=c-e-f**
Profit	850,000	**h=a-g**
<u>Check:</u>		
Values as per books of accounts:		
Sale value	1,300,000	**a**
Opening balance for 2025	600,000	**b**
Depreciation for 2025 as per books-6 months	150,000	**c**
Net book value	450,000	**d**
Profit as per books	**850,000**	**e=a-d**

DL 20(3)(b)-Option 2

MD 134 Article 2 (4) (a) to (c)

Taxable person that prepares financial statements on accrual basis may elect to take into account gains and losses on realization basis in relation to

All assets and liabilities held on capital account (Realization basis)

while taking into account

Unrealized gain or loss that arise in connection with assets and liabilities held on current account (Accrual basis)

134 2 (4)(a) same as 134 (2)(3)(a)

In cases other than upon realisation, to exclude any depreciation, amortisation or other change in the value of the asset, other than a Financial Asset, to the extent that the adjustment amount relates to a *change in the net book value exceeding the original cost of that asset (Realization basis)* *(1)*

134 2 (4)(b)

To exclude any change in the value of a liability or a Financial Asset, including any amortisation, *except* when calculating the gain or the loss upon the realization of the liability or the Financial Asset (Current asset/liability can be accounted on accrual basis.) (except upon realization=accrual basis) (2)

134 2 (4)(c)

Upon the realisation of an asset or a liability, to include any amount that has not been recognised for Corporate Tax purposes under paragraphs (a) and (b) of this Clause and paragraph (b) of Clause (3) of Article (20) of the Corporate Tax Law, other than any such amount that arose prior to the most recent acquisition which was not under the application of either Clause (1) of Article (26) *(Transfers within qualifying group)* or Clause (1) of Article (27) of the Corporate Tax Law *(Business restructuring relief)*

DL Article 20(3)(a)..
Scenario 2
Current Assets & liabilities on realization basis

MD 134 Article 2 (3)(b)

To exclude any change in the value of a liability or a Financial Asset, including any amortisation, *except* when calculating the gain or the loss upon the realisation of the liability or the Financial Asset.

(If gains or losses are recorded before realization)

Scenario-Increase in value of liability due to forex loss-before realization

Amount payable to vendor for goods purchased	**100,000**	**€**
Exchange rate applied	**4.00**	**AED/Euro**
Increase in Exchange value	**0.20**	**€**
Current exchange rate	**4.20**	**€**
Increase in liability	**20,000**	**AED**
Adjustment for profit (if accounted)-added back	**20,000**	**AED**

Scenario-Increase in value of current asset due to forex loss-before realization

Foreign receivable	100,000	AED
Revalued after forex gain	98,000	AED
Amortization over cost of asset	2,000	AED
Adjustments to taxable profits –Added back	2,000	AED

Current asset upon realization-example as above

Books of accounts		
Loss booked due to exchange loss (as per books)	2,000	a
Book value	98,000	b
Realized later	103,000	c
Gain booked (as per books)	5,000	d=c-b
Net effect (5000-2000 added back before)	3,000	e=d-a

Article 20(2)(i)

Other adjustments as may be specified by the Minister

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MD 134 (3)

Adjustments to Accounting income for Transaction with Related Parties.

MD 134 (3)(1)
adjustments shall be made by the *transferee* when calculating the Taxable Income *in case of a transfer of an asset or a liability between Related parties.*

MD 134 (3)(1)(a) (1)
Where the amount of consideration paid by the transferee ***exceeds the Market Value:***
In case other than upon realization, to exclude any depreciation, amortization or other charges *to the extent the adjustment relate to change in value between NET book value and Market price*

MD 134 (3)(1)(a)(2)
Upon the realization of an asset or a liability by the transferee, to include any amount to which the net book value used by the transferee when calculating the gain or loss, exceeds the Market Value identified under subparagraph (1) of this paragraph

MD 134(3)(2)
Where subparagraph (1) of paragraph (a) of Clause (1) of this Article applies, the transferee **may elect to recognize** the excess derived from the difference between the net book value of the asset or liability of the transferee and the Market Value as an adjustment in calculating the Taxable Income.

Market Value	12,000
Purchase price (Net book value recognized by transferee)	18,000
Amount exceeding net book value and market value	6,000
Depreciation rate	20%
Depreciation on purchase price	3,600
Excess depreciation (adjustment to be made)	1,200

Upon realization

	As per books	**As per IT**	**Difference**	**Impact**
				(adjustment of taxable income is optional as per clause 3(2))
Purchase price	18,000	12,000	6,000	
Depreciation	3,600	2,400	(1,200)	Profit decrease
				(as full value adjusted before)
Net book value	14,400	9,600	4,800	
Sale	20,000	20,000		
Profit	5,600	10,400		
			(Profit reduced before)	
Adjustments included		4,800		
Adjusted profit	5,600	5,600		

MD 134 (3)(1)(b)

Where the amount of consideration paid by the transferee is ***lower than the Market Value***, and where the *transferor* has included the difference between the Market Value and the consideration in its Taxable Income:

MD 134 (3)(1)(b) (1)

In cases other than upon realization, to exclude any change in value of the asset or liability, to the extent that the adjustment amount relates to a change in the value between the Market Value of that asset or liability and its net book value as recognized by the transferee upon transfer

Market value when bought	12,000	
Purchase price	9,000	
Adjustment to be made	(3,000)	Transferor adjusted taxable income. profit overstated by transferee

MD 134 (3)(1)(b) (2)

Upon realization, to reduce the amount of gain (Market value-book value)

Selling price	**11,000**
Gain as per books (less than the adjustment made)	**2,000**
Adjustment of pr. year	**(3,000)**
Net adjustment done	**(1,000**

134 (3) (3)

Where the net book value of the asset or liability under paragraph (a) of Clause (1) of this Article becomes equal or less than the Market Value, or an election is made under Clause (2) of this Article for that asset or liability, subparagraphs (1) and (2) of paragraph (a) of Clause (1) of this Article shall no longer apply to that asset or liability

Market value of Patent bought 2024	**12,000**	**a**
Purchase price (Net book value recognized by transferee)	**14,000**	**b**
Amortization	**20%**	**d**
Amortization on purchase price	**2,800**	**e**
Net book value	**11,200**	**f=b-e**

No further adjustments required (less than market price)

134 (3) (4)

Where the net book value of the asset or liability under paragraph (b) of Clause (1) of this Article becomes equal or higher than the Market Value, subparagraphs (1) and (2) of paragraph (b) of Clause (1) of this Article shall no longer apply to that asset or liability (consideration paid was lower than market value)

Market price (falls) for example IP asset	**8,000**
Book value	**11,200**

No adjustment required

Article 20(2)(i)

Other adjustments as may be specified by the Minister

MD 134 (4)

Adjustments to Accounting income of *transferee* for Transfers within Qualifying Group (75% or more common ownership) under Article 26 (1)

Article 26(1): No gain or loss needs to be taken into account in determining the Taxable Income in relation to the transfer of one or more assets or liabilities between two Taxable Persons that are members of the same Qualifying Group.

MD 134(4)(1)
Adjustment before realization

To exclude depreciation, amortization or any changes on gain or loss that has not been recognized at the time of transfer

Book value of the asset	100,000	a
Transfer value	150,000	b
Difference-Not recognized for CT	50,000	c
(Adjustment as per 26(3)(a)-treated as transfer at book value		
Depreciation on transfer value 20%	30,000	d=b*20%
Depreciation on book value	20,000	e=a*20%
Depreciation on differential value-Not recognized for CT	10,000	f=d-e exclude
Net adjustment not recognized for CT	40,000	g= c-f
Book value	120,000	h= b-d

MD 134(4)()
Upon realization

To include any amount that has not been recognized at the time of transfer within qualifying group

	As per books	As per IT	Difference
Purchase price	150,000	100,000	50,000
Depreciation @20%	30,000	20,000	10,000
Net book value before realization	120,000	80,000	40,000
Sold at	180,000	180,000	-
Gain	60,000	100,000	
Adjustment of earlier year		40,000	
Profit upon realization	60,000	60,000	

Federal Decree law 47 - Article 27

Business Restructuring Relief

27 (1) . No gain or loss needs to be taken into account in determining Taxable Income in any of the following circumstances:

a. ***A Taxable Person transfers its entire Business or an independent part of its Business*** to another Person who is a Taxable Person or will become a Taxable Person ***as a result of the transfer in exchange for shares*** or other ownership interests of the Taxable Person that is the transferee.

b. ***One or more Taxable Persons transfer their entire Business to another Person*** who is a Taxable Person or will become a Taxable Person as a result of the transfer in exchange for shares or other ownership interests of the Taxable Person that is the transferee, and the Taxable Person or Taxable Persons that are the transferor cease to exist as a result of the transfer

27 (3) (a). The assets and liabilities transferred shall be treated as being transferred at their net book value at the time of transfer so that neither a gain nor a loss arises.

MD 134 (5)

Adjustments to Accounting income of *transferee* for Transfer of assets and liabilities in case of Business restructuring Article 27 (1)

Treatment similar to that of transfer between qualifying groups as shown in the earlier slides

MD 134(5)(1)

Adjustment before realization

To exclude depreciation, amortization or any changes on gain or loss that has not been recognized at the time of transfer

MD 134(5)(2)

Adjustment *upon* realization

To include any amount that has not been recognized at the time of transfer within qualifying group

Other provisions relating to transfers

Within Qualifying group (Ministerial Decision 132)

132 (4) Exchange of Assets and Liabilities

1. Where the consideration paid for the transfer of the asset or liability is in the form of another asset or liability, the transfer shall be treated as two separate transfers for the purposes of applying Article (26) of the Corporate Tax Law.

2. Where Clause (1) of this Article applies, the provisions of Article (26) of the Corporate Tax Law and the Ministerial Decision on the general rules for determining taxable income shall apply (Article 20) to each transfer where at least one of the Taxable Persons that is party to the transfer has elected to apply Article (26) of the Corporate Tax Law.

RECORD KEEPING

132 (6)

For the purposes of Article (56) of the Corporate Tax Law (Record keeping requirement), where Clause (1) of Article (26) of the Corporate Tax Law has been applied, both the Transferor and the Transferee must maintain a record of the agreement to transfer the asset or liability at the value prescribed under Article (26) of the Corporate Tax Law and that of the requirements to make any adjustments prescribed under the Ministerial Decision on the general rules for determining taxable income.

133 (9) under Restructuring relief

For the purposes of Article (56) of the Corporate Tax Law, where Clause (1) of Article (27) of the Corporate Tax Law has been applied, both the Transferor and the Transferee must maintain a record of the agreement to transfer the Business or the independent part of the Business at the value prescribed under Article (27) of the Corporate Tax Law and that of the requirements to make any adjustments prescribed under the Ministerial Decision on the general rules for determining taxable income.

Article 20(2)(i) of DL

Other adjustments as may be specified by the Minister

Article 16 (1) of DL

Unless an application is made under Clause 8 of this Article, and subject to any conditions the Minister may prescribe, *an Unincorporated Partnership shall not be considered a Taxable Person in its own right*, and Persons conducting a Business as an Unincorporated Partnership shall be treated as individual Taxable Persons for the purposes of this Decree-Law

Adjustments relating to Unincorporated Partnerships

FAQ 138: What is an Unincorporated Partnership?

An Unincorporated Partnership is a relationship established by contract between two Persons or more, such as a *partnership or trust* or any other similar association of Persons, in accordance with the applicable legislation in the UAE.

FAQ 140: Are Unincorporated Partnerships are subject to CT?

Unless an application is made to be treated as a Taxable Person in its own right, an Unincorporated Partnership will be treated as tax transparent.

This means that the Unincorporated Partnership itself will not be subject to Corporate Tax. Instead, the individual partners will be taxed on their share of income of the Unincorporated Partnership.

Article 16 (8) of DL

The partners in an Unincorporated Partnership can make an application to the Authority for the Unincorporated Partnership ***to be treated as a Taxable Person***

MD 134 (6)-Unincorporated Partnership

Other Adjustments to the Accounting Income for Determining the Taxable Income of a Partner in an Unincorporated Partnership

Adjustments in relation to a Taxable Person *that is a partner* in an Unincorporated Partnership where an application under Clause (8) of Article (16) of the Corporate Tax *Law is approved:*

134 (6)(1)

To exclude from the Taxable Income of the partner any such income or loss that is recognized as Taxable Income for the Unincorporated Partnership.

134 (6)(2)

To exclude any gains or losses on the transfer, sale, or other disposal of the *interest of the Taxable Person (partner)* in the Unincorporated Partnership, or part thereof, provided that the interest meets all the conditions under Clause (2) of Article (23) of the Corporate Tax Law. (Participation interest of 5% or 4 million whichever is less)

Article 20(2)(i) of DL
Other adjustments as may be specified by the Minister

20(2) (i)& 28 to 33

MD 134 (7)

Other "Adjustments" on "Deductions"

MD 134 (7) (1)

Any expenditure that does not meet the conditions Chapter Nine (Articles 28 to 33)) under shall not be deductible (Donations, fines, penalties, entertainment exp, specific interest deduction limits)

MD 134 (7) (2)

No deduction shall be allowed for depreciation, amortisation or other change related to capitalized expenditure, ***where such an expenditure would not have been deductible had it been an expenditure that is not capital in nature***

MD 134 (7) (3)

Expenditures that are capital in nature that have not been deducted for the purpose of calculating the Taxable Income, other than those under Clause (2) of this Article, shall be deductible in the calculation of gains or losses upon the realization of the asset or liability (for example IP expense capitalized)

MD 134 (7) (4)

For the purposes of this Article, expenditures that are capital in nature shall be those treated as such under the Accounting Standards applied by the Taxable Person.

Transfer of Assets and liabilities within the group (Article 42)
Refer Article 134 (9)(1)(a)

Article 42 (1)

For the purposes of determining the Taxable Income of a Tax Group, the Parent Company shall consolidate the financial results, assets and liabilities of each Subsidiary for the relevant Tax Period, eliminating transactions between the Parent Company and each Subsidiary that is a member of the Tax Group

Article 42 (9)

Clause 1 of this Article ***shall not apply*** where an asset or liability has been transferred between members of the Tax Group and either the transferor or transferee leaves the Tax Group within (2) two years from the date of the transfer, unless the associated income would have been exempt from Corporate Tax or not taken into account under any other provisions of this Decree-Law.

Transfer of Asset by H to S		**Year**
Book value	10,000,000	
Transfer value	15,000,000	2024
Gain (eliminated in books)	5,000,000	
S leaves the group		2025
Book value of asset in S books	15,000,000	
Sale of asset by S	16,000,000	
Gain	1,000,000	
Adjustment of profit in "Group" income	5,000,000	

In case of a Group, transactions are recorded at transfer values in both the books (considered as realization) but are eliminated while consolidating. In case of qualifying group, the transfer values are considered at book value (not considered as realization)

Thank You

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