UAE corporate tax and family foundations

What the updated FTA guide means for individuals and families

The Federal Tax Authority has published an updated Corporate Tax Guide on the Taxation of Family Foundations, building on the first guide issued in May 2025. For individuals and families holding wealth through multi-tier structures, the updated guide brings clarity on how UAE Corporate Tax applies across the full holding chain, from the apex foundation down to underlying special purpose vehicles (SPVs), as well as the position of the family office as a separate taxable entity.

Four themes emerge that warrant immediate attention for families with complex arrangements.

1. SPVs jointly owned by two or more foundations can potentially qualify, particularly relevant for families with multiple branches

The guide clarifies that a juridical person can be "wholly owned" by more than one Family Foundation. Where two Family Foundations have each been approved by the FTA as Unincorporated Partnerships, a jointly incorporated SPV used to hold and manage assets can itself apply for transparent treatment, provided it meets the Article 17(1) qualifying conditions and is wholly owned and controlled by the relevant foundations.

For GCC families where wealth is distributed across multiple branches, each with its own governance structure and foundation, this is a significant practical development. Co-investment in shared assets through a jointly owned SPV is now a structurally cleaner option, without the loss of transparent treatment that might otherwise be expected. Ownership and control must both be satisfied. The SPV must independently meet the qualifying conditions under Article 17(1) of the Corporate Tax Law. The one exception is the beneficiary condition under Article 17(1)(a), which the guide treats as flowing from the qualifying Family Foundation, rather than requiring the SPV to satisfy it directly.

For families whose wealth is distributed across multiple branches, the update carries a message that is hard to overstate: It is now possible for different family branches, each operating through its own qualifying foundation, to hold shared assets through a jointly owned common vehicle, whether an SPV or a master foundation, and for that vehicle to be fully tax transparent. This is the development that will matter most to families whose wealth has been divided, formally or informally, across multiple branches. The updated guide changes this position materially, and the consequences for estate and wealth planning are significant.

Action Point: Where families have multiple branches, each operating through separate foundations, assess whether jointly held assets currently sit in a taxable vehicle. Consider whether restructuring through a jointly owned SPV, held by the relevant foundations, could unlock transparent treatment and simplify the overall arrangement.

2. LLCs can't qualify as Family Foundations directly, but can still benefit from transparent treatment

An LLC is not considered a "similar entity" to a foundation or trust under Article 1 of the Corporate Tax Law, and it cannot therefore apply to the FTA to be treated as fiscally transparent in its own right. This is among the most common structural misconceptions we encounter. Where an LLC sits at the apex of the holding pyramid, transparent treatment is not available at that level.

The position is more nuanced, however, where the LLC sits beneath a qualifying Family Foundation. Under Article 5(2) of Ministerial Decision No. 261 of 2024, a juridical person that is wholly owned and controlled by a qualifying Family Foundation may itself apply for fiscally transparent treatment. The structure therefore matters, as placing the right entity at the apex unlocks the transparent wrapper for the entities below it.

Action Point: Identify where the LLC sits in the structure. If it sits at the top, consider whether a qualifying foundation can be placed above it. If it already sits beneath a qualifying foundation, confirm that the Article 17(1) conditions are met and that a separate FTA application has been made.

3. Holding companies and SPVs below a foundation now have a clearer route to transparent treatment

The guide confirms, through worked examples, that fiscal transparency can extend through multiple layers of a structure. Under Article 5(2) of Ministerial Decision No. 261 of 2024, read with Article 17(1) of the Corporate Tax Law, a juridical person in a multi-tier arrangement may apply to be treated as an Unincorporated Partnership where it is wholly owned and controlled by a Family Foundation that has itself been granted transparent treatment, either directly or through an uninterrupted chain of fiscally transparent entities.

The critical qualifier is that the chain must be uninterrupted. A single break in the chain, whether caused by a missed FTA application, a failed qualifying condition, or a newly acquired entity that has not yet been brought within the structure, will cause all entities below that break to fall outside the transparent wrapper. Each juridical person in the chain must also be separately registered for Corporate Tax before any application to the FTA can be made.

Action Point: Map the full ownership chain entity by entity. Confirm that each juridical person in the chain has separately registered for Corporate Tax and made a timely application to the FTA. Identify any entity that may represent a break in the chain and address it before the end of the current Tax Period.

4. Family offices are taxable in their own right and must charge at arm's length

An SFO or MFO is unlikely to be able to satisfy the no business activity condition under Article 17(1)(c) of the Corporate Tax Law. It therefore sits outside the transparent wrapper entirely and is subject to Corporate Tax as a Resident Person on all of its income, including management fees charged to the foundation or its underlying entities. Transfer pricing obligations apply, meaning services provided to Related Parties and Connected Persons must be remunerated at arm's length under Articles 34(1) and 36(1) of the Corporate Tax Law.

For individuals and families operating a family office, this is not optional compliance. The family office position must be managed entirely separately from the foundation's own Corporate Tax position.

A Free Zone family office may access a 0% Corporate Tax rate on Qualifying Income from wealth or fund management activities, under Cabinet Decision No. 100 of 2023 and Ministerial Decision No. 229 of 2025, but only where it has genuine regulatory oversight from a UAE Competent Authority. A Free Zone license alone is not sufficient; the oversight condition is a substantive requirement.

Action Point: Confirm that the family office is separately registered for Corporate Tax and operating on documented arm's length terms. Put transfer pricing support in place for any inter-entity charging arrangements. Where the family office operates in a Free Zone, verify that it has the requisite regulatory oversight from a UAE Competent Authority; a license alone is not sufficient to access the 0% rate.

The updated FTA guidance sharpens the compliance landscape for individuals and families with UAE family foundation structures. It brings clarity in several areas, particularly on multi-tier chains and jointly owned SPVs, but it also makes the consequences of structural gaps more apparent.

Structures that have not been reviewed since the Corporate Tax Law came into force, or that were established on the assumption that an LLC or family office could sit within the transparent wrapper, should be assessed as a priority. The end of the current Tax Period is the relevant deadline for addressing any identified gaps.

Discover the updated FTA guidance

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