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UAE Federal Tax Authority releases public clarification on corporate tax treatment of family wealth management structures

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On 19 September 2025, the Federal Tax Authority ("**FTA**") issued a public clarification (CTP008) detailing the corporate tax treatment of family wealth management structures (the "**Public Clarification**"). This Public Clarification provides important guidance in determining whether Family Foundations and related entities may be treated as tax transparent for the purposes of Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses (the "**Corporate Tax Law**").

The Public Clarification was issued following the FTA's publication, in May 2025, of the Corporate Tax Guide on the Taxation of Family Foundations (the "**Guide**"). This Guide offers substantial insight into the UAE corporate tax implications of commonly used succession vehicles and structures.

A family wealth management structure generally includes several distinct entities. These typically are: a Family Foundation and related entities such as a holding company, a Special Purpose Vehicle ("**SPV**"), a Single Family Office ("**SFO**") or a Multi Family Office ("**MFO**"), and finally the individual family members.

The corporate tax treatment of each of these entities, addressed in the Public Clarification, is detailed below.

Background

The Corporate Tax Law[1] provides that a Family Foundation with separate legal personality may apply to the FTA to be treated as an Unincorporated Partnership[2]. To qualify, it must satisfy the following conditions:

- It is established for the benefit of identified or identifiable natural persons, or for the benefit of a public benefit entity, or both.

[1] See Article 17 of Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses and its amendments and Article 5 of Ministerial Decision No. 261 of 2024.

[2] An Unincorporated Partnership is defined under the Corporate Tax Law as : "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 of the UAE".

    - Where the beneficiaries of a Family Foundation include public benefit entities, the Family Foundation may only qualify if such beneficiaries do not derive income that would be taxable if earned in their own right, or alternatively, if any income that would otherwise be taxable is distributed to them within six months after the end of the relevant Tax Period.
    - As mentioned in the Guide, the Corporate Tax Law does not specify any minimum or maximum limit on the number of beneficiaries a Family Foundation may have. Additionally, there are no stipulations concerning the relationship between beneficiaries; for example, individual beneficiaries do not need to be related or belong to the same family.
- Its principal activity must be confined to managing assets or funds associated with savings or investment.
- It does not engage in any activity that would constitute a "Business" or "Business Activity" under the Corporate Tax Law if carried out directly by the founder, settlor, or beneficiaries.
- Its main purpose must not be the avoidance of Corporate Tax.

In addition, a juridical person wholly owned and controlled, directly or indirectly through an uninterrupted chain of qualifying entities, by a Family Foundation recognised as an Unincorporated Partnership may itself apply for equivalent tax-transparent treatment, provided that it also satisfies the abovementioned conditions.

According to the Corporate Tax Law, an Unincorporated Partnership is generally not treated as a separate taxable entity. Instead, the law "looks through" the partnership, meaning each partner is taxed individually on their share of the profits or gains. This approach makes the partnership "fiscally transparent".[3]

Guidance provided in the Public Clarification

Tax treatment of Family Foundations

The FTA confirms that the **term "Family Foundation"[4] is to be understood broadly** as encompassing any foundation, trust or similar entity, whether established in the UAE or abroad, provided it meets the abovementioned conditions.

- An entity with a legal form comparable to a foundation or trust may qualify, whereas a limited liability company is expressly excluded.

The FTA clarifies that **a Family Foundation (or any family wealth management vehicle) is automatically considered tax transparent** and therefore not a Taxable Person in its own right **if it has no separate legal personality,** while one with a separate legal personality must **actively apply to the FTA** for tax-transparent treatment, provided it meets the definition and the conditions described above ; otherwise, it will be treated as a Taxable Person in its own right.

- Such entities may nevertheless benefit from the 0% Corporate Tax rate available to qualifying Free Zone Persons, or from exemptions on domestic and foreign dividends and capital gains, subject to the satisfaction of the relevant conditions.

Tax treatment of related entities

Holding vehicles or SPVs

The FTA specifies that a holding vehicle or SPV wholly owned and controlled, directly or indirectly through an uninterrupted chain of qualifying entities, by a tax transparent Family Foundation may itself apply to the FTA for tax-transparent treatment, provided that it also satisfies the abovementioned conditions.

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[3] FTA, Taxation of Partnerships, Corporate Tax Guide | CTGPTN1, March 2024, https://tax.gov.ae/Datafolder/Files/Guides/CT/CT%20Guide%20-%20Partnerships%20-%2004%2003%202024%20-%20for%20publishing.pdf.

[4] Under the Corporate Tax Law, a Family Foundation is defined as: "Any foundation, trust or similar entity that meets the Federal Decree-Law No. 47 of 2022".

SFOs or MFOs

The FTA explains that a SFO or MFO that is a juridical person and does not meet the conditions for tax transparency is a Taxable Person and subject to Corporate Tax on all its income, including management fees. Any services provided to Related Parties and Connected Persons must be remunerated at arm's length.

- If the SFO or MFO operates as a Free Zone Person and its activities, such as wealth, investment, or fund management, are subject to regulatory oversight by the relevant Competent Authority[5], it may benefit from a 0% Corporate Tax rate. Holding only a license without regulatory oversight does not qualify for this treatment.

Tax treatment of family members and beneficiaries

Finally, the FTA clarifies that income received by family members from a Family Foundation that is considered tax transparent, or from any family wealth management vehicle, whether classified as a Taxable Person or tax transparent, will generally not be subject to Corporate Tax if it qualifies as Personal Investment or Real Estate Investment income[6].

Family members may, however, be subject to Corporate Tax on income from commercial Business or Business Activities of such entities if their share exceeds AED 1 million in a calendar year.

Conclusion

Through various examples, the FTA confirms that the Corporate Tax Law provides flexibility for family wealth management structures to achieve tax transparency, ensuring these structures can be tax neutral provided the relevant legal and regulatory conditions are met. This supports efficient wealth management and succession planning while maintaining compliance with the UAE's corporate tax framework.

Do you have any questions?

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[5] The Competent Authorities include the UAE Central Bank, the Dubai Financial Services Authority ("DFSA") and the Financial Services Regulatory Authority ("FSRA").

[6] Under Cabinet Decision No. 49 of 2023, "Personal Investment is defined as : "Investment activity that a natural person conducts for their personal account that is neither conducted through a Licence or requiring a Licence from a Licensing Authority in the State, nor considered as a commercial business in accordance with the Federal Decree-Law No. 50 of 2022."; and Real Estate Investment is defined as : "Any investment activity conducted by a natural person related to, directly or indirectly, the sale, leasing, sub-leasing, and renting of land or real estate property in the State that is not conducted, or does not require to be conducted through a Licence from a Licensing Authority."