

# ATOZ ALERT

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## UAE Corporate Tax – Updated guidance on the Taxation of Family Foundations (2026)

16 June 2026

The Federal Tax Authority (“FTA”) has issued an updated version of the [Corporate Tax Guide on the Taxation of Family Foundations \(2026\)](#) (the “2026 Guidance”), replacing the [prior edition](#) released in May 2025.

Whilst the overarching legislative framework remains unchanged, the 2026 Guidance introduces clarifications and refinements regarding the application of the UAE Corporate Tax regime to Family Foundations<sup>1</sup> and related structures. In particular, the updated Guidance addresses several areas that were not expressly covered in the previous edition, thereby reducing interpretative uncertainty and delineating the intended scope of the regime more clearly.

This Alert summarises the key developments and their practical implications.

### Refinement of the definition of a trust

The 2026 Guidance introduces a refinement to the definition of a trust, which, whilst not altering the substantive tax treatment, provides greater legal precision and alignment with established trust law principles.

Under the revised formulation, a trust is described as a legal arrangement whereby a settlor transfers and assigns assets to be held and managed upon trust by a trustee for the benefit of identified beneficiaries.

The amendment removes the reference to assets being transferred to the trust itself and instead emphasises that:

- legal ownership of the trust assets rests with the **trustee**; and
- such assets are held “**upon trust**” for the benefit of the beneficiaries.

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<sup>1</sup> All terms in capital letters that are not defined in this article shall be interpreted as defined under the UAE corporate tax laws.

This amendment is not intended to modify the legal or tax characterisation of trusts under the Corporate Tax Law. This revised formulation more accurately reflects the legal characteristics of a trust, particularly in common law jurisdictions, where a trust does not typically possess a separate legal personality distinct from the trustee.

### **Practical implications**

The update does not give rise to any change in the Corporate Tax treatment of trusts under the UAE regime. In particular:

- the distinction between incorporated and unincorporated trusts remains unchanged;
- the application of fiscal transparency rules continues to apply as previously described; and
- the attribution of income to beneficiaries is unaffected.

However, the revised wording provides enhanced clarity regarding the ownership and control of trust assets, confirming the central role of the trustee and the interpretation of trust arrangements in the context of multi-tier structures and asset holding arrangements.

More broadly, this refinement reduces potential ambiguity that could arise from the prior wording, particularly in cross-border contexts or where differing legal concepts of trusts may apply.

### **Clarifications regarding the treatment of limited liability companies (LLCs) within Family Foundation structures**

The definition of a Family Foundation extends beyond formal foundations and trusts to include “similar entities”, provided that:

- they are used for the administration of family wealth; and
- they are not commercial companies.

Such entities may apply to the FTA to be treated as fiscally transparent, subject to meeting the relevant conditions.

The 2026 Guidance introduces an important clarifications and refinements concerning the treatment of juridical persons, including limited liability companies (“**LLC**”), held within Family Foundation structures. An LLC is explicitly excluded from this concept and is not considered a “similar entity”. As a result an LLC cannot itself apply for fiscal transparency as a Family Foundation.

This distinction clarifies that the concept of ‘similar entity’ is limited to non-commercial arrangements comparable in nature to trusts or foundations, and does not extend to corporate vehicles.

That said, an LLC may still be treated as a juridical person within a Family Foundation structure and may qualify for fiscal transparency under separate rules. LLCs and SPVs can benefit from fiscal transparency within a Family Foundation structure, if:

- they are fully owned by a Family Foundation that is treated as an Unincorporated Partnership,
- they meet the conditions specified in Article 17(1) of the Corporate Tax Law<sup>2</sup>; and
- no commercial activities are carried out.

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<sup>2</sup> and, where applicable, Ministerial Decision No. 261 of 2024

### **Practical implications**

Whilst the underlying legislative framework remains unchanged, these clarifications materially affect how the conditions for fiscal transparency apply in practice.

### **Refinement of conditions applicable to multi-tier structures**

The 2026 Guidance introduces a refinement to the eligibility criteria applicable to juridical persons within multi-tier Family Foundation structures. Specifically, it provides that a relevant entity must be wholly owned and controlled by a Family Foundation that is itself treated as a fiscally transparent Unincorporated Partnership.

### **Practical implications**

This clarification introduces a sequencing requirement whereby the Family Foundation must first obtain confirmation of its fiscally transparent status before downstream entities may benefit from the same treatment.

### **Clarification regarding the application of the beneficiary condition in multi-tier structures**

The 2026 Guidance provides further clarification regarding the application of the beneficiary condition set out in Article 17(1)(a) of the Corporate Tax Law within the context of multi-tier Family Foundation structures.

In particular, it confirms that where a Family Foundation satisfies the beneficiary condition, any juridical person that is wholly owned and controlled by that Family Foundation may also be regarded as satisfying such condition. This approach is based on the principle that entities within the structure, which are wholly owned and controlled, operate in furtherance of the same overall purpose as the Family Foundation and, accordingly, should not be required to demonstrate this condition independently.

This represents a pragmatic recognition that subsidiaries and intermediate holding entities function as extensions of the Family Foundation itself, rather than as stand-alone entities with distinct purposes. As a result, the beneficiary condition is effectively inherited by such entities, provided that the ownership and control requirements are strictly met.

The beneficiary condition constitutes a fundamental requirement for an entity to qualify for fiscally transparent treatment under Article 17(1) of the Corporate Tax Law. Prior to this clarification, it could be inferred that each entity within a multi-tier structure might need to independently establish compliance with this condition, including demonstrating that it exists for the benefit of the relevant qualifying beneficiaries. Such an interpretation would have introduced unnecessary duplication, increased compliance burden, and potential uncertainty in the application of the rules.

The position adopted in the 2026 Guidance alleviates these concerns by allowing for a holistic assessment at the level of the Family Foundation, thereby simplifying the analysis for downstream entities.

It should, however, be noted that this treatment is contingent upon the entity in question being wholly owned and controlled by the Family Foundation. Where this requirement is not satisfied,

the entity would not benefit from this simplified approach and would instead need to be assessed on a standalone basis, including in respect of the beneficiary condition, with no assurance that the condition would be met.

### **Practical implications**

This clarification eliminates the need to assess the beneficiary condition independently at each level of a multi-tier structure. As a result, it reduces duplication in the application of the relevant eligibility criteria and facilitates a more practical and streamlined approach to the assessment of complex multi-tier arrangements.

### **Recognition of multi-family ownership structures**

The 2026 Guidance introduces, through the amended example 9, an important development in relation to joint ownership structures. It confirms that a juridical person may be regarded as “wholly owned” where it is jointly owned by multiple Family Foundations, provided that:

- the ownership condition is satisfied on an aggregate basis; and
- the entity is controlled, whether jointly or by one or more of such Family Foundations.

Under the 2025 Guidance, a juridical person such as an SPV was required to be wholly owned and controlled by a single Family Foundation in order to be eligible to make an application under Article 17(1) of the Corporate Tax Law to be treated as a fiscally transparent Unincorporated Partnership.

Accordingly, where an SPV was owned by more than one Family Foundation, it would not be regarded as meeting the ownership and control condition. As a result:

- it would not be eligible to apply for fiscally transparent treatment; and
- the income derived by the SPV would remain subject to Corporate Tax.

### **Practical implications**

This represents both a material departure from the position under the 2025 Guidance and a significant expansion in the scope of eligible structures, enabling the use of jointly owned investment vehicles and multi-family arrangements, including co-investment vehicles, while preserving access to fiscal transparency under the Corporate Tax regime.

### **New guidance on asset transfers into Family Foundations**

The 2026 Guidance introduces a new section addressing the Corporate Tax treatment of contributions to Family Foundations.

In particular, it confirms that where a natural person transfers assets to a Family Foundation, and such assets constitute Personal Investment income and/or Real Estate Investment income, the transfer will not be subject to Corporate Tax.

By contrast, where the transferor constitutes a Taxable Person or a Related Party, the transaction must comply with the arm’s length principle and may, depending on the specific facts and circumstances, give rise to taxable gains or losses.

### **Practical implications**

This clarification provides important certainty in respect of:

- the initial endowment and subsequent funding of Family Foundations; and
- the absence of tax consequences for individuals contributing qualifying assets.

### **New guidance on tax basis adjustment on entry into or exit from fiscal transparency**

The 2026 Guidance clarifies the tax treatment applicable when a juridical person becomes wholly owned and controlled by a Family Foundation and qualifies for fiscal transparency. It also clarifies the treatment applied when it ceases to meet the relevant conditions to be treated as fiscally transparent and becomes treated as a Taxable Person.

It is expressly stated that no adjustment is made to the tax base cost of assets held by such entities for Corporate Tax purposes.

### **Practical implications**

This clarification confirms that:

- fiscal transparency operates as a look-through mechanism only, and
- cannot be used to achieve a step-up in asset values or eliminate latent gains.

This represents an important constraint on potential tax planning arrangements.

### **Express exclusion of Family Offices from fiscal transparency treatment**

The 2026 Guidance introduces a dedicated section addressing the Corporate Tax treatment of Single Family Offices (“**SFO**”) and Multi-Family Offices (“**MFO**”).

It clarifies that notwithstanding ownership by a Family Foundation, such entities will generally not qualify as fiscally transparent Unincorporated Partnerships.

This is primarily due to the requirement under Article 17(1)(c) of the Corporate Tax Law that qualifying entities must not conduct Business or Business Activities that are subject to Corporate Tax.

Accordingly SFOs and MFOs will typically be treated as Taxable Persons and **fully** subject to Corporate Tax on their income, including management fees. The SFO/MFO must be remunerated at arm’s length for any services provided to its Related Parties and Connected Persons.

The Guidance further clarifies that Free Zone entities may benefit from the 0% Corporate Tax rate only where they conduct Qualifying Activities under appropriate regulatory supervision.

### **Practical implications**

This represents a clear delineation of scope and confirms that:

- operational or service-based entities cannot access fiscal transparency, and
- Family Foundations cannot be used to shelter active business income.

## Insights

The 2026 Guidance does not amend the underlying provisions of the UAE Corporate Tax Law. However, it introduces significant interpretative guidance in areas that were previously unaddressed or unclear.

In particular, the update:

- enhances certainty regarding asset transfers into Family Foundations;
- confirms limitations on tax basis adjustments;
- restricts access to fiscal transparency for operational entities (e.g. family offices); and
- expands structuring flexibility through the recognition of multi-family ownership arrangements.

In light of the above, taxpayers should consider:

- reviewing existing Family Foundation structures to ensure ongoing compliance;
- confirming the fiscal transparency status of relevant entities;
- reassessing the treatment of any family office arrangements; and
- evaluating opportunities arising from the revised approach to multi-tier and joint ownership structures.

## Questions?



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