IntexGlobal Blog Tax Losses Guide

The Power of Carrying Forward Tax Losses

In the UAE Corporate Tax regime, a tax loss—where your deductible expenses exceed your taxable income—is not the end of the road. Instead, the law allows you to carry these losses forward to offset future taxable income indefinitely. This creates a valuable 'deferred tax asset' that can smooth out your tax obligations over time. However, this relief is strictly capped: you can only offset up to 75% of your taxable income in any future period. This means that even with significant carried-forward losses, you will generally still have a baseline tax obligation, requiring careful cash flow management and tax planning.

The Continuity Test: Keeping Your Losses Alive

Your ability to use a carried-forward loss is tied to your business structure and ownership. To maintain the eligibility of your losses, you must satisfy continuity of ownership (where at least 50% of the company's ownership remains the same) or business continuity (where the company continues to carry out the same or a similar business activity). If your company undergoes a major restructuring, a change in ownership, or a pivot in business activity, you risk losing access to your carried-forward losses entirely. This makes 'loss hygiene' a critical component of any corporate restructuring or M&A strategy.

Transferring Losses Within a Group

If your corporate group consists of multiple UAE resident companies with at least 75% common ownership, you have a powerful tool at your disposal: the ability to transfer tax losses between group members. This allows a profitable company to offset its tax burden using the losses incurred by a struggling entity within the same group, significantly optimizing your group-wide tax efficiency. However, the compliance requirements are rigorous—both entities must meet strict alignment criteria regarding financial years and accounting standards, and the transfer process must be documented and filed correctly with the FTA.

Non-Deductible Losses and Documentation Risks

Not every loss can be reclaimed. For instance, losses incurred before the commencement of the Corporate Tax regime or during a period where you elected for 'Small Business Relief' are permanently excluded from the carry-forward system. During an audit, the FTA will demand proof of the loss origin, the history of ownership continuity, and the calculation of every offset you've claimed. Without meticulous documentation, including financial statements and tax computations for every year leading up to the utilization of the loss, you face the very real risk of having your offsets disallowed, triggering interest and administrative penalties.

Why Your Business Needs Intex Global for Tax Loss Management

Tax losses are not just financial setbacks; they are valuable assets that can significantly reduce your future tax burden when managed with precision. However, the rules surrounding the carry-forward, offset, and transfer of losses are incredibly complex. At Intex Global, we ensure you leverage every Dirham of loss to your maximum advantage.

We provide expert guidance on maintaining ownership continuity, ensuring that your carried-forward losses remain fully eligible for use in profitable years. We manage the complex mechanics of group loss transfers between eligible entities, ensuring 75% common ownership and structural compliance. We keep your documentation audit-ready, so when you apply a loss offset against future taxable income, you have the full defense required by the Federal Tax Authority (FTA). Don't let your past losses go to waste due to procedural errors or missed deadlines—partner with Intex Global to turn your fiscal challenges into sustainable tax advantages.

Maximize Your Tax Efficiency – Contact Intex Global!