



**Bazaar Accounting and
Management Advisors LLC**

A large, abstract graphic featuring a city skyline at sunset. A circular inset shows a person in a suit and tie. A purple triangular shape contains the title.

Depreciation for Fair-Valued Investment Properties

The UAE Ministry of Finance has issued a new Ministerial Decision No. 173 of 2025 that provides greater clarity and tax parity regarding depreciation adjustments for investment properties held at fair value under the Federal Decree-Law No. (47) of 2022 on the Taxation of Corporations and Businesses.

The Decision introduces the option for taxpayers who apply the realisation basis to elect for a tax depreciation deduction on investment properties measured at fair value.





Key Provisions

Under the new rules, taxpayers can deduct tax depreciation based on the lower of:

- The tax written down value at the start of the relevant Tax Period., or
- 4% of the original cost of the investment property per 12-month tax period (pro-rated for shorter/longer periods if applicable or Investment Property is held for only part of the Tax Period).

This deduction applies regardless of whether the investment property was acquired before or after the introduction of Corporate Tax. The Decision ensures fairness between taxpayers who use the historical cost basis—where accounting depreciation is already claimed—and those using the fair value basis (e.g., where asset values have appreciated beyond historical cost), who were previously not allowed to deduct such depreciation on such excess value.

Election Requirements

To benefit from this provision:

- If an election is not made within the timelines specified , the Taxable Person shall be considered to have forfeited its right to make such an election.
 - The tax depreciation election is only available to those who have elected the realisation basis, which is generally made in the first Tax Period.
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Additional Clarifications

The Ministerial Decision also outlines:

- How the tax depreciation should be calculated in cases where investment properties are transferred between related parties or third parties.
 - Conditions under which a claw-back of depreciation may occur outside of a disposal event, ensuring proper tax compliance and accurate return assessments.
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A Move Toward Neutrality and Best Practice

This development underscores the Ministry of Finance's commitment to **ensuring tax neutrality and fairness across all sectors of the UAE economy**. By aligning the treatment of fair-valued investment properties with international standards, the UAE continues to strengthen its modern, business-friendly tax regime.

How BAM can Assist you?

As a specialized tax consultancy, we offer end-to-end support to help you navigate the new depreciation rules for fair-valued investment properties:

01

Evaluate Eligibility:

Assess your eligibility for the tax depreciation election and the realisation basis under the UAE Corporate Tax regime.

02

Election Filing Support:

Assist in preparing and submitting the irrevocable tax depreciation election within the required timeframe.

03

Portfolio Review:

Review your investment property portfolio (including acquisitions, transfers, and developments) to determine optimal tax treatment.

04

Tax Impact Analysis:

Provide a detailed analysis of the financial impact of claiming depreciation under the new rules.

05

Claw-back Advisory:

Advise on potential claw-back scenarios and ensure proper tax planning to mitigate future exposures

06

Ongoing Compliance:

Ensure continued compliance with UAE Corporate Tax laws and reporting requirements related to investment properties.

**For further details, please reach out to the
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