

# Ministerial Decision no. 126- General Interest Deduction Limitation Rule for the Purposes of Corporate Tax Law

**Net Interest Expenditure Deductible**

**Whichever is Higher**

**AED 12 million annually**

**30% of EBITDA (Earning Before  
Interest Tax Depreciation  
Amortization)**

## **Interest component considered for deduction**

- Interest Component on Financial Assets and Liabilities
- Amounts incurred in connection with raising finance, including fees for guarantee, arrangement, commitment
- Islamic Financial Instruments
- Finance & Non-Finance lease
- Foreign exchange gains and losses accruing from Interest
- Capitalized Interest

## Tax Group Deductible Net Interest Expenditure

- Net Interest expenditure of subsidiary prior to joining of Tax group, can be utilized from taxable income of that subsidiary after it's part of Tax Group
- If Subsidiary leaves the group, net interest expenditure after joining tax group will remain with the group, only carryforward unutilized portion prior to joining group can be taken along by subsidiary exiting
- If Tax group ceases, parent company continue to exist then net interest expenditure shall remain with parent company
- If parent company ceases to be a taxable person, then net interest expenditure shall not offset from future taxable income of individual subsidiary, only pre-grouping portion can be carried forward by individual subsidiary



**SA Spectrum**  
AUDIT. VAT. ACCOUNTING

Office: 305 Block-A, Hamsah, Ansar Gallery Building, Bur Dubai



+971 4 2699 329



info@spectrumaccounts.com



www.spectrumaccounts.com