UAE Ministerial Decision 173: Depreciation on Fair Value Investment Properties

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To (inside your company): CFO • Head of Tax • Real Estate Division Head • Financial Controller

Executive takeaways

- Prevents claiming a tax deduction for depreciation on assets that are already subject to annual fair value adjustments in the P&L.
- Fair value gains will be taxable, and fair value losses will be deductible; accounting net profit is the starting point.
- Requires a specific adjustment in the tax computation to add back any accounting depreciation recorded on these properties.
- Impacts businesses holding investment properties (e.g., leased buildings) under the fair value model.

What changed & why it matters

- **No Double Dip** — Ministerial Decision 173 explicitly disallows a tax deduction for any accounting depreciation on investment properties measured using the fair value model under IFRS. *Why it matters:* It clarifies that since fair value movements are already reflected in income, allowing depreciation would create a double deduction.
- **Tax Follows Accounting** — The tax computation must add back any depreciation charge related to fair-valued investment property. The tax base will instead be directly affected by the net fair value gain or loss reported. *Why it matters:* This ensures the tax outcome aligns with the economic reality of the chosen accounting method.

Action checklist

- Identify all investment properties on the balance sheet and confirm their accounting model (Fair Value vs. Cost).
- For properties at fair value, ensure the tax computation template adds back any recorded depreciation.
- Verify that unrealised fair value gains/losses are correctly included in the taxable income calculation.
- Update tax provision workpapers to reflect this specific adjustment.
- Instruct the finance team to maintain a clear audit trail for these properties.

Impact matrix

Compliance	M
Systems/ERP	L
Finance/Cash	M
Operations	L
Documentation	M
Training/Change	L

Timeline

- Now — identify affected assets
- 30 days — update tax templates
- Quarter — run mock tax provision

Take Away

This decision mandates a crucial adjustment for real estate entities. The tax treatment now strictly follows the accounting choice: if you fair value your investment properties, the P&L impact of that valuation is your taxable gain or loss, not depreciation. Ignoring this will lead to an incorrect tax filing and risk penalties.