[recovered from the vector store — CTP009-Application-of-Transitional-Rules-as-set-out-in-MD-No-120-of-2023-26-09-2025.pdf p.1]

Corporate Tax Public Clarification

Application of the valuation method under the

transitional rules as set out in Ministerial Decision No.

120 of 2023 on disposal of Qualifying Immovable

Property by a real estate developer that is a Taxable

Corporate Tax in the UAE is regulated by Federal

Decree-Law No. 47 of 2022 on the Taxation of

Corporations and Business and its amendments

("Corporate Tax Law"), and its implementing decisions.

For the purposes of Article 61(1) of the Corporate Tax

Law, a Taxable Person's opening balance sheet shall be

the closing balance sheet prepared for financial
reporting purposes1 (under International Financial

Reporting Standards, "IFRS"2, or International Financial

for SMEs

)

Reporting Standards for Small and Medium Enterprises,

“IFRS for SMEs”3, as applicable) on the last day of the

Financial Year that ends immediately before their first

The transitional rules prescribe adjustments that may

be made to Taxable Income in relation to gains and

losses which are recognised after the start of the first

Tax Period, for certain categories of assets and

liabilities owned prior to the first Tax Period, as

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2023

specified in Ministerial Decision No. 120 of 2023 on the

Adjustments Under the Transitional Rules for the

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2022

Purposes of Federal Decree-Law No. 47 of 2022 on the

Taxation of Corporations ("Ministerial Decision No. 120

2023
)"

of 2023"), to exclude the portion of the gain or loss

attributable to the pre-Corporate Tax ownership period

[recovered from the vector store — CTP009-Application-of-Transitional-Rules-as-set-out-in-MD-No-120-of-2023-26-09-2025.pdf p.2]

specified in Ministerial Decision No. 120 of 2023 on the

Adjustments Under the Transitional Rules for the

Purposes of Federal Decree-Law No. 47 of 2022 on the

Taxation of Corporations (“Ministerial Decision No. 120

of 2023”), to exclude the portion of the gain or loss

attributable to the pre-Corporate Tax ownership period

Article 2 of Ministerial Decision No. 120 of 2023

provides that a Taxable Person may elect when submitting its first Tax Return to adjust its Taxable

Income in respect of any gains arising on disposal (or
deemed disposal) of a Qualifying Immovable Property

in the first Tax Period or subsequent Tax Periods to

exclude the portion of the gain (and not a loss)

attributable to the pre-Corporate Tax ownership

period.4,5,6 The election is irrevocable except under

exceptional circumstances and pursuant to the

approval by the Federal Tax Authority (“FTA”).

There are two methods for calculating the excluded

gain:
the
valuation
method
and
the
time

apportionment method. This Public Clarification covers

The purpose of this Public Clarification is to clarify the

application of the valuation method under the

transitional rules as stated in Article 2(2)(a) of

Ministerial Decision No. 120 of 20235 to real estate

developers that are Taxable Persons making off-plan

sales and recognising the revenue from those sales

over the period of construction in line with IFRS 15, or

equivalent standard under IFRS for SMEs, in respect of

projects under construction (and not yet completed

before the start of the first Tax Period), in the situations [illegible] :) [illegible]

- Where land was owned before the first Tax Period

- [illegible]

[illegible]

[illegible]

[illegible]

[illegible]

[illegible].

and the construction commenced after the start of

- Where the project is work in progress at the start of

[illegible]

[illegible]

[illegible].

the first Tax Period and the construction

[recovered from the vector store — CTP009-Application-of-Transitional-Rules-as-set-out-in-MD-No-120-of-2023-26-09-2025.pdf p.3]

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) 2023
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before the start of the first Tax Period), in the situations

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•
Where land was owned before the first Tax Period

•

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and the construction commenced after the start of

•
Where the project is work in progress at the start of

.

the first Tax Period and the construction

The adjustment under the transitional rules applies to

Qualifying Immovable Property, i.e. Immovable

(1
( ) 2
)

Property that meets all of the conditions set out in

(120
) 2023
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Article 2(1) of Ministerial Decision No. 120 of 20234. For
real estate developers, the FTA considers the Qualifying

Immovable Property to be either the entire project or

specific unit(s) within the project, based on the

accounting recognition of the project. In other words,

the adjustment under the transitional rules will follow

the basis of realisation of accounting profits. The

classification of Immovable Property under IFRS or IFRS

for SMEs, whether as a fixed asset or inventory, does

not impact the application of the adjustment under the

“Disposal” or “deemed disposal” for the purposes of the application of the transitional rules should follow

the principles of the Accounting Standards applied by

the Taxable Person (i.e. IFRS or IFRS for SMEs, as

applicable). Accordingly, if a Taxable Person recognises

revenue as the performance obligation is satisfied in

accordance with IFRS 15, for example, based on the

percentage of completion, such revenue recognition is

(IFRS 15)

considered a “disposal” or “deemed disposal”.

Under the valuation method set out in Article 2(2)(a) of

(2)

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2023

Ministerial Decision No. 120 of 20235, the gain to be

excluded is calculated as the difference between the

Market Value of the Qualifying Immovable Property at

the start of the first Tax Period, and the higher of the

original cost and the net book value of the Qualifying

Immovable Property at the start of the first Tax Period.

The Market Value, the original cost and the net book

value must be for the same specific Qualifying

Immovable Property. If any of these values do not

relate to the specific Qualifying Immovable Property,

The Market Value of each Qualifying Immovable

Property element at the start of the first Tax Period

shall be determined by the relevant government

competent authority in the UAE, including accredited

valuers specified by the relevant government

For the purposes of the calculation of the adjustment

under the transitional rules, the Market Value must be

in relation to the Qualifying Immovable Property only.

Where this is not the case, the Market Value should be

adjusted. The adjustment applies where the Market

Value includes the value of a part of the project that will

not be disposed of (or will not be deemed to be

disposed of), such as the portion of the Immovable

Property where the ownership is retained by the real

estate developer. The adjustment shall also be made to

exclude the portion of the Market Value attributable to

any Immovable Property already disposed of (or

deemed to be disposed of) before the start of the first

For the purposes of the calculation of the adjustment

under the valuation method, the original cost, and net

book value should be determined in respect of the

Qualifying Immovable Property only. This shall consider

the cost of the project recognised in the opening

[illegible]
[illegible].

balance sheet at the start of the first Tax Period, i.e. the
capitalised cost less the portion recognised in the

statement of income in periods before the start of the

[illegible]

The following steps should be taken in calculating the

[illegible]:

excluded amount of gain under the valuation method

[recovered from the vector store — CTP009-Application-of-Transitional-Rules-as-set-out-in-MD-No-120-of-2023-26-09-2025.pdf p.5]

book value should be determined in respect of the

Qualifying Immovable Property only. This shall consider

the cost of the project recognised in the opening

balance sheet at the start of the first Tax Period, i.e. the

capitalised cost less the portion recognised in the

statement of income in periods before the start of the

The following steps should be taken in calculating the

excluded amount of gain under the valuation method

- Step 1: Calculation of the overall excluded gain for

each Qualifying Immovable Property element by

deducting the higher of the original cost and net

book value from the Market Value (or adjusted

Market Value where the Market Value relates to elements that are not considered part of the

Qualifying Immovable Property) at the start of the

- Step 2: Apportionment of the excluded gain, as

calculated in Step 1, for the relevant Tax Period on

the basis of revenue recognition under the

IFRS

applicable Accounting Standards, such as the

percentage of completion in accordance with IFRS

- Step 3: Determination of the accounting profits (or

a portion thereof, as applicable) attributable to the

Qualifying Immovable Property element on a fair

The adjustment under the transitional rules will not

be available in a Tax Period if the apportioned

amount attributable to the Qualifying Immovable

Property element under Step 3 is an accounting

- Step 4: The excluded gain determined under Step 2

is used for adjustment of the accounting profits

determined under Step 3 in each relevant Tax

Period up to the amount of such accounting profits.

Any excess excluded gain will be forfeited and

cannot be carried forward to future Tax Periods.

What is a Qualifying Immovable Property in respect of

[recovered from the vector store — CTP009-Application-of-Transitional-Rules-as-set-out-in-MD-No-120-of-2023-26-09-2025.pdf p.6]

."[illegible] "[illegible]
The transitional rules apply to “Qualifying Immovable

([illegible] "[illegible]" [illegible] 1
) [illegible]

The term “Immovable Property” is defined in Article 1

of the Cabinet Decision No. 56 of 2023 on

([illegible] 47
)

Determination of a Non-Resident Person’s Nexus in the

[illegible] 2022
[illegible]
"(
[illegible]

State for the Purposes of Federal Decree-Law No. 47 of
2022 on the Taxation of Corporations and Businesses

([illegible] 56
) [illegible] 2023
)"
[illegible]

(“Cabinet Decision No. 56 of 2023”), applicable to Tax

[illegible] 1
[illegible] 2025
([illegible] 1
)

Periods that commenced before 1 January 2025, and

[illegible]
([illegible] 35
) [illegible] 2025

Article 1 of Cabinet Decision No. 35 of 2025 on

[illegible]

Determination of a Non-Resident Person’s Nexus in the

State for the Purposes of Federal Decree-Law No. 47 of

[illegible]
"(
([illegible] 35
) [illegible] 2025
)"

2022 on the Taxation of Corporations and Businesses

[illegible] 1
[illegible] 2025
[illegible]

(“Cabinet Decision No. 35 of 2025”), applicable to Tax

Periods commencing on or after 1 January 2025, as any

a. Any area of land over which rights or interests or

b. Any building, structure or engineering work

attached to the land permanently or attached to

c. Any fixture or equipment which makes up a

permanent part of the land or is permanently

attached to the building, structure or engineering

Accordingly, for real estate developers, a real estate

project or any element of it, such as land or specific

property or building, whether completed or under

construction, is considered an Immovable Property.

The classification of Immovable Property under IFRS or

IFRS for SMEs, whether as a fixed asset, for instance,

property plant and equipment, or inventory, does not

impact the application of the transitional rules.

[recovered from the vector store — CTP009-Application-of-Transitional-Rules-as-set-out-in-MD-No-120-of-2023-26-09-2025.pdf p.7]

Instead, the Immovable Property must first fall within

the definition as specified under Article 1 of Cabinet

Decision No. 56 of 2023 and Article 1 of Cabinet

Decision No. 35 of 2025, and then such Immovable

Property must fall within the definition of Qualifying

Immovable Property for the purposes of the

For Immovable Property to be considered as Qualifying

Immovable Property as defined under Article 1 of

Ministerial Decision No. 120 of 2023, all of the following conditions, in accordance with Article 2(1) of

Ministerial Decision No. 120 of 2023, must be met:

a. The Immovable Property is owned prior to the first

b. The Immovable Property is measured in the

Financial Statements7 on a historical cost basis.

c. The Immovable Property is disposed of or deemed

to be disposed of during or after the first Tax

Period for the purposes of determining the

Taxable Income for a value exceeding the net book

Where all the above conditions are satisfied in respect

of a real estate project or an element of it, the real

estate project, or the relevant element, will be

considered as Qualifying Immovable Property.

Where an Immovable Property is classified as inventory

for financial reporting purposes and is measured in the

Financial Statements7 at the lower of cost or net realisable value, for the purposes of the transitional

rules, such Immovable Property will be considered as
Accordingly, for real estate developers can consider the

following categories of assets as examples of Qualifying

[recovered from the vector store — CTP009-Application-of-Transitional-Rules-as-set-out-in-MD-No-120-of-2023-26-09-2025.pdf p.8]

Where an Immovable Property is classified as inventory

for financial reporting purposes and is measured in the

Financial Statements7 at the lower of cost or net

realisable value, for the purposes of the transitional

rules, such Immovable Property will be considered as

Accordingly, for real estate developers can consider the

following categories of assets as examples of Qualifying

•
Land parcels acquired before the first Tax Period on

which construction of buildings commences on or

after the first Tax Period. In this case, only the land

parcels
will
be
considered
the
Qualifying

Immovable Property, as these are the only element of the real estate project that existed prior to the

- Under construction properties, where construction

commenced before the first Tax Period and

continues after the start of the first Tax Period. In

this case, the Qualifying Immovable Property is

considered the whole real estate project, i.e. the

land
element
and
the
properties
under

- Fully constructed projects before the start of the

first Tax Period, sold or intended to be sold after the

If any element of a real estate project did not exist

before the first Tax Period, i.e. it had not been
recognised in the opening balance sheet, any gain

arising from the disposal or deemed disposal of that

element cannot be adjusted for under the transitional rules as such element shall not be a Qualifying

In cases where construction of the real estate project

commenced before the start of the first Tax Period and

extends beyond the start of first Tax Period, the

adjustment under the transitional rules may be

available in respect of the project as a whole, as such a

project would meet the definition of a Qualifying

In cases where construction of the project has not

commenced and only the land parcels are owned by

[recovered from the vector store — CTP009-Application-of-Transitional-Rules-as-set-out-in-MD-No-120-of-2023-26-09-2025.pdf p.9]

[illegible]

the real estate developer at the start of the first Tax

[illegible]

Period, the adjustment under the transitional rules may

[illegible]

be available in respect of the land parcels that meet the

[illegible]

definition of Qualifying Immovable Property, and no

adjustment under the transitional rules will be

[illegible]

available on gains attributable to the building element

since the buildings are constructed during or after the

first Tax Period and do not meet the definition of

[illegible]

Disposal or deemed disposal for the purposes of Article

[illegible]

2(1)(c) of Ministerial Decision No. 120 of 2023

[illegible]

For the purposes of Article 2(1)(c) of Ministerial

[illegible]

Decision No. 120 of 20234, the meaning of “disposal” or “deemed disposal” should follow the accounting

principles applied by the Taxable Person in accordance

with IFRS or IFRS for SMEs as applicable. In accordance

with the relevant Accounting Standards, revenue and

the associated expenses can be recognised from the

sale of real estate under a long-term contract in the

statement of income, either over time based on output

methods or input methods for example, the percentage

of completion of a development project, or at a point

Under IFRS, a disposal or deemed disposal includes a

derecognition event. Such an event occurs when an entity loses control of all or part of the recognised

asset. Under IFRS 15, an entity shall recognise revenue

IFRS 15

when (or as) the entity satisfies a performance

obligation by transferring a promised good or service

(i.e. an asset) to a customer. An asset is considered to

be transferred when (or as) the customer obtains

For Corporate Tax purposes, and in particular for the

[recovered from the vector store — CTP009-Application-of-Transitional-Rules-as-set-out-in-MD-No-120-of-2023-26-09-2025.pdf p.10]

entity loses control of all or part of the recognised

asset. Under IFRS 15, an entity shall recognise revenue

when (or as) the entity satisfies a performance

obligation by transferring a promised good or service

(i.e. an asset) to a customer. An asset is considered to

be transferred when (or as) the customer obtains

For Corporate Tax purposes, and in particular for the

purposes of Ministerial Decision No. 120 of 2023, a

Taxable Person makes a disposal or deemed disposal of

a Qualifying Immovable Property in the Tax Period(s) in

which the revenue, and the associated costs including

land costs and construction costs, are recognised in the

statement of income in accordance with IFRS or IFRS for

In the case of the development and sale of off-plan

properties, there could be a situation where the sale

and purchase agreement for off-plan properties was

executed with customers before the first Tax Period,

but the recognition of revenue and expenses in the

Financial Statements7 (based on IFRS or IFRS for SMEs)

occurs over a period of time, for example based on the
percentage of completion, i.e. during the first Tax

Period and subsequent Tax Periods. In such cases, the

disposal or deemed disposal event arises in the Tax

Period(s) in which the revenue and the associated costs

including land costs and construction costs, are

recognised in the statement of income in accordance with IFRS or IFRS for SMEs as applicable.

To the extent that the developer retains an interest in

the land or building, such relevant part of the land or

building will not be treated as being disposed of (or

deemed to be disposed of) for the purposes of the

Determination of Market Value, original cost and net

Articles 2(2)(a) and 2(2)(b) of Ministerial Decision No.

120 of 2023 provide for a valuation method or time

apportionment method to be used to compute the

excluded gain in relation to a Qualifying Immovable

[recovered from the vector store — CTP009-Application-of-Transitional-Rules-as-set-out-in-MD-No-120-of-2023-26-09-2025.pdf p.11]

building will not be treated as being disposed of (or

deemed to be disposed of) for the purposes of the

Determination of Market Value, original cost and net

Articles 2(2)(a) and 2(2)(b) of Ministerial Decision No.

120 of 2023 provide for a valuation method or time

apportionment method to be used to compute the

excluded gain in relation to a Qualifying Immovable

Where a real estate developer intends to use the

valuation method5, the amount of gain should be

computed by calculating the difference between the

Market Value of the Qualifying Immovable Property at

the start of the first Tax Period, and the higher of the original cost and the net book value of the Qualifying

Immovable Property at the start of the first Tax Period.

Original cost/net book value under the valuation

Costs incurred by real estate developers can include the

land cost, the construction cost and other related costs,

commonly referred to as capital work in progress or

construction work in progress. Such work in progress at

the start of the first Tax Period can be used as the

original cost and net book value (where inventory has

not been written down to net realisable value) to

compute the adjustment, provided such work in

progress relates only to the relevant Qualifying

Immovable Property that was held at the start of the

For ongoing projects where construction of a real

estate project is in progress and revenue recognition

commenced prior to the start of the first Tax Period, a

portion of the costs (land cost and/or construction

costs/other related cost) may have already been

recognised in the statement of income in accordance

with IFRS, or IFRS for SMEs as applicable. In such cases,

where costs were already recognised in the statement

of income prior to the start of the first Tax Period, the

conditions of Articles 2(1)(a) and 2(1)(c) of Ministerial

Decision No. 120 of 20234 would not be satisfied, as a

portion of the Immovable Property would already have

been considered disposed of (or deemed to be

[recovered from the vector store — CTP009-Application-of-Transitional-Rules-as-set-out-in-MD-No-120-of-2023-26-09-2025.pdf p.12]

where costs were already recognised in the statement

of income prior to the start of the first Tax Period, the

conditions of Articles 2(1)(a) and 2(1)(c) of Ministerial

Decision No. 120 of 20234 would not be satisfied, as a

portion of the Immovable Property would already have

been considered disposed of (or deemed to be

disposed of) prior to the first Tax Period and, therefore,

not be considered Qualifying Immovable Property).

Therefore, the portion of the project recognised for

accounting purposes in the statement of income prior

to the first Tax Period must not be taken into account
when calculating the adjustment under the transitional

Market Value under the valuation method

The Market Value of each Qualifying Immovable

Property at the start of the first Tax Period shall be

determined by the relevant government competent

authority in the UAE such as the Department of

Municipalities and Transport (“DMA”) in Abu Dhabi, the

Dubai Land Department (“DLD”) in Dubai, or similar

The Market Value may be determined by outsourced

third parties authorised by the government competent

authority (accredited valuers specified by the relevant

government competent authority). A Market Value
determined by persons that are not authorised by the

relevant government competent authority will not be

accepted for the purpose of computing the adjustment

For the purpose of the calculation of the excluded gain

under the transitional rules, the Market Value must be determined and obtained in relation to Qualifying

If the Market Value, at the time of computing the

adjustment, does not only relate to Qualifying

Immovable Property it would not be considered

acceptable for the purposes of the adjustment under

the transitional rules, unless reasonable adjustments

[recovered from the vector store — CTP009-Application-of-Transitional-Rules-as-set-out-in-MD-No-120-of-2023-26-09-2025.pdf p.13]

- A portion of the real estate development project

may have already been disposed of or deemed to

have been disposed of prior to the start of the first

Tax Period and no adjustment would be available

under the transitional rules for this portion of the

project. Accordingly, the Market Value should be

adjusted to exclude the amount attributable to the

portion that has been (or is deemed to have been)

disposed of prior to the first Tax Period. The

attribution must be made on a fair and reasonable

- The real estate development project may include

Immovable Property that will not be disposed of to

customers, for example, communal areas that are

not reflected in the value of the Qualifying

Immovable Property being sold to the customers and are to be retained by the developer. The

Market Value should, therefore, be adjusted for

such Immovable Property, on a fair and reasonable

- The Market Value in respect of a real estate project

under construction at the start of the first Tax

Period may not reflect its partially completed state,

instead it reflects its completed state. The Market

Value should, therefore, be adjusted, on a fair and

reasonable basis, to reflect the partially completed

Basis of election under Article 2(5) of Ministerial

Decision No. 120 of 2023 – application to ‘each’

The election made in accordance with Article 2(5) of

Ministerial Decision No. 120 of 20238 is in respect of each Qualifying Immovable Property. Therefore, the

[recovered from the vector store — CTP009-Application-of-Transitional-Rules-as-set-out-in-MD-No-120-of-2023-26-09-2025.pdf p.14]

Market Value, original cost, and net book value should

be determined in respect of each Qualifying Immovable

Qualifying Immovable Property can be either the entire

real estate development project or specific unit(s)

within the project. The adjustment under the

transitional rules will follow the basis of realisation of

accounting profits in relation to each Qualifying

The accounting profits recognised may be reflective of

several projects at different stages of development. For

example, if a Taxable Person undertakes Project A and

Project B, and each has a Market Value based on the

stage of completion at the start of the first Tax Period,

then Project A and Project B could each be considered

separate Qualifying Immovable Properties for the purposes of the adjustment under the transitional

rules, subject to the relevant conditions being met.

The adjustment must be calculated for each Qualifying

Immovable Property (being either the entire project or

each specific unit(s)) and the timing of the adjustment

should follow the recognition of accounting profits in

relation to each Qualifying Immovable Property (see

section below regarding methodology of calculation of

Method for calculation of the adjustment and timing of

To determine the excluded amount of gain under the

valuation method of the transitional rules for the

relevant Tax Period for each Qualifying Immovable

Property, the following steps should be taken:

Step 1: Calculation of the overall excluded gain

[recovered from the vector store — CTP009-Application-of-Transitional-Rules-as-set-out-in-MD-No-120-of-2023-26-09-2025.pdf p.15]

Calculation of the overall excluded gain for each

Qualifying Immovable Property by deducting the

higher of the original cost and net book value from

the Market Value (or adjusted Market Value where

the Market Value includes elements that are not

considered part of the Qualifying Immovable

Property) at the start of the first Tax Period.

Step 2: Apportionment of the excluded gain

- Apportionment of the excluded gain, as calculated

in step 1, for the relevant Tax Period on the basis of

the revenue recognition under the applicable

IFRS 15

Accounting Standards, such as the percentage of

Step 3: Determination of the attributed accounting

- Where only part of the project is eligible for the adjustment, for example, where land was owned but construction had not started before the start of the first Tax Period, determination of the portion of the accounting profits attributable to the Qualifying Immovable Property element, which in this case will be land, on a fair and reasonable basis.

- The adjustment under the transitional rules will not be available in a Tax Period if the amount attributable to the Qualifying Immovable Property under Step 3 is an accounting loss in that Tax

Step 4: Determination of the excluded gain in each Tax

The excluded gain determined under Step 2 is used for

3

adjustment of the accounting profits determined under

Step 3 in each relevant Tax Period up to the amount of

such accounting profits. Any excess excluded gain will

be forfeited and cannot be carried forward to future

[recovered from the vector store — CTP009-Application-of-Transitional-Rules-as-set-out-in-MD-No-120-of-2023-26-09-2025.pdf p.16]

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Example 1: Real estate development project where

construction commences during or after the first Tax

Company A is a Taxable Person that is a real estate

developer. It prepares its Financial Statements in

accordance with IFRS and adopts an accounting policy

based on the cost model permitted under IFRS. It

follows the Gregorian calendar year as its Tax Period.

20

Company A plans to develop a "Project" with 20

10

identical townhouses on a land parcel acquired in

Dubai on 10 June 2020 for AED 20,000,000.

2020

20,000,000

The total development cost (construction cost and

20,000,000

other related costs) as expected by the company is AED

40,000,000

20,000,000. Accordingly, the total expected cost of the

Project amounts to AED 40,000,000 (i.e. cost of the land

AED 20,000,000 plus expected development cost of

20,000,000

2,000,000

The expected cost for each townhouse amounts to AED

40,000,000
2,000,000 (i.e. total cost AED 40,000,000 for 20

Project details: Land cost | Value (in AED): 20,000,000
Project details: Development
estimated cost | Value (in AED): 20,000,000
Project details: Total Project cost | Value (in AED): 40,000,000
Project details: Number of
townhouses | Value (in AED): 20
Project details: Estimated cost per
townhouse | Value (in AED): 2,000,000
Project details: Selling price per
townhouse | Value (in AED): 4,000,000

20,000,000
20,000,000
40,000,000
20
2,000,000
4,000,000

[recovered from the vector store — CTP009-Application-of-Transitional-Rules-as-set-out-in-MD-No-120-of-2023-26-09-2025.pdf p.17]

[illegible]
2024 [illegible]

In 2024, the company's first Tax Period, Company A

[illegible]

begins construction of the townhouses and markets

[illegible]

them off-plan on a freehold basis (the townhouse

owners will hold an equal 1/20 share in the land). In
2024, the company successfully signed 15 sales

agreements to sell 15 townhouses each for AED

4,000,000. As of 31 December 2025, the remaining 5

[illegible]

townhouses were still not sold, though intended to be

[illegible]

sold. Company A recognises revenue and associated

[illegible]

costs related to the sale of each of the 15 townhouses

[illegible] (
IFRS

in its statement of income based on an input method

15
[illegible]

under IFRS 15 (i.e. percentage of completion method).

[illegible]
120
)
[illegible] 2023

For Corporate Tax purposes, and in particular for the purposes of Ministerial Decision No. 120 of 2023, the

timing of the disposal will align with the revenue

recognition as per Company A’s Financial Statements.

2024

At the beginning of its first Tax Period, the Gregorian

20,000,000

calendar year 2024, the net book value of the Project

was AED 20,000,000, reflecting the acquisition cost of

2024

.

the land, as no other costs had been capitalised as the

2024

In 2024, in accordance with IFRS, the company has not

(IFRS)

yet recognised any revenue/cost in its statement of

income in respect of the project. Accordingly, no

adjustment under the transitional rules can be made.

2025

In 2025, the company first recognised revenue and

associated costs of AED 12,000,000 and AED 6,000,000

respectively, resulting from a 20% completion ratio

20

% 15

related to the sale of the 15 townhouses. As the

company accounts for the project based on each

townhouse, the company has recognised revenue and

cost in respect of each townhouse separately:

- Revenue per townhouse: 20% x AED 4,000,000 =

:) (20

× %

AED 800,000. Total Revenue = 15 x AED 800,000 =

[recovered from the vector store — CTP009-Application-of-Transitional-Rules-as-set-out-in-MD-No-120-of-2023-26-09-2025.pdf p.18]

iated costs of AED 12,000,000 and AED 6,000,000

respectively, resulting from a 20% completion ratio

20
% 15

related to the sale of the 15 townhouses. As the

company accounts for the project based on each

townhouse, the company has recognised revenue and

cost in respect of each townhouse separately:

- Revenue per townhouse: 20% x AED 4,000,000 =

:) (20
× %

AED 800,000. Total Revenue = 15 x AED 800,000 =

- Cost per townhouse: 20% x AED 2,000,000 = AED

:) (20
× %
2,000,000

400,000. Total cost = 15 x AED 400,000 = AED
Description: Project
opening
balance cost
(Capital Work
in Progress) | 2024 (in AED): 20,000,000 | 2025 (in AED): 24,000,000
Description: Development
cost incurred
and
recognised in
the balance
sheet | 2024 (in AED): 4,000,000 | 2025 (in AED): 6,000,000
Description: Revenue from
Project
recognised in
the statement
of income | 2024 (in AED): - | 2025 (in AED): 12,000,000
(800,000 per
townhouse)
Description: Project cost
recognised in
the statement
of income | 2024 (in AED): - | 2025 (in AED): 6,000,000
(400,000 per

townhouse)
Description: Project closing
balance cost | 2024 (in AED): 24,000,000 | 2025 (in AED): 24,000,000
Description: Accounting
profit from
Project | 2024 (in AED): - | 2025 (in AED): 6,000,000
(400,000 per
townhouse)
[illegible](2025
) [illegible]: 24,000,000 | [illegible](2024
) [illegible]: 20,000,000 | [illegible]: [illegible]
[illegible]
[illegible](
) [illegible]
[illegible](2025
) [illegible]: 6,000,000 | [illegible](2024
) [illegible]: 4,000,000 | [illegible]: [illegible]
[illegible]
[illegible]
[illegible]
[illegible](2025
) [illegible]: 12,000,000
[illegible] 800,000(
) [illegible] | [illegible](2024
) [illegible]: - | [illegible]: [illegible]
[illegible]
[illegible]
[illegible](2025
) [illegible]: 6,000,000
[illegible] 400,000(
) [illegible] | [illegible](2024
) [illegible]: - | [illegible]: [illegible]
[illegible]
[illegible]
[illegible](2025
) [illegible]: 24,000,000 | [illegible](2024
) [illegible]: 24,000,000 | [illegible]: [illegible]
[illegible]
[illegible](2025
) [illegible]: 6,000,000
[illegible] 400,000(
) [illegible] | [illegible](2024
) [illegible]: - | [illegible]: [illegible]
[illegible]

[illegible]
[illegible]
2024
[illegible]([illegible])

When submitting its 2024 Tax Return, Company A elects to apply the transitional rules for each townhouse of the project. Since the land is the only element of the project owned prior to the first Tax Period, the gain to be excluded under the transitional rules pertains to each land parcel (or part of the land parcel) disposed of with each townhouse, as this constitutes the “Qualifying Immovable Property” held by Company A at the start of the first Tax Period. The exclusion under the transitional rules shall only be in respect of the land element of the project.

Company A selects the valuation method to calculate the excluded gain and has obtained a valuation report from the DLD indicating that the land had a Market

30,000,000

Value of AED 30,000,000 as of 1 January 2024.

It is to be noted that the adjustment under the transitional rules will not apply during the first Tax Period (2024) since there was no disposal (or deemed disposal) of the Qualifying Immovable Property in 2024 (i.e. no revenue was recognised in the statement of

Calculation of the excluded gain in 2025 (first year of

Market Value at the start of the first Tax Period:

Based on the valuation from DLD, the Market Value of the land is AED 30,000,000. As construction has not commenced before the start of 2024, the Market Value as determined by DLD shall be considered the Market Value of the Qualifying Immovable Properties, i.e. the land in respect of the 20 townhouses. Since the townhouses are identical, the Market Value for each

Qualifying Immovable Property, i.e. the portion of the

land for each townhouse, shall be AED 30,000,000/20 =

[recovered from the vector store — CTP009-Application-of-Transitional-Rules-as-set-out-in-MD-No-120-of-2023-26-09-2025.pdf p.20]

enced before the start of 2024, the Market Value

as determined by DLD shall be considered the Market

Value of the Qualifying Immovable Properties, i.e. the

land in respect of the 20 townhouses. Since the

townhouses are identical, the Market Value for each

Qualifying Immovable Property, i.e. the portion of the

land for each townhouse, shall be AED 30,000,000/20 =

Original cost and net book value at the start of the first

The net book value of the land related to each

townhouse matches its original cost and is AED

Calculation under the 4 steps explained above:

Step 1: The overall excluded gain

Overall excluded gain per townhouse = Market Value –

[higher of original cost and net book value] = AED

Step 2: Apportionment of the excluded gain for the Tax

Based on the percentage of completion in 2025, only

20% of the revenue and cost of each of the 15

townhouses was recognised in the statement of

income during 2025. The company used the same

percentage to apportion the excluded gain in respect of

Excluded gain in 2025 = 20% x AED 500,000 = AED

Step 3: Determination of the accounting profits

attributable to the Qualifying Immovable Property

As only the land was owned but construction had not started before the first Tax Period, the company

attributed the accounting profit of each townhouse to

Percentage of completion x land cost / cost released to

1,000,000/400,000 = 50%. This means AED 200,000 (i.e.

[recovered from the vector store — CTP009-Application-of-Transitional-Rules-as-set-out-in-MD-No-120-of-2023-26-09-2025.pdf p.21]

attributable to the Qualifying Immovable Property

As only the land was owned but construction had not

started before the first Tax Period, the company

attributed the accounting profit of each townhouse to

Percentage of completion x land cost / cost released to

1,000,000/400,000 = 50%. This means AED 200,000 (i.e.

50% of AED 400,000) shall be considered as the

accounting profit in respect of the land element of each

4

2025

Step 4: Adjustment under the Transitional Rules of the

2

The excluded gain determined under Step 2, i.e. AED

100,000 for each townhouse, is used for adjustment of

the accounting profits for 2025 determined in Step 3,

200,000
up to the accounting profit determined for that year,

i.e. AED 200,000. In this case, as the AED 100,000 does

not exceed AED 200,000, the whole AED 100,000 shall [illegible] 100,000

be excluded for each townhouse in 2025. The total

[illegible] ([illegible] [illegible])
[illegible] 2025
. [illegible]

excluded gain for the 15 townhouses shall be AED

[illegible]

With respect to the 5 unsold townhouses, the

[illegible]

adjustment under the transitional rules on the

[illegible]

Qualifying Immovable Property element, i.e. on the

[illegible]

land, should be assessed in the Tax Period in which

there has been a disposal, and accordingly when

revenue and costs are recognised in the statement of

[illegible] 2 : [illegible]

Example 2: Real estate development project where

construction commenced before the first Tax Period

[illegible] ([illegible]) [illegible]
[illegible] . [illegible]

Company B is a Taxable Person that is a real estate

[illegible]

developer. It prepares its Financial Statements in

[illegible]

accordance with IFRS and adopts an accounting policy

[illegible]. [illegible]
.[illegible]

based on the cost model permitted under IFRS. It follows the Gregorian calendar year as its Tax Period.

The start of the first Tax Period of Company B is 1

In October 2021, Company B decides to develop a

project that involves constructing 20 identical villas on

a land parcel acquired in Dubai in 2020 for AED

[recovered from the vector store — CTP009-Application-of-Transitional-Rules-as-set-out-in-MD-No-120-of-2023-26-09-2025.pdf p.22]

45,000,000

The total development cost expected by the company

was AED 45,000,000 (representing construction cost

and other related costs of the project). Hence, the total

expected cost of the project amounted to AED

75,000,000 (i.e. cost of the land AED 30,000,000 plus

expected development cost AED 45,000,000).

The expected cost for each villa amounted to AED

3,750,000 (i.e. total cost AED 75,000,000 / 20 villas).

2023

In 2023, Company B begins construction of the villas

and markets them off-plan on a freehold basis (the villa

owners will hold an equal 1/20 share in the land). The

company successfully signed 20 sales agreements to

sell the 20 villas each for AED 7,000,000. Company B

recognises revenue and associated costs related to the

IFRS 15

sale of the villas in its statement of income based on

the input method under IFRS 15 (i.e. percentage of

[illegible] ([illegible]

The below table summarises figures related to the

development project (amounts in AED thousands):
Description: Development
costs capitalised
(excluding land) | 2023: 9,000 | 2024: 27,000 | 2025: 9,000
Description: Percentage of
completion
(cumulative) | 2023: 20% | 2024: 80% | 2025: 100%
Description: Portion
completed
during the year | 2023: 20% | 2024: 60% | 2025: 20%
Description: Revenue
recognised in
the statement of
income | 2023: 28,000 | 2024: 84,000 | 2025: 28,000

2025: 9,000 | 2024: 27,000 | 2023: 9,000 | [illegible]: [illegible]
[illegible]
[illegible](
) [illegible]
2025: % 100 | 2024: % 80 | 2023: % 20 | [illegible]: [illegible]
) [illegible](
2025: % 20 | 2024: % 60 | 2023: % 20 | [illegible]: [illegible]
[illegible]
2025: 28,000 | 2024: 84,000 | 2023: 28,000 | [illegible]: [illegible]
[illegible]
[illegible]
2025: 15,000 | 2024: 45,000 | 2023: 15,000 | [illegible]: [illegible]

[recovered from the vector store — CTP009-Application-of-Transitional-Rules-as-set-out-in-MD-No-120-of-2023-26-09-2025.pdf p.23]

Cost recognised
in the statement
of income: Accounting
profit | 15,000: 13,000 | 45,000: 39,000 | 15,000: 13,000

The “development costs” do not include the land cost,

they represent the cost incurred each year (i.e. the

construction cost and other related costs). These costs

are initially capitalised to the project and recorded in

the balance sheet during each year. Subsequently at

the end of each year, along with a portion of the land

cost based on the percentage of completion, they are

transferred to the statement of income, representing

the “cost recognised in the statement of income”

The percentage of completion represents the

cumulative percentage of construction completion

based on IFRS. The portion completed during the year

is used by the company to recognise relevant revenue and associated cost related to the project in the

The accounting profit represents the difference

between the revenue and the cost of the villas as

2024

At the beginning of its first Tax Period, the Gregorian

calendar year 2024, Company B has a project under

construction recognised in their opening balance sheet

as a Capital Work in Progress at AED 24,000,000,

reflecting the net book value of the project (i.e.

historical acquisition cost of the land, being AED

30,000,000 plus actual cost in 2023 of AED 9,000,000

less cost transferred to statement of income in 2023 of

2023

AED 15,000,000). This represents, for the purposes of

Ministerial Decision No. 120 of 2023, the original cost

(
120
)
2023

[recovered from the vector store — CTP009-Application-of-Transitional-Rules-as-set-out-in-MD-No-120-of-2023-26-09-2025.pdf p.24]

and the net book value of the Qualifying Immovable

Property that is a property under construction.

2024

When submitting its 2024 Tax Return, Company B

elects to apply the transitional rules for the project. As

the construction started before the first Tax Period, the

Qualifying Immovable Property is considered the real

estate project in its entirety excluding the part disposed

Company B selects the valuation method to calculate

the excluded gain and has obtained a valuation report,

from the DLD indicating that the Market Value of the

project at 1 January 2024 is AED 90,000,000.

Calculation of the excluded gain

Market Value at the start of the first Tax Period:

Based on the valuation from DLD, the Market Value of

As part of the project revenue has been recognised in

2023

the statement of income in 2023, that part of the

project is considered disposed of prior to the start of

the first Tax Period. Accordingly, for the purpose of
calculating the adjustment under the transitional rules,

2023

Company B adjusts the Market Value to exclude the

amount attributable to that part disposed of in 2023.

20 %

The adjustment is made based on the percentage of

2023

completion. As 20% of the project revenue has been

80 %
80
× %

considered recognised in 2023, the Market Value is

reduced by that same percentage. The “adjusted

Market Value” is 80% of the Market Value, i.e. 80% x

[illegible]
[illegible]
[illegible]
[illegible].

AED 90,000,000 = AED 72,000,000. This “adjusted

Market Value” is considered the “Market Value” for the

purpose of calculating the adjustment for the

[recovered from the vector store — CTP009-Application-of-Transitional-Rules-as-set-out-in-MD-No-120-of-2023-26-09-2025.pdf p.25]

Higher of net book value and original cost at the start

The net book value of the Qualifying Immovable

Property is AED 24,000,000 which is also considered as

the original cost as at the start of the first Tax Period,

Calculation under the 4 steps explained above:

Step 1: The overall excluded gain

Overall excluded gain = adjusted Market Value –

[higher of original cost and net book value] = AED

72,000,000 - 24,000,000 = AED 48,000,000.

Step 2: Apportionment of the excluded gain for the Tax

Company B uses the percentage of completion of each year (i.e. the portion completed during the year) to

2024: 60% | 2025: 20%
2024: 36,000
(60/80 x
AED 48m) | 2025: 12,000
(20/80 x
AED 48m)

2025: % 20 | 2024: % 60
2025: 12,000
48 × 80/20(
) | 2024: 36,000
× 80/60(
48
)

3
:

Step 3: Determination of the attributed accounting

profits to the villas considered as Qualifying Immovable

As the construction started before the first Tax Period,

(

the Qualifying Immovable Property is considered the

).

real estate project in its entirety (excluding the part

disposed of before the first Tax Period). Accordingly,

2024
2025

the accounting profit as recognised in the income

statement in each of Tax Periods 2024 and 2025 is

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profits to the villas considered as Qualifying Immovable

As the construction started before the first Tax Period,

the Qualifying Immovable Property is considered the

real estate project in its entirety (excluding the part

disposed of before the first Tax Period). Accordingly,

the accounting profit as recognised in the income

statement in each of Tax Periods 2024 and 2025 is

considered attributed to the Qualifying Immovable

As a result, the accounting profit is as follows (as per

Step 4: Adjustment under the Transitional rules of the

The excluded gains determined under Step 2, i.e. AED

36,000,000 in 2024 and AED 12,000,000 in 2025 are

used for adjustment of the accounting profits

determined in Step 3 against and up to the accounting profits determined for each of those years, i.e. AED

13,000,000

39,000,000 and AED 13,000,000 respectively.

2024: 39,000 | 2025: 13,000
2024: (36,000) | 2025: (12,000)
2024: 3,000 | 2025: 1,000

2025: 13,000 | 2024: 39,000
2025: 12,000 | 2024: 36,000
2025: 1,000 | 2024: 3,000

In this case, as the excluded gain in each year does not

exceed the accounting profit of each year, the whole

excluded gain in each year is excluded when calculating

This Public Clarification issued by the FTA is meant to clarify certain

aspects related to the implementation of the Federal Decree-Law
No. 47 of 2022 on the Taxation of Corporations and Business, and

its amendments, and Ministerial Decision No. 120 of 2023 on the

Adjustments Under the Transitional Rules for the Purposes of

Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations

This Public Clarification states the position of the FTA and neither amends nor seeks to amend any provision of the aforementioned

legislation. Therefore, it is effective as of the date of implementation

of the relevant legislation, unless stated otherwise.

The examples in this Public Clarification show how these elements

operate in isolation and do not show all the possible interactions

with other provisions of the Corporate Tax Law that may occur. They

do not, and are not intended to, cover the full facts of the

hypothetical scenarios used nor all aspects of the Corporate Tax

regime, and should not be relied upon for legal, accounting,

regulatory or tax advice purposes. These examples are only meant

for providing the readers with general information on the subject

matter of this Public Clarification. They are exclusively intended to

explain the rules related to the subject matter of this Public

Clarification and do not relate at all to the tax, accounting,

regulatory or legal position of any specific juridical or natural

In this clarification, Federal Decree-Law No. 47 of 2022 on the

Taxation of Corporations and Business, and its amendments is

referred to as “Corporate Tax Law”, Cabinet Decision No. 56 of 2023

on Determination of a Non-Resident Person’s Nexus in the State for

[illegible]

the Purposes of Federal Decree-Law No. 47 of 2022 on the Taxation

(
47
) [illegible] 2022
[illegible]
[illegible] "[illegible]

of Corporations and Businesses is referred to as “Cabinet Decision

([illegible] 56
) [illegible] 2023
"[illegible]

No. 56 of 2023”, Cabinet Decision No. 35 of 2025 on Determination

[illegible]

of a Non-Resident Person’s Nexus in the State for the Purposes of

([illegible] 47
) [illegible] 2022
[illegible]

Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations

[illegible]
([illegible] "[illegible] 35
) [illegible] 2025
[illegible]"

and Businesses is referred to as “Cabinet Decision No. 35 of 2025”,

([illegible] 120
) [illegible] 2023

and Ministerial Decision No. 120 of 2023 on the Adjustments Under
([illegible] 47
) [illegible] 2022

the Transitional Rules for the Purposes of Federal Decree-Law No.

47 of 2022 on the Taxation of Corporations is referred to as

[illegible] "[illegible]([illegible] 120
)

([illegible] 1
:) [illegible]
Article 1 of Corporate Tax Law defines the following terms as:

."[illegible]": [illegible]
“Authority” – Federal Tax Authority.

"[illegible]": [illegible]
[illegible]

“Corporate Tax” – The tax imposed by the Corporate Tax Law on

"[illegible]": [illegible]

“Market Value” – The price which could be agreed in an arm’s-

[illegible]

length free market transaction between Persons who are not

Related Parties or Connected Persons in similar circumstances.

:""[illegible]
[illegible]

“Taxable Income” – The income that is subject to Corporate Tax

:""[illegible]“Taxable Person” – A Person subject to Corporate Tax in the UAE

[recovered from the vector store — CTP009-Application-of-Transitional-Rules-as-set-out-in-MD-No-120-of-2023-26-09-2025.pdf p.28]

[illegible]
.[illegible]
under the Corporate Tax Law.

:""[illegible]

“Tax Return” – Information filed with the FTA for Corporate Tax

[illegible]

purposes in the form and manner as prescribed by the FTA,

including any schedule or attachment thereto, and any amendment

:""[illegible]
[illegible] .

“Tax Period” - The period for which a Tax Return is required to be
[illegible] (
1
)[illegible]
[illegible] 126

Article 1 of Ministerial Decision No. 126 of 2023 on the General

Interest Deduction Limitation Rule for the Purposes of Federal

[illegible]
[illegible]
[illegible]
([illegible] 47
) [illegible]

Decree-Law No. 47 of 2022 on the Taxation of Corporations and

2022
[illegible]
[illegible]
[illegible]
[illegible] "[illegible]" [illegible]

Businesses defines “the Accounting Standards” as the accounting

[illegible]
[illegible]
[illegible]
[illegible]

standards specified in a decision issued by the Minister for the

1
Article 61(1) of Corporate Tax Law states that a Taxable

([illegible] 1
( ) [illegible] 61
)[illegible]

Person’s opening balance sheet for Corporate Tax purposes

[illegible]

shall be the closing balance sheet prepared for financial reporting purposes under accounting standards applied in the

State on the last day of the Financial Year that ends

immediately before their first Tax Period commences, subject

to any conditions or adjustments that may be prescribed by the

2
Article 4(1) of Ministerial Decision No. 114 of 2023 on the

Accounting Standards and Methods for the Purposes of Federal

Decree Law No. 47 of 2022 on the Taxation of Corporations and

Businesses states that for the purposes of Article (20)(1) of the

Corporate Tax Law, a Taxable Person shall apply the

International Financial Reporting Standards ("IFRS").

3
Article 4(2) of Ministerial Decision No. 114 of 2023 on the

Accounting Standards and Methods for the Purposes of Federal

Decree Law No. 47 of 2022 on the Taxation of Corporations and
Businesses states that without prejudice to the provisions of

Article 4(1), a Taxable Person deriving Revenue that does not

)

exceed AED 50,000,000 (fifty million United Arab Emirates

dirhams) may apply International Financial Reporting

"(IFRS for SMEs
.)"

Standards for small and medium-sized entities ("IFRS for

4
Article 2(1) of Ministerial Decision No. 120 of 2023 states that

(1
( ) 2
( ) 120
)

for the purposes of paragraph (i) of Clause (2) of Article (20)

(() 2
( ) 2
)

and Clause (1) of Article (61) of the Corporate Tax Law, a

(
1
( ) 61
)

Taxable Person may elect to adjust its Taxable Income for

calculating the gains on any Immovable Property that meets all

[recovered from the vector store — CTP009-Application-of-Transitional-Rules-as-set-out-in-MD-No-120-of-2023-26-09-2025.pdf p.29]

of the following conditions:

a.
The Immovable Property is owned prior to the first Tax

b.
The Immovable Property is measured in the Financial

c.
The Immovable Property is disposed of or deemed to be

disposed of during or after the first Tax Period for the

purposes of determining the Taxable Income for a value

5
Article 2(2) of Ministerial Decision No. 120 of 2023 states that

where Clause (1) of this Article applies, upon the disposal of the

Qualifying Immovable Property, the Taxable Person shall make

one of the following adjustments in respect of each Qualifying

a.
Exclude the amount of gain that would have arisen, at the

start of the first Tax Period, had the Qualifying Immovable

Property been disposed of at Market Value and the cost of the Qualifying Immovable Property was the higher of the

6
Article 2(4) of Ministerial Decision No. 120 of 2023 states that

for the purposes of paragraph (b) of Clause (2) of this Article,

the excluded amount of gain shall be calculated as follows:

a.
Calculate the amount of gain that would have arisen upon

the disposal of the Qualifying Immovable Property, had its

cost been equal to the higher of the original cost and the net

book value at the start of the first Tax Period.

b.
Divide the number of days the Qualifying Immovable

Property is owned before the first Tax Period by the total
number of days the Qualifying Immovable Property is

c.
Multiply the amount calculated in paragraph (a) of this

Clause by the amount calculated in paragraph (b) of this

d.
The amount calculated in paragraph (c) of this Clause shall

[illegible]

be the amount of gain on the Qualifying Immovable Property

excluded from the Taxable Income during the relevant Tax

7
Article 1 of Ministerial Decision No. 114 of 2023 on the

([illegible]1
( ) [illegible]114
) [illegible]2023

Accounting Standards and Methods for the Purposes of Federal

[illegible]([illegible]47
)

Decree Law No. 47 of 2022 on the Taxation of Corporations and

[illegible]
""[illegible]

Businesses defines “Financial Statements” as a complete set of

[illegible]

[recovered from the vector store — CTP009-Application-of-Transitional-Rules-as-set-out-in-MD-No-120-of-2023-26-09-2025.pdf p.30]

statements as specified under the Accounting Standards

applied by the Taxable Person, which includes, but is not

limited to, statement of income, statement of other

comprehensive income, balance sheet, statement of changes

8
Article 2(5) of Ministerial Decision No. 120 of 2023 states that

the election under Clause (1) of this Article shall be made in

respect of each Qualifying Immovable Property upon the

submission of the first Tax Return in the form and manner

prescribed by the Authority and shall be deemed irrevocable

except under exceptional circumstances and pursuant to