
UAE FTA issues Corporate Tax Guide on Tax Return



Quick Rundown

- Under Article 53(1) of Decree No. 47 of 2022 i.e., UAE Corporate Tax Law ('UAE CT Law'), every Taxable Person is required to file a Tax Return within 9 months from the end of relevant Tax Period.
- The UAE Federal Tax Authority ('FTA'), in November 2024, has issued a comprehensive guide which provides general guidance with respect to the information to be provided in response to each field and part for filing a Tax Return for the purposes of UAE CT Law.

Taxable Person Details

- The several details of the Taxable Person are auto-populated in the Tax Return based on the information provided by the same during the process of CT registration.
- Details such as name, TRN, address details, Tax Period, primary business and type of the Taxable Person are typically auto-populated as mentioned above.
- Basis the information provided in this part, the Tax Return is tailored for the Taxable Person by omitting fields which would be irrelevant for the same.

Details to be furnished by Natural Persons

- A Natural Person must provide whether the same is a partner in any Unincorporated Partnership and if yes, the TRN of such Unincorporated Partnership(s) shall also be furnished.
- The Natural Person shall provide the aggregate amount of turnover earned from all Businesses and Business Activities conducted by the same in UAE excluding income from employment, Real Estate Investment & Person Investment Income .
- Estimated percentage of total revenue attributable to each business sector and basis of accounting employed by the Natural Person for preparation of Financial Statements must be disclosed.

Details to be furnished by Natural Persons

- The Natural Person shall disclose the Tax Residency status and if the same is Non-Resident, also disclose the country in which such Natural Person is considered resident for taxation purposes under relevant Double Taxation Agreement.
- Details such as number and list of Businesses and Business Activities conducted by the Natural Person are auto-populated based on the information provided during the process of CT registration.

Details to be furnished by Juridical Persons

- A Juridical Person shall disclose if it is a member of a MNE Group and whether same is a Government Entity or Government Controlled Entity.
- The Juridical Person shall report whether the Businesses and Business Activities conducted by the same is subject to tax under UAE CT Law.
- Revenue generated by the Juridical Person before factoring in any expense or relief, estimated percentage of total revenue attributable to each business sector and basis of accounting employed by the Juridical Person for preparation of Financial Statements must also be disclosed.
- The Juridical Person must disclose the Tax Residency status. If the same is Non-Resident, disclosure for the country in which such Natural Person is considered resident for taxation purposes under relevant Double Taxation Agreement and whether said Juridical Person has a Permanent Establishment in UAE or derives income from nexus in UAE are to be made.
- Details such as the country of incorporation, Free Zone status, number and list of Businesses and Business Activities conducted by the Juridical Person are auto-populated based on the information provided during the process of CT registration.
- Wherein the country of incorporation is not UAE, the Juridical Person shall provide whether the same is effectively managed and controlled in UAE.

Elections made by Taxable Person

Realisation basis

- A Taxable Person who prepares Financial Statements on accrual basis of accounting shall elect to recognize gains or losses on a realisation basis.
- Such election can only be made at the time of submitting the first Tax Return and is irrevocable unless approved by FTA.
- Wherein a previous election has been approved by FTA to be revoked, a Taxable Person cannot make another election in a future Tax Return.
- If the Taxable Person is a Tax Group, the Group shall make an election during the first Tax Period. All the members of the Tax Group must forfeit their independent election and subsequently follow the Tax Group's election.

Transitional Rules

- In the case where the Taxable Person has recorded Qualifying Financial Assets, Financial Liabilities, Qualifying Immovable Property and Qualifying Intangible Assets on a historical basis, such Person is entitled for an irrevocable election while filing the first Tax Return to exclude gains and losses in relation to aforementioned assets & liabilities related to periods preceding the first Tax Period.

Small Business Relief & Business Restructuring Relief

- A Taxable Person who is a Resident and derives revenue less than AED 3 million in the relevant and preceding Tax Periods can elect for Small Business Relief.
- Upon such election, any revenue derived by such Person shall not be considered as Taxable Income for the purposes of UAE CT Law.
- Taxable Person who is a transferor transferring his Business or independent part of Business to another Taxable Person satisfying conditions specified in Article 27 of the UAE CT Law can elect for Business Restructuring Relief.
- Upon said election, gains or losses arising out of such transaction shall not be taken into account for determining Taxable Income.

Accounting Schedule

- This schedule of the Tax Return requires the Taxable Person to provide a breakdown of the Financial Statements prepared in accordance with applicable accounting standards.
- The schedule shall be completed based on consolidated Financial Statements in the case the Taxable Person is a Tax Group whereas in other cases, standalone Financial Statements shall be used.
- Any amount quantified in foreign currency shall be converted to AED at the applicable exchange rate set by the Central Bank of the UAE before the same is entered into respective fields of the Tax Return.
- In addition to the above, the Taxable Person must also disclose whether the Financial Statements are audited and if yes, disclose the nature of audit opinion and name of the auditor.

Accounting Adjustments

Accounting Income

- For a Resident Juridical Person, the Accounting Income for the Tax Period shall be the accounting net profit or loss as per Financial Statements and for a Non-Resident Juridical Person, the Accounting Income shall be the same as that of a Resident but relates to a Permanent Establishment or nexus in UAE.
- For a Natural Person, the Accounting Income for the Tax Period shall be the net profit or loss derived by the same as per Financial Statements relating to Businesses or Business Activities conducted in UAE.
- In case the Taxable Person is a Qualifying Free Zone Person, the Accounting Income shall be split into Qualifying and Non-Qualifying Income. Herein the Accounting Income figure for each category shall be the net of revenue earned and expenditure incurred for deriving such revenue under each category.

Equity Method of Accounting

- Under equity method of accounting, dividends received are recorded as a reduction in the carrying value of the investment and dividends shall be recognized as income even if the same have not been actually declared or distributed.
- A Taxable Person must disclose whether the same has opted to account for investments under aforesaid method and if yes, the share of profits or losses in relation to investments accounted shall be furnished. The furnished share of profits or losses shall exclude dividends actually declared.

Unincorporated Partnership treated as a separate Taxable Person

- In the case an Unincorporated Partnership has obtained approval from FTA and is treated as a separate Taxable Person, the Taxable Income of the partnership is determined separately from the partners.
- Wherein the Taxable Person is a Partner in the aforementioned entity, disclosures such as accounting profits/losses derived from such entity and gains/losses realized on transfer or disposal of Participating Interest in such entity shall be made.

International Aircraft and Shipping Income

- This part is applicable to Non-Resident Natural and Juridical Persons.
- The Taxable Person who is engaged in operation of ships or aircraft in international transportation shall furnish the details of income earned and expenditure incurred in relation to aforementioned activity.

Non-deductible Expenditure

- The Taxable Person shall furnish 50% of the amount of entertainment expenditure incurred during the Tax Period in the field provided in the Tax Return.
- Disclosures for amount of expenditure as charitable donations made to entities that are not Qualified Public Entities, drawings by a Natural Person, expenditure incurred for deriving exempt income and expenses incurred not wholly for the purpose of business must be made.
- The Taxable Person must provide for any other expenditure which is non-deductible under the UAE CT Law and mention the nature of the same therein.

Miscellaneous

- In a case where a Taxable Person has provided an estimated or provisional figure while filing the Tax Return, such person is required to report the fields wherein such figures have been used.
- Several adjustment fields which are nested in the Accounting Adjustments part of the return are auto-populated based on the information provided by the Taxable Person in schedules that are an integral part of the Tax Return.

Free Zone Schedule

Qualifying Revenue & Non-Qualifying Revenue

- The Free Zone Schedule is required to be completed by a Taxable Person who is a Qualifying Free Zone Person.
- The Taxable Person is required to furnish total revenue attributable to their Domestic or Foreign Permanent Establishment, revenue derived from Non-Free Zone Persons in relation to Commercial property located in the Free Zone and revenue derived from immovable property located in the Free Zone which is not Commercial Property.
- The Taxable Person shall also furnish the amount of Revenue derived from transactions with Free Zone Persons wherein the same are not the beneficial recipient of the goods or services.
- The list of Qualifying Activities undertaken by a Qualifying Free Zone Person and revenue earned from Non-Free Zone Persons through the same must also be provided in the Tax Return.

Economic Substance

- A Qualifying Free Zone Person must maintain adequate substance in a Free Zone and therefore disclose details such as average number of full-time employees located in a Free Zone and operating & capital expenditure incurred for deriving Qualifying Income
- The average number of employees is computed as the arithmetic mean of number of employees in the beginning and the end of the Tax Period.

Economic Substance

- Wherein the Taxable Person has outsourced the core-income generating activities, the same shall provide details such as number of outsourcing providers and name, address & TRN of the each of such outsourcing providers
- The total expenditure incurred for every outsourcing provider and the total average number of employees provided by the same must also be disclosed.
- The Qualifying Free Zone Person must confirm that adequate supervision is enforced by the same over the activities of outsourcing providers.

Confirmations

- A Qualifying Free Zone Person must confirm in the Tax Return that the same has employed adequate amount of assets, qualified employees and operating expenditure in a Free Zone.
- In case such Taxable Person has entered into any related party transaction, the same shall confirm that Transfer Pricing documentation has been prepared and maintained in according with relevant provisions of the UAE CT Law.

Income from Intellectual Property

- A Qualifying Free Zone Person earning revenue from ownership or exploitation of Qualifying Intellectual Property shall disclose about the description of said property and overall income earned from said property
- The overall expenditure in relation to the Qualifying Intellectual Property excluding expenditures incurred for outsourcing development activities to related parties shall also be reported in this part of the Tax Return.
- When the above mentioned Taxable Person derives income from Intellectual Property that is not considered Qualifying Intellectual Property, such income shall be provided as well.

Tax Credit Schedule

Foreign Tax Credit

- Wherein a Taxable Person intends to claim a Foreign Tax Credit, such Person shall disclose about each stream of foreign source income.
- The Taxable Person must provide the source country of such foreign income and the foreign tax paid in such foreign jurisdiction on the same.
- The Taxable Person shall also disclose the Taxable Income determined as per the UAE CT Law in respect to the foreign source income and also the UAE Corporate Tax applicable on the same.
- The Foreign Tax Credit available to the Taxable Person is computed automatically based on aforesaid inputs. In case the Taxable Person is a Tax Group, the amount of Foreign Tax Credit is calculated at the member level of each member that has received foreign source income.

Related Party Schedule

- This schedule shall be filled by a Taxable Person whose Related Party transactions in the Tax Period exceed AED 40 million value in aggregate.
- Only the type of Related Party transactions whose aggregate exceeds AED 4 million is required to be disclosed in the Tax Return. Type of transaction shall mean transactions in relation to goods, services, intellectual property, assets, liabilities, interest and etc.
- However, dividends declared between Related Parties shall not be taken into account for determining the above mentioned thresholds.
- Details such as name, tax residence, TRN of the Related Parties and transaction type, transfer pricing method applied and arm's length value of the transactions are to be provided in this part of the Tax Return.
- The Tax Return provides for Other Method as a transfer pricing method. In that case, the Taxable Person is required to provide a description of such method applied.

Connected Person Schedule

- This schedule is required to be filled by a Taxable Person whose transactions with Connected Persons exceed AED 500,000 in value.
- Transaction per Connected Person that exceeds AED 500,000 are only required to be disclosed in the Tax Return.

Transfer Pricing Adjustments

- Upward adjustments should be recorded in the Tax Return. The same shall not be netted off against downward adjustments.
- Any downward adjustment shall be allowed only upon approval of the FTA. In case where the FTA has not approved of the same, the amount of adjustment shall be considered nil.
- The above mentioned adjustments must be disclosed in the Accounting Adjustments part of the Tax Return by the Taxable Person manually.
- It is important for a Taxable Person to maintain adequate documentation to back the arm's length price of transactions with Related Parties and Connected Persons and substantiate the adjustments made in the Tax Return.

Interest Capping Schedule

- This schedule does not apply to a Taxable Person who is a bank, an insurance provider or a Natural Person undertaking a Business or Business Activity in UAE.
- If the Taxable Person is a Tax Group, where a member of a Tax Group is a bank or an insurance provider, net interest expenditure attributable to such member shall be excluded for the purposes of computation.

Participation Exemption Schedule

- The schedule shall be filed by a Taxable Person who derives income or loss from a Participating Interest during the Tax Period.
- This schedule encloses disclosures that are relevant to determine whether conditions for Participation Exemption have been met.
- Details such as name of the Juridical Person in which the Taxable Person holds Participating Interest, tax residency status & TRN of such Juridical Person are to be disclosed.
- The Taxable Person should confirm that such Juridical Person is Resident in a jurisdiction that charges tax similar to Corporate Tax at a minimum rate of 9%.
- The Taxable Person shall also report the nature and amount of income or loss derived from Participation Exemption. Such person must also confirm whether the minimum ownership interest has been held and for an uninterrupted period of 12 months.

Unrealized Gains/Losses Schedule

- This schedule shall be completed by a Taxable Person who has made the election to recognize gains and losses on a realisation basis.
- The Taxable Person shall disclose details such as description, carrying cost, cost of acquisition of the asset or liability to which unrealised gains/losses pertain to.
- The Taxable Person must also provide the value of unrealised gains/losses during the Tax Period.

Deferred Gains/Losses Schedule

- This schedule is required to be completed by a Taxable Person who has made the election to recognize gains and losses on a realisation basis.
- The schedule pertains to gains or losses realised in the Tax Period which had previously not been subject to tax under UAE CT Law due to election.
- Taxable Person shall disclose details such as description of the asset or liability, date of realisation and the Tax Period of deferment.
- The Taxable Person must also provide the value of previous unrealised gains/losses which has been realised during the Tax Period.

Additional Attachments

- Every Taxable Person except one who had elected for small business relief is mandated to submit Financial Statements alongside the Tax Return.
- Tax Residency Certificate and evidence for tax payment in the foreign jurisdiction may also be submitted by a Taxable Person with the Tax Return.
- However, a Taxable Person must maintain the above mentioned documents for a period of 7 years as per Article 56 of UAE CT Law.

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