
UAE FTA issues clarifications on 'First Tax Period'



Brief Background

- The UAE Federal Tax Authority ('FTA') issued a public clarification on First Tax Period for juridical persons for UAE Corporate Tax ('CT') Law purposes.
- The UAE CT Law is applicable for Taxable Persons effective from June 1, 2023.

Juridical Person subject to provisions of UAE Commercial Companies Law

Incorporated **before** June 1, 2023

The First Tax Period is the Financial Year opted by such person commencing *on or after* June 1, 2023

Incorporated **on or after** June 1, 2023

The First Tax Period shall be the **same as** *First Financial Year* under UAE Commercial Companies Law

- **Article 28** of Commercial Companies Law states the First Financial Year **shall not** be *more than 18 months and less than 6 months, i.e., the period from date of incorporation till the last date of Financial Year opted.*
- A Taxable Person is not liable to file an application to FTA in relation to such First Tax Period for not being a 12 month period.
- Where the First Tax Period is not longer or shorter than 12 months, there is *no pro-rating* various thresholds prescribed under CT Law except the *de minimus* threshold for the purposes of General Interest Deduction Limitation Rule.

Non-Resident Person with Permanent Establishment

Exists **on** June 1, 2023

The First Tax Period is the Financial Year opted by such person commencing *on or after* June 1, 2023

Created **on or after** June 1, 2023

The First Tax Period shall be the period *from date of commencement of operations till the last date of Financial Year opted*



- For Permanent Establishments of Non-Residents created *on or after* June 1, 2023, the First Tax Period **shall not** be *more than* 18 months and *less than* 6 months.
- A Permanent Establishment existing by virtue of having a Fixed Place of Business in UAE is considered to have come into existence, for CT Law purposes, once such establishment has been *operational for six months* from the start of CT, i.e., from *June 1, 2023*.
- For the purposes of First Tax Period, the aforementioned recognition principle for Permanent Establishment of Non-Resident stated under the CT Law shall not be considered.

Resident Person by virtue of effective management and control in UAE

- Where a juridical person is incorporated under the applicable legislation of foreign jurisdiction but is a Resident Person by virtue of being effectively managed and controlled in the UAE, the First Tax Period will be the Financial Year opted or part thereof commencing *on or after* June 1, 2023.

Tax Deregistration in First Tax Period

- A juridical Taxable Person is required to register under CT Law even when their business or business activity ceases to exist during the First Tax Period.
- However, in the event of cessation of business or business activity before commencement of First Tax Period, such person is not required to obtain registration.
- Deregistration application must be filed within **3 months** from the *date of cessation*.
- A Taxable Person must be registered prior to filing deregistration application.
- Juridical Persons are liable to be registered for CT Law purposes within deadlines prescribed in *Article 3 of FTA Decision No. 3 of 2024*.
- Therefore, a Taxable Person must ensure that registration is completed in time so there is sufficient time to comply with Tax Deregistration application deadline.



CONTACT US FOR FURTHER QUERIES



G Vijay Krishnan
Managing Partner
vijay.krishnan@upnorthadvisors.in

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