



Tax Flash News – First Tax Period of a Juridical Person

The Federal Decree-Law No. 47 of 2022 on Taxation of Corporations and Businesses ('UAE CT Law') is applicable to Tax Periods commencing on or after 1 June 2023.

The UAE CT Law specifies that the Tax Period of a Taxable Person (other than a natural person) is their Financial Year ('FY') or part thereof, for which a Tax Return is required to be filed. This is usually the 12-month period for which the Taxable Person prepares its Financial Statements ('FS') or the Gregorian calendar year (i.e. 1 January – 31 December) in other cases.

Where a Corporate Tax ('CT') registered Person ceases to be a Taxable Person for any reason, Tax Deregistration application should be filed with the FTA as per the timelines specified in FTA Decision No. 6 of 2023 i.e. within 3 months of the date the entity ceases to exist, cessation of the Business, dissolution, liquidation or otherwise.

However, there is no specific guidance yet on the following aspects which have now been clarified by the FTA vide CT Public Clarification (CTP003):

- First FY of a juridical Taxable Person
- Timelines for Tax Deregistration in case of the cessation of Business or Business Activities before or during the first Tax Period

First Tax Period of a juridical person

Category of Taxable juridical Person	First Tax Period	Other aspects
Residents		

Category of Taxable juridical Person	First Tax Period	Other aspects
<p>Incorporated, formed or established under the Federal Decree-Law No. 32 of 2021 (Commercial Companies Law) and Free Zone regulations</p>	<p>Incorporated before 1 June 2023 First 12-month FY commencing on or after 1 June 2023.</p> <p>Incorporated on or after 1 June 2023 First FY commencing on or after 1 June 2023, provided the period is between 6 months to 18 months.</p>	<ul style="list-style-type: none"> • No application is required to be made to the FTA in case the first FY also being the first Tax Period is not a 12-month period¹. • The following thresholds prescribed under the UAE CT Law for a Tax Period shall apply even when the first Tax Period is not a 12-month period (i.e., no pro-rata approach): <ul style="list-style-type: none"> - Taxable income of AED 375,000 subject to 0% CT - Revenue of AED 3 million in respect of Small Business Relief - Revenue of AED 50 million to prepare and maintain audited FS - Revenue of AED 200 million to prepare master file and local file - Revenue of AED 3 million to prepare FS using Cash Basis of Accounting - Revenue of AED 50 million to prepare FS using IFRS for SMEs - De-minimis requirements to qualify as Qualifying Free Zone Person (i.e., non-qualifying Revenue not to exceed 5% of total revenue or AED 5 million, whichever is lower) • The only exception is for computing the De-minimis limit for applicability of General Interest Deduction Limitation Rule (i.e., Net Interest Expenditure not to exceed AED 12 million) shall be adjusted in proportion to the length of the Tax Period².
<p>Incorporated or otherwise established or recognized under applicable legislation of a foreign jurisdiction but Resident by virtue of being effectively managed and controlled in the UAE</p>	<p>FY (or first FY, as the case maybe) or part thereof commencing on or after 1 June 2023.</p>	<p>-</p>
<p>Non-residents</p>		

¹ Instances where application for change in Tax Period should be made to the FTA is provided in FTA Decision No. 5 of 2023

² As per Ministerial Decision No. 126 of 2023

Category of Taxable juridical Person	First Tax Period	Other aspects
Permanent Establishment ('PE')	<p>PE existed on 1 June 2023</p> <p>First 12-month FY commencing on or after 1 June 2023</p> <p>PE created after 1 June 2023</p> <p>Period from which operations began until first-year end as per its FS, provided the period is between 6 months to 18 months.</p>	First Tax Period is not affected by the 'permanence test' of the UAE CT Law where PE as a fixed place of Business in the UAE would be in existence once it is operational for 6 months from the start of CT Law subject to applicable Double Taxation Agreement.

Timelines for Tax Deregistration in case of the cessation of Business or Business Activities before or during the first Tax Period

Closure of Business or Business activities	Timeline for Tax Deregistration
Before commencement of first Tax Period	Not applicable since the Taxable Person is not obligated to register for UAE CT.
On or after commencement of first Tax Period	<p>Within 3 months from the date of cessation of business³.</p> <p>Where a Taxable Person ceases its Business during the first Tax Period, its first Tax Period will come to an end on the cessation date. However, the Taxable Person must be registered before filing a Tax Deregistration application. Therefore, the Taxable Person must ensure that it has registered in time (regardless of the timeline prescribed in FTA Decision No. 3 of 2024), to allow for sufficient time to comply with the deadline for Tax Deregistration which is 3 months from the date of cessation.</p>

Failure to adhere to the timelines for Tax Deregistration will attract an administrative penalty of AED 1,000 and on the same date monthly, up to a maximum of AED 10,000⁴.

Key takeaways

- The first Tax Period in case of a Taxable Person already in existence before 1 June 2023 will be the 12-month FY followed by such Taxable Person commencing on or after 1 June 2023.
- In the case of newly incorporated companies in the UAE and PEs existing in the UAE after 1 June 2023, the date of incorporation and commencement of operations in the UAE respectively will be considered as the start of the first Tax Period.

The end date of the first Tax Period will be the same as the end of the first FY, provided the length of the first Tax Period falls between 6 months to 18 months. This may create certain practical challenges in the case of an entity incorporated on 1 June 2023 and having January to December as its FY in which case the first FY would be 1 June 2023 to 31 December 2023 requiring the first CT return to be due by 30 September 2024. This may create challenges as the form for filing the CT return as well as the approved payment methods for paying the CT liability have not been notified yet.

³ FTA Decision No. 6 of 2023

⁴ Cabinet Decision No. (75) of 2023

⁵ [KPMG alert on Timelines for Corporate Tax registration specified](#)

- The various monetary thresholds available under the CT Law (including the basic exemption limit of AED 375 million) are not altered in case of a Taxable Person following a Tax period higher than a 12-month period. The only exception is the de-minimis threshold applicable for General Interest Deduction of AED 12 million.
- CT registration is required to be obtained if the Taxable Person is in existence on or after the commencement of its first Tax Period, even if the Business or Business Activities are ceased before the deadline for registration which is prescribed in FTA Decision No. 3 of 2024 - *Please refer our separate tax alert on this*⁵.
- The timeline of 3 months for making Tax Deregistration application in the first Tax Period seems stringent owing to the pre-requisites with respect to Deregistration (i.e., apart from obtaining CT registration, it also needs to discharge all pending CT dues/administrative penalties and file a CT return for the period up to the date of cessation).

Next steps

All Taxable Persons should ascertain their first Tax Period by referring to the relevant cases in the Public Clarification.

Taxable Persons in the process of cessation of its Business or Business Activities must register for CT at the earliest to allow time for Tax Deregistration compliances and avoid administrative penalties.

The EmaraTax (FTA) portal for obtaining CT registration and applying for Tax Deregistration is available to all Taxable Persons.

KPMG has a dedicated Corporate Tax team that will be delighted to help you assess the impact of the updated legislation in your operations and activities.

Contact us

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