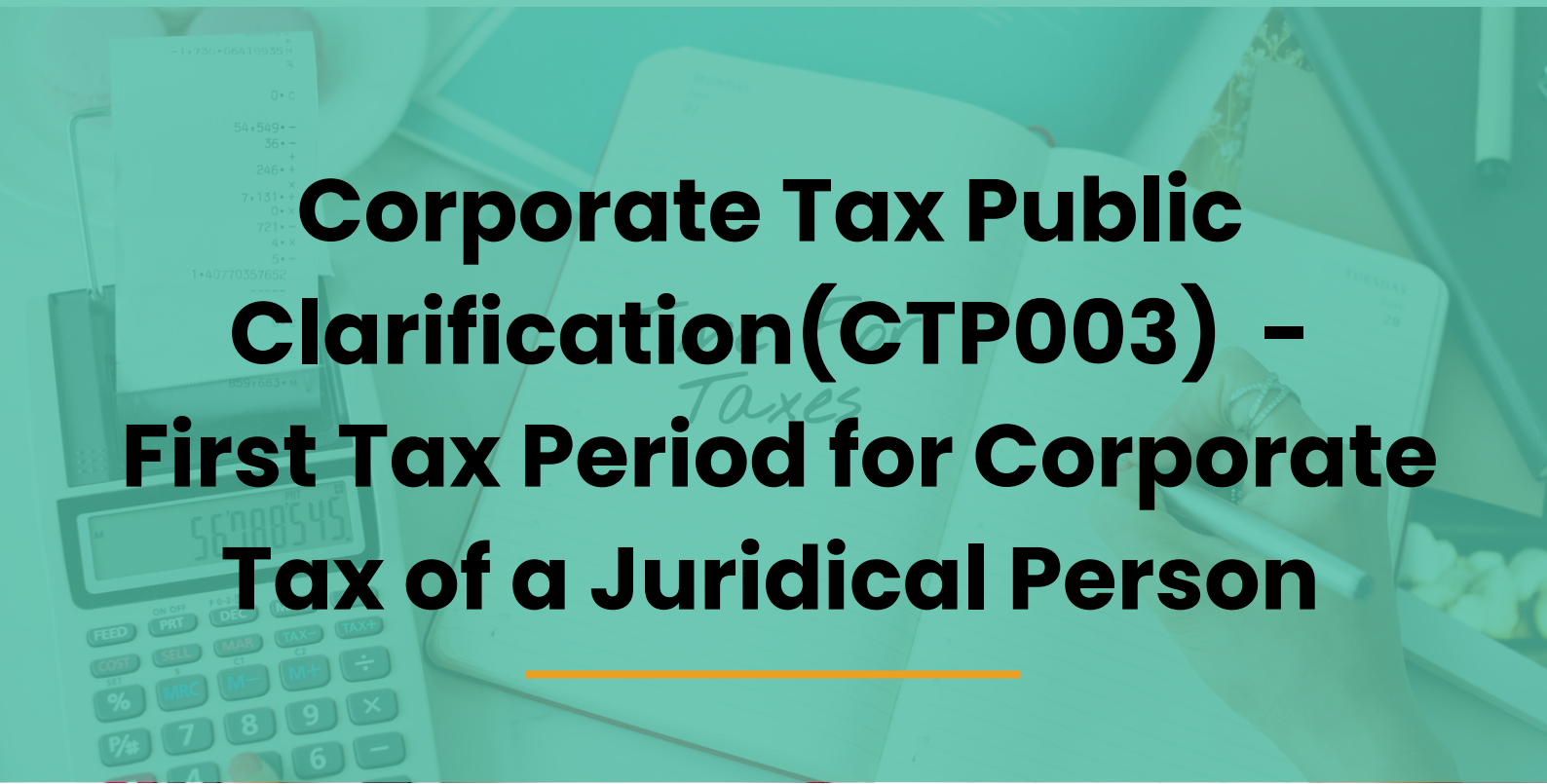


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Corporate Tax Public Clarification(CTP003) - First Tax Period for Corporate Tax of a Juridical Person

A new public clarification (CTP003) has been released by the Federal Tax Authority providing guidance on First Tax Period for Corporate Tax of a Juridical Person. The key clarifications covered in the clarification are as under:

- **Juridical Persons incorporated under Commercial Companies Law:**

The First Tax Period will be the financial year or part thereof commencing on or after 1 June 2023.

- **Newly Incorporated Company:**

The first Tax Period of a **newly incorporate company** shall depend on the first financial year under Commercial Companies Law and can be any of the three scenarios:

1. Its first Financial Year is a 12-month period, or
2. Its first Financial Year is a period between 6 months and 12 months, or
3. Its first Financial Year is a period between 12 months and 18 months.

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- **Application for Change in Tax Period:**

1. Where the first financial year, starts before 01.06.2023, the first Tax Period will be the **subsequent 12-month Financial Year** commencing on or after 1.06.2023. No application is required for change in Tax Period for scenarios (2) and (3) above for a newly incorporated company.
2. The Taxable Person can make an **application to FTA to change the start and end date of its Tax Period**, or use a different Tax Period, subject to certain conditions, provided that the Tax Period is not extended to more than 18 months, nor reduced to less than 6 months.

- **Pro-rating of Threshold Limit:**

In case the first Tax Period is longer / shorter than a 12 month period, there is **no pro-rating** required for thresholds prescribed under CT Law except for AED 12 million De-minimus threshold for calculation of General Interest Deduction Limitation Rule.



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- **Permanent Establishment**

Where a **Permanent Establishment of a Non-Resident** is created on or after 1 June 2023, its first Tax Period will be period from when it began operations until its first-year end as per its Financial Statements.

- **Resident Person effectively managed and controlled in UAE**

The first Tax Period will be the Financial Year or part thereof, commencing on or after 1 June 2023

- **Tax Deregistration:**

1. **First Tax Period:** Where a Taxable Person ceases their Business / Business Activities during first Tax Period, the first Tax Period will come to an end on the cessation date.
2. **Deadline:** Tax Deregistration application is to be submitted within 3 months from the date of deregistration triggering event.

"Reach out and let's connect!"

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