UAE Corporate Tax Update

Mechanism for Advance Payment of Corporate Tax Now Available to Taxpayers

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The Federal Tax Authority ("FTA") has introduced a new functionality on the EmaraTax portal enabling taxpayers to make advance payment of corporate tax ("tax"). The feature or mechanism is intended to allow taxpayers to deposit tax in advance against future liabilities, thereby supporting tax cashflows planning and mitigating potential exposure to penalties for late payment.

While there is no specific publication from the FTA, it is however included in Q.No.13 of the FAQs on EmaraTax portal. In addition, a test login by a taxpayer on EmaraTax portal confirms that the advance payment option is now operational.

Payment mechanics

In exercising the advance payment option, the taxpayer needs to first indicate the "Tax type" which will be "Corporate Tax" from the sole dropdown option. It will then automatically reflect the "TRN" (Tax Registration Number), "Beneficiary Name" and "Transaction Date", which are un-editable fields.

The payment page next reflects a message that "If you wish to make an advance payment specifically towards your next tax return filing for this tax type, please indicate this below and your payment will be held on account till your next return is filed. Once the payment is allocated to your next return, any excess amount will be automatically allocated to any remaining outstanding liabilities."

Consequently, the last field on the payment page is to select the "Reason for the advance payment", whereunder it gives three options for single selection:

- "Payment towards your next tax return filing – Tax Year End Dec-2026" – Selectable
- "Payment towards future outstanding liabilities" – Selectable
- "Installment Plan Down Payment" – Not selectable unless taxpayer has past tax liability

Our feedback

In the prior corporate tax filing cycles, several taxpayers faced penalties due to operational challenges such as (i) delays in payment reflection at the FTA's end, (ii) late addition of beneficiaries following GIBAN generation, or (iii) technical restrictions on certain GIBANs preventing timely payments. The introduction of the advance payment mechanism addresses these practical challenges by allowing taxpayers to make payments ahead of statutory deadlines, thereby facilitating better cashflow planning and reducing last-minute compliance risks.

This is a useful feature which businesses can now opt to exercise and avoid last-minute rush on tax payments, especially where their year-end tax provision values have been ascertained. They can also opt to make staggered payments until tax return filings while managing their cashflows.

Taxpayers should take cognizance of the message reflected on payment page and FAQ No.13 which clarifies if a selection is made to adjust advance payment toward next tax return filing, then it will be utilised when the said tax return is filed. Any excess remaining thereafter, will then be used to settle any other outstanding or future liabilities strictly on the basis of due dates starting with the oldest liability first. It is observed that this is slightly different from the mechanism available under Value Added Tax (VAT) regime, where advance payment could be attributed towards the prior tax period for which the return is yet to be filed. The optionality under corporate tax does not permit this. Hence it will be important to wait until this situation is addressed by FTA.

Alongside, it is also expected to become clear with upcoming corporate tax filings in 2026 whether electing the options of “Payment towards future outstanding liabilities” instead of specifically attributing to next tax return filing, will permit adjustment of advance payments against 2025 tax returns.

Clarifications to look forward

While the functionality is now live, certain key aspects need further clarification from the FTA, including:

- Whether advance payments made in 2026 may be utilised against tax liabilities arising from tax periods ending in 2025.
- Whether penalties, if any, follow the same utilisation hierarchy as Corporate Tax when advance payments are allocated.
- Whether any mechanism will be introduced to allow refunds of unutilised advance payments.

Andersen Takeaway:

A common situation is likely to arise where taxpayers who have assessed their annual tax liability for the financial year ending in 2025 and whose tax returns will be furnished in 2026, would like to make advance payment in 2026 and adjust the same against 2025 tax liability. As the option to attribute advance payment towards prior tax period is not available, the taxpayers may be tempted to opt for “Payment towards future outstanding liabilties” expecting it will be adjusted against 2025 tax liability. However, this should be carefully assessed if such adjustment is permitted, to avoid excess payments for which no refund mechanism exists so far. A little wait is better until further clarity emerges from FTA so that situations of double payment impacting liquidity can be avoided.

How we support

With this advance payment functionality now enabled for corporate tax too, the business are motivated to start assessing corporate tax liability on a quarterly / half-yearly basis so that the cashflows and internal approvals can be managed efficiently and penalty situations could be avoided. At Andersen, we provide comprehensive Corporate Tax compliance and advisory services with a detail-oriented and practical approach. We closely monitor regulatory developments and operational changes affecting tax administration and assist our clients in navigating compliance requirements efficiently while managing cashflow and risk.

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