

Corporate Tax Update

Public Clarification on Timelines for CT Registration



Corporate Tax Alert: Public Clarification on Timelines for CT Registration

The Federal Tax Authority (FTA) has recently issued a Corporate Tax (CT) Public Clarification on corporate tax registration timelines that were earlier prescribed vide FTA Decision No. 3 of 2024 (“FTA Decision on timelines for CT registration”).

This clarification intends to clarify the CT registration application timeline and provides illustrative examples to aid understanding. It is important to note that this public clarification does not amend any existing provisions. Therefore, it will be effective from the date of implementation of the earlier decision, which is 1 March 2024.

We have summarized below the key clarifications from this guide:

A. Resident Juridical Person

S.No	Category	Deadline for submitting a tax registration application
1	Resident entities holding an expired license, but the license has not been cancelled as on 1 March 2024	<p>Based on the month of issuance of the original license.</p> <p><i>Example: A Company was incorporated on 1 April 2020. The license validity was until 31 March 2022. Company C did not renew or cancel their license, so they only hold an expired license.</i></p> <p>CT registration application deadline: 30 June 2024 (Based on month of issuance of the original license i.e. April)</p>
2	Resident entities holding a valid license and intending to or having ceased business, or liquidating after the start of their first Tax Period	Based on the license issuance date .
3	Resident entities that do not hold a license as on 1 March 2024	31 May 2024
4	Resident entities holding more than one license as on 1 March 2024	Based on the license with the earliest issuance date . The earliest issuance date should consider the year of issuance of the license.

B. Overseas entities whose Place of Effective Management (PoEM) is in the UAE

S.No	Category	Deadline for submitting a tax registration application
1	Overseas entities whose place of effective management (PoEM) is in the UAE before 1 March 2024	
	a) Entities having License	<i>Based on month of issuance of the license</i>
	b) Entities not having License	31 May 2024
2	Overseas entities whose PoEM is determined in the UAE after 1 March 2024	3 months from the end of the entity's Financial Year.

C. Non-Resident Person that has a Permanent Establishment (PE) in the UAE

Category	Deadline for submitting a Tax Registration application
Existence prior to 1 March 2024	<i>9 months from the date of existence of the PE</i>
Existence post 1 March 2024	<i>6 months from the date of existence of the PE</i>

- The date of existence of PE is when PE is recognised for UAE CT purposes.
- An illustration has indicated that the date of existence of PE will be 6 months from being subject to CT (i.e. when the place of business had established a degree of permanence of 6 months in UAE). However, if a tax treaty exists and indicates a longer duration to recognise a PE in the UAE, the duration as per tax treaty will prevail.
- While the aggregate period of more than 6 months may typically indicate permanence, please note that a case-by-case evaluation needs to be made to determine the degree of permanence considering all relevant factors (the period of 6 months is not specified in the UAE CT Law).

Example: A Non-resident company following 1 June to 31 May as financial year has set up a branch in the UAE on 1 May 2023. The Non-resident company was not subject to Corporate Tax until 1 June 2023; therefore, the Permanent Establishment shall be deemed to have started its activity on 1 June 2023. The existence of the PE will be on 1 December 2023 (i.e., 6 months of having a PE).

Tax registration application deadline: 1 September 2024 (Since the existence of PE is prior to 1 March 2024, 9 months from the existence of the PE).

D. Non-Resident Person that has a Nexus in the UAE

Category	Deadline for submitting a Tax Registration application
Nexus prior to 1 March 2024	3 months from 1 March 2024 i.e. 30 June 2024
Nexus post 1 March 2024	3 months from the date of establishment of the nexus (An illustration has indicated that the date of establishment of nexus is the date the entity started earning income from Immovable Property in the UAE).
If a Non-Resident Person has both a PE and a nexus in the UAE	Earlier of the two deadlines.

E. Other Key Clarifications

- **Exempt persons:** Qualifying investment fund, public pension or a social security fund/ private pension or social security fund, wholly owned subsidiaries of funds/ Government entity/ Government controlled entity wishing to apply for CT exemption to get CT registration as per the due date mentioned in the FTA Decision on timelines for CT registration (i.e. as per the license issuance date).
- **Offshore Companies:** Will be treated as a resident juridical person and Tax Registration application is to be submitted for offshore companies as well.

Andersen Takeaway

This is a welcome clarification that brings clarity and certainty to many businesses on the applicability and timelines for applying for registration, especially for certain edge cases like cases where licenses have expired.

While it clarifies the "date of existence of PE," there still seems to be some ambiguity in determining timelines due to the subjective nature of assessing permanence, which must be evaluated on a case-by-case basis.

It is recommended that each taxpayer analyses the relevant timelines based on the applicable category in order to comply with the law and steer clear of penalties.

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