

Year-End Corporate Tax & Transfer Pricing Essentials

With UAE Corporate Tax and Transfer Pricing now fully operational and businesses entering the second year of implementation, year-end reviews should be approached through a structured checklist to ensure no registrations, elections, reliefs, or documentation requirements are missed. Below is a practical year-end framework that businesses can use to stress-test compliance and identify tax efficiencies.

1. Compliances

► Newly incorporated entities:

Confirm Corporate Tax registration is completed within 3 months of incorporation.

► Dormant or under liquidation entities:

Ensure CT deregistration is filed within 3 months from cessation, with final return filed and any outstanding taxes settled.

► Short or Non-Standard Financial years:

Where the first FY is more than 6 months but less than 12 months, a separate CT return is required for the stub period. Example: An entity incorporated on 1 June 2025 with a Jan–Dec FY must file a separate CT return for 1 June–31 December 2025.

► Tax groups:

Where a new Tax Group is proposed, or an entity is joining an existing group, applications must be submitted before the end of the relevant tax period. Existing Tax Groups should also be reassessed to confirm continued eligibility.

2. Elections

a. Irrevocable elections made in year 1:

First year irrevocable elections include realisation basis, transitional rules, and qualifying group / restructuring relief elections.

- Where the realisation basis or transitional rules were elected in first tax period, disposal patterns and asset movements should be reassessed to evaluate / confirm that the election remains appropriate. Where facts or circumstances have changed, a FTA application to revoke the election (subject to approval) may need to be evaluated.
- Review of all intragroup restructurings (spinoffs, business transfers) and asset transfers to assess eligibility for business restructuring / qualifying group relief. Track all assets and businesses transferred under these reliefs in year 1 and monitor the 2-year claw back window.

b. Other Annual elections:

- Small Business Relief: Reassess eligibility considering turnover thresholds, aggregation rules, and the impact on loss and Foreign Tax Credit ("FTC") carryforwards.

- ▶ Foreign PE / branch exemption: Revisit the Foreign Permanent Establishment exemption election considering profitability and FTC position.
- ▶ Qualifying Free Zone Persons ("QFZPs"): Compare first year QFZP assessment (qualifying income, substance, deminimis) to the second year's pattern and reassess eligibility.

3. Tax Accounting

- ▶ Current and Deferred tax aspects to be factored while closing books including a comprehensive "return to provision" analysis based on the final corporate tax computation for FY 2024
- ▶ Pillar 2: With the UAE Pillar Two [Domestic Minimum Top-up Tax ("DMTT")] rules effective for financial years starting on or after 1 January 2025, groups should evaluate the applicability of the regime and assess whether a DMTT provision is required as part of the year-end close.

4. First year baselines

- ▶ Reconcile brought forward tax losses, interest limitation amounts, and FTCs back to the first year return
- ▶ Assess the claims and reliefs including Foreign Tax Credits, Transfer of losses and Participation exemption including any material tax adjustments such as Entertainment Expenses, Interest Deductibility, Capital Items Expensed. Use first tax year positions as a benchmark to maintain consistency and document rationale for change in position.
- ▶ Evaluate whether to continue prior loss-transfer methodologies and Tax Sharing Agreement principles or refine them to reflect actual economics observed in Year 1.

5. Transfer Pricing

- ▶ Confirm related-party and connected-person mapping is up to date and complete, including new entities, restructurings, or changes in functions and risks.
- ▶ Ensure inter-company agreements are current, executed, and aligned with substance.
- ▶ Confirm / validate that intercompany charges (services, cost allocations, financing, royalties) align with TP policies.
- ▶ Refresh benchmarking and process any year-end TP true-ups before book closure.

| How We Support

We support businesses through structured year-end Corporate Tax and Transfer Pricing reviews focused on defensible positions, risk management, and value preservation. Our teams assist with year-end health checks, evaluation and optimisation of elections and reliefs, Free Zone and Tax Group assessments, tax accounting and provisioning, and Transfer Pricing documentation refresh and true-ups.



Get in touch



info@ae.andersen.com

800 2829

803, New Global Tower, Electra Street, Abu Dhabi
402, Arenco Tower, Dubai Media City, Dubai
AB 1002, Jafza One, Jebel Ali Free Zone, Dubai

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