



UAE Business Tax news

FTA issues Public Clarification on Registration Timelines

10 June 2024

On 4 June 2024, the Federal Tax Authority (FTA) in the United Arab Emirates (UAE) published a Corporate Tax (CT) Public Clarification on Registration Timelines for taxable persons (referred to as 'Clarification'). The Clarification aims to clarify the issues relating to timeline when a taxable person is required to submit tax registration application to the FTA for CT purposes (referred to as 'CT Registration application').

Background

The CT Law gives the FTA the authority to prescribe a timeline for any Taxable Person to register for Corporate Tax. The FTA has prescribed timelines for CT registration in FTA Decision No. 3 of 2024 (FTA Decision 3 of 2024) which is effective from 1 March 2024. There were certain areas of the aforesaid decision which needed further clarity; hence the FTA has issued a public clarification with examples to explain how the timelines would apply to different taxable persons, thereby addressing various interpretational and practical issues.

The Clarification mentions that it states the position of the FTA and neither amends nor seeks to amend any provision of the UAE CT Law. The Clarification is effective as of the date of implementation of the UAE CT Law, unless stated otherwise.

Key Clarifications

With the above background, we have summarized in this alert key guidance and important takeaways from the Clarification, for quick reference as follows:

Particulars	CT Registration Timeline as per FTA Decision 3 of 2024	Further guidance provided by Clarification
I. Juridical Persons that are resident persons		
General provision	To submit a CT Registration application taking into consideration the date it was incorporated, or otherwise established or recognised under the applicable legislation in the UAE. This includes a Free Zone Person (FZP) incorporated, established or otherwise registered in a Free Zone.	This equally applies to "Offshore Companies" that are incorporated, or otherwise established or recognised under the applicable legislation in the UAE.
a) Incorporated or otherwise established or recognized <u>prior to 1 March 2024</u>		
Where a person has a license prior to 1 March 2024	To submit a CT Registration application to the FTA based on the month of their Licence issuance, irrespective of the year of issuance*.	Practical example provided to explain this point.

*Table of applicable timeline months (basis Licence issuance month) is provided in the FTA Decision 3 of 2024.

Where a person does not have a license	31 May 2024 (i.e., within 3 months from 1 March 2024).	Example provided in relation with an entity having Place of Effective Management (POEM) in UAE that existed prior to 1 March 2024. The example states that such entity shall be a resident prior to 1 March 2024 and in absence of license, CT registration application timeline shall be 31 May 2024.
--	--	--

Where a juridical person holds a Licence on 1 March 2024 that has expired but has not been cancelled	-	To submit a CT Registration application by reference to the month of its original Licence issuance.
--	---	---

Where a juridical person holds more than one Licence as on 1 March 2024	Licence with the earliest issuance date shall be used when determining the deadline by which it should submit the CT Registration application.	The earliest issuance date should consider the year of issuance of the Licence. However, when determining the CT Registration application deadline, only the month of Licence issuance is relevant.
---	--	---

b) Incorporated or otherwise established or recognized on or after 1 March 2024

Where a juridical person is incorporated or otherwise established or recognised in the UAE on or after 1 March 2024	Within 3 months from the date of incorporation, establishment or recognition.	Practical example provided to explain this point.
---	---	---

Foreign entity having POEM in the UAE	Within 3 months from the end of its financial year (FY).	Practical example provided to explain this point.
---------------------------------------	--	---

II. Juridical Persons that are non-resident persons (NR)

General Provision	To submit a CT Registration application to the FTA based on whether it has a Permanent Establishment (PE) or a nexus in the UAE.	-
-------------------	--	---

a. Juridical Person that is a NR prior to 1 March 2024

If has a PE in the UAE	To submit the CT registration application within 9 months from the date of existence of the PE.	<p>The date of existence of the PE is when the PE is recognised for UAE CT purposes.</p> <p>Further guiding principles in this regard (which are provided by way of examples) are summarised as under:</p> <p>Existence of PE to be considered when the place of business had established a degree of permanence of 6 months in the UAE (assuming all other PE provisions met).</p> <p>If the applicable tax treaty provides for a longer duration to recognise a PE in the UAE, then the provision in the tax treaty shall prevail.</p> <p>A summary of relevant two examples in this regard is provided in Note 1 below.</p>
If has nexus in the UAE	31 May 2024 (within 3 months from 1 March 2024).	<p>Practical example provided to explain this point. It provides that even though the immovable property was acquired earlier, the nexus is established on earning income from the immovable property, for instance, the date of renting out the property. Thus, such date of establishment of nexus in the UAE should be used for determining the applicable CT registration timeline.</p>
b. Juridical Person that is a NR <u>on or after 1 March 2024</u>		
If has a PE in the UAE	Within 6 months from the date of existence of the PE.	<p>The date of existence of the PE is when the PE is recognised for UAE CT purposes.</p> <p>Further guiding principles for recognition of PE shall be the same as discussed above in case of juridical person that is a NR prior to 1 March 2024.</p>
If has nexus in the UAE	Within 3 months from the date of establishing the nexus in the UAE.	Practical example provided to explain this point.
If a NR has both a PE and a nexus in the UAE	-	The deadline for submitting a CT Registration application to the FTA shall be the earlier of the two deadlines.

III. Natural Persons who are resident persons

If their Turnover from Business or Business Activity in the UAE exceeds AED 1 million during a Gregorian calendar year, starting from 1 January 2024.	31 March of the subsequent Gregorian calendar year.	Since a natural person's first Tax Period is the 2024 Gregorian calendar year, any income generated prior to 1 January 2024 will not be subject to CT.
---	---	--

IV. Natural Persons that are NR

If their Turnover from a Business or Business Activity in the UAE derived from a PE exceeds AED 1 million during a Gregorian calendar year, starting from 1 January 2024	Within 3 months of meeting the requirements of being subject to CT.	<p>A natural person who is a NR will meet the requirements to be subject to CT when they have a PE in the UAE and, in the Gregorian calendar year, they exceed the AED 1 million Turnover threshold derived from the PE.</p> <p>Similar to above, since a natural person's first Tax Period is the 2024 Gregorian calendar year, any Turnover generated prior to 1 January 2024 will not be subject to CT.</p> <p>Few other guiding principles included in the example, are as under:</p> <ul style="list-style-type: none"> • Tax treaty to be analysed for determining PE. • The 3-month deadline to be calculated from the date when the AED 1 million threshold with respect to the PE, exceeded.
--	---	---

Other Key Guidance

- Timelines specified in FTA Decision 3 of 2024 also apply to juridical persons wishing to apply for the exemption under 'Article 4 – Exempt persons' of the CT Law.
- Registration timeline referred to in FTA Decision No. 3 of 2024 overrides the registration timelines provided in FTA Decision No. 7 of 2023 with regard to exempt persons, which were 1 October 2023 for Qualifying Public Benefit Entity and 1 June 2024 for certain other exempt persons. However, the Clarification further states that this will not affect the timeline to apply for exemption as stated in FTA Decision No. 7 of 2023, which is still applicable i.e., within 60 business days from the end of the Tax Period in which the Person meets the conditions for exemption.
- It is further clarified that timelines specified in FTA Decision 3 of 2024 shall apply equally to juridical persons whose first Tax Period has already begun irrespective of the person intending to or having ceased its business or business activities or is liquidating after the start of their first Tax Period.

Key Takeaways

The Clarification provides valuable guidance on various aspects of CT registration timelines with practical examples however for some taxpayers, in view of the timing of the guidance, deadline may have already passed, for instance 31

May 2024. In such cases the taxpayers may face a practical issue of being imposed with a late CT registration penalty, which may need further evaluation as to whether an application can be made for a waiver.

Ambiguity around the registration deadline for foreign entities that existed prior to 1 March 2024 having a potential PE or POEM exposure in the UAE is clarified to some extent, however, in certain cases it may not be practically possible to analyze, before end of first tax year, whether a PE or POEM is triggered in the UAE. In such cases, determining the due date as per the Clarification may still entail challenges.

The above summary covers key areas of the CT registration timelines prescribed in the Clarification and the FTA Decision 3 of 2024, however, it is not a fact specific analysis for any taxable person. Taxable persons should carefully assess their regulatory documentations, residential status, business activities etc. to identify the applicable timeline for submission of CT registration application.

In view of the above, it is pertinent for all the taxable persons to identify and adhere to their applicable deadline to avoid levy of any administrative penalty.

Note 1 – Summary of Examples provided in the clarification for determining the timeline for CT registration application in case of a NR having a PE in the UAE

Example 1:

Relevant Dates	Events occurred
15.07.2008	Company G was incorporated in the USA
1.05.2023	Company G opened a branch in the UAE and conducted business activities in the UAE (Branch construed as a PE of Company G in the UAE)
1 June to 31 May	Financial year followed by Company G

CT registration timeline in this case shall be as under:

Particulars	Relevant dates and CT Registration timeline
Since the FY of Company G is June to May, it shall not subject to UAE CT Law until	1 June 2023
Accordingly, PE deemed to have started its activity on	1 June 2023
Existence of PE to be considered when its place of business had established a degree of permanence of 6 months in the UAE (assuming all other PE provisions met)	1 December 2023
Applicable timeline in case of NR having a PE prior to 1 March 2024 is 9 months from existence of PE	1 September 2024

Example 2:

Relevant Dates	Events occurred
31.08.2019	Company H was incorporated in the UK
1.08.2023	Company H entered into an agreement and began operations to construct a hotel in the UAE.
11 months from 1.08.2023	Construction took 11 months to complete after which Company H's operations ceased in the UAE

CT registration timeline in this case shall be as under:

Particulars	Relevant dates and CT registration timeline
UAE CT Law recognises construction PE in the UAE	After construction lasts for more than 6 months
UAE-UK Tax Treaty provides for a construction to constitute a PE	If it lasts more than 12 months
Whether Company H considered as having a PE in the UAE?	No, since the UAE-UK tax treaty prevails
Whether Company H is required to submit CT registration application?	No, since not considered as a NR having a PE

Notice

The above is only a brief summary of the current update, is valid at the time of circulation and is based only on information currently available in the public domain which is subject to change. This alert has been written in general terms and does not constitute any form of advice or recommendation by Deloitte and therefore cannot be relied on to cover specific situations; application of the principles set out will depend upon the particular circumstances involved and we highly recommend that you obtain professional advice before acting or refraining from acting on any of the contents of this publication. Deloitte accepts no duty of care or liability for any loss occasioned to any person acting or refraining from action as a result of any material in this publication.

Deloitte and Touche Middle East would be pleased to advise readers on how to apply the principles set out in this publication to their specific circumstances.

Contacts

We have a dedicated Business Tax team based in the UAE who have in-depth experience and can support you throughout your readiness journey. Please get in touch with one of our tax experts listed on the following [page](#).

You can also contact us and submit all your queries on this email cituae@deloitte.com.

© 2024 Deloitte & Touche (M.E.). All rights reserved.

This communication contains information which is privileged and confidential. It is exclusively to the intended recipient(s). If you are not the intended recipient(s), please: (1) notify the sender by forwarding this email and delete all copies from your system and (2) note that disclosure, distribution, copying or use of this communication is strictly prohibited. Any erroneous disclosure, distribution or copying of this email communications cannot be guaranteed to be secure or free from error or viruses.

Deloitte & Touche (M.E.) (DME) is an affiliated sublicensed partnership of Deloitte NSE LLP with no legal ownership to DTTL. Deloitte North South Europe LLP (NSE) is a licensed member firm of Deloitte Touche Tohmatsu Limited.

Deloitte refers to one or more of DTTL, its global network of member firms, and their related entities. DTTL (also referred to as "Deloitte Global") and each of its member firms are legally separate and independent entities. DTTL, NSE and DME do not provide services to clients. Please see www.deloitte.com/about to learn more.

DME is a leading professional services organization established in the Middle East region with uninterrupted presence since 1926. DME's presence in the Middle East region is established through its affiliated independent legal entities, which are licensed to operate and to provide services under the applicable laws and regulations of the relevant country. DME's affiliates and related entities cannot oblige each other and/or DME, and when providing services, each affiliate and related entity engages directly and independently with its own clients and shall only be liable for its own acts or omissions and not those of any other affiliate.

DME provides services through 23 offices across 15 countries with more than 7,000 partners, directors and staff. It has also received numerous awards in the last few years such as the 2022 & 2023 Great Place to Work® in the UAE, the 2023 Great Place to Work® in the KSA, and the Middle East Tax Firm of the year.