



WTS Dhruva Tax Alert – Conditions for change in Tax Period

Overview

Article 57 of Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses (UAE CT Law) provides that a Tax Period is the Financial Year (FY) or a part thereof for which a return is required to be filed. The FY can be the Gregorian calendar year, or the (12) twelve-month period for which financial statements are prepared.

Article 58 of UAE CT Law provides that a Taxpayer can change its Tax Period by making an application to the Federal Tax Authority (FTA), subject to satisfaction of conditions as may be set out by the FTA. The FTA has issued Decision No. 5 of 2023 (Decision) stating the conditions for change in the Tax Period.

In detail

Reasons for change in the Tax Period

A Tax Period can be changed for one of the following reasons:

- a. Liquidation of the Taxable Person;

- b. Aligning FY for Tax Grouping purposes or for financial reporting purposes or for availing any tax relief available under the UAE CT Law or in the foreign jurisdiction;
- c. Valid commercial, economic, or legal reasons.

Conditions for change in the Tax Period

- Tax return pertaining to the Tax Period which needs to be changed should not have been filed;
- Tax Period can be either extended upto 18 months or shortened to be between 6 and 12 months.

Timeline for making the application

Before the lapse of 6 months from the end of the original Tax Period. However, application for shortening a Tax Period cannot be filed for the prior or current Tax Period.

Dhruva Observations

This decision is more relevant for Taxable Persons who follow different FYs but wish to form a tax group or avail benefits of tax relief on account of business restructuring or transfers within a Qualifying Group.



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