

ATOZ ALERT

United Arab Emirates Eases Corporate Tax Compliance with Penalty Waiver for Late Registration

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Recently, the United Arab Emirates (“UAE”) Federal Tax Authority (“FTA”) launched a [key initiative](#) waiving the Administrative Penalty for the late submission of Corporate Tax Registration¹ applications. This waiver is intended to ease the financial and compliance burden on companies – particularly SMEs – as they adapt to the UAE’s new Corporate Tax regime introduced in 2023.

The FTA [reports](#) that this initiative implements a UAE Cabinet Decision to exempt certain corporate taxpayers from Administrative Penalties. It is part of a broader strategy to encourage voluntary compliance and streamline the overall tax process, while also ensuring that businesses avoid unnecessary financial burdens.

In this article, we outline the taxpayers eligible for this waiver and the conditions required to benefit from it, as well as an overview of the UAE Tax Registration requirements.

Administrative Penalty Waiver initiative

Under the FTA’s new initiative, **all entities required to register for Corporate Tax** – whether they have already incurred an Administrative Penalty due to late submission of the registration application or have not yet submitted their Tax Registration application - **can now benefit from a penalty waiver**.

To that aim, Taxable Persons (or Exempt Persons required to register) **must file their Corporate Tax Returns** (or Annual Declaration) **within 7 months** of the end of their first Tax Period or Financial Year, instead of the standard 9 months. Those that have already incurred an Administrative Penalty but meet this deadline should not be required to pay it.

In case a Corporate Tax Registration application has not yet been submitted, it must be completed prior to filling the Tax Return. To avoid losing eligibility for the waiver due to late Corporate Tax Registration, it is recommended to submit the application without delay via the [EmaraTax platform](#) (i.e. FTA’s online platform). Tax Returns and Annual Declarations must also be filed through this platform.

¹ All terms in capital letters that are not defined in this article shall be interpreted as defined under the UAE corporate tax laws.

Refunds for penalties already paid

The FTA also announced that **taxpayers who have already paid a late registration** penalty but submitted their Tax Return within 7 months from the end of their first Tax Period **will receive a refund**. The refunded amount will be credited to the Taxable Person's account with the FTA. Similarly, those who submitted their Tax Return before the implementation of the Cabinet Decision and incurred penalties will also be exempted, and their accounts credited accordingly.

Corporate Tax Registration requirements: who and when?

According to the [Federal Decree-Law No. 47 of 2022](#) (the "Corporate Tax Law"), any Taxable Person and certain categories of Exempt Persons must register for Corporate Tax with the FTA within the prescribed timeline and obtain a Tax Registration Number, except in circumstances specified by the Minister. In the UAE, this registration is not performed automatically upon incorporation of an entity, unlike in other jurisdictions. Therefore, persons must voluntarily register.

If the FTA approves the application for Tax Registration, certain Exempt Persons (e.g. Qualifying Public Benefit entity, Qualifying Investment Fund) may then be entitled to submit an application for exemption from Corporate Tax, provided that the relevant exemption conditions set forth in the Corporate Tax Law are met.

The timelines for obtaining Corporate Tax Registration are set in [Decision No. 7 of 2023](#) and in [Decision No. 3 of 2024](#). Different registration deadlines apply as follows:

- **Resident Juridical Persons incorporated, established or recognised prior to 1 March 2024:** the deadline depends on the date of the (earliest) Licence issuance.
- **Resident Juridical Persons incorporated, established or recognised on or after 1 March 2024:** the deadline for submitting a Tax Registration application is 3 months from
 - the date of incorporation, establishment or recognition, if the person is established under UAE legislation; or
 - the end of the Financial Year of the person if the person is established under the legislation of a foreign jurisdiction and effectively managed and controlled in the UAE.
- **Non-Resident Juridical Persons with a permanent establishment (PE) or a nexus in the UAE prior to 1 March 2024:** the deadline for submitting a Tax Registration application is
 - 9 months from the date of existence of the Permanent Establishment; or
 - 31 May 2024² for a person that has a nexus in the State.
- **Non-Resident Juridical Persons with a permanent establishment (PE) or a nexus in the UAE, on or after 1 March 2024:** the deadline for submitting a Tax Registration application is
 - 6 months from the date of existence of the Permanent Establishment; or
 - 3 months from the date of establishment of the nexus.
- **Natural Persons conducting Business or Business Activities in the UAE** during a Gregorian calendar year: the deadline is
 - For Residents: 31 March of the subsequent Gregorian calendar year.
 - For Non-Residents: 3 months from the date they meet the requirements to be subject to tax.

In principle, where Tax Registration application are not filed within the above deadlines, an Administrative Penalty of AED 10,000 applies in accordance with [Cabinet Decision No. 75 of 2023](#).

Registrations shall be performed via the [EmaraTax platform](#).

² 3 months from the effective date of the Decision No. 3 of 2024.

Administrative penalties for non-compliance

While the FTA's recent initiatives provide welcome relief for compliant businesses, taxpayers should remain mindful of the administrative penalties that may apply in cases of non-compliance.

In addition to the fixed penalty of AED 10,000 for late tax registration, the late filing of a tax return, whether by the Registrant or their Legal Representative, triggers a monthly penalty of AED 500 for the first twelve months, increasing to AED 1,000 per month thereafter.

For late payment of tax due, a monthly penalty applies at an annualised rate of 14 percent, accruing from the day following the due date and continuing on the same day of each subsequent month until the outstanding amount is settled. These penalties highlight the importance of meeting all Corporate Tax obligations in a timely manner.

Do you have any questions?



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