

inBrief

**Corporate Tax Return Filing: Key Considerations and Challenges**

By Shahram Safai, Doneen Ennis and Shruti Baghel | 02 September 2025

With the Corporate Tax regime now in force in the United Arab Emirates, there has been a significant shift in the country's fiscal framework. Effective from June 1, 2023, the UAE Corporate Tax Law (Federal Decree Law 47 of 2022 on the Taxation of Corporations and Businesses) (CT Law) imposes corporate tax at the rate of 9% on taxable income exceeding AED 375,000 in a calendar year, while income up to this threshold remains taxable at the rate of 0%. With the first corporate tax return filing deadline approaching on September 30, 2025, it is essential for businesses to understand their return filing obligations, relevant deadlines, and potential challenges that may arise to ensure seamless compliance.

Under the CT Law, every taxable person, including juridical persons such as limited liability companies, public joint stock companies, free zone companies, and natural persons conducting business activities, is required to register for corporate tax and submit a corporate tax return with the Federal Tax Authority (FTA). Importantly, the requirement to file applies regardless of whether tax is payable or not by such an entity. Returns must be submitted electronically via the FTA's online portal (EmaraTax), and only one corporate tax return is required to be filed, per tax period, as there are no provisions for advance or provisional returns.

Timeline: The timeline for filing a corporate tax return depends on an entity's financial year. For businesses following a calendar year ending 31 December 2024, the first corporate tax return will be due on September 30, 2025. In general, the return must be filed within 9 months from the end of the relevant financial year of the entity, and any associated tax payment is due by the same deadline.

Penalties for non-compliance: In case of failure in timely filing of the return, a late filing penalty would be applicable, which is AED 500 per month, for the first 12 months and thereafter AED 1,000 per month. Further, late payment of tax would attract interest at the rate of 14% per annum on the outstanding amounts.

The UAE Corporate Tax regime offers several reliefs and incentives to reduce tax liability and support business growth. For example, eligible businesses with annual revenue up to AED 3 million can opt for Small Business Relief, effectively being treated as having zero taxable income for the relevant period. Additionally, Qualifying Free Zone Persons (QFZPs) enjoy a 0% tax rate on qualifying income, while group companies can benefit from tax-neutral transfers and business restructuring relief on mergers, demergers, or intra-group asset transfers.

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Businesses may encounter several practical challenges when preparing and filing their returns. Some of the critical areas are discussed below:

Classification of income and expenses

Companies must distinguish between exempt income, such as dividends and capital gains on qualifying shareholdings, and taxable income, while also carefully identifying non-deductible expenses like fines, penalties, and certain entertainment costs. Misclassification in either category may result in overstated taxable income, underpaid taxes, or exposure to penalties.

Free Zone Regime

Although QFZP may benefit from corporate tax at the rate of 0% on qualifying income, derived from activities specified by the UAE Ministry of Finance, distinguishing between qualifying and non-qualifying income, particularly for service-based transactions across mainland or foreign jurisdictions can be complex. Even minor non-compliance with QFZP conditions may lead to loss of QFZP status for five tax periods, leading to unexpected tax liabilities.

Foreign Tax Credits

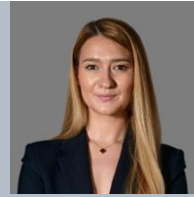
With respect to companies having presence in multiple jurisdictions, the CT Law allows for Foreign Tax Credits. Under such clause, taxes paid abroad can be credited against the UAE corporate tax liabilities, however, only the extent of the corporate tax payable on the same income. Even though it is a beneficial provision which may act as a relief to companies having presence in various jurisdictions, determining eligibility and quantum of credit, where foreign tax is not directly comparable to the UAE corporate tax, may be a challenge in direct availment of the benefit.

Corporate Tax Return Filing

To navigate these complexities effectively, businesses should take proactive steps to prepare well ahead of deadlines. Ensuring timely registration with the FTA, maintaining accurate accounting records, and aligning reporting systems with corporate tax requirements are critical for smooth compliance. Free zone entities should review their eligibility for preferential tax treatment and ensure the necessary substance and documentation are in place. Companies engaging in related-party transactions should evaluate their transfer pricing arrangements and prepare the required documentation early.

Thus, the corporate tax return is not just a compliance formality but requires careful application of the CT Law, Executive Regulations, and guidance issued by the FTA. Hence, it is of utmost importance that the companies engage tax advisors at an early stage in order to resolve issues which may become challenging at the time of finalisation of the tax return. Businesses that proactively manage their obligations will be better positioned to avoid penalties, optimise tax outcomes, and maintain a good standing with the authorities.

The Afridi & Angell tax team has been very active and busy advising clients on corporate tax law matters. Along with our affiliated tax agents and accountants, we can provide multi-disciplinary, knowledgeable and practical advice and assist in corporate tax strategy and tax return preparation. ■



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Doneen is a real estate associate based in Dubai. Her expertise encompasses a wide range of areas and she excels in skilfully navigating intricate corporate and property landscapes. Her notable experience includes advising on large real estate investment sales and purchases, conducting corporate real estate due diligence reports for a large international hotel group, and preparing high-level due diligence reports for financing matters related to real estate assets. Doneen is also part of the tax team, advising clients in relation to corporate tax matters within the UAE.



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Shruti's practice focuses on Direct and Indirect Tax, including Corporate Income Tax, Transfer Pricing, Value Added Tax and Goods and Services Tax. She is experienced in undertaking compliance (monthly and annual reports) and tax refund assignments for Clients from varied sectors, including, Manufacturing, Real Estate, Automobile, FMCG, and Information Technology.

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