

## UAE CORPORATE TAX LAW

CT Alert - 8 MAY 2023

### Conditions for Change in Tax Period

The Federal Tax Authority (FTA) has issued Decision No. 5 of 2023 on Conditions for Change in Tax Period for the Purposes of Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses.

#### Summary of Decision

Article 58 of the Decree Law allows a taxable person to make an application to the Authority to change its Tax Period.

The Taxable Person must meet the following conditions before making the application:

- The application can be made for any of the following reasons:
  - Liquidation of the Taxable Person.
  - Aligning financial years for the purpose of Tax Groups, for financial reporting purposes, or for claiming any relief under the Decree-Law or in a foreign jurisdiction.
  - For a valid commercial, economic or legal reason.
- The Tax Return for the Tax Period that the Taxable Person wishes to change has not already been filed.
- Application can be made for extension of the current tax period to be up to 18 months or for shortening of the next tax period to be 6 to 12 months.
- Application is to be made before lapse of 6 months from the end of the original Tax Period.

#### Key Takeaways

- The Decision allows the Taxable Persons the opportunity to realign their Tax Periods to obtain advantage of the provisions of Chapter Twelve - Tax Group Provisions. The provisions therein require the Parent Company and the Subsidiary Company to have the same Financial Year.
- The application for change is likely to be closely scrutinised with the provisions of General Anti-Abuse Rules (GAAR) in mind to ensure that the change sought is not merely to obtain a tax advantage.

#### Disclaimer

The above seeks to summarise the update from the relevant authority. The same may not be construed to be a written opinion on matters that may require specific examination of the Decree on a case-to-case basis.

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