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THE FOUNDER'S TAX FIELD GUIDE

# Filed Your Corporate Tax Return? Think Twice.

Plain-English answers on UAE corporate tax, VAT, penalties and audit — straight from a live founder Q&A with a Finanshels senior tax advisor.


IN CONVERSATION

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13 founder questions · a 7-minute read

Think Finance. Think Finanshels.

**Why this guide.** Corporate tax is still new for most UAE founders — and the small mistakes get expensive fast. In a live AMA, a Finanshels senior tax advisor answered the questions founders actually ask: losses, deadlines, penalties, VAT, salary and audit. Here are those 13 answers, in plain English.

QUESTION 01

## My business made a loss in year one. Do I pay corporate tax on zero profit?

### No profit means no corporate tax — and the loss isn't wasted, you carry it forward.

If the business made a loss, there is no profit, so there is no corporate tax to pay. The good news is you can **carry that loss forward** to the next year. When you make a profit later, you offset the earlier loss against it, reduce your taxable profit, and lower the tax you owe.

**Worked example**

Say you lose **AED 100K** in year one, then make **AED 400K** profit in year two. Normally the amount above the AED 375K threshold (AED 25K) would be taxed. But you offset the AED 100K loss against the AED 400K, bringing profit down to **AED 300K** — below the threshold — so the tax due is **zero**.

QUESTION 02

## Can I carry losses forward forever, or is there a limit?

### There is a time limit — five years.

You can't carry a loss forward indefinitely. The limit is **five years**. A loss made in year one can be carried forward from year two through year six — the next five years — and that's the maximum.

QUESTION 03

## If I delay my CT filing, will I automatically get a penalty?

### Yes. The clock is nine months from your year-end, and the penalty stacks every month.

Your corporate tax filing deadline is **nine months from the end of your tax period**. Most companies run January to December, so a December year-end means a September deadline. Miss it and a **AED 500 penalty** is imposed — and it adds up every month you don't file, up to a maximum of **AED 10,000**.

Don't wait until late September either. Near the deadline the portal slows down, and even with everything ready your return may not go through. The best time to file is right after your financial year ends — the next best time is now.

> **New company? When your first filing is actually due**
> A company set up in **September 2025** with a January–December financial year has its first corporate tax period end in **December 2026**. So its first filing falls the **following year** — not now. Always confirm your financial year in your MOA first.

QUESTION 04

## What's the condition for a corporate tax penalty waiver?

### File within seven months of your first year-end and the late-registration penalty is waived automatically.

The filing deadline is nine months from year-end — but if you file within **seven months** of your first financial year-end, the penalty is **waived automatically**. No separate application needed.

Missed that window? You can still submit a **penalty-waiver application** on the FTA portal with valid reasons and proof. If it's rejected, you can file for reconsideration with more support, and if that's rejected too, you can appeal to the **Tax Penalty Committee**. Some owners have won the waiver even after the seven-month mark — it depends on the case.

> *"The best time to file your tax return is right after the end of your financial year — and the next best time is right now."*
>
> — Gautam, Senior Tax Advisor, Finanshels

QUESTION 05

## I run the business from a room at home. Can I deduct part of my rent and utilities?

### Yes, you can apportion a share as a business expense — the documentation is the hard part.

If part of a home is used exclusively as an office, you can **apportion a reasonable share** of the total rent and utilities as a business expense and include it in your accounts and tax return.

The tricky part is proof. Since it isn't a registered office, backing up the split is harder. In practice the FTA usually only sees your **financial statements** — they can't tell from those whether it's a converted home or a real office — so the chance of being asked for proof is low. But if they do ask, it gets complicated. A proper registered office is far easier to defend. If in doubt, have your specific case reviewed.

QUESTION 06

## How much salary can the owner take from the business?

### Up to AED 500,000 a year with no extra paperwork. Above that, you need a benchmarking report.

This matters most once your revenue is above AED 3M, where small business relief no longer applies and salary becomes the main expense you can use to reduce profit. The limit you can claim **without additional documents is AED 500,000 per year**.

Want to claim more — AED 2M, 3M, even 5M, as some owners do? You'll need **benchmarking documents** prepared by an independent professional, submitted with the return. They justify the higher salary based on your experience, role, and the market standard. If you plan to pay above AED 500K, get this prepared properly.

QUESTION 07

## How do I prove I'm eligible for Small Business Relief?

### There's no special proof — it's a selection in your return when revenue is under AED 3M.

There's no separate document the FTA asks for. When you file, there's a section to enter your revenue. If it's **under AED 3 million**, the next page gives you the option to apply for **Small Business Relief**. It's that simple — though there are other selections in the return that depend on your specific activities.

The good news: relief was set to end after 2026, but it has been **extended to 2029** — a real win for founders.

QUESTION 08

## My supplier didn't give me a tax invoice. Can I still claim the input VAT?

### Legally, no. Claiming without a valid invoice is risky and can trigger heavy penalties.

The legal way is that you can't claim input VAT without a valid invoice. Some companies do it anyway — but if the FTA asks for proof after filing and you can't produce it, the penalties can be **severe**. Always request an invoice for any business expense you want to claim VAT on.

**SIMPLIFIED INVOICE**

+ For purchases **below AED 10,000**
+ Most suppliers can issue one easily
+ Must match the FTA-prescribed format

**DETAILED INVOICE**

– Required **above AED 10,000**
– Full detail per the FTA format
– Fines for missing proof are set at the FTA's discretion

QUESTION 09

## Do I need to register for VAT if I only have one large annual contract over AED 375K?

### It depends on when the money actually crosses the threshold — and whether it lands within 12 months.

The mandatory VAT registration threshold is **AED 375K**. The date the threshold is crossed is the **earlier of your invoice date or the date payment is received** — but only when the actual invoice or payment exceeds 375K. A 375K contract where your first invoice or payment is just AED 10,000 hasn't crossed the threshold yet.

Once the amount is crossed within a **12-month period**, you have **30 days** to register. And if a 375K contract is split across two years so 375K is never reached in any 12-month window, you may not need to register at all. It's case-by-case — worth a review.

QUESTION 10

## Can I de-register from VAT if my sales drop below the threshold mid-year?

### It's not "can" — you *must*. Below AED 187,500, de-registration is mandatory.

Be careful with the two thresholds. If your sales fall below **AED 187,500** over a 12-month period, you are **required** to de-register. Miss it and a **AED 1,000 penalty** applies — charged when you finally de-register, and it accumulates the longer you wait. There's no way to waive it: you pay the full amount before they let you de-register, even if you're winding the company up. Track sales every 12 months and act as soon as you dip below.

**MANDATORY THRESHOLD**

+ **AED 375,000** — register for VAT once crossed

**DE-REGISTRATION THRESHOLD**

– **AED 187,500** (half) — must de-register once below

QUESTION 11

## I made a mistake in last quarter's VAT return. Can I amend it?

### Yes — the previous quarter is fixable in your next return. Anything older needs a voluntary disclosure.

The FTA lets you correct the **immediately previous quarter** when you submit your next return — no penalty, just amend it. But a mistake from a quarter **before** that requires a **voluntary disclosure**, which carries a **AED 500 penalty**. So catch errors early — the previous quarter is free to fix, older ones aren't.

QUESTION 12

## Some founders are registered for VAT but don't file returns. How?

### They hold an exemption registration — only possible when every client is outside the UAE.

When you register for VAT there are two paths. **Normal registration** means filing a return every quarter. **Exemption registration**, if approved by the FTA, means you don't file VAT returns at all.

But exemption is only available to certain businesses — specifically where **all your clients are outside the UAE**, so no VAT is due anyway. The moment you have clients inside the UAE, this isn't an option and you file normally. So if someone isn't filing, it's because all their clients are overseas and the FTA approved their exemption.

QUESTION 13

# Is an audit mandatory for all companies?

## No. It's required in four specific cases — but it's worth having even when it isn't.

Audit isn't mandatory for everyone. Under FTA rules it applies to these cases:

| | |
|---|---|
| **Qualifying Free Zone Person** FREE ZONE | If you opt in as a QFZP to claim **0% tax**, you must audit your financial statements — whatever your revenue. |
| **Revenue over AED 50M** SIZE | Any business above the revenue threshold must have its financial statements audited. |
| **Part of an MNE group** GROUP | If your company is part of a global multinational entity, an audit is required. |
| **Licensing authority asks** RENEWAL | Separate from FTA rules, your free zone or licensing authority may request audited statements at renewal — and then you have no option if you want to stay active. |

**Even when it isn't required, it's worth doing**
An audit is an independent check that adds credibility to your numbers. Audited statements carry far more weight when you're **raising money, taking a loan, or bringing in an investor** — and catch issues before anyone else does.

THREE NUMBERS EVERY FOUNDER SHOULD KNOW

**AED 375K**
Mandatory VAT registration threshold

**9 months**
CT filing deadline after your year-end

**5 years**
Maximum loss carry-forward period



This guide summarises a live Finanshels AMA for general information only and is not individual tax advice. Thresholds, deadlines and rules are as discussed in the session; confirm your specific case with a Finanshels advisor before acting. FTA = Federal Tax Authority.