

7 Common UAE Corporate Tax Mistakes Accountants Make in Year 2

A practical checklist with **key 2026 updates** to review before submitting the second UAE Corporate Tax return.



Why Year 2 Filing Needs a Closer Review

The second UAE Corporate Tax return is not just another filing cycle.

By **Year 2**, accountants may need to revisit what was reported in the first return, track Tax Losses brought forward, reassess Small Business Relief, review Free Zone treatment, and check whether new 2026 updates affect the client's filing position.

Corporate Tax Returns and any Corporate Tax payable must be submitted **within 9 months from the end of the relevant Tax Period**. A Year 2 review helps catch key issues before that deadline gets too close.

What this ebook covers

- ✔ Key 2026 Corporate Tax updates to keep in view
- ✔ 7 common Year 2 filing mistakes accountants should catch
- ✔ The review action to take for each mistake
- ✔ A final pre-submission checklist



Key 2026 Corporate Tax Updates

1. Clarification on Directors and Officers

In April 2026, the FTA published a Corporate Tax Public Clarification on the terms “director” and “officer” for Connected Person payments. It makes clear that the review should look at actual authority and legal role, not job title alone.

2. New depreciation adjustment rules for investment properties held at fair value

Ministerial Decision No. 173 of 2025 was published in January 2026. It covers depreciation adjustments for certain investment properties held at fair value for Corporate Tax purposes. This may matter for clients with property investment activity and fair value accounting.

3. R&D Tax Credit framework introduced

The UAE released the framework for the Research and Development Tax Credit in 2026 through Cabinet Decision No. 215 of 2025 and Ministerial Decision No. 24 of 2026. This is worth flagging for clients with qualifying R&D activity

4. Exemption scope expanded for certain foreign entities

Cabinet Decision No. 55 of 2025, published in January 2026, expands Corporate Tax exemption treatment for certain foreign entities owned and controlled by specified Exempt Persons, subject to the stated conditions.

MISTAKE 01

Starting Year 2 Without Reviewing the First Corporate Tax Return

Some accountants begin the second return from the current year trial balance and leave the first return in the background.

That can create gaps.

Year 2 may depend on what was reported in Year 1, especially where there were Tax Losses, relief positions, tax choices, or prior disclosure workings.



What can be missed

- Tax Losses carried forward from Year 1
- Relief positions taken in the first return
- Previous tax workings that affect the new filing
- Earlier treatment of income, expenses, or adjustments
- Related Party and Connected Person review files



Right action

Before preparing the second return, pull together:

- The filed Year 1 Corporate Tax Return
- The Year 1 tax computation
- Any Tax Loss schedule
- Any relief or election workings
- Any Related Party or Connected Person analysis

A cleaner Year 2 filing starts with a clear view of what happened in Year

MISTAKE 2

Claiming Small Business Relief Again Without Retesting Eligibility

A client may have claimed Small Business Relief in the first filing year. That does not mean it should be selected again without a fresh review.

Small Business Relief must be assessed for the relevant Tax Period. The FTA states that the relief is available where Revenue is **AED 3 million or less** for the relevant Tax Period and all previous Tax Periods ending on or before **31 December 2026**, subject to the other conditions. A **Qualifying Free Zone Person** cannot elect for the relief.



What can be missed

- Revenue is not tested again
- The client no longer meets the conditions
- The relief is selected by habit
- The impact on losses and deductions is missed



Right action

Before selecting Small Business Relief again:

- Recheck Revenue for the current Tax Period
- Review previous Tax Periods where relevant
- Confirm the client is not a Qualifying Free Zone Person
- Assess whether the relief still fits the filing position
- Keep the review note in the working file

MISTAKE 3

Forgetting or Misusing Tax Losses Carried Forward From Year 1

Tax Losses are one of the clearest Year 2 review points.

A loss reported in the first Corporate Tax return may be available to reduce Taxable Income in a later Tax Period, but it must be tracked and used correctly.

The FTA's Corporate Tax guidance states that carried forward Tax Losses can reduce Taxable Income in a later Tax Period, subject to the rules, and the amount used cannot exceed **75% of Taxable Income for that Tax Period**.



What can be missed

- The opening Tax Loss balance is missed
- The loss is used without a clear schedule
- The claim exceeds the allowed cap
- The remaining Tax Loss balance is not tracked



Right action

- Reconcile the Tax Loss brought forward from Year 1
- Check how much can be used in Year 2
- Apply the 75% limit where relevant
- Track the remaining balance clearly
- Save the Tax Loss schedule with the return workings

MISTAKE 4

Using Accounting Profit as Taxable Income Without a Full Tax Review

Accounting profit is the starting point. It is not always the final Corporate Tax number.

Taxable Income is based on Accounting Income after applying the relevant Corporate Tax adjustments. These can include exempt income, deductions, reliefs, Related Party or Connected Person items, and Tax Loss relief.



What can be missed

- Exempt Income
- Non-deductible expenses
- Relief adjustments
- Tax Loss relief
- Related Party or Connected Person adjustments
- Other items that affect the taxable result



Right action

Build a clear bridge:

Accounting Income → Corporate Tax Adjustments → Taxable Income

Before submission:

- Tie the accounting result to the financial statements
- Review each tax adjustment line
- Confirm the final Taxable Income calculation
- Keep the full computation in the filing pack

MISTAKE 5

Missing Connected Person Payments and Director or Officer Checks

This is one of the most relevant Year 2 review points for 2026.

Payments or benefits provided to Connected Persons need a proper Corporate Tax review. The April 2026 FTA clarification gives more detail on how to assess **directors** and **officers** for this purpose. It states that a director is linked to a board or equivalent governing body role, and an officer is assessed based on actual authority to plan, direct, control, make strategic decisions, or legally bind the Taxable Person.



What can go wrong

- Only owner payments are reviewed
- Director payments are missed
- Officer status is judged from job title alone
- Disclosure needs are not checked



Right action

- Identify payments or benefits to Connected Persons
- Review whether directors or officers are involved
- Check whether the amount reflects Market Value
- Confirm whether disclosure is required in the Tax Return
- Keep the supporting review in the tax file

MISTAKE 6

Treating Free Zone Clients as Automatically 0%

A Free Zone licence does not mean the Corporate Tax review is done.

The FTA has stated that **all Free Zone Persons must register for Corporate Tax**, whether or not they are Qualifying Free Zone Persons. It has also clarified that the **0% Corporate Tax rate applies only to Qualifying Income**, where the required conditions are met.



What can go wrong

- The 0% rate is assumed without review
- Qualifying Free Zone Person status is not reassessed
- Income treatment is not checked carefully
- The return position is not backed by a clear working paper



Right action

For each relevant Free Zone client:

- Confirm registration and filing obligations
- Recheck Qualifying Free Zone Person status
- Review the split between Qualifying Income and other Taxable Income
- Keep a clear basis for the Year 2 filing position

MISTAKE 7

Submitting the Return With Weak Support or Rushed Final Checks

The return may be technically prepared, yet the final file can still fall short.

The FTA has reminded taxpayers that relevant Corporate Tax records must be retained for at least **7 years** after the end of the Tax Period to which they relate. It has also repeated that returns and payable tax must be handled within the legal deadline.



What can go wrong

- The return is filed before the working papers are complete
- Reliefs, Tax Losses, or disclosures are not supported clearly
- Deadline review is left too late
- The team cannot trace the Taxable Income calculation back to source records



Right action

Before filing:

- Save the tax computation
- Store the financial statements used for the return
- Keep records for reliefs, Tax Losses, and disclosures
- Confirm the filing and payment deadline
- Use one clean Year 2 filing folder per client or entity

Final Year 2 Corporate Tax Filing Checklist

Use this checklist **before** submitting the second UAE Corporate Tax return.

Prior Year Review

- Year 1 Corporate Tax Return reviewed
- Prior tax computation checked
- Reliefs and positions from Year 1 reviewed

Tax Loss Review

- Opening Tax Loss balance checked
- 75% utilisation cap reviewed where relevant
- Remaining Tax Loss balance tracked

Relief & Position Checks

- Small Business Relief eligibility reviewed again
- Free Zone filing position reviewed where relevant
- Key 2026 updates checked for affected clients

Tax Calculation

- Accounting Income reconciled to financial statements
- Corporate Tax adjustments reviewed
- Taxable Income calculation completed

Related Party & Connected Person Review

- Connected Person payments reviewed
- Director and officer status checked under the 2026 clarification
- Disclosure needs assessed

Submission File

- Supporting records saved
- Final reviewer signoff completed
- Filing deadline confirmed
- Payment date confirmed where tax is due

Pre-approved ASP for UAE e-invoicing

Make Corporate Tax Filing Easier With Tax Star

Year 2 filing brings more review points, more client data, and more room for items to be missed.

Tax Star helps accounting teams:

- ✓ Automate Corporate Tax calculations
- ✓ Prepare and review tax returns with better visibility
- ✓ Manage filing workflows across multiple clients
- ✓ Reduce manual steps during submission
- ✓ Keep the process more organised from data review to return filing

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