The 2026 Iran War, Tax Audits, and Force Majeure: The UAE Supreme Court's Standard for Force Majeure in Tax Audits and Liabilities

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The outbreak of the Iran War on 28 February 2026 has abruptly plunged the Middle East into profound operational disruption. Consequently, corporate boards operating within the United Arab Emirates are instinctively looking to the doctrine of *force majeure* and emergency circumstances (*thuroof tari'a*) as legal shields. Having acted in over 300 UAE tax dispute procedures, one of the most pressing questions we are now receiving is whether the friction of Iran War legally diminish underlying tax liabilities, excuse administrative penalties, or suspend Federal Tax Authority (FTA) audit procedures.

To answer this purely as a matter of law, we must detach from the immediate fog of conflict and examine the definitive jurisprudence of the UAE Federal Supreme Court. The seminal judgment in Cassation No. 958 of 2025 (Administrative) provides the exact legal architecture. In that dispute, the systemic crisis in question was the COVID-19 pandemic. By transposing the Court's rationale regarding the pandemic onto the 2026 conflict, we find a resolute and unyielding framework of administrative tax law.

The Statutory Accrual of Tax Liability

A question taxpayers make during wartime is whether the disruption of their administrative capabilities lawfully

postpones their underlying tax liabilities. The Supreme Court systematically dismantled this assumption, establishing that the legal character of a tax debt operates entirely independently of the operational environment.

The Court ruled that tax obligations are rigidly attached to the statutory transaction date, irrespective of the taxpayer's ability to seamlessly file declarations during a crisis:

"The legislator did not make the acquisition of the status of 'payable tax' contingent upon the tax return, but rather bestowed this status upon the tax whose payment date has arrived."

Therefore, as far as matters stand, the geopolitical landscape does not alter the realization of a statutory tax point. Even if the Iran War prevents the timely filing of an administrative return, the underlying liability is not practically paused or legally dissolved. The war does not suspend statutory accrual.

Force Majeure: Transposing Covid-19 to the 2026 Conflict

During the COVID-19 pandemic, taxpayers attempted to utilize the global emergency as a *force majeure* event to excuse administrative delays, avoid late penalties, and invalidate tax assessments. In the petition for Cassation No. 958 of 2025, the UAE Federal Supreme Court considered *force majeure* in regard to tax audits. They highlighted a three-year audit delay, noting that the FTA itself admitted its operations were hindered by COVID-19.

In light of the legal maxim that "a party cannot benefit from its own mistake" the Supreme Court considered whether the FTA could not lawfully impose incremental "time-based penalties" while the government's own pandemic-related disruptions stalled the audit process. Furthermore, the Supreme Court considered whether the FTA's crisis-induced delay caused a compensable "loss of opportunity" to mitigate penalties under

favorable Cabinet Decisions issued to provide relief during the pandemic.

Today, businesses are considering whether this exact legal theory would apply to the 2026 Iran War, and whether regional hostilities inherently frustrate audit procedures, trigger mutual *force majeure* exemptions, and legally dissolve the imposition of administrative fines.

The Federal Supreme Court, however, addressed the premise that a systemic crisis suspends tax obligations or shifts the legal burden. Addressing the attempt to use the pandemic to excuse compliance failures, the Supreme Court laid down a formidable standard that directly governs our current wartime reality:

"…its admission of its …-month delay places the burden of proof upon it despite the Corona pandemic that passed over everyone (the Appellant and the Administrative Authority)."

The Rationale: Crises That "Pass Over Everyone"

The jurisprudential rationale here is profound. Because a systemic crisis, whether a global health emergency like COVID-19 or the 2026 Iran War, impacts both the private sector and the state apparatus equally, its mere existence does not grant the taxpayer blanket legal immunity.

The fact that the crisis "passed over everyone" means the foundational rules of administrative litigation remain intact. The Court made it clear that a shared macroeconomic shock does not reverse the burden of proof:

"The burden of proof in an administrative dispute does not deviate in its origin, and as a general rule, from others, as the principle is that the creditor must prove the obligation and the debtor must prove getting rid of it…"

Taxpayers cannot use general claims of *force majeure* as a shield against statutory tax audits or potential government

disruptions. To successfully challenge an FTA assessment during this conflict, general appeals to wartime hardship are legally insufficient; taxpayers must rely on pristine documentary evidence demonstrating exactly how the war rendered specific compliance materially impossible.

Conclusion

Does the 2026 Iran War diminish or dissolve UAE tax liabilities or audit procedures? The unequivocal legal answer from the UAE Supreme Court is not in a blanket manner. Guided by the rationale in Cassation No. 958 of 2025, the judiciary does not recognize systemic, shared crises as a *force majeure* that extinguishes tax debts or shifts the burden of proof. The machinery of UAE tax law does not halt for war. Taxpayers whose tax audits or liabilities are affected by the war must provide direct evidence, grounds, and standing to causation and nexus in approaching the FTA, the tax disputes resolution committees, or the courts.

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