

SMALL BUSINESS RELIEF UNDER TAXATION OF CORPORATIONS AND BUSINESSES IN UAE

Ministry of Finance (MOF) Ministerial Decision No.73 of 2023
for the purposes of Federal Decree Law No.47 of 2022



Article 21 of the federal decree law no. 47 of 2022 on corporate and business taxation includes a provision known as the small business relief, which can be paraphrased as follows:

if a resident taxable person's revenue for a given tax period and previous tax periods falls below a certain threshold set by the ministerial decision, and the person satisfies other conditions outlined in the decision, they may choose to be considered as having not earned any taxable income for that period.



THRESHOLD LIMIT

- The Ministry has prescribed the Taxable persons Revenue threshold for the Small Business Relief as AED 3,000,000 (Three Million dirhams) for the Relevant tax period and the previous tax periods.
- A Taxable person shall not be able to elect to apply Small Business Relief if their Revenue has exceeded the threshold of AED 3 Million either in any relevant or previous tax periods.

The Revenue shall be determined in accordance with the applicable accounting standards in the United Arab Emirates.



APPLICABLE PERIOD

- The Threshold of AED 3 Million Revenue shall apply to Tax periods commencing on or after 1 June 2023 and shall continue to apply to subsequent tax periods that end on or before 31 December 2026.



OUTSIDE THE PURVIEW OF SMALL BUSINESS RELIEF

Small business relief shall not be applicable to

- A resident person that is a Constituent company of a Multinational Enterprises Group*.
- A qualifying free zone person.

* MNE groups are companies with tax residence in different jurisdictions or a single company taxed in one country with activity through a permanent entity in another country, and total consolidated group revenue of AED 3.15 billion, as per Cabinet resolution no (44) of 2020 on organizing reports submitted by Multinational companies.



*LIMITATIONS ON CARRY FORWARD OF TAX
LOSSES AND NET INTEREST EXPENDITURE
UNDER SMALL BUSINESS RELIEF*

Where a tax resident elects for small business relief in a tax period;

- Any tax losses and any disallowed net interest expenditure incurred in such tax period cannot be carried forward to any subsequent tax periods.
- Any unutilized tax losses and net interest expenditure incurred in previous tax periods before election of small business relief, may be carried forward to subsequent tax periods in which an election to apply the Small business relief is not made.



*ARTIFICIAL SEPARATION OF BUSINESSES FOR
SMALL BUSINESS RELIEF AS A CORPORATE TAX
ADVANTAGE*

Where the Federal Tax Authority establishes that the taxable person has artificially separated their businesses or business activity to benefit from Small business relief and the amount of revenue across the taxable persons' entire business or business activity exceeds the threshold of AED 3 Million in any tax period, this would be considered as an arrangement to obtain a corporate tax advantage under clause (I) of Article 50 of the Corporate tax Law.

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