

Small Business Relief under UAE Corporate Tax (“CT”) Law

Background

The UAE’s Ministry of Finance (“MOF”) has issued Ministerial Decision No. 73 of 2023 (“the Decision”) on Small Business Relief (the “Relief”) for the purposes of Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses (the “Corporate Tax Law”), to support the start-ups and other Small or Micro Enterprises (“SMEs”), with an intent to reduce tax and compliance burden.

The Decision is issued in accordance with Article 21 of the Corporate Tax Law, which treats the taxable person as not having derived any taxable income in a given tax period, where the revenue did not exceed a prescribed threshold.

The threshold and other conditions for the said Relief are summarized below:

Taxable person

- The Relief is available to tax payers who are ‘resident’ for the Corporate Tax purposes.

Threshold:

- The Relief is available to resident taxpayers having revenues equal to or less than AED 3 million in the given **and** previous tax period.
- Further, the said threshold would apply effectively for 3 tax periods, starting on or after 1st June 2023 and ending on or before 31st December 2026.

Determination of revenue

- The revenue threshold can be determined based on applicable accounting standards accepted in the UAE.

Ineligibility:

- The Relief is not available to (i) Free Zone Persons opting for Qualifying Free Zone benefit and (ii) to the members of the multinational enterprise (“MNE”) groups - which have consolidated revenues of more than AED 3.15 billion.

Voluntary opting-out:

- The resident taxpayers have the option to opt-out of the Relief scheme. In such cases, the said taxpayers would be allowed to carry forward the losses and disallowed net interest expenditure incurred in such tax period(s), for use in future tax periods in which the Relief is not elected.

Anti-abuse mechanism:

- The Decision highlights that in case the Federal Tax Authority (“FTA”) establishes that the tax payer has artificial segmented its operation into two or more separate businesses in such a way that on standalone basis, individual businesses qualify for the relief, such an arrangement would be considered as an arrangement to obtain ‘corporate tax advantage’ under the General Anti Avoidance Rule (“GAAR”) provisions of the Corporate Tax Law, and accordingly the consequences would arise.

PB Comments

- The Relief shall definitely help the start-ups and SMEs sector, which are significant part of UAE's Economy, to reduce their overall tax and compliance burden.
- However, businesses should carefully opt-in or opt-out of the Relief scheme depending on the following aspects:
 - Losses in the given tax period and potential profits in subsequent tax periods
 - 0% Corporate tax benefit for the Free Zone entities and related conditions
 - Beneficial provisions in relation to (i) transfer of losses within the Qualifying Group and (ii) Business Restructuring Relief

Disclaimer:

This document has been prepared as a general guide. It is not a substitute for professional advice. Neither Premier Brains nor its partners or employees accept any responsibility for loss or damage incurred as a result of acting or refraining from acting upon anything contained in or omitted from this document. If you wish to be included on the regular mailing list for this newsletter, forward your request info@premier-brains.com
Premier Brains is a member firm of the Audit Trust and does not accept any responsibility or liability for the actions or inactions on the part of any other individual member or correspondent firm or firms.
If you would like to discuss Tax & VAT services, please drop us an email at info@premier-brains.com or call us at + 971 4 3542959



Affiliated with **audittrust international**
(Having presence in more than 115 countries)
* Bank Approved Auditors * JAFZA offshore Agent
* FTA Approved TAX Agency



“Always Doing The Right Thing”

ADDRESS	CONTACT US	FOLLOW US
 Office 805, 8th Floor, The Exchange Tower Business Bay, UAE	 04 354 2959  info@premier-brains.com  www.premier-brains.com	   

UAE (Abu Dhabi, Dubai), Kuwait, Bahrain, Oman