

[UAE Corporate Tax Update: Ministry of Finance issues Ministerial Decision on Small Business Relief for small taxpayers](#)



Post the release of the Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses (the “Corporate Tax Law”), the UAE Ministry of Finance (‘MOF’) / Federal Tax Authority (‘FTA’) has initiated issuing further guidances on the provisions of the Corporate Tax law.

In order to support start-ups and other small or micro businesses by reducing their Corporate Tax burden and compliance cost, the Ministry of Finance has today issued Ministerial Decision No. 73 of 2023 on Small Business Relief for the purposes of the Corporate Tax Law.

The decision is issued in accordance with Article 21 of the Corporate Tax Law, according to which a taxable person that is a resident person, may elect to be treated as not having derived any taxable income for a tax period where the revenue of the tax period and previous tax periods does not exceed a certain threshold.

The salient features of the scheme are given below:

Scheme Applicability

- Taxable person that are resident person whose revenue in the current tax period and pervious tax periods is below AED 3 million for each tax period.
- The revenue threshold of AED 3 million will be applicable for tax periods starting on or after 1 June 2023 to the tax periods that end before or on 31 December 2026 i.e for 3 tax periods.

Scheme Exclusion

Small Business Relief will not be available to the following entities:

- Qualifying free zone persons,
- Non-residents (i.e. UAE branches of foreign company)
- Group companies of MNE group crossing consolidated group revenues of AED 3.15 billion

Picture Courtesy: <https://www.saifeecomputers.com/7-effective-methods-to-increase-your-savings-on-small-business-insurance/>

Other conditions

- Revenue can be determined based on the applicable accounting standards accepted in the UAE.
- No small business relief shall be available in case the revenue of taxable person exceeds the threshold limit in any tax period.
- Businesses which do not elect to apply for small business relief, will be able to carry forward any incurred Tax Losses and any disallowed Net Interest Expenditure from such tax periods, for use in future tax periods in which the small business relief is not elected.
- Further, in this regard, the Ministerial Decision also covers implications under 'General Anti Abuse Rules' ('GAAR'). It specifies that where the FTA establishes that taxable persons have artificially separated their business or business activity and the total revenue of the entire business or business activity exceeds AED 3 million in any tax period and such persons have elected to apply for Small Business Relief, it would be considered an arrangement to obtain a Corporate Tax advantage under Clause (1) of Article 50 regarding the GAAR of the Corporate Tax Law.

PKF UAE View:

This is an important relief given to small taxpayers from compliance burden under the UAE Corporate Tax law, who fulfil the conditions prescribed under UAE Corporate Tax law. Therefore, small taxpayers should evaluate these conditions and choose to claim the benefits of small business relief granted by the Government, if they fulfil the conditions. At the same time, any effort to artificially split the businesses to claim undue benefit of this beneficial provision should be discouraged in light of the GAAR provisions.

How can PKF help?

PKF UAE is a leading firm that provides professional financial advisory, assurance, VAT, Corporate Tax, ESR and International tax services in the UAE. PKF UAE brings world-class capabilities and high-quality service to clients helping them to align their working model to government reporting and compliance requirements.

With the fast-paced ongoing developments in the UAE CT regime, it is important for businesses in the UAE to understand the CT provisions, assess the impact of CT law, decide the appropriate way forward compliant with the CT regulations, get the IT systems ready, understand Transfer Pricing ('TP') implications including benchmarking & policies and ensuring timely CT and TP compliances.

PKF UAE can assist in providing such services, undertaking Corporate Tax and Transfer Pricing impact assessment, analysing relevant implications and providing assistance in Corporate Tax and Transfer Pricing compliances.

Contacts

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