



**Newsflash:
UAE issued Ministerial Decision No. 73 of 2023
for Small Business Relief for Corporate Tax
Purposes**



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For Circulation

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1.0 Background

United Arab Emirates ('UAE') has issued Ministerial Decision No. 73 of 2023 on Small Business Relief for the purposes of Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses. The decision is issued in accordance with Article 21 of the Federal Decree-Law, which treats taxable person as not having derived any taxable income in a given tax period where the revenue did not exceed a certain threshold.

In this newsflash, we have summarized the provisions for determination of Small Business Relief as provided under Article 21 of DL No. 47/ 2022 read with Ministerial Decision No. 73/ 2023 for ease of understanding.

2.0 Provisions for determination of Small Business Relief are as under:

a) Eligibility

- Taxable persons that are resident persons in UAE and where their **revenue** in the relevant tax period and previous tax periods is **below AED 3 million** for each relevant tax period.
- Once a taxable person exceeds the AED 3 million revenue threshold in any tax period, Small Business Relief will no longer be available.
- Revenue can be determined based on applicable accounting standards accepted in the UAE.

b) Eligible Tax Period

- Small business relief would apply to tax periods (financial year) starting on or after 1 June 2023 and will only continue to apply to subsequent tax periods that end on or before 31 December 2026.

c) Exception:

- Small Business Relief will **not be available** to:
 - Qualifying Free Zone Persons;
 - Members of Multinational Enterprises Groups (MNE Groups) that have operations in more than one country and consolidated group revenues of more than AED 3.15 billion.

d) Consequences of not electing relief

- Eligible businesses not electing to claim Small Business Relief **can carry forward**:
 - Tax losses; and
 - Disallowed net interest expenditure

to be set off in future tax periods in which the Small Business Relief is not elected.

e) Consequences of artificial separation

- In case Federal Tax Authority ('FTA') establishes that business or business activity have been artificially separated and the total revenue without splitting exceeds AED 3 million; FTA may disallow the Small Business Relief by applying General Anti-Abuse Rules ('GAAR') provisions.

3.0 Comments

Small Business Relief is intended to support start-ups and other small or micro businesses in UAE, and it would provide certainty on taxability of small businesses. Exclusion of UAE constituent of specified multinational enterprises provides added advantage to indigenous businesses. Article 21 of DL 47/2022 already provides that beneficial provisions like exemptions (chapter 7), reliefs on transfer within Qualifying Group, business restructuring (chapter 8), deduction towards deductible expenditure, interest expenditure etc. (chapter 9) and tax loss relief (chapter 11) is not available to taxpayer availing Small Business Relief. As per notified tax period, the benefit is only available for 2-3 years depending upon financial year followed by taxable person.

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This Newsflash summarizes on Small Business Relief for Corporate Tax Purposes as per Ministerial Decision No. 73 of 2023 issued by UAE. It may be noted that nothing contained in this newsflash should be regarded as our opinion and facts of each case will need to be analyzed to ascertain applicability or otherwise of the said judgement and appropriate professional advice should be sought for applicability of legal provisions based on specific facts. We are not responsible for any liability arising from any statements or errors contained in this newsflash.

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