

Flash News

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The UAE's Ministry of Finance on Thursday announced relief for small and micro businesses, startups and individuals under the corporate tax, which will come into effect from June 1, 2023.

The Ministry of Finance 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 "Corporate Tax Law").

Revenue can be determined based on the applicable accounting standards accepted in the UAE

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 certain threshold.

Small Business Relief is intended to support start-ups and other small or micro businesses by reducing their Corporate Tax burden and compliance costs. The Ministerial Decision on Small Business Relief specifies the revenue threshold and conditions for a taxable person to elect for Small Business Relief and clarifies the provisions of the carried forward Tax Losses and disallowed Net Interest Expenditure under the Small Business Relief scheme.

The Ministerial Decision on Small Business Relief stipulates the following:

1. Taxable persons that are resident persons can claim Small Business Relief where their revenue in the relevant tax period and previous tax periods is below AED3 million for each tax period. This means that once a taxable person exceeds the AED3 million revenue threshold in any tax period, then the Small Business Relief will no longer be available.
2. The AED3 million revenue threshold will apply to tax periods starting on or after 1 June 2023 and will only continue to apply to subsequent tax periods that end before or on 31 December 2026.
3. Revenue can be determined based on the applicable accounting standards accepted in the UAE.
4. Small Business Relief will not be available to Qualifying Free Zone Persons or members of Multinational Enterprises Groups (MNE Groups) as defined in Cabinet Decision No. 44 of 2020 on Organising Reports Submitted by Multinational Companies. MNE Groups are groups of companies with operations in more than one country that have consolidated group revenues of more than AED3.15 billion.
5. In tax periods defined in the decision where businesses do not elect to apply for Small Business Relief, they 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.
6. With regard to the artificial separation of business, the Ministerial Decision specifies that where the Federal Tax Authority (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 AED3 million in any tax period and such persons have elected to apply for Small Business Relief, this would be considered an arrangement to obtain a Corporate Tax advantage under Clause (1) of Article 50 regarding the general anti-abuse rules of the Corporate Tax Law.

All Cabinet Decisions and Ministerial Decisions issued relating to the Corporate Tax Law are available on the Ministry of Finance's website: www.mof.gov.ae.

www.micapitalservices.com

