

# Ministerial Decision No. 73 of 2023 Release: Small Business Relief for Corporate Tax Purposes

Key Takeaways



April 2023



# UAE Ministerial Decision Release

On 3 April 2023, the Ministry of Finance (“MoF”) issued Ministerial Decision No.73 of 2023 with regards to details on the Small Business Relief as mentioned under the Federal Decree-Law No. (47) of 2022 on the Taxation of Corporations and Businesses (hereinafter referred to as the ‘CT Law’). This Decision shall come into effect fifteen days following its publication.

To encourage investment in the UAE and support small businesses, Article 21 of the CT Law provides for a Small Business Relief mechanism. Under this mechanism, a tax resident person may elect to be treated as not having derived any Taxable Income within a tax period. The Small Business Relief also allows a Taxable Person to benefit from reduced compliance requirements including transfer pricing.

One area that remained unclear after the issuance of the UAE CT Law was the revenue threshold and conditions to avail of the Small Business Relief. This has been addressed now in Ministerial Decision No.73 of 2023.

It should be noted that Small Business Relief will not be available to taxable persons deemed to be Qualifying Free Zone Persons as per the CT Law or members of Multinational Enterprises Groups (MNE Groups) that have consolidated group revenues of more than AED3.15 b (as defined in Cabinet Decision No. 44 of 2020).

## Key highlights

### Threshold for Small Business Relief

A taxable UAE resident person (as defined under the CT Law) will be eligible to claim Small Business Relief in the event that its revenue for the relevant and previous tax periods shall not exceed AED 3,000,000 threshold during each relevant tax year.

Revenue for the relevant tax year is determined in accordance with accounting standards accepted in the UAE. It should be noted that the UAE does not have its own Generally Accepted Accounting Principles (GAAP) and International Financial Reporting Standards (IFRS) are commonly used by businesses.

In the event the aforementioned threshold is exceeded, then the taxable person will be subject to UAE CT at the relevant rates of 0% / 9% (for revenue exceeding AED 375,000) as provided under the CT Law.

### Applicability and duration

According to the Ministerial Decision released, the applicability of the revenue threshold will start on or after 1 June 2023. However, it will only apply to subsequent tax periods that end before or on 31 December 2026.

### Tax loss relief and interest deduction limitation rule

Carry forward Tax Losses and any disallowed Net Interest Expenditure will only be allowed in tax periods where the Small Business Relief is not elected.

### General Anti Abuse Rule (“GAAR”)

When applying for Small Business Relief, taxable persons should keep into consideration GAAR as mentioned under the CT Law. As such, in the event a taxable person intentionally separates its business solely to meet the threshold of AED 3,000,000 and hence elects not to be subject to UAE CT, the Federal Tax Authority can make compensating adjustments to the UAE CT liability of the relevant taxable person.



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## Key takeaway and next steps

The Small Business Relief is beneficial to start-ups and small enterprises who can rely on it to benefit from reduced tax costs and compliance requirements.

For groups considering to create a consolidated "Tax Group" (article 40 of the CT Law), it is important to note that grouped entities that fall within the Small Business Relief ambit will be missing on potential savings and reduced administrative burdens, as their revenue is aggregated with the income of other group entities and subject to the Group's effective tax rate.

We are expecting additional Decisions to be released to expand on many key provisions of the CT Law so stay tuned. For further assistance, you can reach us by emailing [CT.UAE@pwc.com](mailto:CT.UAE@pwc.com).



# UAE releases ministerial decision

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