

Summary of 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 Minister of State for Financial Affairs has issued this decision based on a review of various laws and regulations related to taxation in the United Arab Emirates. The decision provides specific relief measures for small businesses in accordance with the Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses (referred to as the "Corporate Tax Law"). The decision outlines the following key points:

Article 1: Definitions

- The decision adopts the definitions specified in the Corporate Tax Law for this implementation.

Article 2: Taxable Person's Revenue Threshold

- The Taxable Person's Revenue threshold for the Small Business Relief is set at AED 3,000,000 (three million dirhams) for each Tax Period.
- This threshold applies to Tax Periods starting from 1 June 2023, and it will continue to apply to subsequent Tax Periods that end on or before 31 December 2026.
- A Taxable Person cannot elect to apply the Small Business Relief if their Revenue in any relevant or previous Tax Period has exceeded the threshold specified in this Article.
- Revenue for the purpose of this Article shall be determined in accordance with the applicable accounting standards accepted in the UAE.

Article 3: Additional Conditions for Small Business Relief

- A Resident Person applying for the Small Business Relief must not be a Constituent Company of a Multinational Enterprises Group or a Qualifying Free Zone Person.

Article 4: Tax Loss Relief

- If an election to apply the Small Business Relief is made in a Tax Period, any Tax Losses incurred during that period cannot be carried forward to subsequent Tax Periods.
- However, any unutilized Tax Losses from previous Tax Periods (where the Small Business Relief election was not made) may be carried forward to subsequent Tax Periods subject to the conditions of Article 37 of the Corporate Tax Law.

Article 5: General Interest Deduction Limitation Rule

- If the Small Business Relief election is made in a Tax Period, any Net Interest Expenditure incurred during that period cannot be carried forward to subsequent Tax Periods.
- However, any Net Interest Expenditure from previous Tax Periods (where the Small Business Relief election was not made) may be carried forward to subsequent Tax Periods subject to the conditions of Article 30 of the Corporate Tax Law.

Article 6: Artificial Separation of Business

- The decision addresses situations where the Authority identifies artificial separation of Business or Business Activity to obtain a Corporate Tax advantage.

- The Authority will assess the arrangement for a valid commercial purpose and whether the Persons involved carry on substantially the same Business or Business Activity, taking into account financial, economic, and organizational links.

Article 7: Publication and Application of this Decision

- The Decision shall be published and come into effect 15 days following its publication.

The decision aims to provide relief and clarity for small businesses in accordance with the Corporate Tax Law and other relevant regulations.