



UAE CORPORTAE TAX UPDATE

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Small Business Relief

In order to **support start-ups and other small or micro businesses**, UAE **Ministry of Finance** announces **Small Business Relief**. On **6th April 2023**, **Ministerial Decision No. 73 of 2023** according **ARTICLE 21** of corporate Tax Law has been issued, prescribing conditions for Small Business Relief. Key aspects are as follows:

What is 'Small Business Relief'-?

- Businesses with **revenue below threshold** can claim '**small business relief**' and be treated "**no taxable income**"
- Small Business Relief means simplified compliance obligations

What's new about Small Business Relief ?

- **Who can claim relief** – Resident taxable persons (legal / juridical or individual)
- **Limit for Relief** – Annual revenue in the relevant tax periods is below **AED 3 million**.
- **Restriction for tax period** – Tax periods on or after 1 June 2023 and ending till 31st Dec 2026.
- **Relief can not claim by** – “Qualifying Free Zone Persons” or “Entities forming part of MNE groups.
- **Disallowed expenditure:** - Carry forward of “Tax Loss” and “Excess Net Interest Expenditure” not allowed.
- **Anti-abuse provisions** would apply in case of artificial separation of business to take
• benefit of Small Business Relief.
- **Transfer pricing** documentation rules do not apply to Businesses in the Tax Period.

Mandatory to Register & File return :-

- Eligible Taxable Person seeking to claim Small Business Relief will **first need to register** with the FTA for Corporate Tax. An election must be made in each Taxable Period.
- The requirement to file Tax Returns is not impacted by the eligibility for the Small Business Relief. i.e Mandatory to file the Return.
- All Businesses must keep records and documents for seven years following the end of the Tax Period to which they relate.

Comments

Annual revenue threshold of AED 3 million will really give immense compliance relief to small businesses.

- Advisable to begin the assessment of whether a business would be entitled for a small business relief or not.
- Entities should also review their business plans and projections to assess whether they need to elect for small business relief depending on their current and future profitability
- Maintaining books of accounts would be key to claim a relief, as it will substantiate that the annual revenue is below the threshold

What are tax advisory services

Unplanned tax management can result in higher taxes than you may need to pay.

Proper tax management & planning and exploring the tax anatomy can reduce the corporate tax.

Fortunately, You can consult a corporate tax advisor in this regard,

You can Contact us for corporate & VAT Tax planning right now.

Thanks & Regards

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