

# Newsletter



## News Highlights

- **UAE announces corporate tax relief for small businesses and startups**
- **UAE Announces launching of Islamic Treasury Sukuk**
- **UAE free zones launch special rates on new businesses**

# UAE announces corporate tax relief for small businesses and startups

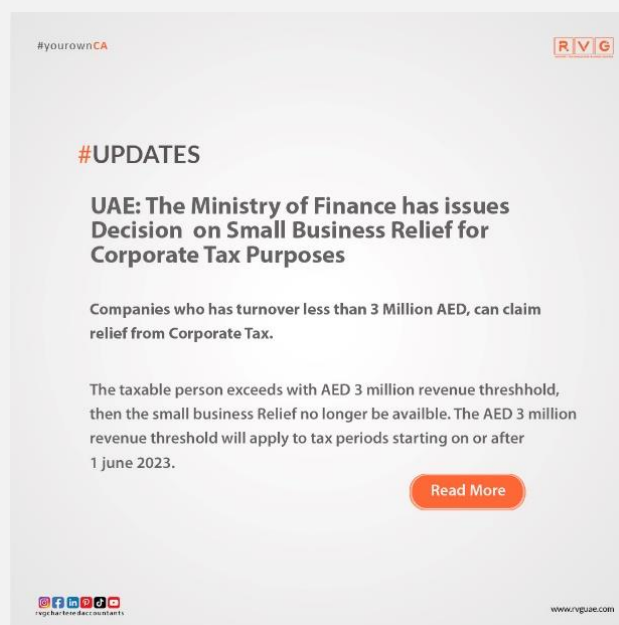
The Ministry of Finance has issued Ministerial Decision No. 73 of 2023 on Small Business Relief for the purposes of Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses (the “Corporate Tax Law”).

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:

- Taxable persons who are resident persons can claim Small Business Relief where their revenue in the relevant tax period and previous tax periods is below Dhs3 million for each tax period.
- This means that once a taxable person exceeds the Dhs3 million revenue threshold in any tax period, then the Small Business Relief will no longer be available. The Dhs3 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.

- Revenue can be determined based on the applicable accounting standards accepted in the UAE.
- 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 Dhs3.15 billion.
- 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. 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 Dhs3 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.

# UAE announces launching Domestic Dirhams Islamic Treasury Sukuk with size of AED 1.1 bln

The T-Sukuk are Sharia-compliant financial certificates that contribute to achieving comprehensive and sustainable economic and social development goals

Mohamed Bin Hadi Al Hussaini: Issuing the T-Sukuk in local currency will contribute to building a local currency sukuk market, boosting the local financial and banking sector, as well as providing safe investment alternatives for investors

Khaled Mohamed Balama: We support Sharia-compliant options to improve the investment environment and consolidate the UAE's global leadership in the Islamic finance sector

Khaled Mohamed Balama: Islamic treasury sukuk reaffirms the strength of the financial system as well as local and international investors' trust in the UAE's ability to develop the financial sector

Khaled Mohamed Balama: The issuance contributes to the development of a local currency bond market and enhances the competitiveness of the local financial markets to support the sustainability of economic growth Token Regime on 1 November 2022 which will apply to crypto products and services in the DIFC. These separate regimes have reinforced Dubai's intention to position itself at the forefront of a regional and international hub for virtual assets and related services to develop Dubai's digital economy.

As the world's first independent regulator for virtual assets, VARA serves as a transparent and trusted guiding authority for the emerging world of Virtual Assets. VARA issues specialized regulations for Virtual Assets.

# UAE announces corporate tax exemption for public and community welfare entities

The Ministry of Finance announced that entities contributing to the public and community welfare are exempt from the corporate tax, which is set to come into effect this year.

A statement issued by the Ministry said companies involved and focused on public welfare, philanthropy, community services or corporate and social responsibility will be exempt from corporate tax. This decision is designed to reflect these entities' important role in the UAE, which often includes religious, charitable, scientific, educational, or cultural values.

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#UPDATES

**UAE: The Ministry of Finance (MOF) has issued a new decision that businesses are not required to register for Corporate Tax on the Taxation of Corporations and Businesses.**

The exempt include government entities, government-controlled entities, extractive businesses and non-extractive natural resource businesses that meet the necessary conditions under the Corporate Tax Law and are not required to register for Corporate Tax purposes.


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The UAE last year announced that it would levy a nine percent corporate tax on companies and freelancers earning Dh375,000 and above, hence, requiring them to enrol for tax registration. The UAE's corporate tax will be one of the lowest in the world.

To be eligible for exemption, these entities must meet the conditions under Article (9) of the Corporate Tax Law and they must continue to comply with all relevant federal and local laws and notify the Ministry of Finance of any changes occurring to these entities that impact their status as a Qualifying Public Benefit Entity.



The Qualifying Public Benefit Entities should also register with the Federal Tax Authority and obtain a Tax registration number for Corporate Tax purposes.

The ministry said Cabinet may amend the schedule of Qualifying Public Benefit Entities at the suggestion of the Minister by modifying, adding, or removing entities. An entity that is listed in the schedule annexed to the decision must make a notification of any change occurring to the entity.

In addition, various reporting obligations apply to Qualifying Public Benefit Entities, principally to check that they continue to meet the criteria for approval.

This Cabinet Decision also provides further certainty and transparency for taxpayers in relation to their deductible expenditure under Article 33 of the Corporate Tax Law, as donations and gifts will be allowed as deductible expenditure for Corporate Tax purposes if they are made to a Qualifying Public Benefit Entity listed in the Cabinet Decision.

Earlier, the Ministry announced corporate tax exemptions for non-resident persons, government entities, government-controlled entities, as well as extractive businesses and non-extractive natural resource businesses.

# UAE free zones launch special rates as new businesses consider mainland options, corporate tax

Overseas businesses with plans to launch in the UAE are not taking a wait-and-watch approach on taking free zone license until the full updates on the corporate tax are revealed.

Instead, these businesses are signing up as UAE free zones offer some of the most compelling rates and incentives to businesses that sign up now.

The first quarter had seen most of the bigger free zones in the UAE report increased intakes of new licensed businesses – and many of whom will also have extensive operations on the UAE mainland. Among the categories that have shown the biggest interest in seeking new licenses are businesses in the crypto space, fintech and other digital technology focused entities, and those in industrial activities.

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**#UPDATES**

**UAE Corporate Tax: New businesses could consider separate licences for free zone, mainland operations**

While free zone-based businesses are typically tax-exempt, those with significant income from mainland operations will be subject to the full 9% corporate tax.

Dual licensing could be a solution for companies with both types of operations, allowing them to keep the two areas of their business separate and take advantage of the zero tax rate for export-oriented companies in free zones.

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# UAE CT: Taxable Persons Required to Prepare and Maintain Audited Financial Statements

In the latest corporate tax publication is based on the Audit Regarding the Categories of Taxable Persons, It is Required to Prepare and Maintain Audited Financial Statements.

Ministerial Decision No. 82 of 2023 on the Determination of Categories of Taxable Persons Required to Prepare and Maintain Audited Financial Statements for the Purposes of Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses

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**Corporate Tax UAE**  
As Per, Ministerial Decision No.82 of 2023

**AUDIT** is now Mandatory  
for,

1. A Taxable Person deriving revenue exceeding AED 50 million
2. A Qualifying Free Zone Person

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Thus Categories of Taxable Persons Required to Prepare and Maintain Audited Financial Statements For the purposes of Clause 2 of Article 54 of the Corporate Tax Law, the following categories of Taxable Persons shall prepare and maintain audited financial statements:

1. A Taxable Person deriving Revenue exceeding AED 50,000,000 (fifty million United Arab Emirates dirhams) during the relevant Tax Period.
2. A Qualifying Free Zone Person.

This Decision shall be published and shall come into effect (15) fifteen days following the date of its publication.



# RVG Chartered Accountants Providing Exclusive Affordable Services for Corporate Tax Registration

The United Arab Emirates (UAE) has recently announced a new corporate tax policy that will be effective from the financial year starting on or after June 01, 2023.

The procedure of registering a firm with the appropriate tax authority in order to get a tax identification number (TIN) or corporate tax identification number (CTIN). Businesses must do this in order to comply with tax requirements and file their tax returns.

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CAs are certified professionals that specialize in accounting, auditing, taxation, and financial management. They can help businesses with corporate tax registration as well as other tax-related issues like tax planning, compliance, and representation in front of tax authorities.

If you are a business owner in need of assistance with corporation tax registration or other tax-related problems, it may be advantageous to seek the services of skilled and renowned chartered accountants from RVG Chartered Accountants.

*\*Disclaimer: All the information is sourced from the latest updates of the Ministry of Finance, and media updates*



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