

# SMALL BUSINESS RELIEF

MINISTERIAL DECISION NO. 73 OF 2023

MAY 2024

# OVERVIEW

## WHAT IS SMALL BUSINESS RELIEF?

The UAE government has introduced a new tax regime, the UAE Corporate Tax (CT), which was effective from 1 June 2023. The CT is a tax on the net profits of businesses, but there are a number of reliefs available to small businesses. One of the key reliefs available to small businesses is the Small Business Relief. This relief allows a small business to be treated as not having derived any taxable income within a tax period.

Small Business Relief is provided to Small Businesses Resident for Corporate Tax purposes in the UAE to ease their implementation of the Corporate Tax regime. Small Business Relief reduces the compliance obligations faced by small Businesses in the early stages of the Corporate Tax regime, primarily by alleviating the burden of having to calculate and pay Corporate Tax.

**Who's Eligible:** If you're a Resident Taxable Person—whether you're a Natural Person or a Juridical Person—with revenue at or below AED 3,000,000 in a relevant Tax Period (and all previous ones until December 31, 2026), you can opt to be treated as having no Taxable Income.

So small business relief is available till 31st December 2026.

**ELIGIBLE TAXABLE PERSONS CAN ELECT FOR SMALL BUSINESS RELIEF IN THEIR TAX RETURN. ONCE THE ELECTION HAS BEEN MADE, THEY WILL BE ABLE TO COMPLETE A SIMPLIFIED TAX RETURN AND BENEFIT FROM THE RELIEF**



# REVENUE THRESHOLD

In order to elect for Small Business Relief, an eligible Taxable Person's Revenue must be below or equal to AED 3,000,000 for the relevant Tax Period and all previous Tax Periods.

Where a Taxable Person's Revenue exceeds AED 3,000,000 in a Tax Period, the Taxable Person will no longer be able to elect for Small Business Relief, even if its Revenue is equal to or falls below the AED 3,000,000 threshold in subsequent Tax Periods.

- 01** The Revenue for the purpose of this Article shall be determined in accordance with the applicable accounting standards accepted in the UAE
- 02** Revenue is defined in the Corporate Tax Law as "the gross amount of income derived during a Tax Period". This includes, for example, income from all of the sales a business makes, as well as any other gross income it receives, such as income from the sale of an asset
- 03** The amount of profit a business makes does not have an impact on its eligibility for Small Business Relief. Revenue should be determined based on the arm's length principle.
- 04** When determining the Revenue, are taken into account the income from all Business Activities undertaken by a particular juridical person, and certain defined Business Activities of a natural person.

Example: Where the annual Revenue of the business is AED 3 million or below, it can elect for Small Business Relief for Tax Periods that end on or before 31 December 2026 provided it also meets the other relevant conditions. The business will then be treated as if it earned no Taxable Income and no Corporate Tax will be payable.

If a Taxable Person that has earned Taxable Income of AED 1 million is not eligible for Small Business Relief or chooses not to elect for it, the Corporate Tax liability will be calculated as follows:

Taxable Income of AED 375,000 subject to Corporate Tax at 0%:  $\text{AED } 375,000 \times 0\% = \text{AED } 0$

Taxable Income exceeding AED 375,000 subject to Corporate Tax at 9%:  $(\text{AED } 1,000,000 - \text{AED } 375,000) \times 9\% = \text{AED } 56,250$

The UAE Corporate Tax liability for the Tax Period will be  $\text{AED } 0 + \text{AED } 56,250 = \text{AED } 56,250$ .

The total amount of UAE Corporate Tax Payable can be reduced by available tax credits.

# OVERVIEW OF THE SMALL BUSINESS RELIEF

	<b>If election for Small Business Relief is made</b>	<b>If no election for Small Business Relief is made</b>
Required to register for Corporate Tax	✓	✓
Required to file a full Tax Return	X	✓
Can file a simplified Tax Return	✓	X
Required to calculate Taxable Income	X	✓
No Corporate Tax to pay	✓	Depends on the level of Taxable Income
Subject to meeting necessary conditions:		
Can accrue and utilise Tax Losses for the relevant Tax Period	X	✓
Can accrue and utilise Excess Interest Expenditure for the relevant Tax Period	X	✓
Can carry forward Tax Losses and Excess Interest Expenditure from previous Tax Periods	✓	✓
Can apply reliefs for transfers within a Qualifying Group or for Business restructuring transactions	X	✓
Must comply with transfer pricing documentation requirements	X	✓
Must comply with the Arm's Length Principle	✓	✓

# WHO IS NOT ELIGIBLE FOR SMALL BUSINESS RELIEF?

Small Business Relief will be available to UAE Resident Persons whose Revenue does not exceed AED 3,000,000 for the relevant Tax Period and all previous Tax Periods. However, there are two key exceptions to this criterion:

1. Where the business is a member of a Multinational Enterprise Group (MNE);
2. Where the business is a Qualifying Free Zone Person.

## MEMBERS OF AN MNE

Small Business Relief will not be available to a business that is a constituent company of an MNE. MNEs are groups of companies that operate in more than one country and that have a total consolidated group revenue of more than AED 3.15 billion and are required to prepare a Country-by-Country Report under the UAE's Country-by-Country Reporting legislation.

Even if a UAE constituent company of an MNE has Revenue equal to or below AED 3,000,000 for the relevant Tax Period and all previous Tax Periods, the UAE constituent company will still not be able to elect for Small Business Relief.

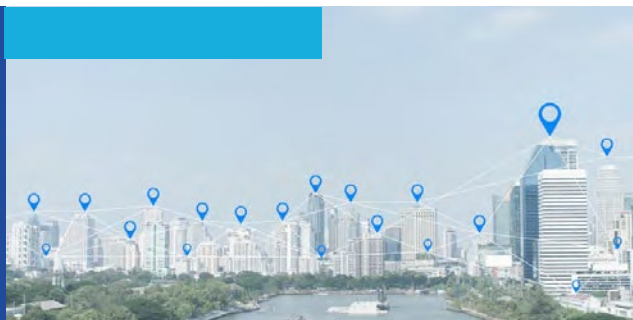
## QUALIFYING FREE ZONE PERSONS

Small Business Relief will not be available to Qualifying Free Zone Persons. Qualifying Free Zone Persons already benefit from a 0% Corporate Tax rate on their Qualifying Income.

## ARTIFICIAL SEPARATION

Small Business Relief will also not be available where a Person artificially separates their Business into more than one entity in order to ensure that the Revenue of each entity is below the threshold for Small Business Relief.

Where the FTA establishes that artificial separation has taken place, the Person will have to repay any unpaid Corporate Tax and any penalties that may be charged.





## HOW DOES SMALL BUSINESS RELIEF WORK?

Small Business Relief allows eligible Resident Persons to elect to be treated as having no Taxable Income in a Tax Period where they have Revenue of less than or equal to AED 3,000,000 in a relevant Tax Period and all previous Tax Periods ending on or before 31 December 2026.

Small Business Relief is an optional relief, and Resident Persons that wish to benefit from this advantage must elect for this relief within their Tax Return. Once the Tax Return for the relevant Tax Period has been submitted with no election to benefit from the Small Business Relief, there would be no possibility to claim this benefit at a later stage.

### SMALL BUSINESS RELIEF AND RELATIVE PROFITABILITY

	<b>Business 1</b>	<b>Business 2</b>	<b>Business 3</b>
Revenue (AED)	2,800,000	2,800,000	2,800,000
Eligible for Small Business Relief?	✓	✓	✓
Costs (AED)	2,000,000	1,800,000	1,300,000
Profits (AED)	800,000	1,000,000	1,500,000
Corporate Tax Payable calculation (AED)	375,000 @ 0% 425,000 @ 9%	375,000 @ 0% 625,000 @ 9%	375,000 @ 0% 1,125,000 @ 9%
Corporate Tax due (AED)	38,250	56,250	101,250

# TAXABLE INCOME FOR CORPORATE TAX

Businesses would calculate their Taxable Income by calculating their Accounting Income and making adjustments for the Corporate Tax treatment of certain income and expenditure.

This includes excluding Exempt Income, such as dividends, and adding back non-deductible expenditure, such as fines. Businesses may also be eligible for other reliefs, such as for transfers within a Qualifying Group, which would be applied when calculating Taxable Income. Businesses then have to calculate the amount of Corporate Tax they must pay based on their Taxable Income.

Small Business Relief treats eligible Taxable Persons as having no Taxable Income for the relevant Tax Period.

This means that they will not have to calculate their Taxable Income, and that they do not need to identify the relevant expenses that they would otherwise be required to in order to deduct or apply any other reliefs.

- **NO NEED TO PAY CORPORATE TAX**

*As Corporate Tax is only charged on Taxable Income, Taxable Persons electing for Small Business Relief for that Tax Period do not need to pay Corporate Tax.*

- **SIMPLIFIED TAX RETURN**

*Businesses who elect for Small Business Relief will complete a simplified Tax Return.*



## TAX LOSSES

If an eligible Resident Person elects for Small Business Relief for a Tax Period, it will not be able to apply the provisions of the Corporate Tax Law relating to Tax Losses in that Tax Period. This means that they cannot accrue, utilise or transfer any Tax Losses.

If the Resident Person has unutilised Tax Losses brought forward from prior Tax Periods at the beginning of a Tax Period in which it elects for Small Business Relief, such Tax Losses will continue to be carried forward and can be used in the next Tax Period in which the Resident Person has Taxable Income and has not elected for Small Business Relief, subject to meeting the conditions of carrying forward and utilising available Tax Losses.

## GENERAL INTEREST DEDUCTION LIMITATION RULE



If an eligible Resident Person elects for Small Business Relief for a Tax Period, the General Interest Deduction Limitation Rule will not apply in that Tax Period.

This means that they cannot accrue or utilise any Net Interest Expenditure in that Tax Period, nor carry it forward to any subsequent Tax Periods.

If the Resident Person has carried forward Net Interest Expenditure incurred in previous Tax Periods where an election for Small Business Relief was not made, at the beginning of a Tax Period in which it elects for Small Business Relief, such Net Interest Expenditure will be carried forward and can be used in the next Tax Period in which it has Taxable Income and has not elected for Small Business Relief, subject to the relevant provisions of the General Interest Deduction Limitation Rule.



# ACCOUNTING STANDARDS FOR REVENUE CALCULATION

Accounting standards are sets of rules and principles that are managed by regulatory bodies, and that govern how businesses report their financial activities. Some of the rules and principles differ between regulatory bodies and, as a result, the choice of accounting standard will determine and may impact the amount of Revenue a business is determined to have earned in a Tax Period.

## **Accounting Standards Overview:**

- Accounting standards, governed by regulatory bodies, establish rules for financial reporting.
- Variances in these rules impact the determination of Revenue earned in a Tax Period.

## **Small Business Relief and Cash Basis Accounting:**

- Businesses opting for Small Business Relief can use the cash basis of accounting.
- Eligibility requires revenue not exceeding AED 3,000,000.

## **Applicable Accounting Standard:**

Ministerial Decision No. 114 of 2023 specifies the use of International Financial Reporting Standards (IFRS) or IFRS for SME's for Revenue calculation.

## **Scope of Revenue Calculation:**

- Revenue encompasses all income earned, not limited to goods or services sales.
- Asset sales, business part sales, and non-cash receipts (e.g., barter transactions) contribute to Revenue.

*It is important to note that Revenue is not restricted to the sale of goods or services by a business. It includes all income earned in the period. For example, if a business sells an asset like a vehicle, or a part of its business, the proceeds of these sales must be included in its Revenue calculation. Non-cash receipts (e.g. goods received in terms of a barter transaction) should be included in Revenue at the market value.*

## CALCULATION OF REVENUE AND PROFIT

$(\text{Sales} + \text{Other Income}) - (\text{Operating Cost} + \text{Sales Cost}) = \text{Profit}$

## VAT IMPLICATIONS



# IMPLICATIONS FOR RESIDENT PERSONS THAT ARE VAT REGISTERED

Businesses that are registered for VAT are required to charge VAT on certain products or services that they sell. The VAT charged should not be included in the calculation of Revenue. This is because the VAT collected must be transferred to the FTA and does not belong to the Business.

Small Business Relief is a Corporate Tax relief. It does not change the Resident Person's compliance requirements for VAT or any other purpose in any way.

This means that while some Taxable Persons can benefit from Small Business Relief for Corporate Tax purposes and therefore have simplified Corporate Tax compliance requirements, their VAT compliance requirements will continue as before.

Example: Mr X is a Resident Person for Corporate Tax purposes. He has conducted a Business for many years and his Revenue has never exceeded AED 3,000,000. In the Tax Period ending on 31 December 2024, his Revenue was AED 1,850,000 and he elected for Small Business Relief.

During the Tax Period ending 31 December 2025, Mr X agreed to sell his shop to a friend for AED 1,200,000. Mr X's Revenue for the Tax Period, including the proceeds from the sale of the shop, totaled AED 4,150,000.

Mr X is not eligible for Small Business Relief for the Tax Period ending 31 December 2025. The fact that Mr X's Revenue has exceeded the Revenue threshold as a result of a one-off event is not relevant. Because Mr X's Revenue exceeded AED 3,000,000, he will not be able to elect for Small Business Relief again, even if his Revenue in the Tax Period ending 31 December 2026 is less than AED 3,000,000.

## EXEMPT INCOME

Certain types of income are not taxable. These are known as Exempt Income, and when calculating Taxable Income, Businesses must exclude these items. Exempt Income includes:

- Dividends and other profit distributions received from Juridical Persons resident in the UAE;
- Other income and gains from a Participating Interest in a Juridical Person resident in the UAE;
- Dividends and other profit distributions received from a Participating Interest in a foreign Juridical Person; and
- Income of a Foreign Permanent Establishment, subject to meeting certain conditions

## INTERACTION BETWEEN EXEMPT INCOME AND SMALL BUSINESS RELIEF

The rules on Exempt Income do not apply to Businesses that have elected for Small Business Relief. This means that all income, even if it would not be taxable, must be included when a Resident Person calculates its Revenue for Small Business Relief Purposes.

### EXAMPLE

ABC LLC is a Resident Person for Corporate Tax purposes. During its Tax Period ending 31 December 2024, it made sales of AED 2,500,000. ABC LLC also received dividends of AED 1,000,000 from DEF LLC, a Resident Person. The income from the dividends are Exempt Income and would not be included when calculating ABC LLC's Taxable Income.

As the provisions of the Corporate Tax Law relating to Exempt Income do not apply when a Business is seeking to benefit from Small Business Relief, the dividend income should be included in the calculation of ABC LLC's Revenue. ABC LLC's Revenue for the Tax Period is therefore AED 3,500,000 (AED 2,500,000 + AED 1,000,000), and ABC LLC is not eligible to elect for Small Business Relief for the Tax Period ending 31 December 2024.

**EXEMPT INCOME DO NOT APPLY TO BUSINESSES  
THAT HAVE ELECTED FOR SMALL BUSINESS RELIEF**



# TRANSFER PRICING DOCUMENTATION REQUIREMENTS FOR THOSE WHO ELECT FOR SMALL BUSINESS RELIEF

Transfer pricing documentation rules do not apply to Businesses in the Tax Period for which they elect for Small Business Relief.

It is important to note that this provision relates to the requirement to provide a disclosure at the same time as its Tax Return, or within 30 days of it being requested by the FTA, and the requirement to maintain a master and local file.

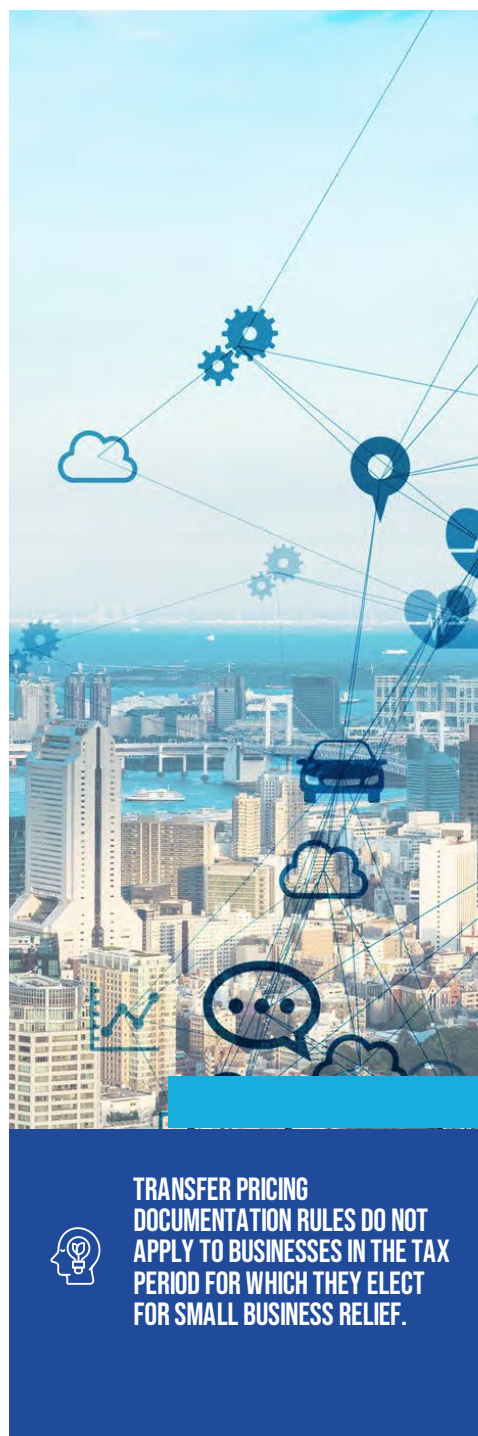
It does not prevent the FTA from enquiring into the Resident Person's Corporate Tax affairs, or reviewing its transactions, including those with its Related Parties. The Resident Person must also ensure that they have considered and complied with the Arm's Length Principle.

## TRANSFER PRICING DOCUMENTATION

Transfer pricing is an internationally recognised approach used to determine the price that should be charged by a taxable person when conducting transactions with related parties or connected persons.

Transfer pricing is applied on cross-border transactions to prevent base erosion and profits shifting between taxable entities and non or lowtaxed entities.

The FTA can require a Business to file its transfer pricing disclosure and other supporting documentation together with its Tax Return, or within 30 days of being requested to provide it by the FTA



## PARTICIPATION EXEMPTION FOR OWNERS OF UAE JURIDICAL PERSONS THAT ELECT FOR SMALL BUSINESS RELIEF

Dividends from companies resident in the UAE are exempt from Corporate Tax. In addition, other income and gains from UAE resident companies may also be exempt if the relevant conditions under the Participation Exemption are met.

A Participating Interest is a long-term ownership interest in a Juridical Person that provides the basis for the exercise of some level of control or influence over the activities of the Participation. There are a number of conditions which must be satisfied for a Participating Interest to exist. One of these conditions is that the Juridical Person is subject to Corporate Tax at a rate of at least 9%.

Although Businesses that elect for Small Business Relief will effectively not have a Corporate Tax liability, they are still considered to be subject to Corporate Tax.

As a result, Persons that hold a Participating Interest in a Business that elects for Small Business Relief should be able to benefit from the Participation Exemption relief, subject to meeting the relevant conditions. This also applies in the case of Persons with capital gains and the other income.





## FAQS ON SMALL BUSINESS RELIEF

### Will small businesses be given any UAE Corporate Tax relief?

Businesses with Revenues of AED 3 million or below in a relevant Tax Period and previous Tax Periods can elect for 'Small Business Relief' for Tax Periods that end on or before 31 December 2026.

Electing for Small Business Relief means that a Taxable Person will be treated as having no Taxable Income during the relevant Tax Period and that they can benefit from simplified compliance obligations. To claim Small Business Relief, an election must be made in the Taxable Person's Corporate Tax Return in the relevant Tax Period.

### If a business has earned Taxable Income of AED 1 million, what will be the UAE Corporate Tax amount payable?

Where the annual Revenue of the business is AED 3 million or below, it can elect for Small Business Relief for Tax Periods that end on or before 31 December 2026 provided it also meets the other relevant conditions. The business will then be treated as if it earned no Taxable Income and no Corporate Tax will be payable.

If a Taxable Person that has earned Taxable Income of AED 1 million is not eligible for Small Business Relief or chooses not to elect for it, the Corporate Tax liability will be calculated as follows:

- Taxable Income of AED 375,000 subject to Corporate Tax at 0%:  $AED\ 375,000 \times 0\% = AED\ 0$
- Taxable Income exceeding AED 375,000 subject to Corporate Tax at 9%:  $(AED\ 1,000,000 - AED\ 375,000) = AED\ 625,000 \times 9\% = AED\ 56,250$

The UAE Corporate Tax liability for the Tax Period will be  $AED\ 0 + AED\ 56,250 = AED\ 56,250$ .  
The total amount of UAE Corporate Tax Payable can be reduced by available tax credits.

### Who can claim Small Business Relief for UAE Corporate Tax purposes?

For Tax Periods that end on or before 31 December 2026, any of the following UAE Resident Persons with Revenue of AED 3 million or below in the current and previous Tax Periods can claim Small Business Relief:

- A natural person.
- A legal entity that is neither:
  - a Constituent Company of a Multinational Enterprise Group as defined in Cabinet Decision No. 44 of 2020 that operates in more than one country and has a total consolidated group revenue of more than AED 3.15 billion in each financial period;
  - nor a Qualifying Free Zone Person.

If an eligible Taxable Person's Revenue exceeds AED 3 million in any Tax Period, they will no longer be eligible for Small Business Relief for that Tax Period and any future Tax Periods.

### How can you elect for Small Business Relief?

Eligible Taxable Persons will be able to elect for Small Business Relief in their Corporate Tax Return.

### If Revenue for the current Tax Period is less than AED 3 million, but was more than AED 3 million in last Tax Period – are you eligible for Small Business Relief?

No. Once your Revenue exceeds AED 3 million in a Tax Period, you will no longer be eligible for Small Business Relief in the current or future Tax Periods. The Small Business Relief threshold of AED 3 million is applicable for Tax Periods that end on or before 31 December 2026.

## FAQS ON SMALL BUSINESS RELIEF

### **If you carry on two businesses through one company. Does each business benefit from Small Business Relief?**

No. Eligibility for Small Business Relief is based on the Taxable Person's overall Revenue, irrespective of the number of Businesses or Business Activities carried out by the Taxable Person.

### **Are Non-Residents eligible for Small Business Relief?**

No. Only Resident Persons that are neither a member of a Multinational Enterprise Group nor a Qualifying Free Zone Person are eligible for Small Business Relief.

### **What happens to Tax Losses that have accrued in previous Tax Periods if you elect for Small Business Relief?**

For Tax Periods that end on or before 31 December 2026, any of the following UAE Resident Persons with Revenue of AED 3 million or below in the current and previous Tax Periods can claim Small Business Relief:

- A natural person.
- A legal entity that is neither:
  - – a Constituent Company of a Multinational Enterprise Group as defined in Cabinet Decision No. 44 of 2020 that operates in more than one country and has a total consolidated group revenue of more than AED 3.15 billion in each financial period;
  - – nor a Qualifying Free Zone Person.

If an eligible Taxable Person's Revenue exceeds AED 3 million in any Tax Period, they will no longer be eligible for Small Business Relief for that Tax Period and any future Tax Periods.

### **What happens to excess Interest expenditure that you have accrued in previous Tax Periods if you elect for Small Business Relief?**

Excess Interest expenditure accrued in a previous Tax Period prior to the Taxable Person claiming Small Business Relief can be carried forward so that the Interest expenditure can be used in future periods where Small Business Relief does not apply.

Any Tax Period that a Taxable Person claims Small Business Relief, and as such cannot use the excess Interest expenditure, will still count towards the '10 year' carry forward period.

### **In addition to being treated as having no Taxable Income for the Tax Period, what other Corporate Tax relief (e.g. documentation) can you benefit from when elect for Small Business Relief?**

Businesses will be able to benefit from a number of compliance reliefs once they have elected for Small Business Relief in addition to being treated as having no Taxable Income.

Businesses benefiting from Small Business Relief will not be required to file transfer pricing documentation. This includes both the requirement to file a transfer pricing information disclosure form together with a Tax Return and the requirement to maintain a master file and a local file. However, businesses must still comply with transfer pricing rules and transactions with Related Parties must meet the arm's length principle (see Section T: Transfer Pricing for more information).

Additionally, there is no requirement to calculate Taxable Income.

## PRACTICAL EXAMPLE

### **Example.1 Small Business Relief**

XYZ Trading LLC is a small business in Dubai that primarily deals with import and distribution. In the Tax Period ending on December 31, 2025, XYZ Trading LLC reported total revenues of AED 2.8 million. The business has consistently maintained revenues below AED 3 million in the preceding Tax Periods.

Given their financial standing, XYZ Trading LLC is eligible to elect for 'Small Business Relief' for the Tax Period ending on or before December 31, 2026. Opting for this relief implies that, for tax purposes, XYZ Trading LLC will be treated as having no Taxable Income during the specified Tax Period.

One of the key advantages for XYZ Trading LLC in electing for Small Business Relief is the simplified compliance obligations. This allows them to streamline their tax-related responsibilities, making the process more straightforward.

To officially claim the Small Business Relief, XYZ Trading LLC must make an election within their Corporate Tax Return for the relevant Tax Period. This election serves as a formal request to be treated as having no Taxable Income, ensuring compliance with the Small Business Relief provisions.

### **Example.2 Carried forward unutilised Tax Losses**

Mr X is a Resident Person. In the Tax Period ending 31 December 2024, his Revenue was AED 2,500,000. Mr X did not elect for Small Business Relief and had a Tax Loss of AED 400,000 to carry forward.

In the Tax Period ending 31 December 2025, Mr X's Revenue was AED 1,700,000.

Mr X elects for Small Business Relief for the Tax Period ending 31 December 2025. His carried forward Tax Losses of AED 400,000 cannot be used in this Tax Period, but will be carried forward and can be used in future Tax Periods (provided the relevant conditions are met).

### **Example.3 Tax Losses**

ABC LLC is a Resident Person that started trading on 1 January 2025. In the Tax Period ending 31 December 2025, ABC LLC had Revenue of AED 2,500,000 and expenses and costs of AED 3,500,000. This resulted in ABC LLC having a negative Taxable Income (i.e. a Tax Loss) of AED 1,000,000 for the 31 December 2025 Tax Period.

As a Resident Person whose Revenue does not exceed AED 3,000,000, ABC LLC is eligible to elect for Small Business Relief.

If ABC LLC elects for Small Business Relief, it will be treated as having no Taxable Income and benefit from simplified compliance requirements. Electing for Small Business Relief means that the Tax Loss incurred will not be declared to the FTA and cannot be carried forward to future Tax Periods.

If ABC LLC chooses not to elect for Small Business Relief, it will be able to declare its Tax Loss to the FTA and the Tax Loss can be carried forward to be utilised in future Tax Periods. However, in order to do this, ABC LLC would have to comply with ordinary Corporate Tax compliance requirements, including calculating Taxable Income and completing a full Tax Return.

## PRACTICAL EXAMPLE

### **Example.4 Transfer of Tax Losses**

ABC LLC and DEF LLC are Resident Persons that are both wholly-owned by XYZ LLC and meet all the required conditions to transfer Tax Losses to each other.

In the Tax Period ending 31 December 2026, ABC LLC had Revenue of AED 2,500,000 and Taxable Income of AED 500,000. At the beginning of this Tax Period, ABC LLC had carried forward unutilised Tax Losses of AED 700,000. ABC LLC has not had Revenue exceeding AED 3,000,000 in any previous Tax Period and is eligible for Small Business Relief.

In the same Tax Period, DEF LLC had Revenue of AED 7,500,000 and Taxable Income of AED 3,100,000.

If ABC LLC elects for Small Business Relief, it will be treated as not having any Taxable Income and will not pay any Corporate Tax. However, this also means that ABC LLC will be unable to transfer any of its unutilised Tax Losses to DEF LLC.

If ABC LLC does not elect for Small Business Relief, it will be required to pay Corporate Tax on its Taxable Income. Furthermore, it will be able to both reduce its Taxable Income using its Tax Losses and transfer its remaining Tax Losses to DEF LLC, subject to meeting all the required conditions of transferring Tax Losses and provided ABC and DEF do not form a tax group.

### **Example.5 Carry forward of Net Interest Expenditure**

ABC LLC is a Resident Person for Corporate Tax purposes. In the Tax Period ending 31 December 2024, ABC LLC had Revenue of AED 2,000,000 but it did not elect for Small Business Relief. During the same Tax Period, ABC LLC has excess Interest expenditure of AED 400,000, which is carried forward to be used in subsequent Tax Periods.

In the Tax Period ending 31 December 2025, ABC LLC had Revenue of AED 2,000,000. ABC LLC elected for Small Business Relief for that Tax Period. As a result, it was unable to utilise any of its carried forward Net Interest Expenditure. This also means that any Net Interest Expenditure incurred in that Tax Period cannot be carried forward to later years. Accordingly, the Net Interest Expenditure of AED 400,000 will be carried forward to the next Tax Period, unless ABC LLC would elect again for the Small Business Relief for that Tax Period if the required conditions are met.

Given ABC LLC is eligible for and elects the Small Business Relief, they would not be required to calculate their Net Interest Expenditure for the Tax Period ending 31 December 2025.

### **Example.6 Exempt Income - Dividends from UAE companies**

ABC LLC is a Resident Person for Corporate Tax purposes. During its Tax Period ending 31 December 2024, it made sales of AED 2,500,000. ABC LLC also received dividends of AED 1,000,000 from DEF LLC, a Resident Person. The income from the dividends are Exempt Income and would not be included when calculating ABC LLC's Taxable Income.

As the provisions of the Corporate Tax Law relating to Exempt Income do not apply when a Business is seeking to benefit from Small Business Relief, the dividend income should be included in the calculation of ABC LLC's Revenue. ABC LLC's Revenue for the Tax Period is therefore AED 3,500,000 (AED 2,500,000 + AED 1,000,000), and ABC LLC is not eligible to elect for Small Business Relief for the Tax Period ending 31 December 2024.

# CONTACT US



## ABOUT US

A & A associate is one of the best tax advisory firms in Dubai with exceptional expertise in local tax regulations. Our tax advisor Dubai offer expert tax advice to its expatriate clients by helping them to maximize the tax benefits and minimize the tax burdens.



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