



Heading

The “Small Business Relief” under the United Arab Emirates (UAE) Corporate Tax: A Strategic Opportunity for “Micro” and “Small” Companies

– An Overview! –

With the introduction of the UAE Corporate Tax regime effective from 1 June 2023, the **Federal Tax Authority (FTA)** has rolled out **Small Business Relief (SBR)** to support the nation’s micro and small businesses. This measure is designed to reduce the administrative and financial burden on businesses with modest revenue levels, while maintaining compliance with international tax standards.

What is “Small Business Relief”?

Small Business Relief allows eligible UAE-resident businesses to be treated as though they have **no taxable income** for a given tax period, thereby applying a **0% corporate tax rate**. This not only provides a **financial benefit** but also allows for **simplified compliance** obligations.

Eligibility Criteria

To qualify for **Small Business Relief**, the following conditions must be met:

- 1. UAE Resident Business**
The entity must be a resident for corporate tax purposes—this includes individuals engaged in business and UAE-incorporated companies.
- 2. Revenue Threshold**
Revenue must not exceed **AED 3 million** in the **current** and **all previous tax periods** starting from 1 June 2023. Once this threshold is breached in any period, the SBR will no longer be available in subsequent years.
- 3. Non-Qualifying Free Zone Person**
Entities operating in Free Zones that qualify for a 0% rate under the “Qualifying Free Zone Person” (QFZP) rules are not eligible for SBR.
- 4. Not Part of a Multinational Enterprise (MNE) Group**
Companies that are part of an MNE group with **consolidated global revenues of AED 3.15 billion or more** are excluded.
- 5. Anti-Abuse Rules Compliance**
Any artificial splitting of business operations to remain under the AED 3 million cap will be subject to scrutiny and possible disqualification under the general **anti-abuse provisions** of the tax law.

How to apply for Small Business Relief!

Applying for **Small Business Relief** requires the following steps:

- 1. Corporate Tax Registration**
All businesses, regardless of expected relief, must **register with the FTA** through the “EmaraTax” ([Federal Tax Authority](#)) portal and obtain a **Tax Registration Number (TRN)**.
- 2. Maintain Proper Financial Records**

Businesses must keep records of income, bank statements, invoices, and contracts to substantiate their revenue and ensure compliance with reporting requirements.

3. **Elect Small Business Relief in Tax Return**

The election must be **explicitly made** in the “Corporate Tax Return” for **each relevant tax period**. If a business fails to elect the relief, it cannot be applied retroactively.

4. **File on Time**

The “Corporate Tax Return” must be filed within **9 months** of the end of the financial year. For example, a company with a 31 December 2024 year-end must file its return by 30 September 2025.

Key Benefits of Small Business Relief

- **0% Corporate Tax Liability**
Businesses that qualify are considered to have no taxable income.
- **Simplified Tax Filing**
Entities can file a simplified corporate tax return with reduced documentation.
- **Cash Basis Accounting Option**
Businesses with revenues under AED 3 million may use **cash-basis accounting**, which simplifies financial reporting compared to accrual-based methods.

Important considerations!

- **Losses and Interest Limitations**
Businesses that opt for SBR **cannot claim or carry forward tax losses or net interest expenses** from that period. Strategic decision-making is required to assess whether to elect SBR or use losses.
- **Transfer Pricing Still Applies**
Even under SBR, related-party transactions must comply with **arm’s-length principles**. However, simplified documentation may apply.

- **Election is Not Automatic**
The relief must be **elected every tax period**. Failure to do so means standard tax rules and rates will apply.
- **Available for a Limited Period**
SBR applies only to tax periods **starting on or after 1 June 2023** and **ending on or before 31 December 2026**.

Key deadlines!

Activity	Deadline
Corporate Tax Registration	As soon as possible
First eligible tax period	1 June 2023 onward
Last eligible tax period	Ending 31 December 2026
Tax return filing deadline	9 months after end of tax period
Election of SBR	At the time of tax filing return

Conclusion

The **Small Business Relief** initiative is a **valuable tax planning tool** that significantly eases the compliance burden and financial exposure of UAE's small enterprises. However, it requires careful consideration of eligibility, timing, and long-term tax planning, especially for businesses with potential to scale or that incur significant tax losses.

By staying compliant and making timely elections, eligible businesses can benefit from a **zero-tax environment** while remaining fully aligned with the UAE's growing international tax commitments.

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