الهيئة الاتحادية للضرائب
FEDERAL TAX AUTHORITY

United Arab Emirates

Basic Tax Information Bulletin

Small Business

1 Who should read this information bulletin?

Anyone who is responsible for the tax affairs of a small business operation (referred to as 'small business') and wants to understand:

- When should a small business register for Corporate Tax?
- What are the exceptions to the requirement of registering for Corporate Tax?
- What is the Corporate Tax rate for small business?
- Which special reliefs are available to small business?
- What are the conditions to be eligible for Small Business Relief?
- How to make an election for Small Business Relief?
- What are the other compliance requirements for small business under the Corporate Tax Law?

2 When should a small business register for Corporate Tax?

All Taxable Persons must register for Corporate Tax with the Federal Tax Authority ("FTA") on EmaraTax[1] within the prescribed time limit. A small business is considered to be a Taxable Person under the Corporate Tax Law if it conducts a Business or Business Activity and meets the conditions to be a Resident Person or Non-Resident Person[2].

The timeline for registration depends on whether the small business is conducted by a natural person or a juridical person and whether it meets the conditions to be a Resident Person or a Non-Resident Person for Corporate Tax purposes. This also applies to Free Zone Persons.

For example, the timeline for registration for a small business who is a juridical person and a Resident Person is as follows:

Category of a Resident Person that is incorporated or otherwise established or recognised on or after 1 March 2024	***Deadline for submitting a Tax Registration application***
A juridical person that is incorporated or otherwise established or recognised under the applicable legislation in the UAE, including a Free Zone Person.	Three months from the date of incorporation, establishment or recognition of the juridical person.
A juridical person that is incorporated or otherwise established or recognised under the applicable legislation of a foreign jurisdiction that is effectively managed and controlled in the UAE.	Three months from the end of the Financial Year of the juridical person.

[1] https://tax.gov.ae/en/emaratax.aspx

[2] For more information on who is considered to be a Resident Person or a Non-Resident Person, refer to Corporate Tax Guide - General Guide, Non-Resident Persons, and Tax Resident and Tax Residency Certificate. https://tax.gov.ae/en/taxes/corporate.tax/corporate.tax.guides.references.aspx

For more information on the timeline to register for Corporate Tax for other types of Taxable Persons, please refer to the relevant FTA Decision and Public Clarification published on the FTA's website[3].

3 Are there any exceptions to the requirement to register for Corporate Tax for small businesses?

A natural person who conducts a Business or Business Activity in the UAE is only required to register for Corporate Tax if the total Turnover from such Business or Business Activities exceeds AED 1 million within a Gregorian calendar year.

For more information on the taxation of natural persons under Corporate Tax Law, please refer to the guidance published on the FTA's website[4].

*Note: The AED 1 million registration threshold for natural persons is separate from the AED 3 million Revenue threshold for Small Business Relief (see section 6)

4 What is the Corporate Tax rate applicable to a small business?

There is no special Corporate Tax rate applicable for a small business.

The Taxable Income will be subject to standard Corporate Tax at the following rates:
- 0% on the portion of the Taxable Income not exceeding AED 375,000; and
- 9% on the portion of the Taxable Income that exceeds AED 375,000.

The Corporate Tax rates above also apply when the total Turnover derived by a natural person from its Business or Business Activities in the UAE in a Gregorian calendar year exceeds AED 1 million, starting from Gregorian calendar year 2024.

3 FTA Decision No.3 of 2024 - The Timeline specified for Registration of Taxable Persons for Corporate Tax for the purposes of Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses and its amendments. https://tax.gov.ae/en/legislation.aspx
CTP003 Corporate Tax Public Clarification- First Tax Period of a juridical person. https://tax.gov.ae/en/taxes/corporate.tax/corporate.tax.guides.references.aspx
4 Corporate Tax Guide - Taxation of Natural Persons under the Corporate Tax Law. https://tax.gov.ae/en/taxes/corporate.tax/corporate.tax.guides.references.aspx

5 Are there any special reliefs available to small businesses?

A small business that is a Taxable Person and a Resident Person may be eligible to make an election for Small Business Relief.

Where a valid Small Business Relief election is made, the compliance obligations are reduced as follows:

- Ordinarily, Taxable Persons would calculate their Taxable Income by adjusting their Accounting Income for the Corporate Tax treatment of certain income and expenditure. By contrast, Small Business Relief treats eligible Taxable Persons as having no Taxable Income for the relevant Tax Period and, therefore, they do not need to calculate their Taxable Income or pay Corporate Tax.
- Benefit of preparing a simplified Tax Return.
- Simplified record keeping requirements, including the ability to prepare their Financial Statements based on the cash basis of accounting.[5]

6 What are the conditions to be eligible for Small Business Relief?

To be eligible for Small Business Relief, the small business must meet all of the below conditions:

- Be a Taxable Person (including a natural person).
- Be a Resident Person.
- The Revenue must be equal to or below AED 3 million in a relevant Tax Period and in each for the previous Tax Periods that end on or before 31 December 2026. Businesses should monitor any updates by the Ministry of Finance and the FTA for post-2026 provisions.
- Cannot be a member of a Multinational Enterprise Group as defined in Cabinet Resolution No. 44 of 2020, nor be a Qualifying Free Zone Person.

For further information on who is eligible for Small Business Relief, and the consequences of making a Small Business Relief election, please refer to the relevant Ministerial Decision and guidance published on the FTA's website[6].

5 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. https://tax.gov.ae/en/legislation.aspx

6 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. https://tax.gov.ae/en/legislation.aspx.
Corporate Tax Guide - Small Business Relief.
https://tax.gov.ae/en/taxes/corporate.tax/corporate.tax.guides.references.aspx

7 How to make an election for Small Business Relief?

Eligible Taxable Persons that meet the conditions for Small Business Relief and wish to benefit from it must first register for Corporate Tax purposes. Thereafter, they must make an election in their Tax Return in order to benefit from this relief. This election must be made for each Tax Period for which a Tax Return is filed in order for the relief to apply for that Tax Period.

For further information on the Small Business Relief election, please refer to the guidance published on the FTA's website[7].

8 What is the Corporate Tax filing requirement?

All Taxable Persons must file a Tax Return or a simplified Tax Return (in case of Small Business Relief election) via EmaraTax, no later than nine months from the end of the relevant Tax Period.

For further information on how to file a Tax Return, please refer to the guidance published on the FTA's website[8].

9 Are small businesses required to maintain any records?

All Businesses are required to maintain records and documents for a period of seven years following the end of the Tax Period to which they relate. Such records and documents should:

- Support any information provided in a Tax Return, or in any other document that is filed with the FTA
- Enable the FTA to readily ascertain the Taxable Person's Taxable Income calculation

Records and documents to be maintained typically include:

- Financial Statements (which must be audited in specific situations)
- Bank statements
- Loan or financing documentation
- Sales and purchase ledgers
- Invoices or other records of daily earnings, such as till rolls
- Purchase orders and delivery notes
- Other relevant business correspondence

7 Corporate Tax Guide - Small Business Relief.
https://tax.gov.ae/en/taxes/corporate.tax/corporate.tax.guides.references.aspx

8 Corporate Tax Guide - Tax Return.
https://tax.gov.ae/en/taxes/corporate.tax/corporate.tax.guides.references.aspx

10 Are there any penalties imposed in case of non-compliance with Corporate Tax Law?

Administrative Penalties may be imposed for non-compliance with the Corporate Tax Law. It is, therefore, important that all Taxable Persons register for Corporate Tax purposes, file accurate Tax Returns and pay any Corporate Tax due by the relevant deadlines.

For more information on penalties applicable for Corporate Tax purposes, please refer to the relevant Cabinet Decision that is available on the FTA's website[9].

11 Further information

The FTA has published various Corporate Tax guides and public clarifications, which are all available on the FTA's website[10].

9 Cabinet Decision No.75 of 2023 on the Administrative Penalties for Violations Related to the Application of the Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses, and its amendments. https://tax.gov.ae/en/legislation.aspx

10 https://tax.gov.ae/en/taxes/corporate.tax/corporate.tax.guides.references.aspx