

# Tax Outlook for SMEs

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# What we'll cover

## **Does it affect me?**

*“I thought freezones were exempt”*  
*“I only do business outside the UAE”*  
*“I’m under the threshold”*

## **When does it affect me?**

*“What’s my financial year”*

## **What do I need to do?**

*“Do I need an audit?”*  
*“Can I just pay myself a big salary”*

## **Will I pay tax?**

- Qualifying Freezone Exemption
- Small Business Relief
- Tax-free profit threshold



## Who is “Taxable”?

- Every company!
- Special rule for “Natural Persons” e.g. freelancers



# When am I “Taxable”?

- What’s my financial year?



# Will I Pay Tax?

Qualifying  
Free zone  
Person

**Qualifying Income**  
**Qualifying Activities**

Small  
Business  
Relief

**AED 3M**

Tax-free  
Threshold

**AED 375K**



# Accounting Requirements

## **Accounting Standards to be used for Corporate Tax purposes**

- International Financial Reporting Standards (IFRS)
- IFRS for SMEs
- Cash-basis accounting

Regardless of standard used, you must still produce proper financial statements

## **Penalties confirmed for not keeping adequate records –**

- AED10,000 first instance
- Then increases to AED20,000

# Qualifying Free Zone Person

**95% of revenue must be “Qualifying Income”**

Qualifying income is:

- **From within Free Zones**

OR

- **From Qualifying Activities**

OR

- **From Qualifying Intellectual Property**

AND

- **Is not “excluded income”**

- Need to also show “Adequate Substance” in the free zone
- Rules will exist beyond 2026
- Can “opt out” by electing to be subject to corporate tax



# Qualifying Free Zone Person

## “Qualifying Activities” Category

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- a) Manufacturing of goods or materials.
- b) Processing of goods or materials.
- c) Trading of Qualifying Commodities
- d) Holding of shares and other securities.
- e) Ownership, management and operation of Ships.
- f) Reinsurance services that are subject to the regulatory oversight of the competent authority in the State.
- g) Fund management services that are subject to the regulatory oversight of the competent authority in the State.
- h) Wealth and investment management services that are subject to the regulatory oversight of the competent authority in the State.
- i) Headquarter services to Related Parties.
- j) Treasury and financing services to Related Parties.
- k) Financing and leasing of Aircraft, including engines and rotatable components.
- l) Distribution of goods or materials in or from a Designated Zone to a customer that resells such goods or materials, or parts thereof or processes or alters such goods or materials or parts thereof for the purposes of sale or resale.
- m) Logistics services.
- n) Any activities that are ancillary to the activities listed in paragraphs (a) to (l) of this Clause.

# Qualifying Free Zone Person

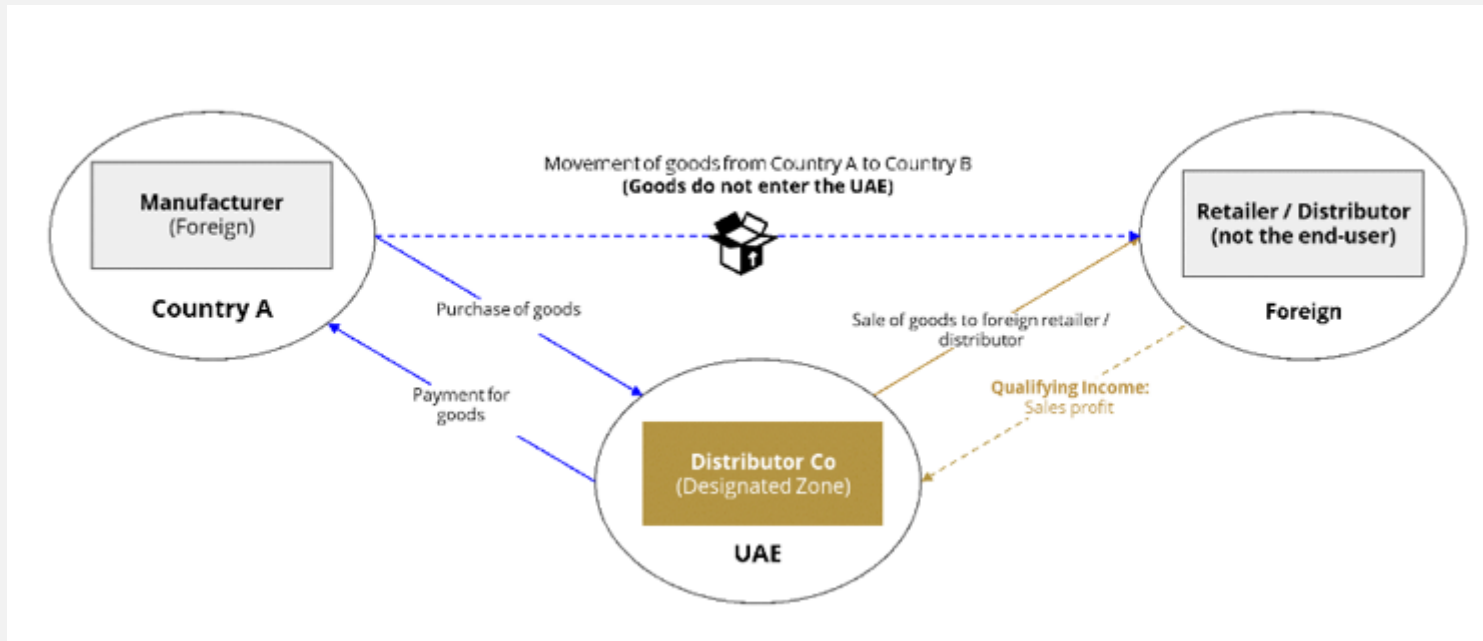
## Excluded Activities

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- a) Any transactions with natural persons, except transactions in relation to the Qualifying Activities specified under paragraphs (d), (f), (g) and (j) of Clause (1) of Article (2) of this Decision.
- b) Banking activities that are subject to the regulatory oversight of the competent authority in the State.
- c) Insurance activities that are subject to the regulatory oversight of the competent authority in the State, other than the activity specified under paragraph (e) of Clause (1) of Article (2) of this Decision.
- d) Finance and leasing activities that are subject to the regulatory oversight of the competent authority in the State, other than those specified under paragraphs (i) and (j) of Clause (1) of Article (2) of this Decision.
- e) Ownership or exploitation of immovable property, other than Commercial Property located in a Free Zone where the transaction in respect of such Commercial Property is conducted with other Free Zone Persons.
- f) Any activities that are ancillary to the activities listed in paragraphs (a) to (f) of this Clause.

# Drop-Ship from Designated Zones

**“Distribution of goods or materials in or from a Designated Zone to a customer that resells such goods or materials, or parts thereof or processes or alters such goods or materials or parts thereof for the purposes of sale or resale.”**



# Small Business Relief

- Turnover up to AED3m
- Available until 31-Dec-2026
- No indication that it requires an audit
- Available to all companies (including freezones)



# Taxable Business

- Tax free threshold – 0% tax on first AED375,000 profit
- Taxed at 9% on profits over AED375,000
- Need to look at tax efficient operating structures

*“Can I just pay myself a big salary?”*



# Compliance Steps

## QUALIFYING FREE ZONE BUSINESS

- Registration
- Accounting
- Audit
- File tax return

## SMALL BUSINESS RELIEF

- Registration
- Accounting
- File tax return

## TAXABLE BUSINESS

- Registration
- Accounting
- File tax return