

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?

"When do I need to register?"
"What are the fines?"
"Do I need an audit?"

Will I pay tax?

- Qualifying Freezone Exemption
 - Small Business Relief
 - Tax-free profit threshold
- "Can I just pay myself a big salary?"*



Who is “Taxable”?

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



When am I “Taxable”?

- What’s my financial year?



EVERY COMPANY MUST:

- Register for corporate tax
- Keep proper accounting records
- File a corporate tax return

(Qualifying free zone companies must also complete an audit)

Registration Requirements

Registration deadlines are based on:

The month your original license was issued
(regardless of which year it was)

Deadlines are staggered based on the issue month shown on your license

License Month	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Registration Deadline	May-24		Jun-24		Jul-24	Aug-24	Sep-24	Oct-24		Nov-24		Dec-24

LATE REGISTRATION FINE IS AED 10,000

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

Will I Pay Tax?



Qualifying
Free zone
Person

Qualifying Income
Qualifying Activities

Small
Business
Relief

AED 3M

Tax-free
Threshold

AED 375K



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

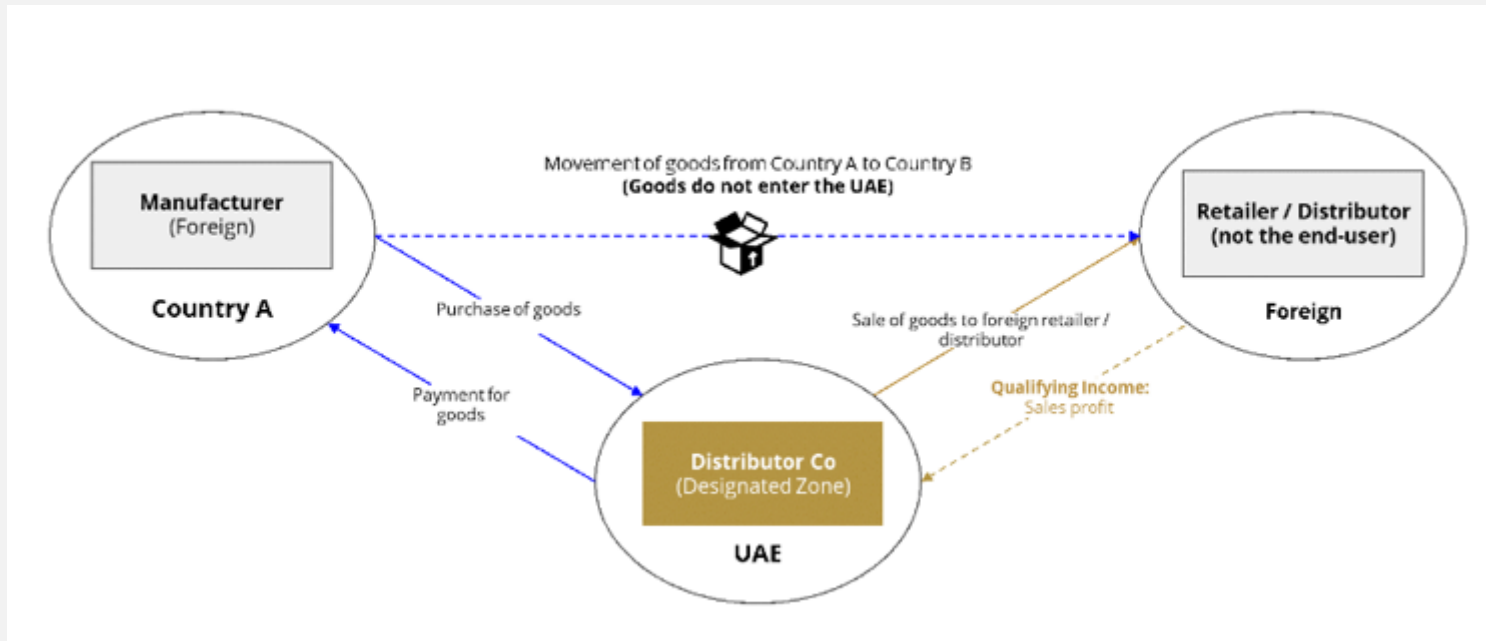
- a) Manufacturing of goods or materials.
- b) Processing of goods or materials.
- c) Trading of Qualifying Commodities
- d) Holding of shares and other securities.
- e) Ownership, management and operation of Ships.
- f) Reinsurance services that are subject to the regulatory oversight of the competent 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.

Excluded Activities

- 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?”



Business Closure



1. Register for corporate tax
2. File a corporate tax return for the period 1-Jan-2024 to de-registration date
3. Pay any tax due on the return filed (most will be nil)
4. Deregister for corporate tax

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

Tax and Accounting Packages



Zero Turnover Business	Small Businesses	Small Businesses That Must Pay VAT
<p>Typically, companies which have residency visas attached to them, but don't have any active transactions. These cases won't need to pay corporate tax but will still have to register and file tax returns at the end of their financial year.</p> <p>These companies should not require VAT services*</p>	<p>Small businesses will need to register for corporate tax, keep proper accounting records, and file tax returns at the end of their financial year.</p> <p>This package is for businesses who do not need to file and pay VAT returns*</p>	<p>Small businesses will need to register for corporate tax, keep proper accounting records, and file tax returns at the end of their financial year.</p> <p>This package is for businesses who do need to file and pay VAT returns*</p>
Full compliance for AED 2,750 (Equal to AED 229 per month)	Full compliance from AED 9,949 (Equal to AED 829 per month)	Full compliance from AED 11,990 (Equal to 999 per month)

Need Assistance on Tax and Accounting?



Contact us at
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Thank You!