

Small Business Relief window extended to 2029

Ministerial Decision No. 131 of 2026. Announced by the
Ministry of Finance on 7 August 2026.



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What changed, and how long it now runs

Small Business Relief is a familiar ground for many, so at the cost of repetition and for the benefit of all this is a brief glimpse of what it brings. What makes the reshare worthwhile is the change to its sunset clause. The relief was set to close at tax period ending on or before **31 December 2026**, and that has now been extended to tax period ending on or before **31 December 2029** through **Ministerial Decision No. 131** of 2026. Relief itself is not new. It is there in Article 21 of Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses, and its conditions were set out in Ministerial Decision No. 73 of 2023. **What changed is the end date.**

The AED 3 million revenue threshold set under Ministerial Decision No. 73 of 2023 is unchanged. The period over which the relief is available has been extended.

- *The threshold applies to tax periods beginning on or after 1 June 2023 and, following the amendment, continues to apply to subsequent tax periods ending on or before 31 December 2029. A resident taxable person whose revenue does not exceed AED 3 million in the relevant tax period and did not exceed it in any previous tax period, may elect for the relief for that period.*

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How SBR works

No taxable income

An eligible person that validly elects for the relief is treated as having derived no taxable income for the relevant tax period because of which **No Corporate Tax is payable for that period**, and the detailed tax computation for that period is not required.

Revenue, not profit

The relief is based on revenue, not profit. And eligibility is lost for good once the threshold is crossed and does not return in a later period even if the revenue falls below the threshold.

Scope of revenue

Revenue is the gross amount of all the income derived during a Tax Period which is not restricted to the sale of goods or services by a business. For example, Income from sale of an Asset or sale of part of a business is also included in the Revenue calculation.

Small Business Relief is elective. It applies for a period only when the eligible person claims it in that period's Corporate Tax return.

The table below shows how the revenue test decides eligibility across a run of periods with an example.

Tax period	Revenue	Position
Period 1	AED 2.4 million	At or below the threshold in this and all prior periods. May elect. Treated as having no taxable income.
Period 2	AED 2.9 million	Still at or below the threshold throughout. May elect again for this period.
Period 3	AED 3.3 million	Threshold exceeded. Relief not available for this period.
Period 4	AED 2.1 million	Below the threshold again, but the relief does not return. The earlier breach removes eligibility for later periods.

The example assumes the person is a resident taxable person and meets the other conditions of the relief. The figures are illustrative.

Who may elect, and who may not

Eligible

Resident taxable person, whether juridical person or natural person carrying on a business in the UAE, whose revenue stays at or below AED 3 million.

Not eligible

Qualifying Free Zone Persons, and members of a Multinational Enterprise Group, are outside the relief regardless of revenue.

Anti-abuse

Artificial separation of a business to keep each part below the threshold is treated as an arrangement to obtain a tax advantage and can be disregarded by the Authority.

What the election gives

No Corporate Tax for the period

The person is treated as having no taxable income, so no Corporate Tax is payable for the period in which the relief is validly claimed.

Lighter computation

A detailed Corporate Tax computation is not required for the period in which the relief is claimed, which lowers the compliance effort.

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What the relief does not remove

The relief lowers the tax charge, not the obligation to be inside the Corporate Tax system.

- **Register.** Register for UAE Corporate Tax where registration is required.
- **File and elect.** File the Corporate Tax Return and make the election within it through EmaraTax.
- **Keep records.** Maintain adequate books and records to support revenue and the election.
- **Transfer Pricing.** Comply with Transfer Pricing requirements where they apply to the business.
- **Watch the threshold.** Monitor revenue across periods, since one breach removes eligibility for good.
- **Weigh the trade-off.** Electing forgoes the carry forward of tax losses and net interest for that period, which can matter for a loss-making business.

1. Free Zone businesses: which of the two reliefs applies.

Most readers know Small Business Relief, so at the cost of repetition, here is a difference between two reliefs and a guide for you to decide which is better and why.

Small Business Relief and the Qualifying Free Zone Person 0% regime cannot both apply to the same company in the same period. They compete for the same group: small free zone companies within AED 3 million of revenue.

The two reliefs suit different stages. The relief gives a very small free zone company a clean 0% on all its income, with light compliance, but only up to AED 3 million and only until the end of 2029. The 0% regime gives 0% on qualifying income with no revenue ceiling and no expiry, but demands real substance, audited accounts, and transfer pricing records.

Qualifying Free Zone Person status is not a matter of choice, ideally anyone would choose it over SBR, because otherwise the person will lose qualifying free zone benefits for straight 5 years (including current year).

2.SBR for group entities

A Tax Group is treated as a single taxable person, so the AED 3 million revenue threshold is tested on the group's combined revenue, not member by member.

- **One test, not several.** A group whose combined revenue is AED 3 million or less can elect the relief, subject to the other conditions. A parent at AED 1.2 million with subsidiaries at AED 0.9 million and AED 0.8 million has combined revenue of AED 2.9 million and can potentially claim the relief.
- **The ceiling is for the group.** If combined revenue reaches AED 3.1 million the relief is unavailable, even though no single member exceeds AED 3 million. This is the same threshold discipline that stops a business being split to stay under the limit.

Note: This relief applies to entities forming a Tax Group, with SBR eligibility assessed based on the Tax Group's combined revenue.

3. Transfer pricing: The rule stays, the paperwork eases

A business that elects the relief will often still buy from or sell to related companies.

- **The arm's length principle continues to apply.** Transactions with related parties and connected persons must be priced as they would be between independent parties (Article 34 of the Corporate Tax Law).
- **Transfer pricing documentation is not required.** A business that elects the relief is not required to keep the master file or local file and does not file the related party disclosure with its return (FTA Small Business Relief Guide). Retaining the records is still advisable even though the law does not require formal files.

The arm's length principle also protects the AED 3 million threshold. Related party prices cannot be set below market value to hold revenue under the limit, and splitting a business into parts to stay under the limit is treated as an arrangement to gain a tax advantage, which brings the anti-abuse rule into play (MD 73 of 2023, Article 6, with Article 50 of the Corporate Tax Law).

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How KCM can support

KCM Consultants LLC helps eligible businesses decide whether to elect and keeps the surrounding compliance in order.

Eligibility and election

Assessment of the revenue position across periods and whether electing is the better outcome, followed by the election in the return.

Ongoing compliance

Registration, return filing and record keeping, so the relief is claimed without a gap in the underlying obligations.

Transfer Pricing review

Where relevant, a check of Transfer Pricing exposure that the relief does not switch off.

Please reach out to any of our team members below. We would be happy to discuss your specific position.

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Sources

- Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses, Articles 18, 21, 34 and 50
- Ministerial Decision No. 73 of 2023 on Small Business Relief, Articles 3 and 6
- Ministerial Decision No. 131 of 2026 amending the period for Small Business Relief
- Cabinet Decision No. 44 of 2020 on country-by-country reporting
- Cabinet Decision No. 142 of 2024 on the Domestic Minimum Top-up Tax
- Federal Tax Authority, Small Business Relief Guide
- Ministry of Finance media statement, 7 August 2026

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