

Corporate tax

Deductions Including Interest  
deduction

Small Business Relief

ADVENTANT MANAGEMENT CONSULTANCIES FZCO, DUBAI, UAE

[INFO@ADVENTANT.COM](mailto:INFO@ADVENTANT.COM)

+971 50 900 1975

# Deductions

## Expenditures:

- incurred for Business purpose is deductible, but not capital expenditure.

## General Interest expenditure:

- is limited to 30% of Accounting **Earnings Before Interest, Tax, Depreciation and Amortization (EBITDA)**.  
**(AED12Mn)**
- Interest expenditure disallowed may be carried forward and deducted – **10 Years**

## Interest expenditure – Related party loan:

- **No deduction**, if the loan is obtained for the payment of:
  - dividend or profit distribution to a related party,
  - redemption, repurchase, reduction or return of share capital to a related party,
  - capital contribution to a related party
  - acquisition of an ownership interest who is and becomes a related party following the acquisition
- The above article does not apply if it can be demonstrated that it is not to gain Corporate Tax advantage

## Entertainment expenditure:

- 50% of any entertainment expenditure (Meals, Accommodation, Transportation, Admission fees, facilities and equipment used for entertainment) for customers, shareholders, suppliers, etc.

## MINISTERIAL DECISION NO. 126 OF 2023

- Amount incurred in connection with raising finance such as guarantee fees, arrangement fees, commitment fees or any other similar fees will be considered as Interest
- If the Net Interest Expenditure for the relevant Tax period is up to **AED 12 Mn**, then General Interest Deduction Limitation Rule will not apply (30% of EBITDA)
- Exclude Exempt Income while calculating Interest deduction limit as per CT law-EBITDA
- The deduction of Interest Expenditure follows 'First In First Out Rule'(FIFO): Carried forward Net Interest Expenditure incurred in earlier Tax Periods is deducted in full to the extent allowable before the deduction of Net Interest Expenditure incurred in more recent Tax Periods or in the current Tax Period.

## MINISTERIAL DECISION NO. 73 OF 2023

- Revenue threshold for the **relevant Tax Period and previous Tax Periods** shall be AED 3,000,000 (three million dirhams) for each Tax Period
- The Threshold shall only continue to apply to **subsequent Tax Periods that end before or on 31 December 2026**.
- A Resident Person that elects to apply the Small Business Relief **must not be** any of the following:
  - a) A Constituent Company of a Multinational Enterprises Group
  - b) A Qualifying Free Zone Person.
- **Tax Losses** incurred in such Tax Period **cannot be carried forward** to any subsequent Tax Periods.
- **Net Interest Expenditure incurred** in such Tax Period **cannot be carried forward** to any subsequent Tax Periods
- Artificial Separation of Business - considered **an arrangement to obtain a Corporate Tax advantage**

adventant  
THANK YOU

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