

**MINISTERIAL DECREE NO. (712) OF 2016
CONCERNING THE INCENTIVES OF SMEs
MEMBERS TO ENTREPRENEURSHIP SUPPORTING
CORPORATIONS**

The Minister of Human Resources & Emiratization,

- HAVING REVIEWED FEDERAL LAW NO. (1) OF 1972 ON THE COMPETENCIES OF THE MINISTRIES AND POWERS OF THE MINISTERS AND ITS AMENDMENTS,
- FEDERAL LAW NO. (8) OF 1980 CONCERNING THE ORGANIZATION OF LABOR RELATIONSHIPS, AS AMENDED;
- CABINET RESOLUTION NO. (26) OF 2010 ON REGULATING LABOR RELATIONS AND DETERMINED BANKING GUARANTEES;
- CABINET RESOLUTION NO. (27) OF 2010 CONCERNING THE FEES AND FINES APPLICABLE TO THE SERVICES PROVIDED BY THE MINISTRY OF LABOR.

Decrees:

Article (1)

Wherever they occur in this Decree, the following terms and phrases shall have the meanings assigned to them herein, unless the context otherwise requires:

- **Entrepreneurship Supporting Corporations:** means the corporations, programs, funds or other legal entities licensed by the competent authorities of the UAE which aim to support Small and Medium Size Enterprises (SMEs) run by citizens.
- **Small-Size Enterprise:** an establishment owned and run by a citizen and being a member in the UAE-approved Entrepreneurship Supporting

Corporations and employing fifteen employees.

– **Medium–Size Enterprise:** an establishment owned and run by a citizen and being a member in the UAE–approved Entrepreneurship Supporting Corporations and employing sixteen to fifty employees.

Article (2)

For a small or medium–sized enterprise (SME) to be entitled to the benefits provided for in Article (3) hereof, the following conditions shall be met:

- (a) The owner of or all partners in the enterprise shall be a UAE citizen.
- (b) The SME shall be a member of a UAE approved Entrepreneurship Supporting Corporations.
- (c) The SME shall be run by the owner himself or a citizen manager.
- (d) SME’s owner may not have any other enterprises registered with the Ministry with any violations on them.
- (e) SME’s owner may not have more than five (5) enterprises owned or shared by him or in which he is a service agent.

Article (3)

1. SMEs, subject to a maximum of two SMEs owned by the same business owner, shall:
 - (a) be classified under Category 1 for five years.
 - (b) be exempted from bank guarantees.
2. To enjoy such benefits, the first issue of the SME license must be less than three years old. Otherwise, the SME shall only enjoy the benefit specified in Clause (a) of this Article, provided that the license first edition may not be over five years old.

Article (4)

1. Without prejudice to any procedures or fines provided for under the resolutions governing the payment of workers' wages, the exemption

of SMEs from the bank guarantee shall be cancelled and they must pay the applicable guarantee if the SME fails to pay workers' wages for more than two consecutive months.

2. Without prejudice to any other applicable procedures or fines, SMEs shall be declassified and reclassified according to the applicable criteria of classification of enterprises in the following cases:
 - If the SME employs allows its workers to work for third parties without a license from the Ministry or employs the workers of other enterprises for its own works without a license from the Ministry or the employment relationship between the SME and its workers proves to be formal.
 - If the SME is sold or transferred to another person without notifying the Entrepreneurship Supporting Corporations.
 - If the Ministry finds that the SME is run by a person other than its owner or a citizen manager.

Article (5)

In all cases, an SME shall be reclassified according to the applicable criteria of classification of enterprises and applicable criteria five years after the date of enjoying the first-class classification.

In addition, SMEs shall be reclassified according to applicable criteria of classification of enterprises and other applicable criteria if its workers exceed fifty. In this case, the exemption from guarantee shall remain effective, without prejudice to Article 4 hereof, unless the number of workers exceeds one hundred, in which case, the SME may not be subject to this Resolution, and shall be subject to the general provisions governing bank guarantees.

Article (6)

- (a) SMEs shall enjoy and be deprived from benefits provided for in Articles

3 and 4 hereof by a decision from the Minister or the person acting on his behalf.

- (b) The Undersecretary, or the person acting on his behalf, shall issue the Executive Regulation hereof according to the Methodology of Development and Management of Services approved by the Ministry.

Article (7)

This Resolution shall be published in the Official Gazette and shall become effective as of 01/10/2016.

Saqr Ghobash

Minister of Human Resources & Emiratization

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