

# THE DEFINITION OF MICRO, SMALL & MEDIUM ENTERPRISES (MSMEs) OF DUBAI

## REFERENCE MANUAL

First Edition  
2009



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"Always remember, the human mind, once stretched by new ideas, never returns to its original state, it keeps growing"

His Highness Sheikh Mohammed bin Rashid Al Maktoum









HE Sami Dhaen Al Qamzi  
Director General,  
Department of Economic Development  
Government Of Dubai

The Dubai economy has come a long way since the birth of the Emirate some four decades ago. Through the bold vision of our past and present leaders, Dubai has become a truly global city. Being open and welcoming to business and talent from all over the world has been a hallmark of our success and we will continue to implement such strategies to strengthen our position on an international scale.

Underpinning Dubai's economy is a vibrant small and medium enterprise (SME) sector. Like many international economies, the SME sector plays a critical role in driving growth and development of our economy. The sector contributes at least half of Dubai's Gross Domestic Product (GDP) and employs around two-thirds of the workforce. In addition, the SME sector is the source of entrepreneurship and innovation and plays a critical supporting and supplier role to many large players in the business value chain.

During economically challenging times, the SME sector has proven to be the linchpin for sustainability, and has at times even expanded and created jobs - Dubai is no exception.

The Government of Dubai, in co-ordination with the Federal Government, is committed to taking a pro-active role in the development of the SME sector. It will create and strengthen the enabling conditions for businesses to start, build and grow to be tomorrow's global leaders. The focus on the SME sector will also serve as a platform for the Government's continued economic diversification strategy to take advantage of opportunities to develop new economic sectors.

Vital to this, is the formalization of the official SME definition which the Mohammed Bin Rashid Establishment for SME Development, an agency of the Department of Economic Development, has developed. This definition will now serve as a crucial starting point for the Dubai Government and its stakeholders to develop and implement initiatives to grow and strengthen the SME sector.

I am hopeful that the SME Definition Reference Manual will be useful to all stakeholders with an interest in the development and sustainability of the SME sector in Dubai.



HE Abdul Baset Al Janahi  
Chief Executive Officer  
Mohammed Bin Rashid Establishment for SME  
Development

It is widely acknowledged that Small and Medium Enterprises (SMEs) play a crucial role in the economic development of any economy. They are the primary source of entrepreneurship, innovation and employment creation. The economy grows when SMEs grow. During economic downturns, SMEs provide the bedrock of stability to the economy. Being small and nimble, they are more resilient and can adapt to changes much faster compared with larger enterprises.

According to a study done by Mohammed Bin Rashid Est. for SME Development, it was found that 98.5% of Dubai's enterprises are SMEs, employing 61 % of the total workforce of the emirate. Like the other economies, the Dubai's SMEs provide stability and prosperity to the economy. It generates new businesses and employment all the time irrespective of the ups and downs of the business cycle. We therefore cannot afford to ignore the SME sector. Our future economic policies must therefore incorporate and integrate SME development policies.

To this end, I am pleased that the Mohammed Bin Rashid Establishment for SME Development, together with its stakeholders, has developed a clear and comprehensive definition of SMEs in Dubai. This is the first of its kind in the UAE. The definition opens new opportunities for developing Dubai's SME sector. With a common language to define SMEs based on turnover and employment size, the Mohammed Bin Rashid Establishment for SME Development will be in a better position to drive the growth and development of the SME sector through policy advocacy and core initiatives. These policies and initiatives will be crucial in supporting the larger economic strategies of the Emirate in co-ordination with all key stakeholders in the public and private sectors.

I am hopeful that the SME definition will generate keen interest in the development of the Dubai SME sector and the UAE at large. This manual will serve as first step in building this interest. I trust you will find it useful.

## Acknowledgements

The Mohammed Bin Rashid Establishment for SME Development wishes to acknowledge the efforts of the Technical Working Group (TWG) which was formed to ensure that various perspectives about SMEs and how they ought to be defined were considered.

Additionally, the purpose of the TWG was to ensure that the SME Definition is authoritative, comprehensive and robust; and to facilitate its broader adoption amongst intended users and stakeholders.

The TWG comprised esteemed members from:



Special acknowledgment is also due to the Federal Ministry of Economy and the UAE Central Bank for their inputs and encouragement for this critical project.

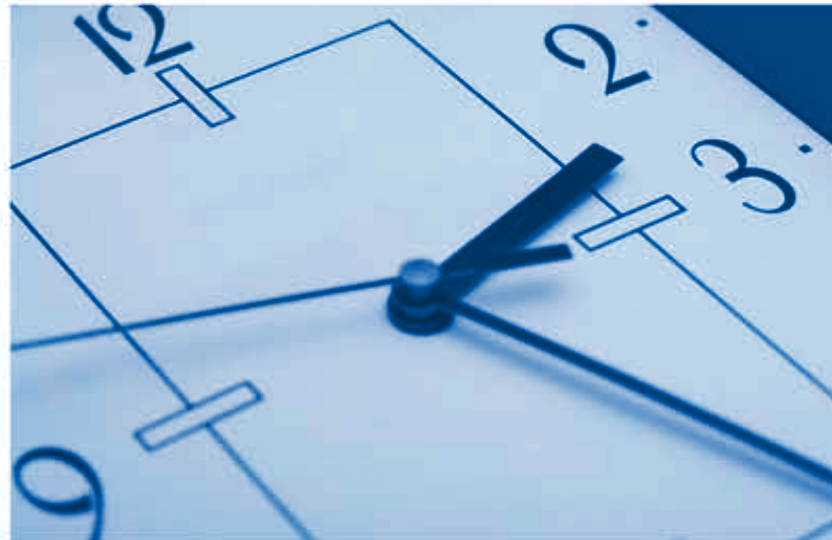
In addition, the Establishment wishes to acknowledge

- Stakeholders from the banking and finance community as well as freezone authorities, whose inputs and opinions were elicited as part of the 'Stakeholder Assessment Exercise'\* carried out in Phase 1 of the project and;
- Businesses that participated in the SME Business survey carried out as part of the Definition Development process.

These inputs formed the research framework on which the basis of the definition has been built.

\* The Stakeholder Assessment and Business Survey were part of the key building blocks within the SME definition development process





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## Historical Snapshots of Dubai's Development



## The Vision of Sheikh Rashid Bin Saeed Al Maktoum

H.H. Sheikh Rashid Bin Saeed Al Maktoum  
( 1912 - 1990 )

Sheikh Rashid, was the ruler of Dubai from 1958 - 1990, Well loved and greatly respected by the residents of Dubai, Sheikh Rashid ruled the emirate with compassion and with a clear vision of what was required in order to transform Dubai into a modern city. Driven by this vision, Sheikh Rashid accomplished what many believed to be impossible.

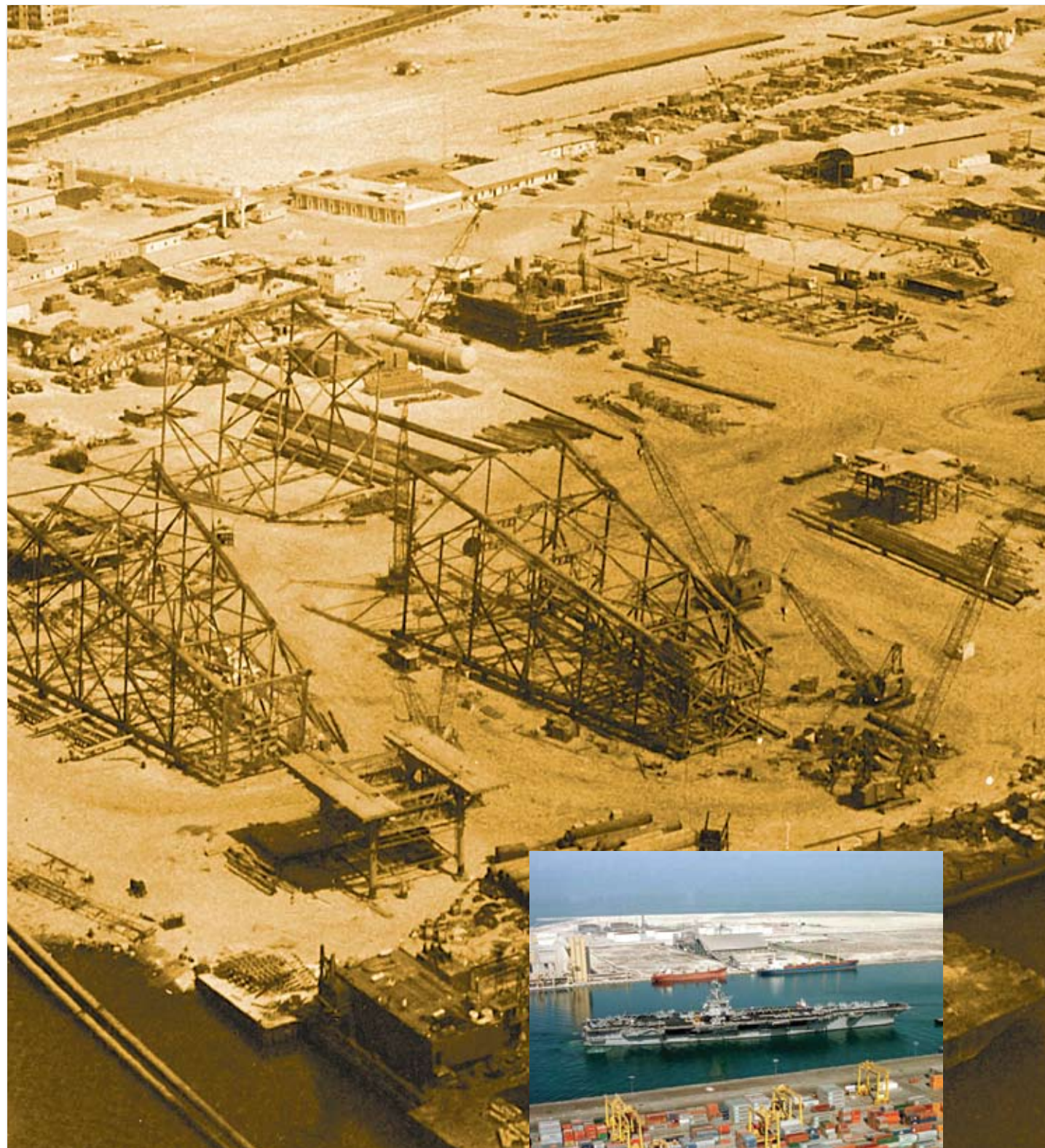
As the first-born son of Sheikh Saeed, he involved himself at an early age in the politics of the emirate. He frequently attended his father's Majlis. Ever curious, he would listen intently to each man's dilemma or opinion. Eager to comprehend the minutiae of governing a state, he would spend long hours questioning his parents about the events of the day.

Sheikh Rashid's hands-on approach called for a disciplined daily schedule. Twice daily he would tour Dubai to see for himself how the projects were progressing. Sheikh Rashid was never satisfied with a simple explanation; instead he wanted to have a detailed understanding of every project undertaken in Dubai. Furthermore, these inspections provided him with the opportunity to meet with the man on the street.

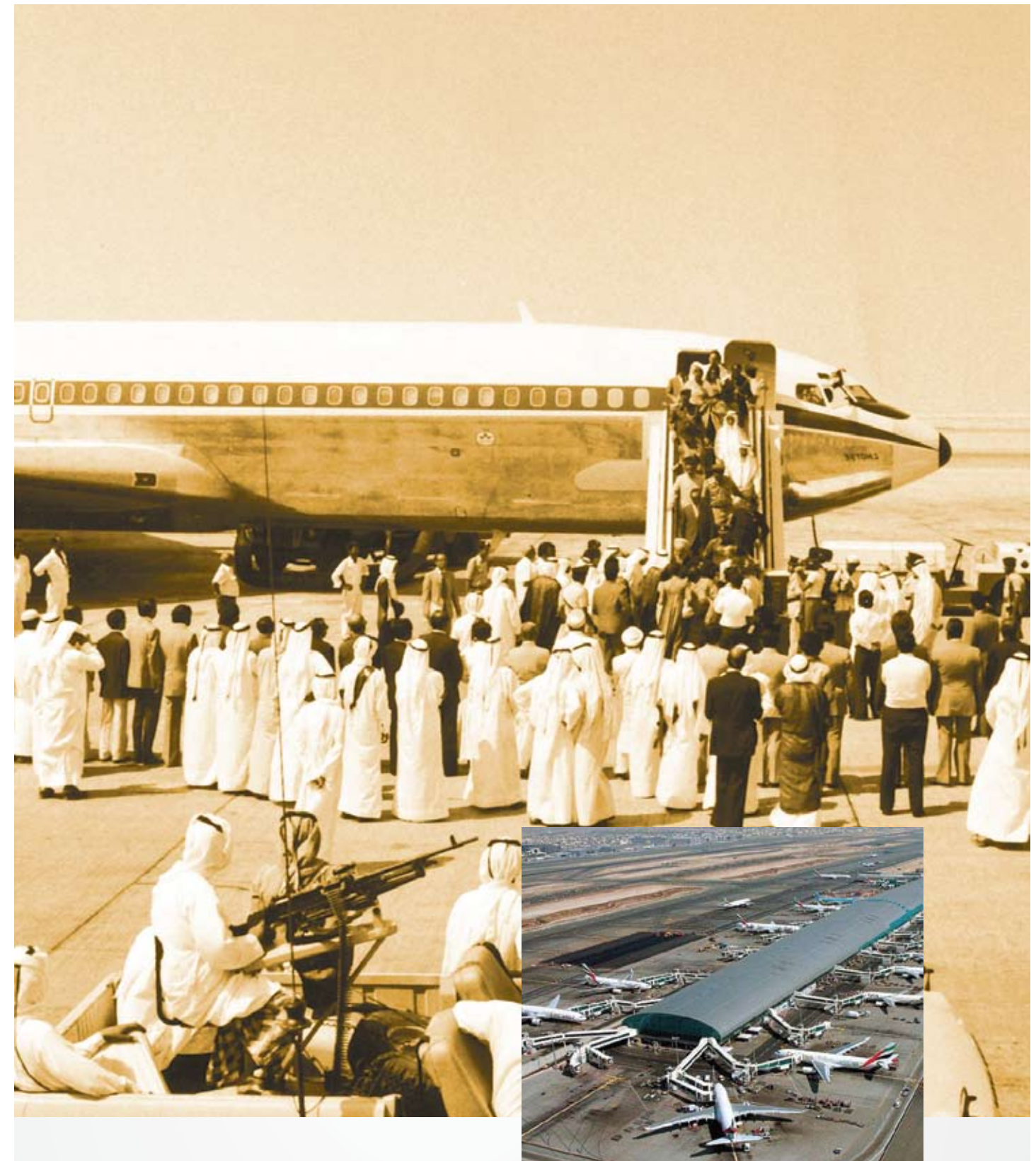
Determined in his unfaltering belief that a modernized Dubai could be achieved, Sheikh Rashid initiated numerous remarkable developments in his city-state. Projects viewed as impossible by many members of society (including foreign nationals), were seen as challenges by the Ruler. Examples of such projects include the Al Maktoum Hospital, the first modern hospital in the UAE; the Al Maktoum Bridge, which spanned the Creek, joining Dubai with Deira and eliminating the long trip around the head of the Creek; and Dubai Airport, which bore immediate reward as demand for seats grew much faster than anticipated. The airports and bridge projects showed clearly that Dubai's infrastructure planning was hardly ever just a response to the immediate needs of the community; it was clearly linked to the ambitious ideas about the vision and future development of Dubai.

On October 7, 1990, Sheikh Rashid died. He left behind a legacy visible in the town planning of Dubai. Though scarcely a whisper marked his birth in 1912 in a place which few outsiders at the time had even heard of, Sheikh Rashid had laboured to develop Dubai and later the United Arab Emirates into a lasting and sustainable country.



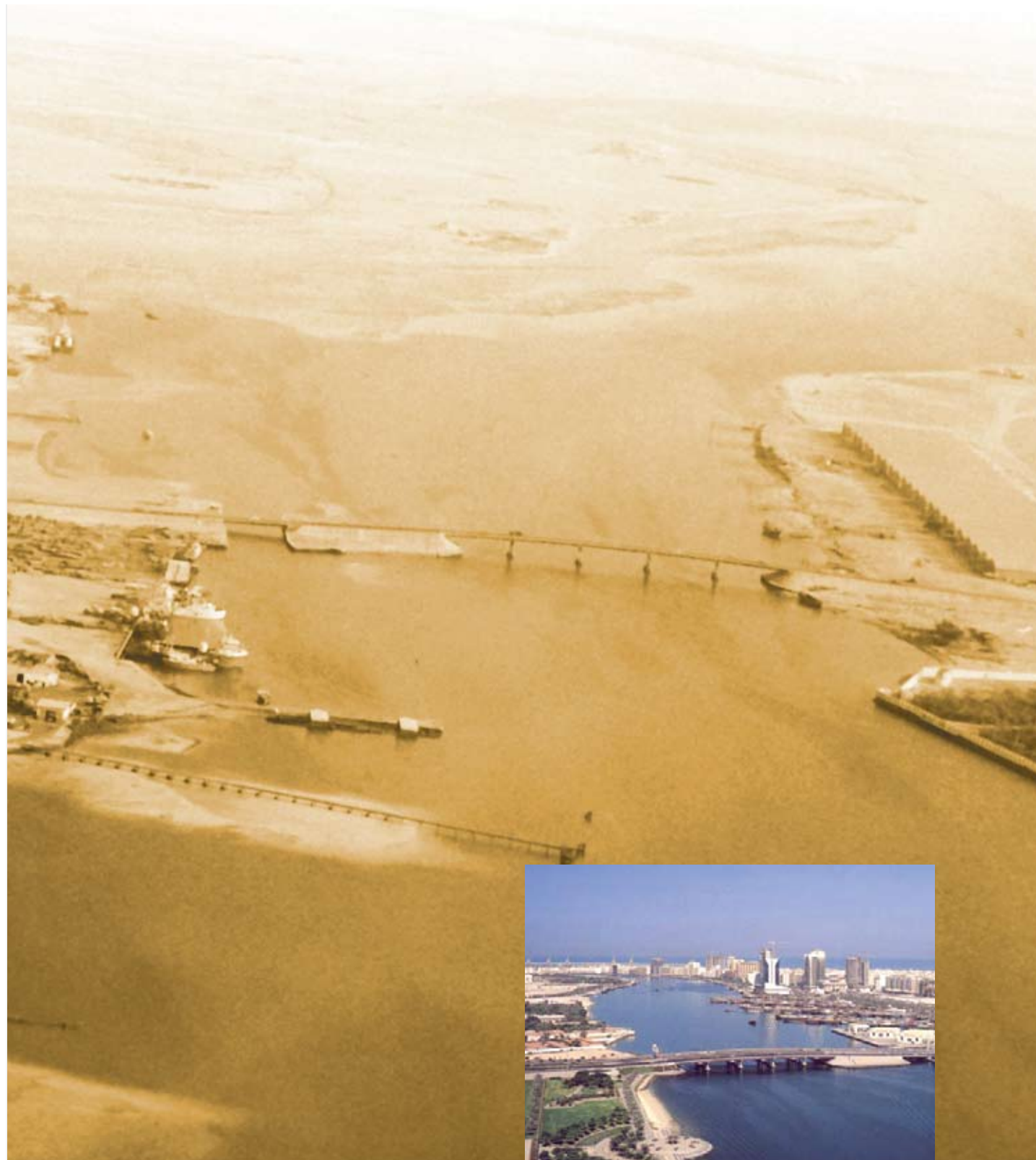


Jebal Ali Port

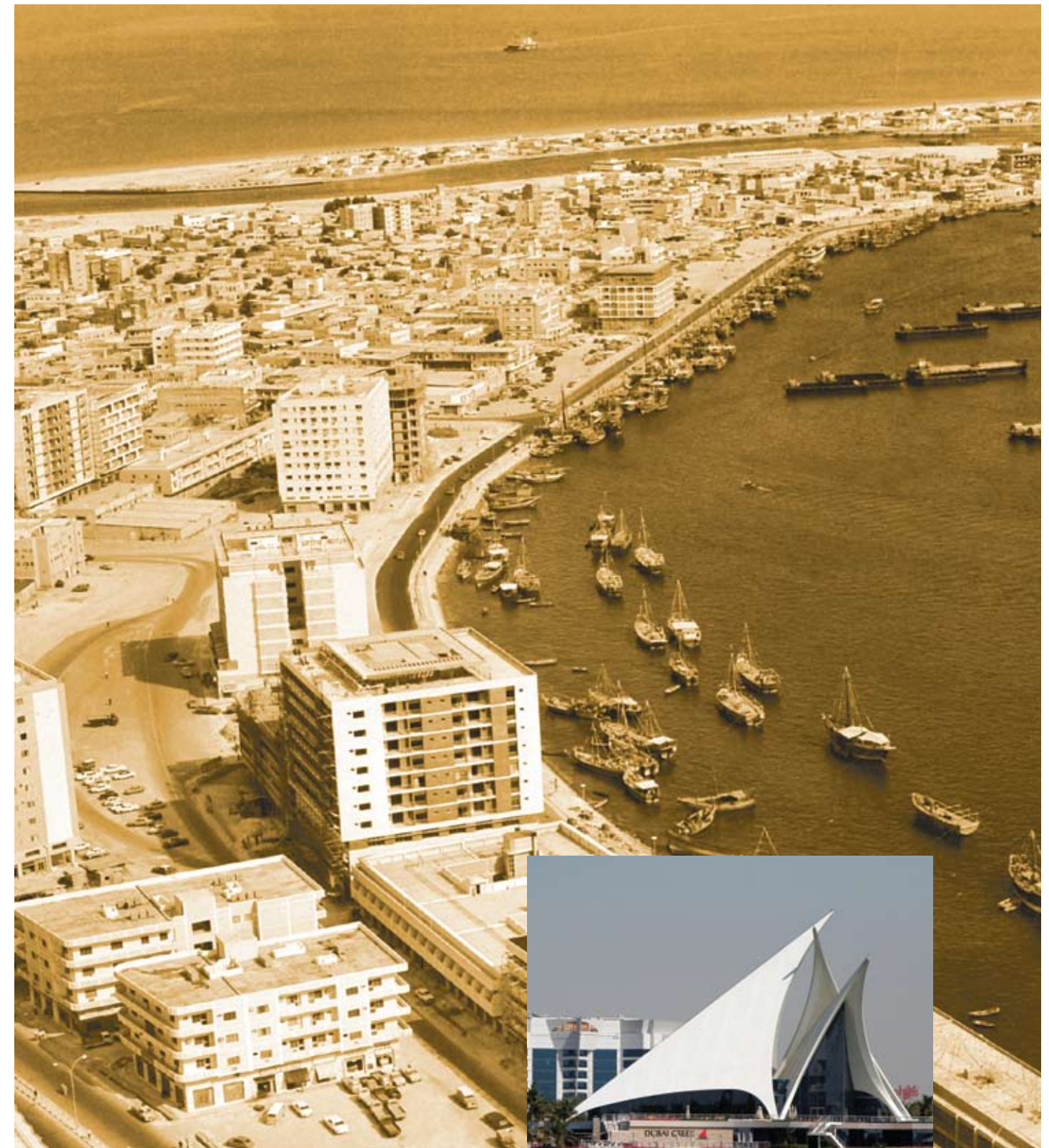


Dubai Airport





Al Maktoum Bridge



The Creek





## THE VISION OF SHEIKH MOHAMMED

H.H. Sheikh Mohammed Bin Rashid Al Maktoum, Vice President and Prime Minister of the UAE and Ruler of Dubai

On January 1995, His Highness Sheikh Mohammed bin Rashid Al Maktoum was appointed Crown Prince of Dubai. H.H continued the development process which his father, Sheikh Rashid had commenced.

H.H Sheikh Mohammed has been able through launching strategies and initiatives that cover all sectors, to enable Dubai to occupy a recognized international standing. Thanks to his wise leadership, Dubai has become a destination that attracts many nationalities from all over the world.

H.H was able, due to his ambitious vision and wisdom, to push the wheel of progress and promote the Emirate to the highest peak of success and glory. Sheikh Mohammed's powerful vision is reflected on Dubai being able to overcome all challenges and to achieve his ambitious plans.

The most significant achievement of Dubai over the past years and during his government was his success in restructuring the Emirate economy, by increasing the contribution of the non-oil sectors in the Emirate's economy. It is through the development of plans, strategies and initiatives that Dubai has firmly established its pace on the path of development under the vision and aspirations of His Highness Sheikh Mohammed bin Rashid Al Maktoum.

To achieve his ambitious visions, H.H recognized the importance of investing in the excellent geographic location of the Emirate. Accordingly, massive projects took place on the ground of the Emirate while others

took place on the surface of the sea.

Sheikh Mohammed recognized that in order to overcome any challenges, a new thinking and attitude were required.





Burj Al Arab



Dubai Metro





Palm Jumeirah



Atlantis





## THE VISION OF SHEIKH HAMDAN

H.H. Sheikh Hamdan Bin Mohammed Bin Rashid Al Maktoum  
Crown Prince of Dubai

H.H. Sheikh Hamdan bin Mohammed bin Rashid al Maktoum, is the Crown Prince of Dubai and the second eldest son of Sheikh Mohammed bin Rashid Al Maktoum.

Sheikh Hamdan began his schooling at the Rashid Private School in Dubai, and then continued his studies in the United Kingdom. He studied in Sandhurst Royal Military Academy, one of the best military schools in the world, and later attended the London School of Economics.

Sheikh Hamdan displays skilful characteristics and exceptional leadership qualities, which he acquired from his father, His Highness Sheikh Mohammed bin Rashid Al Maktoum, Vice-President and Prime Minister of the UAE and Ruler of Dubai.

In September 2006, Sheikh Hamdan was appointed Chairman of the Dubai Executive Council, entrusted with the task of overseeing the Dubai Government entities. He is also the President of the Dubai Sports Council and the Dubai Autism Centre. In February 2008, H.H. Sheikh Mohammad Bin Rashid Al Maktoum appointed Sheikh Hamdan Bin Mohammad Bin Rashid Al Maktoum as the Crown Prince of Dubai.

Sheikh Hamdan is also the driving force of the Dubai Strategic Plan 2015. To develop entrepreneurs and Small and Medium Enterprises (SMEs), His Highness has highlighted that the UAE Government Strategy and the Dubai Strategic Plan (2015) placed a significant emphasis on the small and medium businesses, and ensured that greater attention and support will be given to entrepreneurs and SMEs in order to create a conducive environment for them to start and grow their businesses.

To drive his vision of cultivating the entrepreneurial spirit of the UAE nationals and developing the SMEs sector in Dubai, the Mohammed Bin Rashid Establishment for SME Development has over the last 7 years focused on catalysing entrepreneurship through its outreach programmes, and supporting entrepreneur development through various services such as development advisory, funding, market access, training and capability development.

Since 2002, under HH Sheikh Hamdan's patronage, the Establishment has achieved remarkable success. To date, more than 9,000 UAE entrepreneurs have received development advisory services, 250 businesses have been incubated and more than AED 720 million worth of government contracts have been awarded to members of the Establishment.





## Background & Objectives

Micro, small and medium enterprises (MSMEs)\* are the engines for economic growth and a vital contributor to the economy's Gross Domestic Product (GDP). They are a major source of entrepreneurial skills, innovation and employment.

***In the Emirate of Dubai MSMEs account for nearly 50% of UAE's MSME population. MSMEs are estimated to employ around 61% of the total work force of Dubai.***

However, MSMEs are often faced with various market challenges that may impede their formation and growth. They frequently face difficulties in obtaining capital or credit, particularly in the early start-up phase. Their relatively small size and restricted resources may also reduce their access to new technologies and market opportunities. Governments have an important role to play in fostering the creation and growth of MSMEs, through the formulation of enabling policies and measures focused on creating a pro-business environment.

In fact, government support for MSME development must be directly linked to the overall plan for economic growth, job creation and social cohesion. In this regard, the Dubai Government is committed to the establishment of an economic framework facilitating the growth, promotion and development of the country's MSME sector.

One of the most fundamental aspects of such a framework for the development of MSMEs is a common working definition of MSMEs- such a definition is crucial as the input parameter for most economic policy and development programmes. In accordance with this objective, the Government of Dubai, led by the Mohammed Bin Rashid Establishment for SME Development an agency under the Department of Economic Development, has taken

the initiative to develop, establish and promulgate an authoritative MSME definition for Dubai.

To guide users on how to define MSMEs in Dubai a reference manual has been developed.

This manual explains and illustrates the various criteria to determine the qualification of MSME status for any business entity under consideration, as laid out within the proposed SME definition.

This definition should be used as the basic checkpoint for MSME status in combination with other parameters by respective institutions / organizations in evaluating applications from businesses regarding MSME programs related to financing, market access, technology upgradation, business improvement and / or any other government / institutional support intended to develop the MSME sector.

The MSME Definition reference manual is primarily designed for use by government institutions, semi-government bodies, academic & research institutions, banks & finance institutions, statistics centres and any private sector organizations that may have interests in the MSME sector.

\* The terms MSMEs and SMEs (Small and Medium enterprises) are used interchangeably in this reference manual.

## Background & Objectives

### The MSME Calculator

As a complement to the MSME definition reference manual, an MSME Status Calculator has also been designed. The calculator will serve as an easy tool to evaluate, assess and determine the qualification of MSME status by the business applicant under consideration.

The MSME calculator incorporates various inputs required to assess the eligibility of the applicant enterprise i.e. inputs on the applicant's data (employees, turnover), inputs on the business's relationships (partnerships and linkages) and other criteria required to assess the applicant's eligibility for MSME status.

Once all the required inputs have been keyed in, the key output of the calculator is to determine whether the enterprise applicant qualifies for MSME status as well as the Enterprise Category (Micro / Small / Medium / Large).

## Rationale & Importance of a Common MSME Definition

It is essential that policies and measures designed for SME development are based on a common definition to improve their consistency and effectiveness, and to limit distortions of competition. Further, the common definition serves as a reliable tangible tool to measure the performance of the SME sector within the overall economy over a period of time.

In essence, the SME definition serves as a 'common language' that leads to convergence of multiple stakeholders engaged in various SME development

roles and activities. Additionally, it serves as a baseline and framework for operationalizing multiple initiatives aimed at and directed towards the development of SMEs as an engine for economic growth.

### Illustration 1: Purpose of a common definition of SMEs



## Rationale & Importance of a Common MSME Definition

### Illustration 2: Framework for SME Development



To put the SME definition in context, it is also important to understand the SME Development Roadmap that the Mohammed Bin Rashid Establishment for SME Development has developed to guide its SME development strategy over the next few years. There are five components of the roadmap as follows:

- Base-lining and Research
- Strategy and Plans
- Policies and Programmes
- Decrees
- SME Stakeholder Engagement Platforms

With the SME definition in place, it will form the starting point for the Establishment to roll out its SME strategy and supporting initiatives.

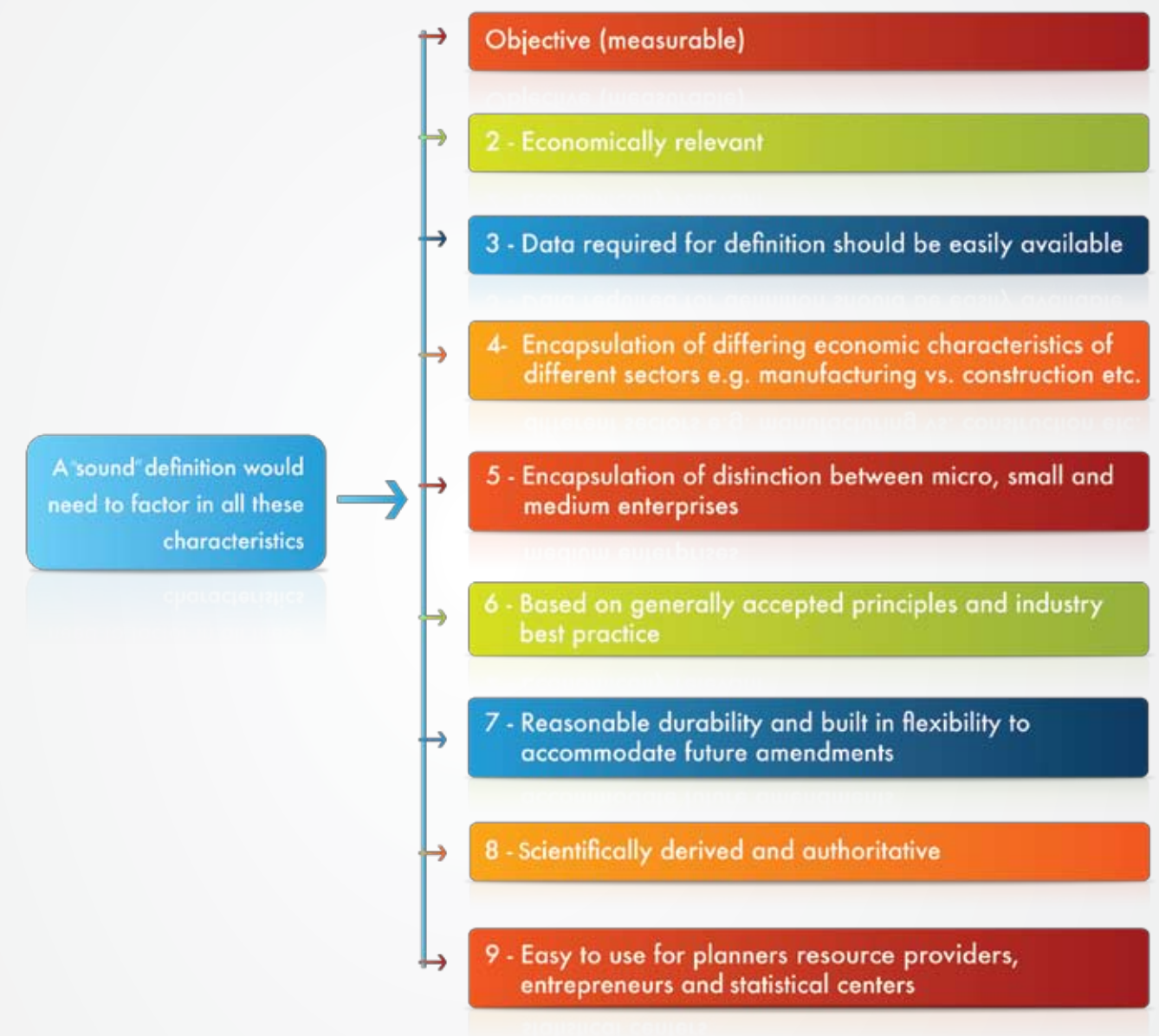


Illustration 3: Potential framework for focused SME programs and policies



I. All characteristics that define a "sound" definition were kept in perspective in developing the definition

Illustration 4: Characteristics of a good definition



II. The definition developed has been systematically derived, combining various building blocks that have gone into the definition development process as illustrated



Illustration 5: Framework of definition development inputs



All these building blocks formed the framework for the MSME definition.

III. The definition is intended to serve as a baseline and framework for operationalizing multiple initiatives aimed and directed towards the development of SMEs as an engine for economic growth. Its is in essence the 'common language' that will potentially lead to convergence of multiple stakeholders engaged in various SME development roles and activities and is seen as a fundamental step towards the comprehensive and sustained growth of the Emirate's SME sector.

In the current economic situation, where there is no officially accepted SME definition in the UAE, the proposed definition is seen as the first step for the establishment of a comprehensive definition applicable for the country. In line with international best practice, the definition should be reviewed periodically (at least once in 3 years) to ensure its sustained validity and conformance with the dynamic economic structure of the Emirate's SME sector.

IV. All businesses with a legal status will be considered within the purview of the definition e.g. within Dubai, businesses registered with Department of Economic Development (DED) as well as those registered in free zones are included.

V. The definition is designed as the common language for various aspects of the SME business environment and development – i.e. the definition is designed to generically serve multiple purposes including accessing financing, facilitating market access, improving technology adoption, enhancing competitiveness and productivity and creating jobs.

To that effect, the definition is not devoted to any single organization's core objectives and mission; but rather for use and adoption by multiple stakeholders involved across various aspects of SME development. Accordingly, the definition attempts to weigh in

differing and often conflicting perspectives on MSME definition; and ultimately attempts to represent a balanced viewpoint.

VI. Various Government policies in the UAE and Dubai have stressed on enhancing the participation of UAE Nationals in the private sector. Accordingly, it is likely that some of the programs relating to SMEs may have focus on national entrepreneurship and employment. Nevertheless, it is recognized that government institutions running such programs should have the flexibility to design their own respective criteria for nationalization objectives. Accordingly, the SME definition does not seek to provide conditions for UAE National involvement in businesses, and expects such conditions to be added by respective government organizations as per their policy focus.

Therefore, there is no explicit clause / condition of minimum UAE National equity or employment attached to the definition. Consequently, the definition will not be affected by any potential changes to the local equity requirement / regulation for business registration e.g. the 49%: 51% ownership regulation in Dubai (or any proposed amendment thereof).

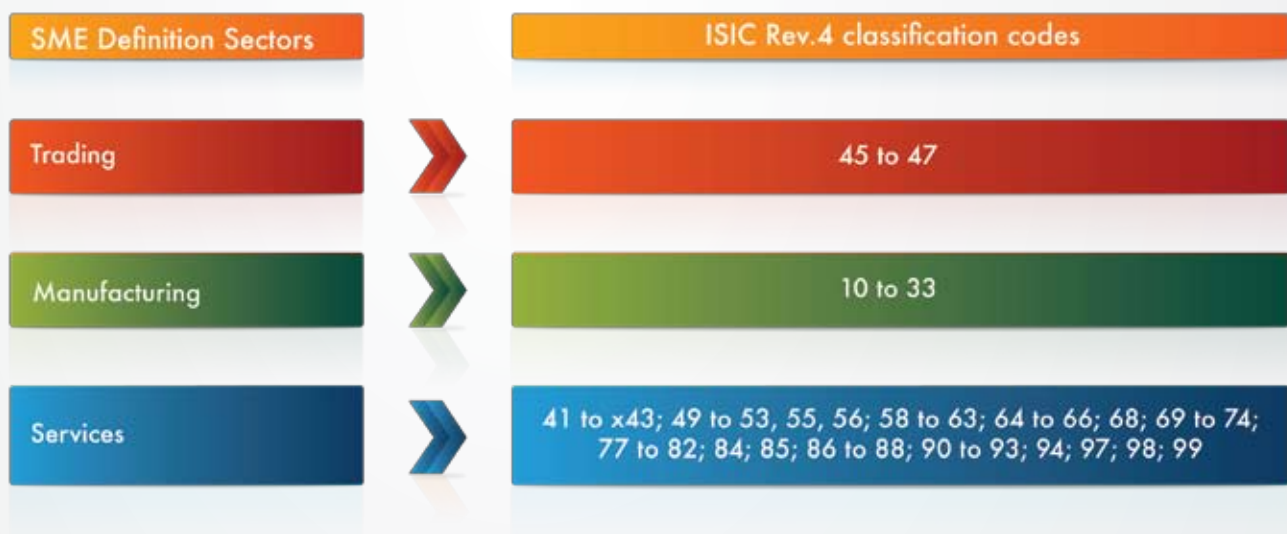
# Key Premises of The MSME Definition

VII. The definition recognizes the SME landscape to be characterized by 3 broad industry groups – Trading, Manufacturing and Services (SME Definition Industry Sectors). The definition is built around the premise that potentially, any industrial classification scheme can be mapped to these broad Industry Groups. To this effect, there is due flexibility provided within the definition to map any industrial classification schema to it.

E.g. The following classification map shows the various sectors of ISIC Rev. 4 mapped against the broad industry groups (\*\*The ISIC Rev. 4 Classification is the industrial classification scheme followed by the DED, Dubai and Dubai Statistics Centre).

The definition does not seek to exclude any legal business activity; however discretionary application of the definition is warranted for certain lines of activity (classification codes relating these activities have not been explicitly highlighted in the Industrial Classification map below).

Illustration 6: Sector – Industry Classification Mapping (illustrative for ISIC Rev. 4.0)



\*\* For detailed reference to the ISIC Rev. 4 Classification Scheme, please refer to the Annexure

# Key Premises of The MSME Definition

VIII. As mentioned earlier, the definition is meant to serve as a guideline for the use, application and adoption by multiple SME focused entities including government, semi-government authorities, academic research institutions and banks/ financing institutions. It is expected that individual entities may choose to adopt and apply the definition flexibly as per their discretion in combination with additional parameters e.g. A government entity focused on promotion of exports may choose to introduce “export-orientation” as an additional criterion supplementary to the criterion for SME qualification.

IX. The definition could be extended to cover startups – in this case, the SME status qualification would be based on projected sales and employee headcount as per the business plan / business projections. The key guiding principle in using projected turnover and employee count is to test whether the applicant business would be considered an SME when it matures into stable business operations. For most businesses, the third year since startup is typically seen as the point of stable operations. However, validation of the business plan / projections is the prerogative of the entity evaluating the startup applicant.



# The MSME Definition – Features, Design & Interpretation

## MSME Definition

A MSME is defined as any enterprise which meets the thresholds of employee headcount AND turnover as applicable to the industry group it belongs to (Trading / Manufacturing / Services) as specified within the SME Definition Construct.

For the purpose of the MSME definition, an enterprise is defined as ‘an entity engaged in an economic activity, with a legal form i.e. registered as a business either with a Commercial Registry (e.g. DED) or with a freezone / industrial zone authority.

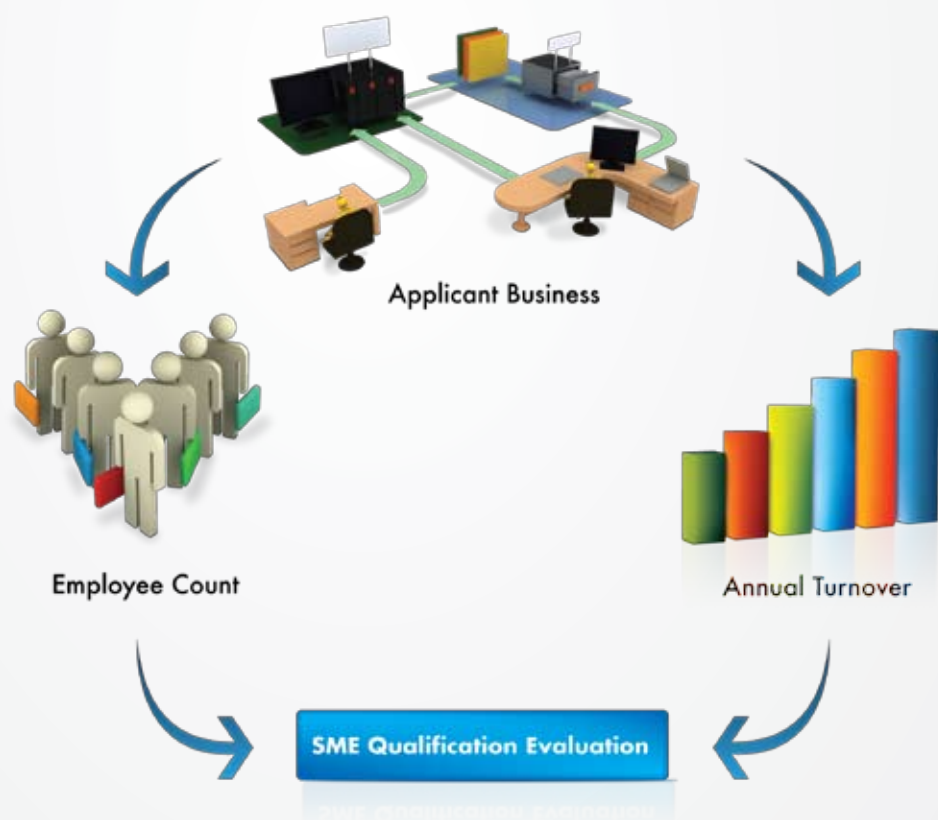
The MSME definition is a combination of the Employees Headcount AND Turnover parameters.

It is compulsory for a business to qualify on both parameters i.e. Employee Headcount AND Turnover for qualification.

Further, the definition construct presents corresponding thresholds for:

- Three broad industry groups: Trading, Manufacturing, Services (as detailed in the Industry Classification map, all sectors within the ISIC Rev. 4 Classification have been mapped against the 3 definition sectors)
- Size-based classifications of businesses: Micro, Small and Medium

## Illustration 7: Criterion for SME Definition



# The MSME Definition – Features, Design & Interpretation

## SME Definition Construct & Category Thresholds

The thresholds for the cross – sections of Industry Group and Enterprise Category are presented in the following Definition Construct

## Illustration 8: SME Definition Construct with corresponding thresholds

Enterprise Category	Industry Group					
	Trading		Manufacturing		Services	
	Employees	Turnover	Employees	Turnover	Employees	Turnover
	Headcount	(AEDmn)	Headcount	(AEDmn)	Headcount	(AEDmn)
Micro	<= 9	<= 9	<= 20	<= 10	<= 20	<= 3
Small	<= 35	AND <= 50	<= 100	AND <= 100	<= 100	AND <= 25
Medium	<= 75	<= 250	<= 250	<= 250	<= 250	<= 150

### Within Trading:

- A micro business is any enterprise with less than or equal to 9 employees AND a turnover of less than or equal to AED 9 million
- A small business is any enterprise with less than or equal to 35 employees AND turnover of less than or equal to AED 50 million
- A medium business is any enterprise with less than or equal to 75 employees AND turnover of less than or equal to AED 250 million
- Any enterprise with greater than 75 employees OR turnover greater than 250 million will be considered ‘large’

### Within Manufacturing:

- A micro business is any enterprise with less than or equal to 20 employees AND a turnover of less than or equal to AED 10 million
- A small business is any enterprise with less than or equal to 100 employees AND turnover of less than or equal to AED 100 million
- A medium business is any enterprise with less than or equal to 250 employees AND turnover of less than or equal to AED 250 million
- Any enterprise with greater than 250 employees OR turnover greater than 250 million will be considered ‘large’

## The MSME Definition – Features, Design & Interpretation

### Within Services:

- A micro business is any enterprise with less than or equal to 20 employees AND a turnover of less than or equal to AED 3 million
- A small business is any enterprise with less than or equal to 100 employees AND turnover of less than or equal to AED 25 million
- A medium business is any enterprise with less than or equal to 250 employees AND turnover of less than or equal to AED 150 million
- Any enterprise with greater than 250 employees OR turnover greater than 150 million will be considered 'large'

### Definition Features

Some of the key features of the definition are as follows:

- The definition is 'robust', derived from the fact that it requires both employee AND turnover criterion for qualification.
- The industry-enterprise class thresholds reflect and represent the varying and unique sector-specific characteristics associated with Trading, Services and Manufacturing.  
E.g. The employee headcount to turnover ratio for Trading across each enterprise class is lower than corresponding ratios for Manufacturing and Services. This reflects a typical characteristic of Trading firms.
- The definition reflects coverage of between 97% and 99% businesses qualifying as SMEs across Industry groups i.e. total proportion of businesses less than 75 employees AND turnover less than or equal to AED 250 million in Trading; less than or equal to 250 employees AND turnover less

than or equal to AED 250 million in Manufacturing and less than or equal to 250 employees and turnover less than or equal to AED 150 million; is found to be between 97% and 99% (in conformance with 'typical' landscape structures found across various countries).

- The design of the definition construct is in conformance with international best practice.
- The thresholds for various enterprise classes i.e. Micro, Small and Medium reflect the 'best fit' pyramid business landscape structure, elicited from the study of international economies and business landscapes.
- The threshold setting approach also reflects a developmental perspective to ensure adequate coverage of businesses that are deemed to qualify as MSMEs

## The MSME Definition – Features, Design & Interpretation

### Illustration 9: Definition Features



The proposed definition has been developed keeping in perspective a balanced approach to incorporate conformance to international practice, sector realities, coverage of business qualifying an SME and required stringency of definition required for definition 'robustness'



## The MSME Definition – Features, Design & Interpretation

### Interpreting the Definition

#### Definition of Indicators: Employee Headcount

The employee headcount is a crucial and primary criterion for determining the enterprise category that the business applicant would fall in. It covers full-time, part-time and seasonal staff and includes thereof:

- Employees,
- Persons working for the enterprise being subordinated to it and considered to be employees under national law,
- Owner-managers,
- Partners engaged in a regular activity in the enterprise and benefiting from financial advantages from the enterprise.

Apprentices or students engaged in vocational training with apprenticeship or vocational training contracts that do not feature on the rolls of the business will implicitly not be included in the headcount / number of employees.

An employee is defined as a person in the service of another under any contract of hire, expressed or implied, oral or written, where the employer has the power or right to control and direct the employee in the material details of how the work is to be performed.

In any business /commercial setting, where the employer conceives of a productive activity, generally with the intention of generating a profit; the employee contributes labor to the enterprise, in return for payment of wages.

*In summary, an employee is any person:*

- *Who is engaged in economic activity pertinent*

*and relevant to the business, within the realms of running / operating, maintaining and administering the business and*

- *Receives as reward for service rendered to the business, a payment of salary / wages*

In order to determine **headcount**, the system of Annual Work Units (AWU) will be applied by the applicant business. The system is explained ahead:

#### System of Annual Work Units (AWUs)

1. *All full time employees who have worked for the full year will be counted as 1 unit*
2. *For seasonal, part time employees and those employees who worked for a part of the year; the headcount will have to be proportioned as per the time (in months) that the employee has spent in the organization within the year*

*e.g. If a Construction Company employees 50 contract workers for 6 months for the reference period in question; the headcount would be taken as  $6/12 \times 50 = 25$*

Additionally, the position of headcount has to be taken with respect to the reference period (i.e. accounting year in question)

#### Definition of Indicators: Turnover

Turnover is the other fundamental component of the definition and is defined as follows:

- Turnover is the revenue or sales value, i.e. the income that a business receives from the sale of goods / services to customers
- This component is expressed as a value (in AED) and not the volume of goods or services sold – in effect, it is the money value of the goods and services sold by the company during the period of account (12 months)

## The MSME Definition – Features, Design & Interpretation

- Turnover is also defined as the ‘top line’ component of the business’s Profit & Loss account and takes into consideration the value of income earned by the business by engaging in activities within the course of its normal business operations
- *It does not include ‘Other Income’ or ‘Non-operating Income’ such as income from interest, dividends or royalties paid to the business by other entities*
- The term ‘turnover’ is not interchangeable with Net Income or Net Profit which is the Net earnings of the business, net of all direct and operating expenses, interest charges on borrowings and tax payments
- Similarly, the term turnover is distinct from Output, where Output is derived as Value of Sales less Direct Costs expensed in the production of the good / service<sup>2</sup>
- The definition of Turnover thus relates to the accounting interpretation rather than the economic interpretation.

### Construct Design

The design of the definition construct implicitly addresses the classification of the enterprise i.e. if both conditions vis-à-vis employees AND turnover are not met against a particular classification (Micro / Small /Medium); the next step is to ascertain whether the data meets the criteria for the next level / classification in sequential order i.e. Micro, Small, Medium, Large

#### Article 1: Reading the Definition

*Consider the definition for Trading (outermost shell) i.e. Employees  $\leq 75$  AND Turnover  $\leq$  AED 250 million*

*Both conditions have to be fulfilled for SME qualification*

*If an independent enterprise has 50 employees AND*

*Turnover of AED 300 million – it does not qualify as SME since it exceeds the turnover threshold. Similarly, another enterprise that may have 120 employees and turnover of AED 200 million ALSO fails the qualifying test, since it exceeds the employee threshold for the sector.*

*The same methodology applies for Micro / Small and Medium classifications within the SME shell.*

*E.g. A Services business (independent) with 5 employees AND AED 2 million is a ‘Micro’ business (the condition for micro is  $\leq 20$  employees AND  $\leq$  AED 3 million). In this case, both conditions pertaining to employee headcount and turnover are fulfilled.*

*Consider another Services business (independent) with 4 employees AND AED 14 million. This business fails the test for ‘Micro’ businesses since it exceeds the turnover threshold for Micro businesses in Services sector. The next step is to move up the sequence into the next level and test the qualification of the business against the corresponding criteria accordingly. In this case the business will be tested against criteria for the next level i.e. ‘Small’*  
*When evaluated against the conditions / thresholds for ‘Small’ i.e.  $\leq 100$  employees AND  $\leq$  AED 25 million turnover, the business is found to qualify viz.  $4 \text{ employees} < 100$  AND  $\text{AED } 14 \text{ million} < \text{AED } 25 \text{ million}$*

*The business will be hence classified as ‘Small’*

#### Establishing the Data and Durability of SME Status

Sourcing and verifying the data required viz. employee and turnover of the business is up to the discretion of the entity using the definition for evaluating a business for SME status.

Ideally, the entity needs to pass on the prerogative of establishing and presenting relevant and reliable

## The MSME Definition – Features, Design & Interpretation

data upon the business applying to the entity for the corresponding SME program / support financing. Additionally, it is up to the discretion of the authority / entity to establish the level of stringency in terms of proof and verification of the presented data.

e.g. An entity may impose a mandatory condition / requirement for the entity to present audited financial statements for data presentation and verification. Another entity may adopt a more flexible view in this regard and accept unaudited statements / informal books of account / company ledgers with some additional internal verification measures.

Irrespective of source, the data must pertain to an annual period of account (i.e. 1 year). If the enterprise exceeds the headcount or financial ceilings during

the course of the reference year, this will not affect its situation. If it qualifies as an SME at the time of evaluation, it will retain this status with which it began and will lose the status if it goes above the ceilings over the next accounting period. Conversely, it will gain SME status if it were previously a large enterprise, and then fell below the ceilings over the next accounting period.

Therefore, the frequency of evaluation of the enterprise for eligibility rests upon the discretion of the concerned entity – where it is essential to establish ongoing eligibility of the business enterprise for a particular program or support; the entity would ideally need to examine qualification of the applicant annually on a year-on year basis.

## Assessment of Business Independence

### Assessment of Business Independence

Another critical dimension of the definition is the test of independence of the business enterprise (applicant). There are 3 possible classifications based on the independence criteria namely:  
(1) the autonomous enterprise  
(2) the partner enterprise  
(3) the linked enterprise

The importance and rationale for the test of business independence is to gain a better understanding of the economic position of the applicant business and to screen out those applicants whose economic power and position may actually exceed that of genuine SMEs. Therefore, a clear distinction is made between various types of enterprises, depending on whether they are autonomous, whether they have holdings which do not entail a controlling position (partner enterprise) or whether they are linked to other enterprises.

The following section deals with these relationships and their implications on the applicant business applying for SME status.

The rationale for cut offs imposed for various criteria associated with enterprise categories (autonomous, linked, partner enterprises), is based on IFRS (International Financial Reporting Standards) on accounting for investments.

### Article 2: IFRS Standards on Accounting for Investments

- A company owning up to 20% stake in another business will have minimal influence on the purchased company.
- A company owning between 20% to 50% stake in another business, will act as a significant influencer on the business, whereby the purchased company will be considered as an associate company.
- A company owning greater than 50% stake in another business, will be considered as a parent company, whereby the purchasing company will have control over the acquired company, and the purchased company will act as a subsidiary.

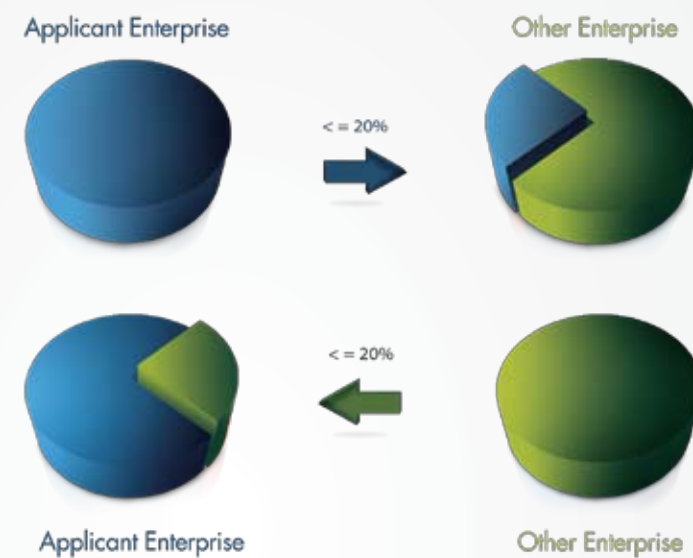


## Assessment of Business Independence

### The Autonomous Enterprise

An applicant enterprise will be called 'autonomous' if it is completely independent or if it has minority partnerships with other enterprises (each less than or equal to 20%).

#### Illustration 10: The Autonomous Enterprise



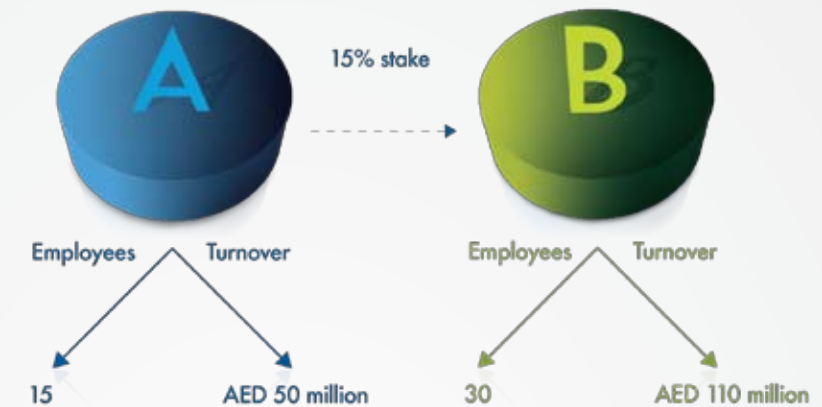
*An applicant enterprise is considered 'autonomous' if it holds less than or equal to 20% (capital or voting rights) in another and / or another holds less or equal to 20% in the applicant enterprise.*

If the business is autonomous, it will use only the number of employees and turnover data from its own (unconsolidated) financials to check if it meets the applicable thresholds within the SME Definition Construct

## Assessment of Business Independence

### Illustration 11: Autonomous Enterprise (with values)

A is a travel agency with 15 employees and a turnover of AED 50 million. It has a stake of 15% in a car rental company with 30 employees and a turnover of AED 110 million.

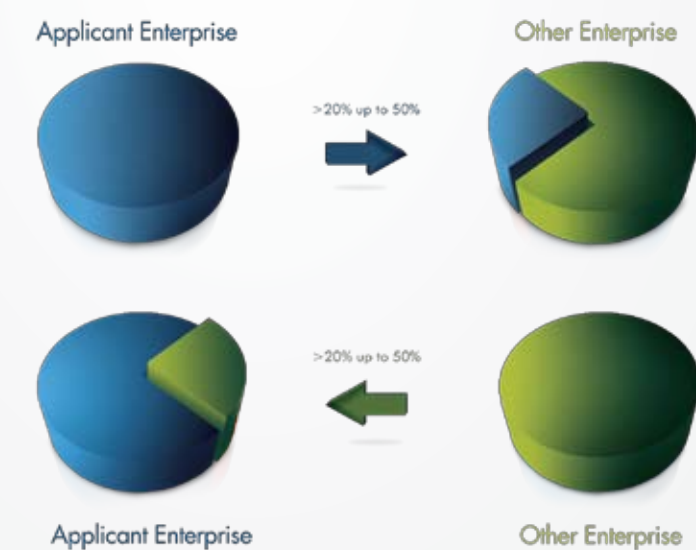


Since A's stake in B is less than the threshold of 20%, A is deemed to be 'autonomous' (no effect of the stake of A in B). Employee count of A = 15; Turnover = AED 50 million. A qualifies as an SME (Medium Services Business)

### The Partner Enterprise

An enterprise which has partnerships with other enterprises involving participation greater than 20% and less than or equal to 50% are classified as 'partner' enterprises.

#### Illustration 12: The Partner Enterprise



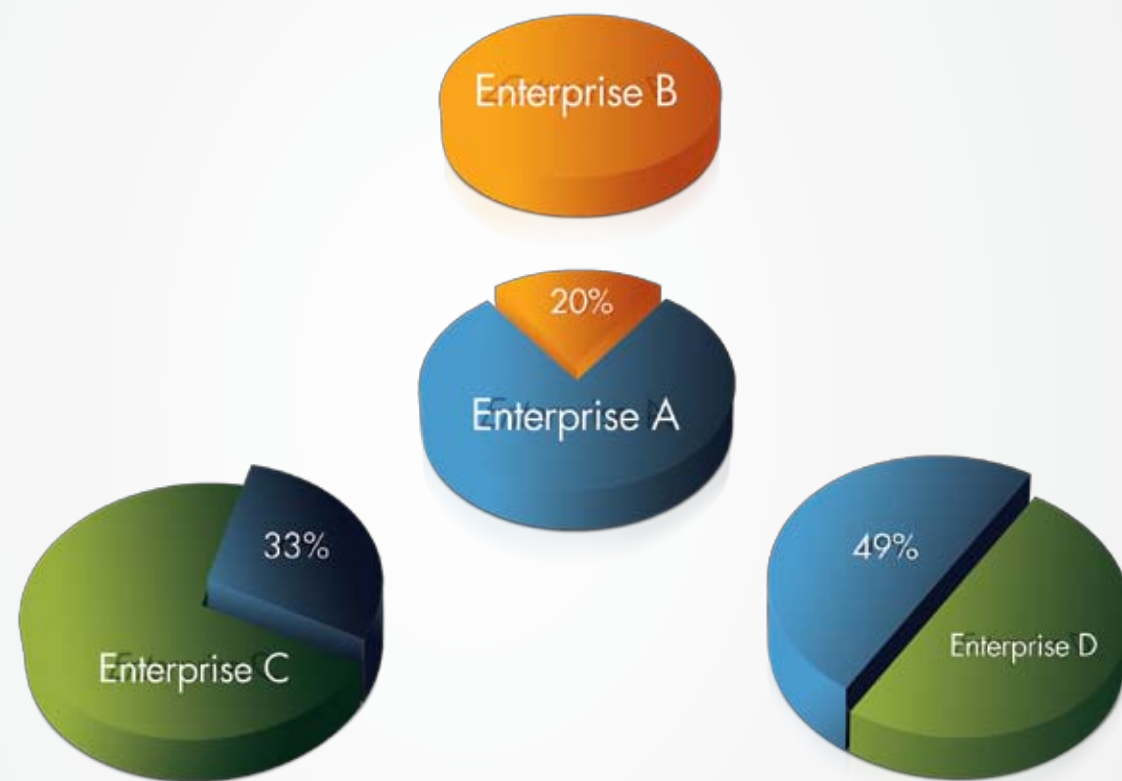
If the applicant business is deemed to be a partner enterprise, a proportion of the other enterprise's staff headcount and financial details must be added to the applicant's own data to determine its eligibility for SME status.

## Assessment of Business Independence

This proportion will reflect the percentage of shares or voting rights participation between the 2 enterprises i.e. the applicant and its partner. Thus, if a business has a 30% controlling stake in another enterprise, it must add 30% of the enterprise's headcount and turnover to its own figures.

If there are several partner enterprises, the same type of calculation must be done for each partner enterprise situated immediately upstream or downstream from the enterprise being evaluated. It is important to note that the calculation will stop at the level of the partner situated immediately upstream / downstream to the applicant

### Illustration 13: Illustrative Demonstration of how to consolidate partner data

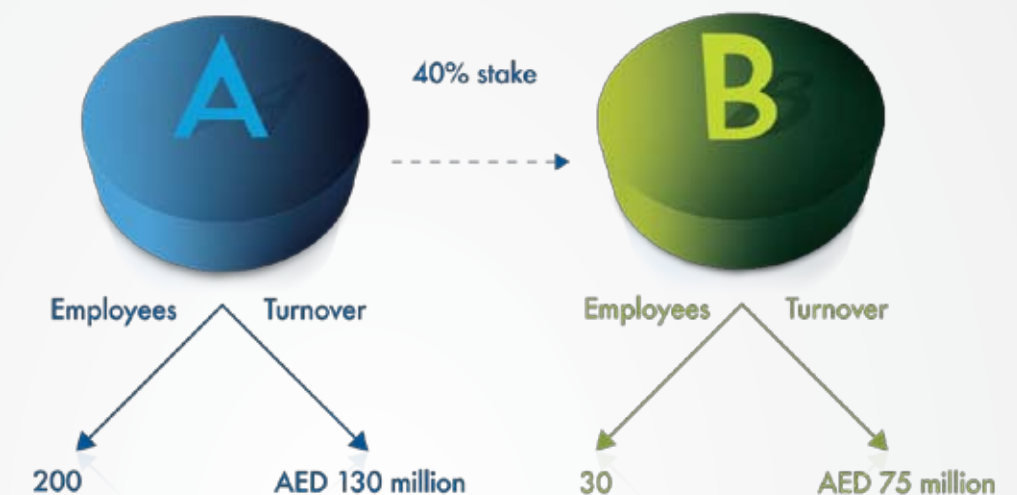


Enterprise A is under evaluation for MSME status qualification Total data (employee headcount, turnover) of enterprise A = 100% of data (employee headcount, turnover) of A + 33% of data of C (employee headcount, turnover) + 49% of data of D (employee headcount, turnover)

## Assessment of Business Independence

### Illustration 14: Partner enterprise (with values) not qualifying as SME

A provides building contracting services to large construction companies. It has total employee base of 200 employees and a turnover of AED 100 million. A has an equity participation of 40% in B, a small-scale manufacturer of nails and fixtures with 30 employees and a turnover of AED 75 million.



Since the stake participation between the 2 businesses is greater than 20% but less than 50%; they are deemed to be 'partner' enterprises. The employee headcount and turnover of A would be consolidated with the corresponding numbers of B in the proportion of the stake held

Therefore Consolidated employees of A =  $100 + 35\% \times 50 = 27$  employees; Consolidated turnover of A: AED 100 million +  $35\% \times$  AED 150 million = 1.53 million

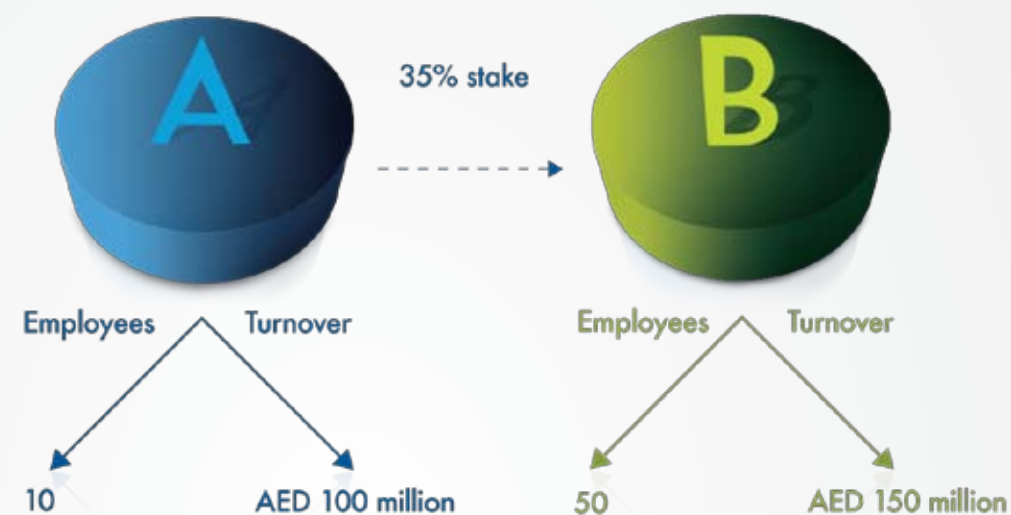
The applicant A qualifies as an SME (Medium Trading business); despite not having autonomous / independent status



## Assessment of Business Independence

### Illustration 15: Partner Enterprise (with values) qualifying as SME

A is a garment wholesaler business with 10 employees and a turnover of AED 100 million. The firm has a stake in B of 35% B is in the business of dyes manufacturing and has 50 employees and a turnover of AED 150 million



Since the stake participation between the 2 businesses is greater than 20% but less than 50%; they are deemed to be 'partner' enterprises. The employee headcount and turnover of A would be consolidated with the corresponding numbers of B in the proportion of the stake held

Therefore Consolidated employees of A:  $10 + 35\% \times 50 = 27$  employees; consolidated turnover of A:  $\text{AED } 100 \text{ million} + 35\% \times \text{AED } 150 \text{ million} = \text{AED } 153 \text{ million}$

The applicant A qualifies as an SME (medium Trading business); despite not having autonomous/independent status

## Assessment of Business Independence

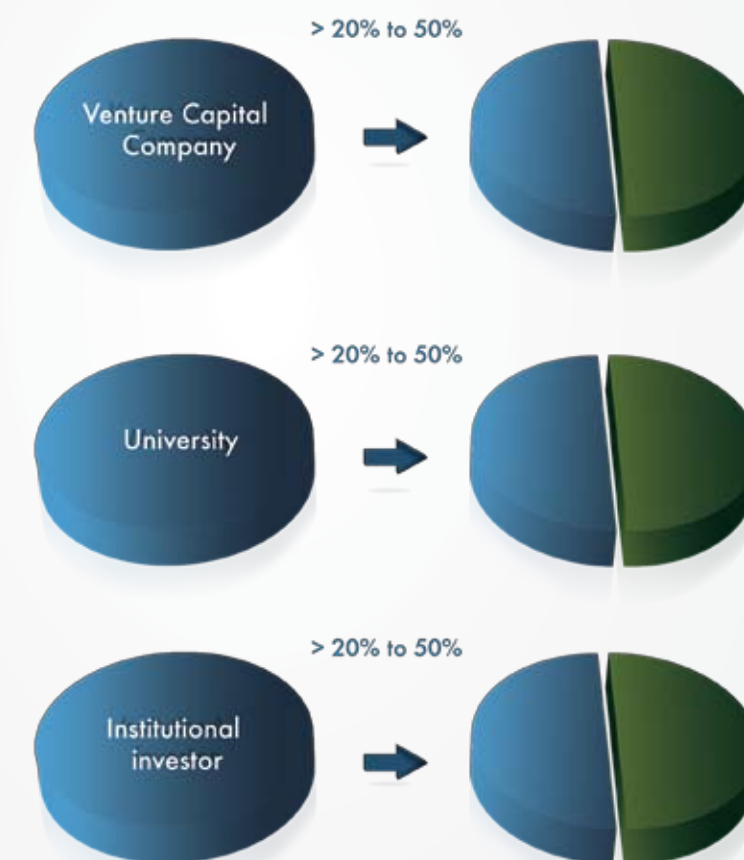
### Article 3: Exceptions / Exclusions

*The business may still be ranked as autonomous, and thus as not having any partner enterprise, even if this 20% threshold is reached or exceeded by any of the following investors:*

- Public investment corporations, venture capital companies and business angels
- Universities and non-profit research centres.
- Institutional investors, including regional development funds.

It is possible to remain autonomous while having partnerships (controlling stake participation greater than 20% and up to 50%) with one or more of the investors listed above. However, each of these investor classes may have a controlling stake of no more than 50% in the enterprise, provided they are not linked to one another. Each of these investors has rights as shareholder, but may not go beyond these and influence the management of the enterprise.

### Illustration 16: Exceptional cases of partnership rule amounting to autonomy / independence



An 'institutional investor' is seen as an investor, which trades large volumes of securities on behalf of a great number of individual small investors and which have no direct involvement in the management of the firms they invest in. Mutual funds or pension funds, for instance, may be considered as institutional investors.

## Assessment of Business Independence

### Article 4: The Case of Public Bodies

*An enterprise is not an SME if 20% or more of its capital or voting rights are directly or indirectly controlled, jointly or individually, by one or more public bodies. The reason for this stipulation is that public ownership may give such enterprises certain advantages, notably financial, over others financed by private equity capital. In addition, it is often not possible to calculate the relevant staff and financial data of public bodies.*

**\*\* This rule does not include public investment corporations and regional development funds as depicted above in the Exceptions / Exclusions to the 20% rule as well as Article 3**

### The Linked Enterprise

A 'linkage' between 2 enterprises is formed when any one of the following 4 relationships exist

### Article 5: Conditions amounting to linkage

- One enterprise holds a majority of the shareholders' or members' voting rights in another
- One enterprise is entitled to appoint or remove a majority of the administrative, management or supervisory body of another
- A contract between the enterprises, or a provision in the memorandum or articles of association of one of the enterprises, enables one to exercise a dominant influence over the other
- One enterprise is able, by agreement, to exercise sole control over a majority of shareholders' or members' voting rights in another

All these associated conditions imply significant and dominant control that one enterprise exercises on the other.

Typically (but not under all circumstances) linkage between two enterprises would be deemed when one enterprise (say the applicant) holds more than 50%

controlling stake in another enterprise or the other enterprise holds greater than 50% controlling stake in the applicant enterprise.

Therefore, the first and most objective test is to ascertain whether this condition exists – i.e. greater than 50% controlling stake between the applicant and any other enterprise. In case of prevalence, the enterprises will be deemed linked. In case there is no objective and explicit evidence of the existence of dominant controlling stake (i.e. > 50%); it is also critical for the entity evaluating the applicant to determine and establish whether any of the other conditions (as laid out in Article 5) exist.

In order to determine whether the enterprise is truly linked or not, it should be checked whether or not the enterprise meets one or other of the conditions laid down in Article 5.

Typically (but not necessarily), a linked enterprise, prepares consolidated statement of accounts, reflecting the effect of the consolidated operations and financials, in combination with its linked enterprise(s)

This type of relationship usually (but not necessarily) corresponds to the economic situation of enterprises which form a "corporate group" through the direct or indirect control of the majority of voting rights of an enterprise by another or through the ability to exercise a dominant influence on an enterprise. A typical example of a linked enterprise is the wholly-owned subsidiary

In some cases:

- an enterprise may be considered linked to another enterprise through a person or a group of natural persons acting jointly\*\*
- enterprises may be drawing up consolidated

## Assessment of Business Independence

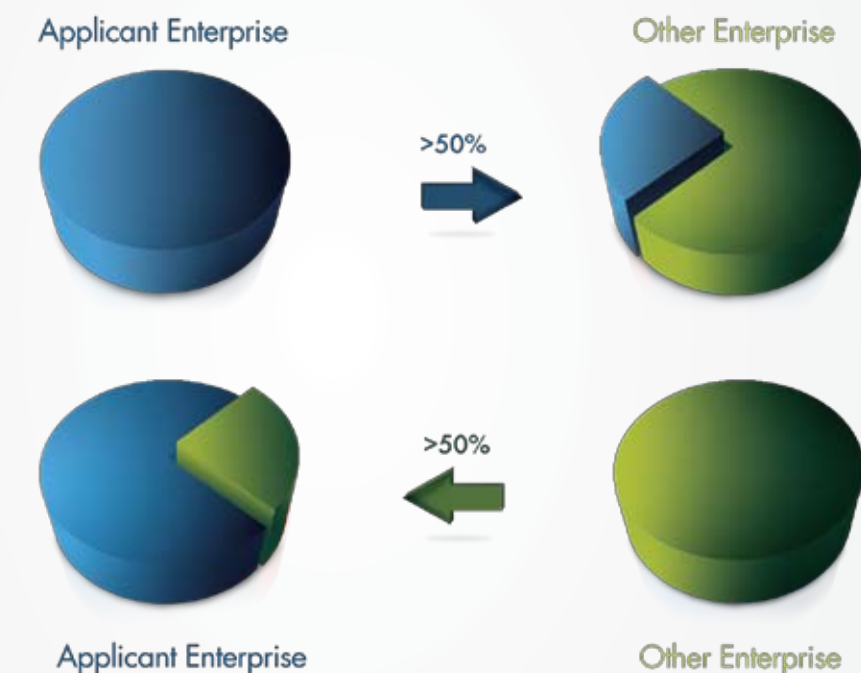
accounts voluntarily, without being required to do so

In order to determine whether the enterprise is linked or not in both these situations, it should be checked whether or not the enterprise meets one or other of the conditions laid down in Article 5.

**\*\*In particular for such a case it is important to give special consideration to the conditions amounting to linkage, in order to establish whether the business is truly linked. E.g. There could be multiple**

*businesses with a common local shareholder / group of shareholders, holding 51% stake in each of these businesses; however, these businesses are not 'linked' unless the shareholder / group of shareholders exercise dominant control over all these enterprises in line with the conditions laid out in Article 5. Therefore, in the case of a local shareholder with a 51% shareholding in multiple businesses, but acting in the capacity of a 'sleeping' partner in these enterprises – the corresponding enterprises will not be considered linked.*

### Illustration 17: The Linked Enterprise



In the event that linkage is established, all 100% of the linked enterprise's data must be consolidated with the applicant enterprise to determine if the applicant complies with the staff headcount and turnover thresholds of the definition.

An enterprise applying for an SME program / SME financing needs to present consolidated statements of accounts\* if it is 'linked' to one or more entities.

\* This is also in conformance with the requirements of IFRS (International Financial Reporting Standards), requiring entities with greater than 50% stake participation between them, to prepare and present Consolidated Statements of Account

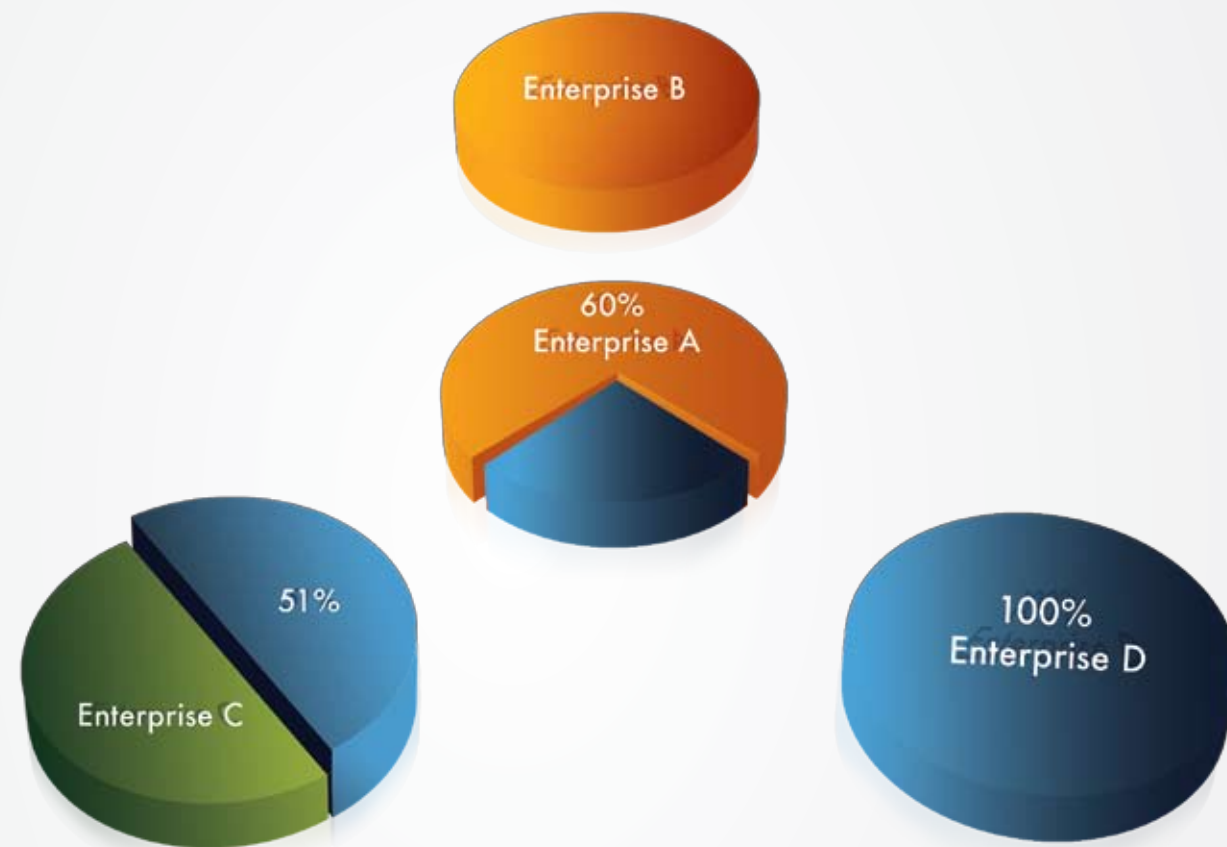


## Assessment of Business Independence

### Article 6: The Case of Franchises

Two enterprises with a franchise are not necessarily linked. It depends on the terms of each individual franchising agreement. Only if this includes one of the four conditional relationships listed in a previous context i.e. Article 5, are the enterprises considered to be linked.

### Illustration 18: Consolidation of Linked Enterprise Data



Enterprise A is under evaluation for MSME status qualification Total data (employee headcount, turnover) of enterprise A = 100% of data (employee headcount, turnover) of (B+A) + 100% of data of C (employee headcount, turnover) + 100 % of data of D (employee headcount, turnover)

## Assessment of Business Independence

### Article 7: The Case of the Partner's Other Relationships: Downstream linkages & Partnerships

#### A) The Partner's/ Linked Enterprises' further downstream 'Linkages'

In case the applicant is deemed to be non-independent i.e. it has relationships with other enterprises (either through partnerships or linkages), further downstream linkages of the applicant's partner / linked enterprise also need to be examined i.e. if any of the applicant's partner / linked enterprises have more than 50% stake participation in a further downstream third enterprise, or if the applicant's linked / partner enterprises are more than 50% owned by a further downstream third enterprise; the consolidation of data for the downstream enterprise also needs to be taken into account and 100% consolidated with the applicant's data for SME status evaluation e.g. If an enterprise being evaluated (say A) has a partner (say B), which in turn is linked to another enterprise (say

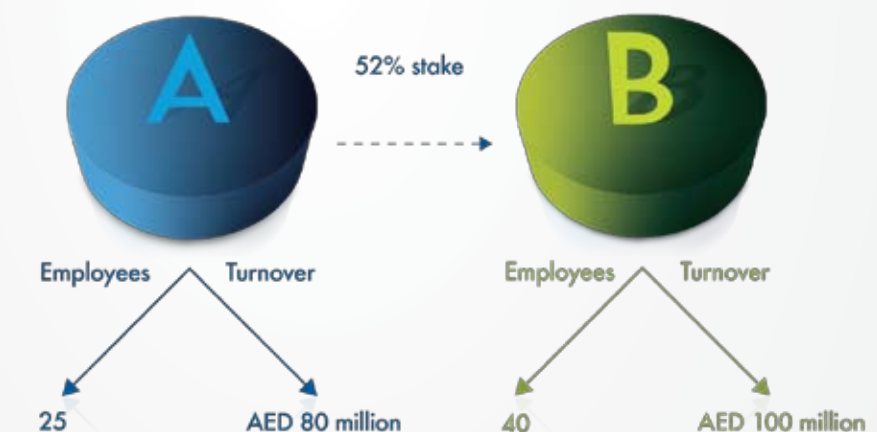
C), 100% of the data of the linked enterprise (C) must be included in the data of the partner enterprise (B). Subsequently, the proportion of the combined (B+C)'s data must be added proportionately to A, in the proportion of the stake between A and B. The resultant figures would be the employee and turnover numbers that would be considered for evaluating SME status qualification of A.

#### B) The Partner's / Linked Enterprises Further downstream 'Partnerships'

To avoid a complicated and endless calculation, the definition foresees the following rule: where the applicant's partner / linked enterprises have other partners (i.e. stake participation of greater than 20% and upto 50%), the applicant enterprise in question must add only the data of the partner enterprise(s) situated immediately upstream or downstream from it \*\* Please refer to Illustrations 21, 22 and 23 in the Annexes for demonstration of consolidation treatments of these relationships

### Illustration 19: The Linked Enterprise (with values)

A is a real estate company with a total employee base of 25 employees and a turnover of AED 80 million. A has an equity participation of 52% in B, a contract cleaning business with 40 employees and a turnover of AED 100 million.



As has been illustrated, a 20% controlling stake serves as a signal of cross over of a truly independent business entity to a non-independent entity (with the natural support from partnership with the linked / partner enterprise). The actual consolidation treatment of corresponding employee and turnover figures of the linked / partner enterprises depends on the actual participation stake, nature of the enterprise and downstream / upstream position immediate to the applicant.

Illustration 20: Summary of Relationships and Consolidation Treatments

Stake	Entity Classification	Control Implication	Consolidated Treatment
Less than and equal to 20%	Autonomous Enterprise	No control / minimal influence	No consolidation of turnover, employees
Between 20% and 50%	Partner Enterprise	Significant influence	Proportionate consolidation of turnover, employees and of partner enterprises on the basis of stake between 'partner' enterprises
Greater than 50%	Linked Enterprises	Full control	100% consolidation of corresponding turnover and employees of 'linked' enterprises

The definition is an important tool for implementing efficient measures and programmes to support the development and success of SMEs.

It serves as the starting point and basis for launching various initiatives and programs directed towards the development of the country's SME sector. It serves as the framework for collection of statistics relating to the SME sector in the economy.

Various government, semi-government and private institutions, including banks focused on SME growth and development, are encouraged to apply the definition to ensure effective promulgation of intended benefits.

At the same time, it must be recognized that there is a clear distinction between the application of the definition for the purposes of statistics collection and SME status evaluation for SME financing / programs.

Statistics collection by the Dubai Statistics Centre and Department of Economic Development in the near to medium term will be restricted to capturing business core definition variables (i.e. turnover, headcount) across businesses for the purpose of compilation, analysis, reporting and dissemination. Therefore, collection of variables related to business independence and assessment of resultant relationships thereof will not be a core expectation from statistics collection exercises.

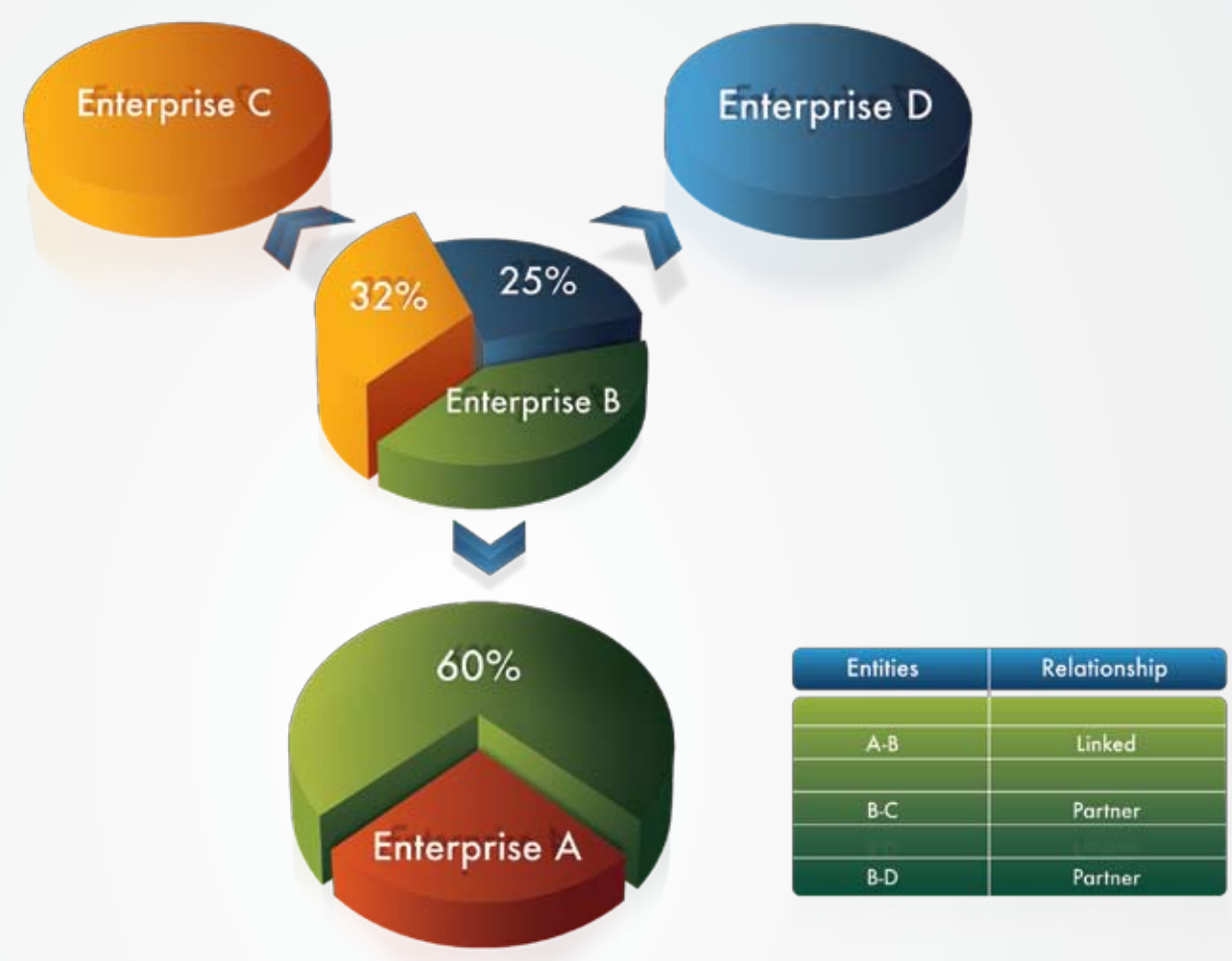
On the other hand, in terms of the application of the definition for SME status evaluation; the test for business independence is extremely critical to make the definition robust from the perspective of determining, screening and selecting truly deserving candidates amongst applicants for the financing / support / grants / government intervention and / or other programs and policies targeted and designed for SMEs. Here, it is left to the discretion of the entity to decide how best to obtain such information for evaluation of qualification of benefits for the SME applicant in question.

Finally, in keeping with international best practice, the definition will be reviewed periodically every 3 years to ensure that structural changes in the Dubai / UAE economy are taken into account.



Illustration 21

The enterprise A is linked to enterprise B through the holding of 60% that B has in enterprise A. At the same time, B also has two partners, enterprises C and D, which own respectively 32% and 25% of B.

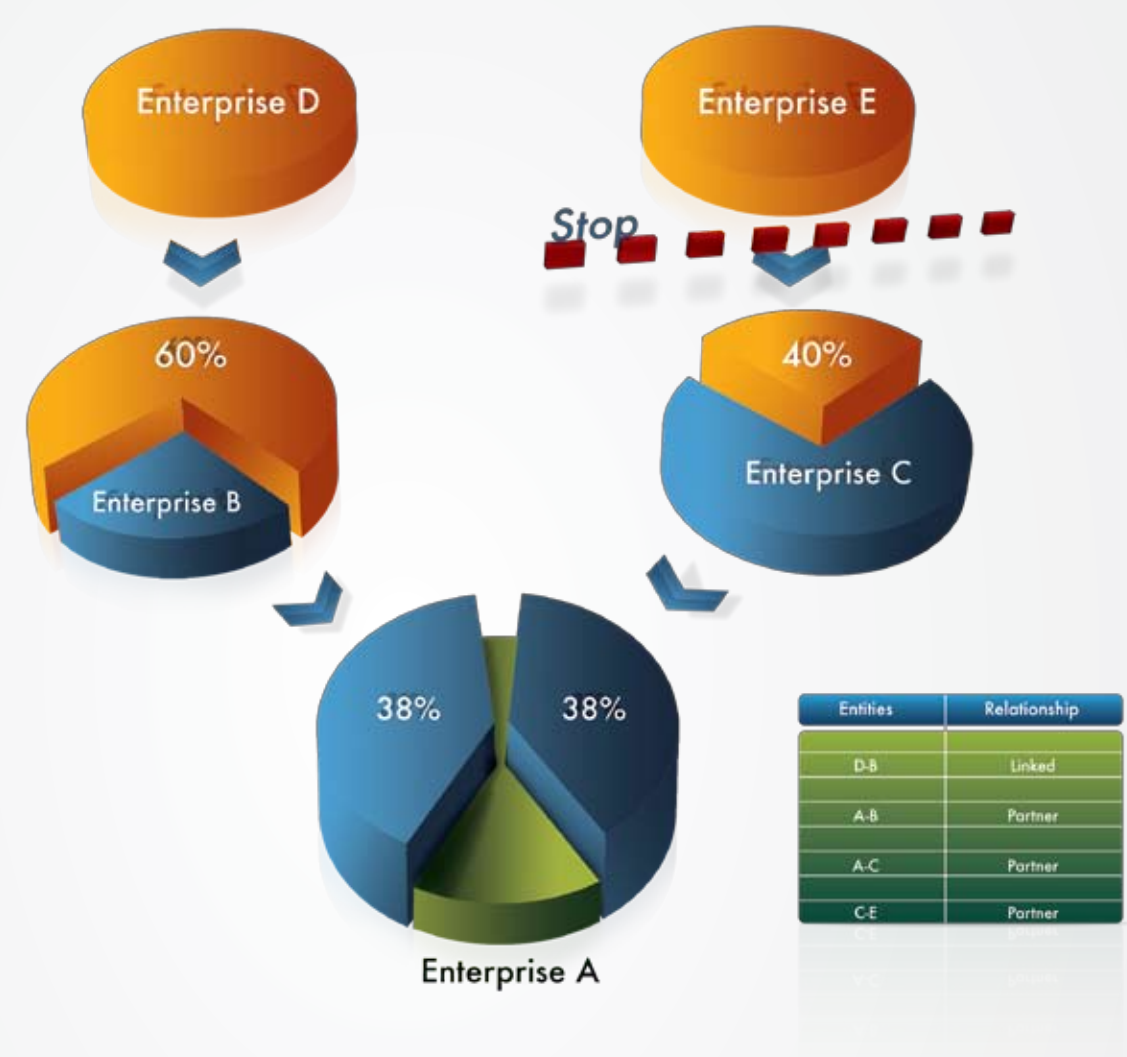


A is the business under evaluation for SME status

A's consolidated data (employees, turnover) = 100% A's data (employees, turnover) + 100% B's data + 32% C's data (employees, turnover) + 25% D's data (employees, turnover)

Illustration 22

Enterprises B and C are both partners of enterprise A since they each have a controlling stake of 38% in enterprise A. B is also linked to D through a 60% stake and C and E are partners (40%).

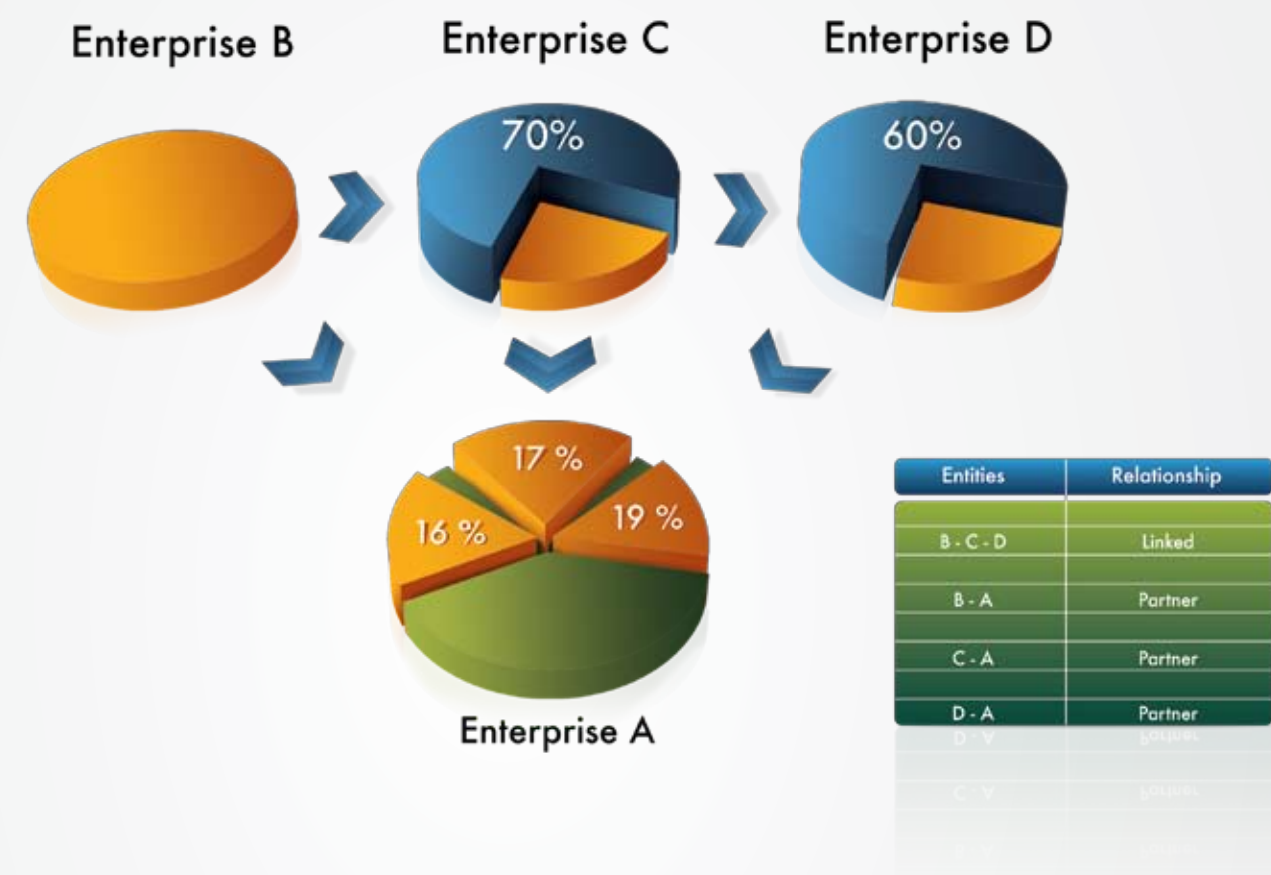


A is the business under evaluation for SME status

A's consolidated data (employees, turnover) = 100% A's data (employees, turnover) + 38% (B + D)'s data (employees, turnover) + 38% C's data (employees, turnover). As demonstrated in Article 7, only the partner immediately downstream or upstream to the applicant will be considered. Therefore, the effect of the partnership of C – E will not be taken into consideration

Illustration 23

Enterprise A has three investors, B, C and D, owning 16%, 17%, and 19% of A's capital or voting rights. These investors are themselves linked to each other, forming a group of linked enterprises: B has a controlling stake of 70% in C which itself has a stake of 60% in D.



A is the business under evaluation for SME status

A seems autonomous at first sight since B, C and D have less than 20% stake in A. However, since B, C and D are linked to each other, as a group they own 52% of A.  
A's consolidated data (employees, turnover) = 100% A's data (employees, turnover) + 100% B's data employees, turnover) + 100% C's data (employees, turnover) + 100% D's data (employees, turnover).

Industry Classification - Sector Mapping

Code	ISIC Rev. 4 Classification	Potential Definition Mapping
A	Agriculture, forestry and fishing	
01	Crop and animal production, hunting and related service activities	Discretionary
02	Forestry and logging	Discretionary
03	Fishin and aquaculture	Discretionary
B	Mining and quarrying	
05	Mining of coal and iginite	Discretionary
06	Extraction of crude petroleum and natural gas	Discretionary
07	Mining of metal ores	Discretionary
08	Other mining and quarrying	Discretionary
09	Mining support services activities	Discretionary
C	Manufacturing	
10	Manufacture of food products	Manufacturing
11	Manufacture of beverages	Manufacturing
12	Manufacture of tobacco products	Manufacturing
13	Manufacture of textiles	Manufacturing
14	Manufacture of wearing apparel	Manufacturing
15	Manufacture of leather nad related products	Manufacturing
16	Manufacture of wood and of products of wood and crock, except furniture, manufacture of articles of straw and plaiting materials	Manufacturing
17	Manufacture of paper and paper products	Manufacturing
18	Printing and reproduction of recoreded media	Manufacturing
19	Manufacture of coke and refined perolum products	Manufacturing
20	Manufacture of of chemicals and chemical products	Manufacturing
21	Manufacture of basic pharmaceutical preparations	Manufacturing
22	Manufacture of rubber and plastic products	Manufacturing
23	Manufacture of non-metallic mineral products	Manufacturing
24	Manufacture of basic metals	Manufacturing
25	Manufacture of fabricated metal products, except machinery and equipments	Manufacturing
26	Manufacture of computer, electronic and optical products	Manufacturing
27	Manufacture of electrical equipment	Manufacturing
28	Manufacture of machinery and equipment n.e.c	Manufacturing
29	Manufacture of motor viechles, trailers and semi-trailers	Manufacturing
30	Manufacture of othre transport equipment	Manufacturing
31	Manufacture of furniture	
32	Other Manufacture	
33	Repair and installation of machinery and equipment	



# Annexure

Code	ISIC Rev. 4 Classification	Potential Definition Mapping
D 35	<b>Electricity, gas, steam and air conditioning supply</b> Electricity, gas, steam, and air conditioning supply	Discretionary
E 36 37 38 39	<b>Water supply; sewerage, waste management and remediation activities</b> Water collectio, treatment and supply Sewerage Waste collectio, treatment and disposal activities; materials recovery Remediation activities and other waste management services	Discretionary Discretionary Discretionary Discretionary
F 41 42 43	<b>Construction</b> Construction of buildings Civil engineering Specialised construction activities	Services Services Services
G 45 46 47	<b>Wholesale and retail trade; repair of motor veichles and motorcycles</b> Wholesale and retail trade; repair of motor veichles and motorcycles Wholesale trade, except of motor veichles and motorcycles Retail trade, except of motor veichles and motorcycles	Trading Trading Trading
H 49 50 51 52 53	<b>Transportation and storage</b> land transport and transport via pipelines Water transport Air transport Warehousing and support activities for transportation Postal and courier activities	Services Services Services Services Services
I 55 56	<b>Accommodation and food service activities</b> Accommodation Accommodation	Services
J 58 59 60 61 62 63	<b>Informationa and communication</b> Publishing activities Motion picture, video and television programme production, sound recording and music publishing activities Programming and broadcasting activities Telecommunications Computer programming, consultancy and related activities Information service activites	Services Services Services Services Services Services
K 64 65 66	<b>Financial and insurance activities</b> Financial service activities, except insurance and pension funding Insurance, reinsurance and pension funding, except compulsory social security Activities auxilary to financial service and inurance activities	Services Services Services

# Annexure

Code	ISIC Rev. 4 Classification	Potential Definition Mapping
L 68	<b>Real estate activities</b> Real estate activities	Services
M 69 70 71 72 73 74 75	<b>Professional scientific and technical activities</b> Legal and accounting activities Activities of head offices; managemet consultancy activities Architectural and engineering activities; technical testing and analysis Scientific research and developoment Advertising and market research Other professional, scientific and technical activities Veterinary activities	Services Services Services Services Services Services Services
N 77 78 79 80 81 82	<b>Adminstrative and support service activities</b> Rental and leasing activities Employment activities Travel agency, tour operator, reservation service and related activities Security and invetigation activities Services and to building and landscape activities Office adminstrative, office support and other business support activities	Services Services Services Services Services Services Services
O 84	<b>Public adminstration and defence; compulsory social security</b> public adminstrationand defence, compulsory social security	Services
P 85	<b>Education</b> Education	Services
Q 86 87 88	<b>Human health and social works activities</b> Human health activities Residential car activities Social work	Services Services Services
R 90 91 92 93	<b>Arts, entertainment and recreation</b> Creative, arts and entertainment activities Libraries, archives, museums and other cultural activities Gambling and betting activities Sports activities and amusement and recreation activities	Services Services Services Services
S 94 95 96	<b>Other service activities</b> Activities of membership organizations Repair of computers and personal and household goods Other personal service activities	Services Services Services

Code	ISIC Rev. 4 Classification	Potential Definition Mapping
T	Activities of household as employers; undifferentiated goods- and services- producing activities of household for own use	Discretionary
97	Activities of households as employers of domestic personnel	Discretionary
98	Undifferentiated goods – and services – producing activities of private households for own use	
U	Activities of extraterritorial organizations and bodies	Discretionary
99	Activities of extraterritorial organizations and bodies	

Note on “Discretionary” Sectors (ISIC Rev. 4.0)

The definition does not intend to exclude any business activities with reference to SMEs. However, certain business activities / sectors classified as ‘Discretionary’ warrant discretion of the authority using the definition for evaluating the qualification of an applicant business enterprise for SME status.

Categories A (Agriculture, Forestry & Fishing) and B (Mining & Quarrying) are regarded as primary sectors under Classical Economics and are usually treated distinctly from the secondary and tertiary sectors. i.e. Governments tend to exercise greater control or even ownership over these sectors. The term SME is rarely used in reference to these sectors. In fact, registration process for such businesses is usually handled by agencies other than the typical commercial registry. Accordingly, it is expected that use of SME definition for these sectors will be very limited. In case, the SME definition needs to be applied to an enterprise engaged in Sector Category A or B, it should be treated as Manufacturing, Trading or Services depending on the “closest match” with one of these three sectors. e.g. A business falling within Category B, sub-segment 09 i.e. Mining Support Service Activities might be classified as Services; while a business falling within sub-segment 06 i.e. Extraction of Crude Petroleum & Natural Gas might be more appropriately classified as Manufacturing. Therefore discretion regarding the actual nature of activity that the business (applying for SME financing / support / programs) is involved in becomes critical

• Categories D and E will usually fall within the purview of government activity; therefore, within these categories, discretion needs to be applied as to whether the business (applying for SME financing / support / programs) is a government / government supported entity or a private entity involved in downstream support services to the concerned government entity (in which case it mightM be considered eligible to be qualified as an SME as per the usual definition process)

e.g. Within Category E, sub-segment 37 i.e. Sewerage is an activity associated within Municipal Government purview; while a business falling within sub-segment 39 i.e. Remediation Activities & Waste Management Services might actually be a private enterprise offering support service to larger government entity (in which case it might be considered eligible to be considered as an SME subject to usual threshold conditions)

• Categories T will usually fall within the purview of Unorganized business activities.  
• Category U will usually have foreign / diplomatic organizations with presence in UAE  
e.g. Military bases of foreign countries or offices of the United Nations.



