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UAE CORPORATE TAX
TAXABILITY OF FREE ZONE ENTITIES

Simplified for you

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Disclaimer

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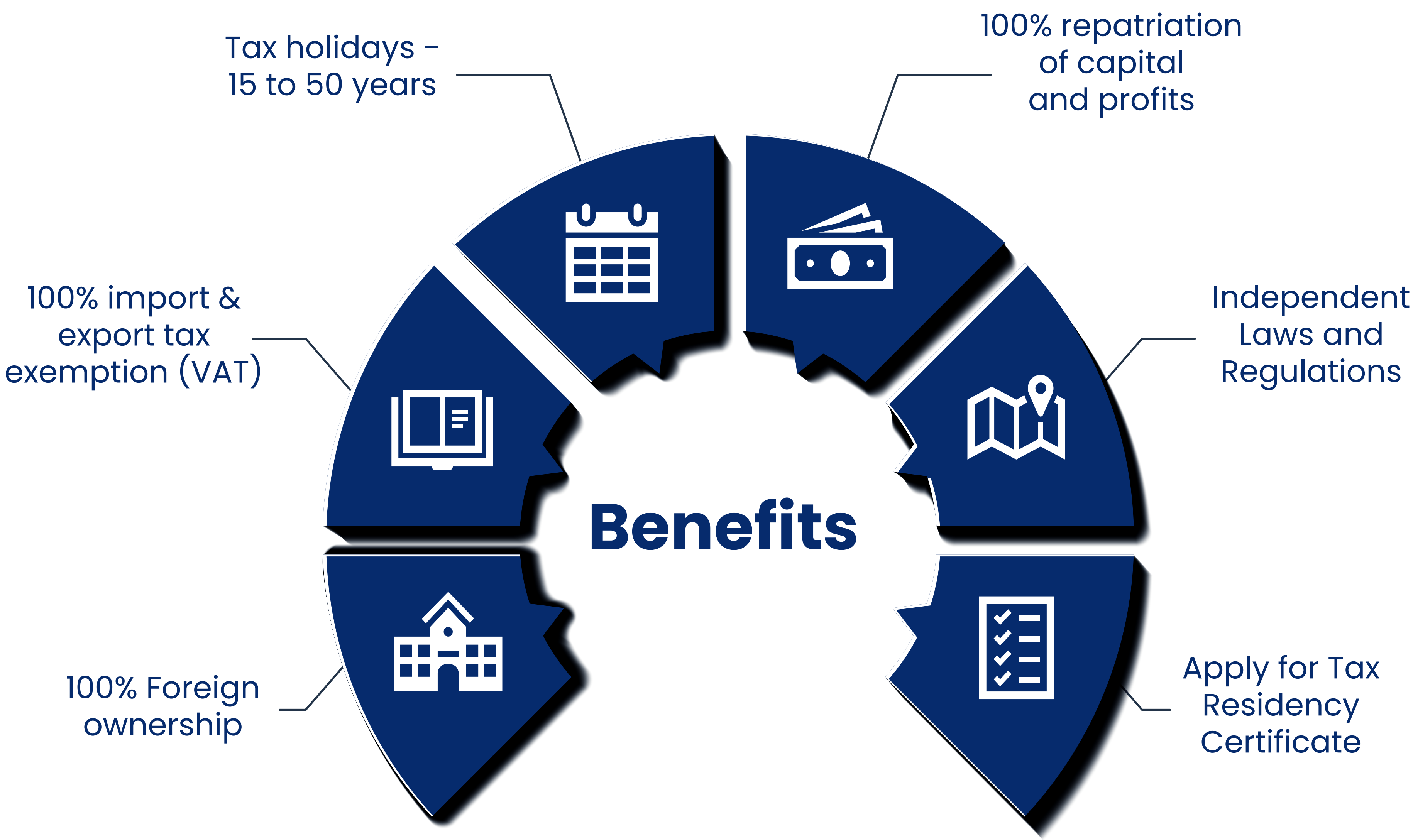
Thank you for your understanding.

Benefits Of Doing Business In Free Zone (FZ)



Conditions To Be A Qualifying Free Zone Person

- Maintains Adequate Substance
- Derives Qualifying Income
- Not elected for Corporate Tax
- *De Minimis requirements satisfied (Ministerial Decision -139/2023)
- Maintains Audited Financial Statements (Ministerial decision- 139/2023)
- Complies with Transfer Pricing Rules

X

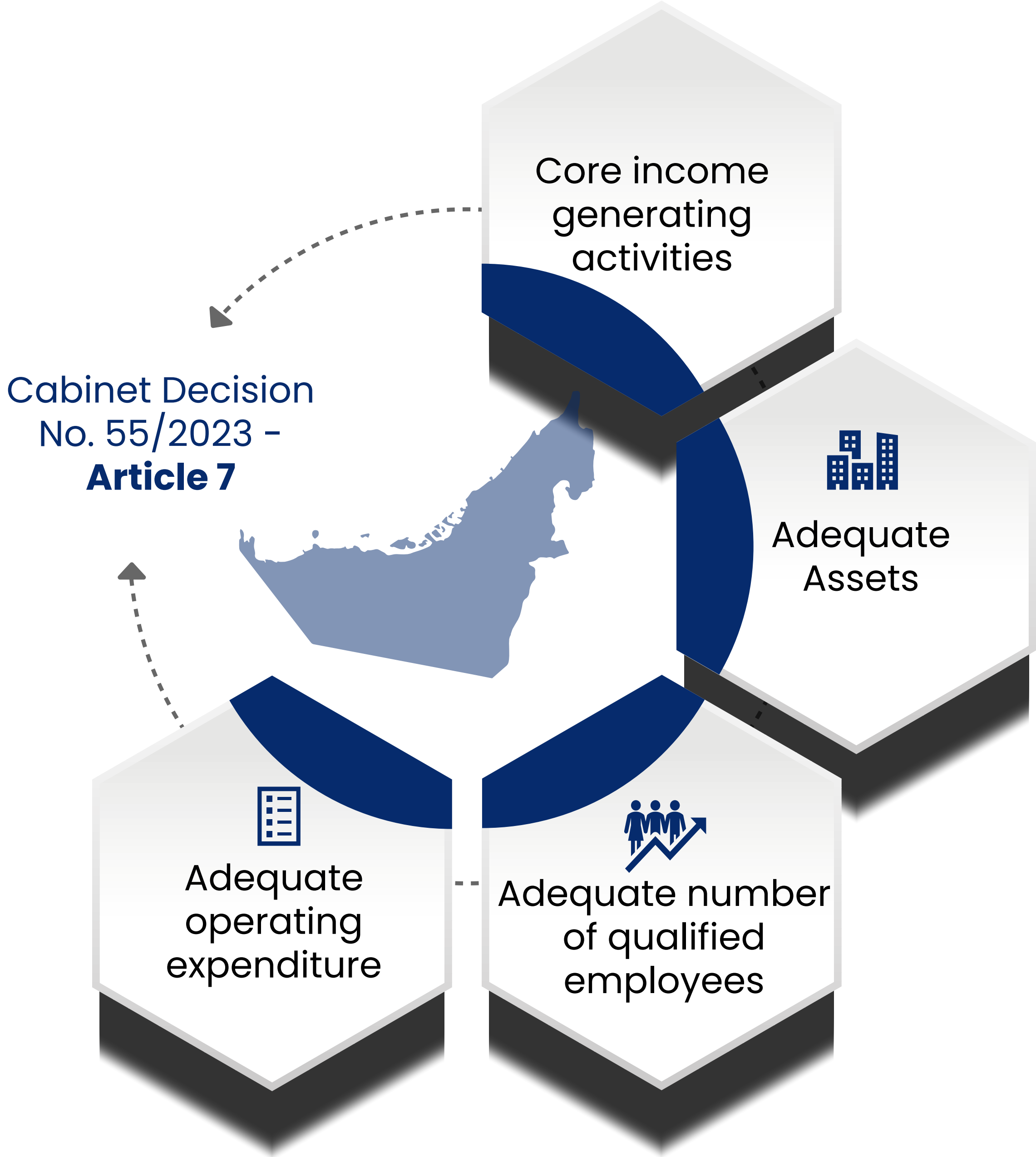
Fails to meet any conditions

Ceases to be QFZP for relevant tax period & 4 subsequent tax periods.

Mandatory Registration & CT Return filing irrespective of the status

Limitations on QFZP

Maintaining Adequate Substance



Activities can even be outsourced to Related Party in a Free Zone or a third party in a Free Zone (subject to adequate supervision of outsourced party by QFZP)

Qualifying Income

FZ to FZ

All income except excluded activities & FZP is beneficial recipient

FZ to Non- FZ

Income derived from QA that are not excluded activities

Needs clarity

Other Income on satisfaction of ***De Minimis requirement**

***Qualifying Income – 0%, Non qualifying Income – 9%**

***De Minimis Requirement**

Non-Qualifying Revenue

Lower of

5% of Total Revenue

AED 5,000,000

satisfied

Qualifying Income -0%, Non qualifying Income – 9%

All Revenue standard CT Rate

FZ- Free Zone, FZP- Free Zone Person, QI- Qualifying Income, QA- Qualifying Activities

Qualifying Activities

1. Manufacturing/ Processing of Good or Materials
2. Logistics services
3. Holding of Shares or other securities
4. Fund Management, Wealth & Investment Management Services subject to regulatory oversight
5. Headquarter, Treasury & Financing services to
6. Ownership, management & operation of ships
7. Distribution of Good/materials in or from Designated zone for further sale/resale
8. Financing & Leasing of Aircrafts, including engines & rotable components
9. Reinsurance services subject to regulatory oversight

Excluded Activities

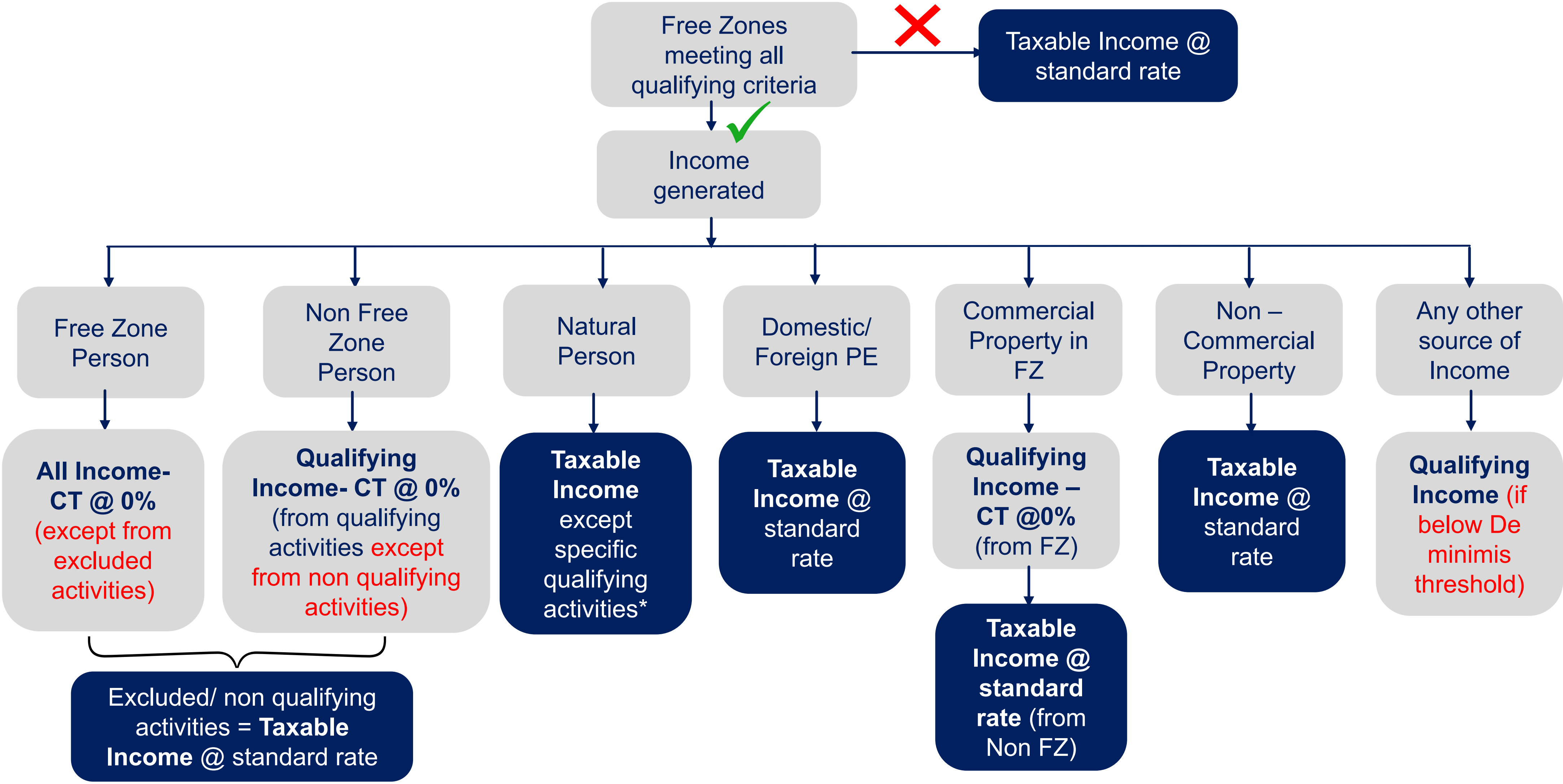
Excluded Activities

- Banking Activities
- Finance Leasing Activities except provided to Related parties
- Insurance Activities except Reinsurance activities
- Ownership or exploitation of immovable property other than commercial property located in Free zone
- Ownership or exploitation of Intellectual property rights
- Transactions with Natural Persons except -
  - Fund Management, Wealth & Investment Management Services
  - Ownership, Management & Operations of Ships
  - Financing & Leasing of Aircraft, including engines & rotable components

Qualifying/Excluded Activities

Activities	Excluded activities	Qualifying activities	Description
Packaging of canned food		✓	Manufacturing and processing of goods and material
Production of smartphones		✓	Manufacturing and processing of goods and material
Insurance company transferring portion of its risk to another insurance		✓	Regulated reinsurance
Premiums insurance collection	✓		Insurance activities
Computer leasing	✓		Leasing activities
Aircraft leasing		✓	Leasing of aircrafts
Company X offer a financing service to a company Y (related party)		✓	Headquarter and financing service to related parties
Company X own a copyright			Ownership or exploitation of intellectual property asset
	✓	✓	Ownership and operations of ships

Taxable income/ Qualifying income



De Minimis Requirement Calculation

*De Minimis Requirement

Non-Qualifying Revenue earned from

1. Excluded activities (to FZP & Non FZP)
2. Non Qualifying Activities to Non FZP

Total Revenue = All Revenue

Lower of

- 5% of Total Revenue
- AED 5,000,000

satisfied

- ✓ Qualifying Income -0%, Non qualifying Income – 9%
- ✗ All Revenue standard CT Rate

- Revenue from immovable property located in FZ from transactions with-
  - Non FZP in respect to commercial property
  - Any person in respect of immovable property that is not commercial property
- Revenue attributable to Domestic PE or Foreign PE of the QFZP

Income From Permanent Establishment

Free Zone

- **Domestic PE (i.e. Mainland Branch)**
  - Non Qualifying Income → Taxable Income @ 9%
- **Foreign PE**
  - Independent & Separate Person- Related Party → Transfer Pricing applicable

Income From Immovable Property In FZ

Located in Free Zone

Income from

- Non FZP in respect to commercial property → Non Qualifying Income - Taxable @9%
- Any person with respect to non-commercial property → Non Qualifying Income - Taxable @9%
- Free Zone Persons in respect to Commercial Property → Qualifying Income- Taxable @0%

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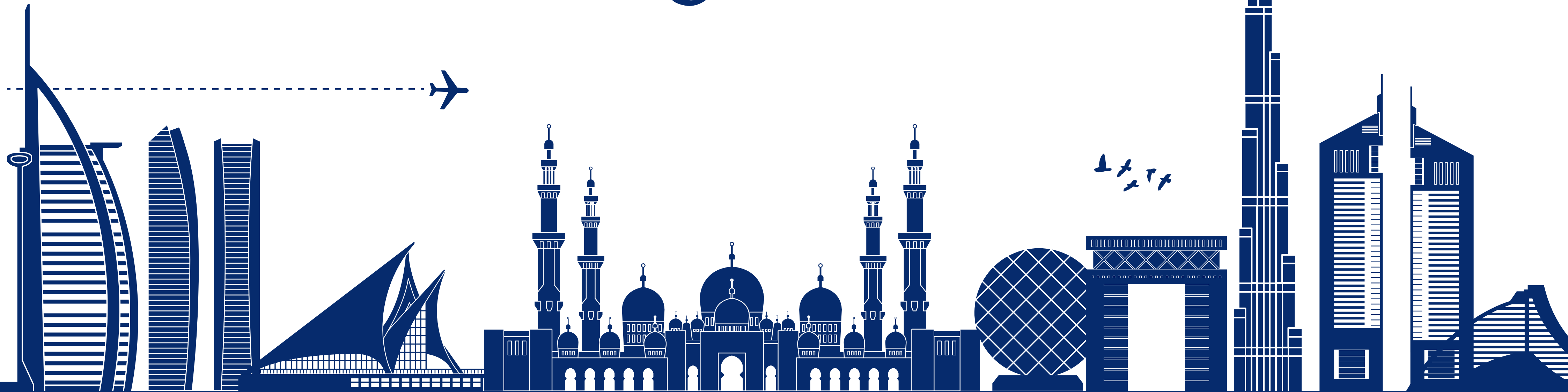
Thank You!



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