

# Corporate tax

# Free Zones

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#### **Free Zones**



- Free zone persons are subject to UAE Corporate Tax Law
- ✓ ONLY Qualifying Free Zones can benefit from 0% Corporate Tax on their "Qualifying Income"

#### Qualifying Free Zone – Conditions: (Article 18)

- Maintains adequate substance in UAE
- Earns "Qualifying Income"
- Complies with Transfer pricing requirements
- NOT elected for standard CT rate (9%)
- De minimis requirements
- Audited Financial Statement
- If the entity ceases to be a QFZP due to failure to meet any of the requisite conditions during a Tax Period, it shall cease to be a QFZP from the beginning of that Tax Period and for the subsequent four Tax Periods.

#### Qualifying Income

- Income earned from Qualifying activities
- Income from Non-qualifying activities and Excluded activities subject to De minimis requirements

#### **Excluded Activities**



The QFZP can enjoy 0% tax rate benefit if the income is derived from other than the excluded activities

<ul> <li>Income from Certain Regulated Financial Services activities</li> <li>Banking activities</li> <li>Insurance activities, except Reinsurance services</li> <li>Finance and leasing activities, except         <ol> <li>Treasury and Financing services to Related parties</li> <li>Financing and leasing of AIRCRAFT, including engines and rotable components.</li> </ol> </li> </ul>	Any transactions with NATURAL PERSONS, except transactions in relation to:  Ownership, management, and operation of SHIPS Fund management services Wealth and investment management services Financing and leasing of AIRCRAFT, including engines and rotable components
Ownership or exploitation of <b>Immovable Property, except</b> transaction in respect of Commercial Property located in FZ.	Ownership or exploitation of <b>Intellectual Property assets</b> .

Any activities that are ancillary to the above activities are also excluded activities

# **Qualifying Activities**



<ul> <li>Manufacturing / Processing of goods or materials</li> </ul>
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- Distribution of goods or materials in or from a DZ to a customer who resells such goods or materials, or parts thereof or processes or alters such goods or materials or parts thereof for the purposes of sale or resale
- Reinsurance services
- Fund management services
- Wealth & investment management services

(subject to Regulatory oversight of the Competent Authority)

- Ownership, management and operation of SHIPS
- Financing and leasing of AIRCRAFT, including engines and rotable components

- Treasury and financing service to Related Parties
- Headquarter service to Related Parties
- Holding of shares and other securities
- Logistics services

### **De Minimis**



#### **Non-Qualifying Revenue**

- 5% of Total Revenue (OR)
- AED 5 Mn

Whichever is lower

#### Non-Qualifying Revenue

- Income from Excluded activities
- Income from Non-qualifying activities with NFZP

#### **NOT** to include:

Transactions with NFZP: Commercial property
Transactions with any person: Non-commercial
property
Revenue related to Domestic / Foreign PE of QFZP

#### **Total Revenue as reduced by:**

- ✓ Transactions with NFZP: Commercial property
- ✓ Transactions with any person: Non-commercial property
- ✓ Revenue related to Domestic / Foreign PE of QFZP

# **Immovable Property**



Income from Immovable Property located in a FREE ZONE, Shall be subject to 9% tax if the transactions are

- With Non-Free Zone Persons in respect of Commercial Property located at FZ
- With any Person in respect of Immovable Property that is not a Commercial Property

#### **Commercial Property**

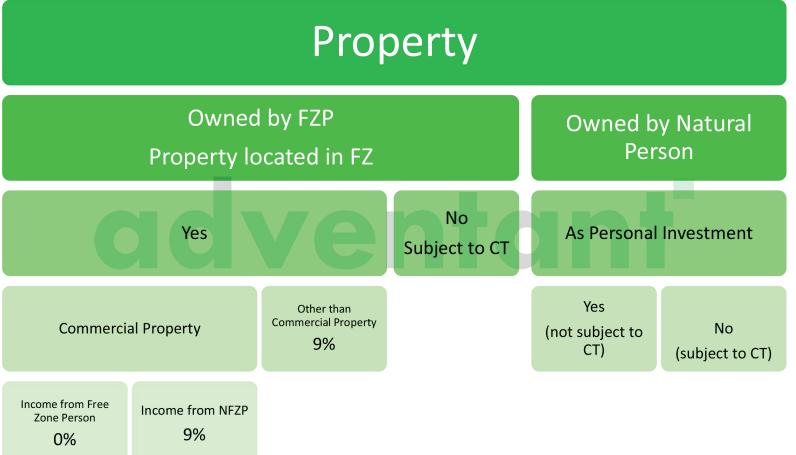
Immovable property or part thereof

- Is used exclusively for a Business or business activity
- NOT used as a place of RESIDENCE or ACCOMODATION including Hotels, Motels, bed and breakfast establishments, service apartments and the like.

## **Immovable Property**



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