

Corporate tax

Free Zones

ADVENTANT MANAGEMENT CONSULTANCIES FZCO, DUBAI, UAE

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

+971 50 900 1975

## 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

<p><b>Income from Certain Regulated Financial Services activities</b></p> <ul style="list-style-type: none"><li>• Banking activities</li><li>• Insurance activities, <b>except</b> Reinsurance services</li><li>• Finance and leasing activities, <b>except</b><ul style="list-style-type: none"><li>i. Treasury and Financing services to Related parties</li><li>ii. Financing and leasing of AIRCRAFT, including engines and rotatable components.</li></ul></li></ul>	<p>Any transactions with NATURAL PERSONS, except transactions in relation to:</p> <ul style="list-style-type: none"><li>• Ownership, management, and operation of SHIPS</li><li>• Fund management services</li><li>• Wealth and investment management services</li><li>• Financing and leasing of AIRCRAFT, including engines and rotatable components</li></ul>
<p>Ownership or exploitation of <b>Immovable Property</b>, <b>except</b> transaction in respect of Commercial Property located in FZ.</p>	<p>Ownership or exploitation of <b>Intellectual Property assets</b>.</p>

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

# Qualifying Activities

<ul style="list-style-type: none"><li>• Manufacturing / Processing of goods or materials</li><li>• Distribution of goods or materials <b>in or from a DZ</b> 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</li></ul>	<ul style="list-style-type: none"><li>• Reinsurance services</li><li>• Fund management services</li><li>• Wealth &amp; investment management services</li></ul> <p>(subject to Regulatory oversight of the Competent Authority)</p>
<ul style="list-style-type: none"><li>• Ownership, management and operation of SHIPS</li><li>• Financing and leasing of AIRCRAFT, including engines and rotatable components</li></ul>	<ul style="list-style-type: none"><li>• Treasury and financing service to Related Parties</li><li>• Headquarter service to Related Parties</li><li>• Holding of shares and other securities</li><li>• Logistics services</li></ul>

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

## 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.

# Property

Owned by FZP  
Property located in FZ

Owned by Natural  
Person

Yes

No  
Subject to CT

As Personal Investment

Commercial Property

Other than  
Commercial Property  
9%

Yes  
(not subject to  
CT)

No  
(subject to CT)

Income from Free  
Zone Person  
0%

Income from NFZP  
9%

adventant  
THANK YOU

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