

Is Your Free Zone Business Eligible for 0% Corporate Income Tax ?

Qualifying Free Zone Person & Qualifying Income Assessment

For UAE Corporate Tax Purposes



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FREE ZONE ENTITY

- Maintain adequate substance
- Not elected to 9% tax rate
- Comply with transfer pricing rules
- Prepare audited financials

YES

NO

INCOME ANALYSIS & DE MINIMIS CHECK

INCOME SOURCE	QUALIFYING INCOME	NON-QUALIFYING INCOME	NON-QUALIFYING INCOME DIRECTLY SUBJECT TO 9%
Free Zone	Income from all activities (Except Excluded Activities)		
Non-Free Zone	Income derived from Qualifying Activities list	Income derived from non-qualifying activities	Income from Commercial property located in a free zone (From non-Free Zone entity)
ANY		Income from Excluded Activities list	Income from non-commercial property located in a free zone
	Subtotal (1)	Subtotal (2)	Income attributable to Permanent Establishment (e.g., mainland branch)

De Minimis: $2 \div (1+2)$ must not exceed the lower of 5% of total revenue (1+2), or AED 5M.

De Minimis MET?

YES: Qualifying Free zone Person status met

Tax rate = 0%

NO: Loss of Qualifying Free Zone Person status

Tax rate = 9%

Tax rate = 9%

NON-QUALIFYING FREE ZONE PERSON

STANDARD TAX RATES APPLIES

0% On taxable income up to AED 375k

9% On taxable income exceeding AED 375k

QUALIFYING ACTIVITIES

Qualifying activities refer to the activities conducted by a Qualifying Free Zone Person, resulting in the generation of Qualifying Income.

1. Manufacturing of goods or materials
2. Processing of goods or materials
3. Holding of shares and other securities
4. Ownership, management and operation of ships
5. Reinsurance services that are subject to the regulatory oversight of the competent authority in the UAE
6. Fund management services that are subject to the regulatory oversight of the competent authority in the UAE
7. Wealth and investment management services that are subject to the regulatory oversight of the competent authority in the UAE
8. Headquarter services to related parties
9. Treasury and financing services to related parties
10. Financing and leasing of aircraft, including engines and rotatable components
11. Distribution of goods or materials in or from a "Designated Zone" to a customer that 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
12. Logistics services
13. Any activities that are ancillary to the activities above

EXCLUDED ACTIVITIES

Excluded activities refer to the activities conducted by a Qualifying Free Zone Person, resulting in the generation of Non-Qualifying Income.

1. Transactions with natural persons, except for transactions related to the Qualifying Activities.
2. Banking activities subject to regulatory oversight in the UAE.
3. Insurance activities subject to regulatory oversight in the UAE, excluding reinsurance services.
4. Finance and leasing activities subject to regulatory oversight in the UAE, excluding certain financing and leasing of aircraft.
5. Ownership or exploitation of immovable property, except for commercial property in a Free Zone involved in transactions with other Free Zone Persons.
6. Ownership or exploitation of intellectual property assets.
7. Any activities that are ancillary to the activities above.

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We are an authorized FTA tax agency and accounting firm dedicated to assisting busy business owners in the UAE control and understand their financials and tax. Our services, including accounting, tax, and CFO support, is available in scalable and customized packages.

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