

## Recent Developments in UAE Corporate Tax Laws

In May 2024, the UAE Federal Tax Authority (FTA) issued new guidance regarding corporate tax laws, particularly affecting businesses operating within Designated Zones. This update has significant implications for companies engaged in trading activities from these zones.

### Key Highlights of the Guidance

#### 1. 0% Corporate Tax on Revenue:

The guidance confirms that revenue generated from trading within a Designated Zone is subject to a 0% corporate tax rate. This holds true even if the goods do not physically pass through the UAE, offering a substantial tax incentive for businesses operating in these zones.

#### 2. Condition of the Buyer:

One crucial condition outlined is that the buyer of the goods must not be the end user. This implies that the 0% tax rate is designed to benefit intermediaries and businesses involved in further trading or processing, rather than the final consumers.

#### 3. Qualifying as a Free Zone Person (QFZP):

To benefit from the 0% corporate tax rate, entities must qualify as a Free Zone Person (QFZP). A QFZP must:

- Be a juridical person established or registered in a Free Zone.
- Derive qualifying income from specific sources, including transactions with other Free Zone Persons, qualifying activities, and qualifying intellectual property.
- Maintain adequate substance in the Free Zone, which includes having sufficient assets, full-time employees, and operating expenditures to perform core income-generating activities within the Free Zone.

#### 4. Core Income-Generating Activities:

For distribution activities, these must be conducted within a Designated Zone. The company must perform essential and value-adding activities that directly drive revenue from its business operations within the Free Zone.

#### 5. Compliance Requirements:

Companies must comply with several regulatory requirements to maintain their QFZP status. These include adherence to the arm's length principle for transactions with related parties and the preparation and maintenance of audited financial statements.

## Implications for Businesses

This guidance provides clarity and reinforces the UAE's commitment to maintaining its competitive edge as a global trading hub. However, companies must carefully ensure compliance with the outlined conditions to fully benefit from these incentives.

In conclusion, the May 2024 guidance by the UAE Federal Tax Authority marks a significant development in the country's corporate tax landscape. Businesses operating within Designated Zones should review their operations and ensure they meet the necessary criteria to take full advantage of the 0% corporate tax rate on eligible trading activities.

## How can DTOS assist?

DTOS can assist with the Corporate Tax Registration for your UAE based companies and provide an analysis of the implications of the corporate tax. DTOS can also assist with the setting up, ongoing administration, as well as board and governance services to companies willing to structure their investments through the United Arab Emirates.

## Get in touch with us

**Shamima ISSACK,**  
Relationship Manager DTOS UAE

[SIssack@dtos-mu.com](mailto:SIssack@dtos-mu.com)

T: +971 5440 43 602



**Terry ANTOINETTE,**  
Managing Director, DTOS UAE

[TAntoinette@dtos-mu.com](mailto:TAntoinette@dtos-mu.com)

T: +971 5079 54 345

