



Taxability of Free Zone Persons

This document is prepared to provide some basic information to Dubai World Trade Centre Free Zone ('DWTC FZ') members on the UAE federal Corporate Tax ("Corporate Tax") legislation. The information provided in this document is for general informational purposes only and should not be relied upon as legal advice. Users are advised to consult with a qualified legal or tax professional for specific advice tailored to their circumstances. To learn more, visit the UAE Ministry of Finance website- <https://mof.gov.ae/corporate-tax>.

A. DWTC a designated as a Qualifying Free Zone

The DWTC FZ is a geographically designated and defined area in the United Arab Emirates and is considered a **Qualified Free Zone** for the purposes of the UAE Corporate Tax Law.

This allows its members who are '**Qualifying Free Zone Persons**' in the DWTC Free Zone to benefit from a **0% corporate tax** rate on '**Qualifying Incomes**' earned by the member.

B. Qualifying Free Zone Person ('QFZP')?

"**Qualifying Free Zone Person**" is an entity registered in a Qualified Free Zone in the UAE and must:

1. Maintain adequate substance in the UAE;
2. Derive "Qualifying Income" as specified below.
3. Comply with transfer pricing rules and maintain the relevant transfer pricing documentation; and
4. Has not elected to be subject to Corporate Tax in full.
5. Prepare and maintain audited financial statements

C. Qualifying income?

1. Income derived from transactions with members of other Qualifying Free Zones in the UAE, except "Excluded Activities"
2. Income earned from mainland & overseas customers from Qualifying Activities that are not Excluded Activities.
3. Any other income that falls within the de minimis threshold (i.e. lower of 5% of Revenue or AED 5 million).



D. Qualifying Activities?

MANUFACTURING of Goods & Materials	PROCESSING of Goods & Materials
HOLDING OF SHARES & Other Securities	OWNERSHIP, MANAGEMENT & OPERATION of Ships
REINSURANCE Services	FUND MANAGEMENT Services
WEALTH & INVESTMENT Management Services	HEADQUARTER SERVICES to Related Parties
FINANCING & LEASING of Aircraft, including Engines & Routable Components	LOGISTICS Services
TRADING of Qualifying Commodities	TREASURY AND FINANCING SERVICES Related Parties
ANY ACTIVITIES that are ancillary to the Qualifying Activities specified	

E. Excluded Activities?

01. Transactions with natural persons e.g. Individuals
02. Regulated financial services activities
(Banking, Insurance, Finance Leasing activities other than those covered in Qualifying Activities)
03. Ownership or exploitation of intellectual property assets
04. Ownership or exploitation of immovable property,
other than transactions with FZP in relation to commercial property located in FZ
05. Activities ancillary to the above- mentioned activities

For a comprehensive overview on 'UAE Free Zone Corporate Tax Regime', please refer to Cabinet Decision No. 100 of 2023, Ministerial Decision No. 265 of 2023 and updates & clarifications periodically issued by the Ministry of Finance and the Federal Tax Authority on their official websites.