

A night-time aerial view of the Dubai skyline, featuring numerous illuminated skyscrapers. The Burj Khalifa is prominent on the right. In the foreground, a curved, modern building with a glass facade is visible. The city lights reflect on the ground, and the sky is a deep blue with some clouds.

دبي

للاقتصاد والسياحة
Economy and Tourism

CORPORATE MIGRATION TO A DUBAI FREE ZONE

A UAE CORPORATE TAX GUIDE

UAE CORPORATE TAX INSIGHTS

Federal Decree-Law No. (47) of 2022 on the Taxation of Corporations and Businesses and its amendments (Federal Decree-Law No. (60) of 2023) (the “CT Law”) is applicable in Dubai, as well as across all other Emirates in the UAE.

The headline corporate tax rate in the UAE is set at 9%. This rate applies to the taxable profits of all UAE mainland companies as well as foreign companies effectively managed and controlled from the UAE and other foreign entities with a taxable presence in the UAE. These companies may be able to benefit from tax grouping and a number of **generous exemptions and reliefs**, including:

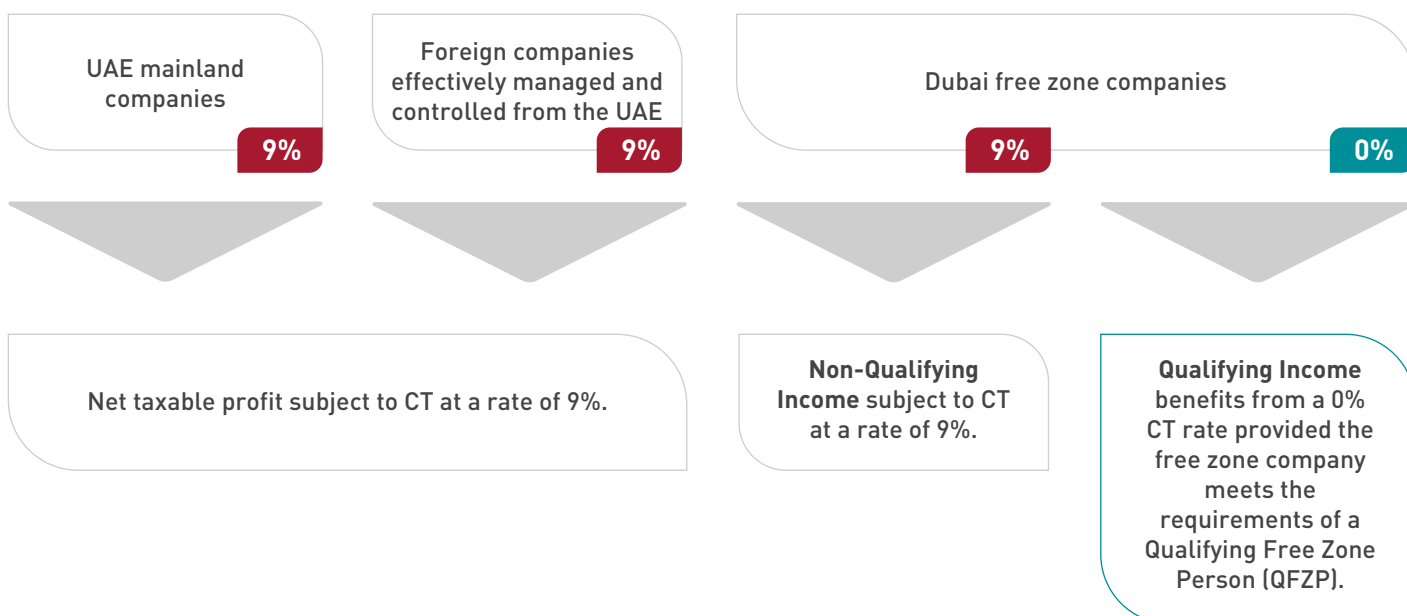
- A 0% CT rate on taxable profits up to AED 375,000;
- Business restructuring relief and qualifying group relief
- A full tax exemption applicable to UAE dividends;
- Small Business Relief (which removes the requirement to pay CT and simplifies the reporting requirements for eligible Taxable Persons with Revenue not exceeding AED 3 million in all tax periods up to 31 December 2026;
- A generous “participation exemption regime” which exempts capital gains on qualifying UAE shares and dividends and capital gains derived from qualifying non-UAE shares from CT.

In addition, a special **0% rate is available on the Qualifying Income of free zone companies in Dubai** subject to certain conditions being met. The preferential tax regime for QFZPs has been confirmed by the OECD as “non-harmful” according to the requirements set by the OECD's Forum on Harmful Tax Practices.

Setting up an entity in Dubai free zone or migrating an existing entity to a Dubai free zone could give access to this 0% CT rate on Qualifying Income where relevant conditions are met.



QUALIFYING FREE ZONE COMPANIES IN DUBAI WILL BENEFIT FROM A 0% CORPORATE TAX RATE ON THEIR QUALIFYING INCOME



WHAT IS A QUALIFYING FREE ZONE PERSON (QFZP)?

In accordance with the conditions of Article 18 of the CT Law and the related Cabinet Decision and Ministerial Decision, a QFZP is a free zone entity, which:

- maintains adequate substance in the free zone;
- derives Qualifying Income;
- has not elected to be subject to UAE CT;
- complies with the arm's length principle and Transfer Pricing documentation for transactions with Related Parties and Connected Persons;
- does not have non-Qualifying revenue in excess of the de minimis requirements (the lower of 5% of total revenues or AED 5 million in a tax period); and
- prepares audited financial statements in accordance with International Financial Reporting Standards (IFRS) or IFRS for SMEs (if revenue does not exceed AED 50m) or cash basis (if revenue does not exceed AED 3m).

WHAT IS QUALIFYING INCOME?

Qualifying Income includes:

- Income from any transactions between free zone companies provided the transactions do not fall within the definition of Excluded Activities.
- Income from transactions with a non-free zone person, but only in respect of Qualifying Activities that are not Excluded Activities.
- Income derived from the ownership or exploitation of Qualifying Intellectual Property.
- Income from commercial property in a Free zone from a Free Zone Person
- Any other income provided that the QFZP satisfies the de minimis requirements.

WHAT IS A QUALIFYING ACTIVITY?

- a. Manufacturing of goods or materials.
- b. Processing of goods or materials.
- c. Trading of Qualifying Commodities, e.g. metals, minerals, energy and agriculture commodities traded on a Recognised Commodities Exchange Market in raw form.
- d. Holding of shares and other securities for investment purposes.
- e. Ownership, management and operation of ships.
- f. Reinsurance services.
- g. Fund management services.
- h. Wealth and investment management services.
- i. Headquarter services to Related Parties.
- j. Treasury and financing services to Related Parties.

- k. Financing and leasing of aircrafts.
- l. Distribution of goods or materials in or from a Designated Zone.
- m. Logistics services.
- n. Activities ancillary to those listed above in paragraphs (a) to (m).*

WHAT IS AN EXCLUDED ACTIVITY?

The following are Excluded Activities:

1. Any transactions with natural persons, except for transactions in relation to the following Qualifying Activities: ownership, management and operation of ships; fund management services; wealth and investment management services; and financing and leasing of aircrafts.
2. Banking activities.
3. Insurance activities, other than the Qualifying Activities of reinsurance services and headquarter services to Related Parties.
4. Finance and leasing activities, other than the following Qualifying Activities: ownership, management and operation of ships; treasury and financing services to Related Parties; and financing and leasing of aircraft.
5. Ownership or exploitation of immovable property, other than Commercial Property located in a free zone where the transaction of such Commercial Property is conducted with other Free Zone Persons.
6. Any activities that are ancillary* to the excluded activities listed above.

MIGRATION TO A DUBAI FREE ZONE

Migrating an entity from the UAE mainland or another jurisdiction to a Dubai Free Zone may allow the company to benefit from the 0% Corporate Tax rate on Qualifying Income where relevant conditions are met. The process and requirements for redomiciling a company to a Dubai free zone will vary depending on which free zone the company is redomiciling to. The jurisdiction from which the company is migrating will also need to permit the redomiciliation.

Prior to redomiciling, it is important to undertake due diligence to assess the impact this could have on the company and identify any notifications or consents that may be required.

*An activity is considered ancillary where it is necessary for the performance of the main activity or makes a minor contribution to it and is so closely related to the main activity that it should not be regarded as a separate activity.

Overview of requirements/steps to redomicile to a Dubai free zone

- Obtain approval for the redomiciliation from the jurisdiction the company is emigrating from. Each free zone will have its own requirements as to how this approval should be evidenced.
- Apply to the Free Zone Authority in the chosen free zone for initial approval for the redomiciliation.
- Identify suitable premises/office space in the free zone and enter into a lease.
- Issuance of the certificate of continuance.
- Obtain residency visas and work permits for any employees who will be working in the UAE.
- Sign the articles of continuation of the company, which may need to be signed locally by a duly authorised representative.
- Deregistration of the company in the emigrating jurisdiction, to the extent that this does not happen automatically.
- Pay the relevant fees and collect the commercial licence from Department of Economic Development ("DED"). The licence application includes details about the activities of the business, the legal structure, and the number of visas required.
- If the company has any subsidiaries or branches, pre-domiciliation consents or post-redomiciliation filings may be required and further transfer fees may be payable.
- Register the free zone company with the Federal Tax Authority.

It will be necessary to collate and, if required, notarise and attest certain documents, which will be required for the redomiciliation process.

These will include the resolutions approving the redomiciliation as well as the company's constitutional documents, e.g. memorandum of association and articles of association, the trade license, financial statements, tax clearance certificate, and written approvals from the emigrating jurisdiction and the chosen Free Zone Authority approving the redomiciliation.

Once the required documents have been collated, companies should factor in at least six to eight weeks for the redomiciliation process to be completed. Additional documents or information may be requested by the authorities during the redomiciliation process, which may extend this timeframe.

Disclaimer

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