

**Ministerial Decision No. 139 of 2023 Regarding Qualifying Activities and Excluded Activities for the
Purposes of Federal Decree Law No. 47 of 2022 on the Taxation of Corporations and Businesses**

Minister of State for Financial Affairs:

- Having reviewed the Constitution,
- Federal Law No. 1 of 1972 on the Competencies of Ministries and Powers of the Ministers, and its amendments,
- Federal Decree-Law No. 13 of 2016 on the Establishment of the Federal Tax Authority, and its amendments,
- Federal Decree-Law No. 8 of 2017 on Value Added Tax, and its amendments,
- Federal Decree-Law No. 28 of 2022 on Tax Procedures,
- Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses,
- Cabinet Decision No. 59 of 2017 on Designated Zones for the Purposes of the Federal Decree-Law No. 8 of 2017 on Value Added Tax,
- Cabinet Decision No. 55 of 2023 on Determining Qualifying Income of the Qualifying Free Zone Person for the Purposes of Federal Decree Law No. 47 of 2022 on the Taxation of Corporations and Businesses,

Decided:

**Article (1)
Definitions**

Words and expressions in this Decision shall have the same meanings specified in the Federal Decree-Law No. 47 of 2022 ("**Corporate Tax Law**") and Cabinet Decision No. 55 of 2023 referred to above, and the following words and expressions shall have the meanings assigned against each:

Ship: Any structures normally operating, or set for operating in maritime navigation regardless of its power and tonnage.

Aircraft: Any machine that can derive support in the atmosphere from the reactions of the air other than the reactions of the air against the surface of the earth.

Designated Zone: A designated zone as defined in Federal Decree-Law No. 8 of 2017 referred to above, and which has been specified as a Free Zone for the purposes of the Corporate Tax Law.

**Article (2)
Qualifying Activities**

1. For the purposes of Cabinet Decision No. 55 of 2023 referred to above, and subject to Clause (2) of this Article and Article (3) of this Decision, the following activities conducted by a Qualifying Free Zone Person shall be considered Qualifying Activities:

- (a) Manufacturing of goods or materials.
 - (b) Processing of goods or materials.
 - (c) Holding of shares and other securities.
 - (d) Ownership, management and operation of Ships.
 - (e) Reinsurance services that are subject to the regulatory oversight of the competent authority in the State.
 - (f) Fund management services that are subject to the regulatory oversight of the competent authority in the State.
 - (g) Wealth and investment management services that are subject to the regulatory oversight of the competent authority in the State.
 - (h) Headquarter services to Related Parties.
 - (i) Treasury and financing services to Related Parties.
 - (j) Financing and leasing of Aircraft, including engines and rotatable components.
 - (k) 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.
 - (l) Logistics services.
 - (m) Any activities that are ancillary to the activities listed in paragraphs (a) to (l) of this Clause.
2. Unless otherwise prescribed in this Decision or any other decision issued by the Minister, the activities referenced in Clause (1) of this Article shall have the meaning provided under the respective laws regulating these activities.
 3. In application of paragraph (k) of Clause (1) of this Article, the activity of distributing goods or materials must be undertaken in or from a Designated Zone and the goods or materials entering the State must be imported through the Designated Zone.
 4. For the purposes of paragraph (m) of Clause (1) of this Article, an activity shall be considered ancillary where it serves no independent function but is necessary for the performance of the main Qualifying Activity.

Article (3)
Excluded Activities

1. For the purposes of Cabinet Decision No. 55 of 2023 referred to above, the following activities shall be considered Excluded Activities:
 - (a) Any transactions with natural persons, except transactions in relation to the Qualifying Activities specified under paragraphs (d), (f), (g) and (j) of Clause (1) of Article (2) of this Decision.
 - (b) Banking activities that are subject to the regulatory oversight of the competent authority in the State.
 - (c) Insurance activities that are subject to the regulatory oversight of the competent authority in the State, other than the activity specified under paragraph (e) of Clause (1) of Article (2) of this Decision.
 - (d) Finance and leasing activities that are subject to the regulatory oversight of the competent authority in the State, other than those specified under paragraphs (i) and (j) of Clause (1) of Article (2) of this Decision.
 - (e) Ownership or exploitation of immovable property, other than Commercial Property located in a Free Zone where the transaction in respect of such Commercial Property is conducted with other Free Zone Persons.
 - (f) Ownership or exploitation of intellectual property assets.
 - (g) Any activities that are ancillary to the activities listed in paragraphs (a) to (f) of this Clause.
2. For the purposes of paragraph (g) of Clause (1) of this Article, an activity shall be considered ancillary where it serves no independent function but is necessary for the performance of the main Excluded Activity.
3. Unless otherwise prescribed in this Decision or any other decision issued by the Minister, the activities referenced in Clause (1) of this Article shall have the meaning provided under the respective laws regulating these activities.

Article (4)
De Minimis Requirements

For the purposes of Article (4) of Cabinet Decision No. 55 of 2023 referred to above, the de minimis requirements shall be considered satisfied where the non-qualifying Revenue derived by the Qualifying Free Zone Person in a Tax Period does not exceed 5% (five percent) of the total Revenue of the Qualifying Free Zone Person in that Tax Period or AED 5,000,000 (five million dirhams), whichever is lower.

Article (5)
Other Conditions

1. In addition to the conditions set out in Clause (1) of Article (18) of the Corporate Tax Law, a Qualifying Free Zone Person must meet the following two conditions:
 - (a) Its non-qualifying Revenue does not exceed the de minimis requirements set out in Article (4) of this Decision.
 - (b) It prepares audited financial statements in accordance with any decision issued by the Minister on the requirements to prepare and maintain audited financial statements for the purposes of the Corporate Tax Law.
2. A Qualifying Free Zone Person that at any particular time during a Tax Period fails to meet any of the conditions set out in Clause (1) of Article (18) of the Corporate Tax Law and this Decision and any other conditions prescribed by the Minister shall cease to be a Qualifying Free Zone Person from the beginning of the relevant Tax Period and for the subsequent (4) four Tax Periods.

Article (6)
Publication and Application of this Decision

This Decision shall be published and shall come into effect on 1 June 2023.

Mohamed bin Hadi Al Hussaini

Minister of State for Financial Affairs

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