



**Ministerial Decision No. (265) 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 Law No. 6 of 2007 on the Organization of Insurance Operations, 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. 14 of 2018 Regarding the Central Bank and Organization of Financial Institutions and Activities, 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, and its amendments,
- Cabinet Decision No. 100 of 2023 on Determining Qualifying Income for the Qualifying Free Zone Person for the Purposes of Federal Decree Law No. 47 of 2022 on the Taxation of Corporations and Businesses,
- 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,

**Decided:**

**Article (1)  
Definitions**

Definitions in Federal Decree-Law No. 47 of 2022 and Cabinet Decision No. 100 of 2023 referred to above shall apply to this Decision, otherwise the following words and expressions shall have the meaning assigned against each, unless the context requires otherwise.

**Qualifying Commodities:** Metals, minerals, energy and agriculture commodities that are traded on a Recognised Commodities Exchange Market in raw form.

**Recognised Commodities Exchange Market:** Any commodities exchange market established in the State that is licensed and regulated by the relevant Competent Authority, or any commodities exchange market established and recognised outside the State of equal standing.

**Ship:** Any structure 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.

**Competent Authority:** The Central Bank of the United Arab Emirates, the Dubai Financial Services Authority of the Dubai International Financial Centre, the Financial Services Regulatory Authority of the Abu Dhabi Global Market and the Securities and Commodities Authority as applicable.



**Corporate Tax Law:** Federal Decree-Law No. 47 of 2022 referred to above.

**Article (2)**  
**Qualifying Activities and Excluded Activities**

1. For the purposes of Cabinet Decision No. 100 of 2023 referred to above, and subject to Clauses (2) and (3) of this Article, 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. Trading of Qualifying Commodities.
  - 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. Any activities that are ancillary to the Qualifying Activities specified in paragraphs (a) to (m) of this Clause.
2. For the purposes of Cabinet Decision No. 100 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 (e), (g), (h) and (k) of Clause (1) of this Article.
  - b. Banking activities.
  - c. Insurance activities, without prejudice to the Qualifying Activities specified under paragraphs (f) and (i) of Clause (1) of this Article.
  - d. Finance and leasing activities without prejudice to the Qualifying Activities specified in paragraphs (e), (j) and (k) of Clause (1) of this Article.



- 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 a Free Zone Person.
- f. Any activities that are ancillary to the Excluded Activities specified in paragraphs (a) to (e) of this Clause.
3. For the purposes of Clauses (1) and (2) of this Article, the following shall apply:
- a. Manufacturing of goods or materials includes the production, improvement or assembly of products and materials from raw materials or components.
- b. Processing of goods or materials includes the preparation, treatment, transformation or conversion of goods or materials into another form of good or material for commercial or industrial use or sale.
- c. Trading of Qualifying Commodities means the physical trading activities of Qualifying Commodities and associated derivative trading used to hedge against risks involved in such activities.
- d. Holding of shares and other securities for investment purposes includes the holding of the following:
- 1) Shares of any class in the share capital of another juridical person or other types of equitable interests that entitle the holder to receive profits and liquidation proceeds, whether as a legal or beneficial owner.
- 2) Negotiable or non-negotiable financial instruments, including, derivative instruments, financial commodities, and other investment instruments that are or can be traded in a public or private market or that are convertible or exchangeable into a security or which confer a right to purchase a security, with the exception of the holding of financial or investment instruments that are issued pursuant to a securitization of receivables from a non-financial asset.
- Shares and other securities are deemed to be held for investment purposes when held for an uninterrupted period of at least (12) twelve months.
- e. Ownership, management and operation of Ships includes the ownership, management and operation of Ships used in the international transportation of passengers, goods or livestock, towing activities and the provision of general assistance to Ships at sea, dredging activities at sea, and leasing and chartering of Ships on a bareboat basis used in the international transportation of passengers, goods or livestock. This activity shall not include Ships used for local transportation or leisure or recreational purposes, or as floating hotels, restaurants or casinos.
- f. Reinsurance services means reinsurance operations that are regulated under Federal Law No. 6 of 2007 referred to above.
- g. Fund management services includes the activities of portfolio management, risk management, discretionary and non-discretionary fund management services and other services relating to the day-to-day management and operation of an investment fund by a fund manager that is appointed by the fund or its investors, including those activities that are delegated by an investment fund or its fund manager to an investment advisor or sub-advisor, that are subject to the regulatory oversight of the Competent Authority in the State.
- h. Wealth and investment management services includes the activities of providing discretionary and



non-discretionary investment management and advisory services, portfolio management and wealth and investment advisory services, that are subject to the regulatory oversight of the Competent Authority in the State.

- i. Headquarter services to Related Parties includes the administering, overseeing and managing of Business Activities of Related Parties, including the provision of senior and general management, captive insurance services, administrative services, procurement services, business planning and development, risk management, coordination of group activities, and in general incurring expenditures on behalf of Related Parties and providing other support services to Related Parties.
  - j. Treasury and financing services to Related Parties includes the provision of cash and liquidity management, financing, debt management, and financial risk management and related advisory services to Related Parties, including centralised payment and collection activities for or on behalf of Related Parties.
  - k. Financing and leasing of Aircraft includes the financing, leasing and securitisation of the financing and leasing of Aircraft, Aircraft engines or rotatable components, granting the right to use Aircraft, Aircraft engines or rotatable components in exchange for rental or other consideration pursuant to a finance lease, operating lease or other arrangement and related advisory and agency services for the procurement, sale or leasing of Aircraft, Aircraft engines or rotatable components undertaken by the Qualifying Free Zone Person.
  - l. Distribution of goods or materials in or from a Designated Zone, includes the buying and selling of goods, materials, component parts or any other items that are tangible or movable and may include the importation, storage, inventory management, handling, transportation and exportation of those goods or materials 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, provided such activities are conducted in or from a Designated Zone and the goods or materials entering the State are imported through the Designated Zone.
  - m. Logistics services includes the storage and transportation of goods or materials on behalf of another Person without taking title to the good or material of that other Person, including cargo handling, warehousing, container storage, transport agency services, customs brokerage services, order and inventory management, freight forwarding and brokerage services, document preparation, packing and unpacking and other related services.
  - n. Banking activities means the regulated financial activities specified under Article (65) of Federal Decree-Law No. 14 of 2018.
  - o. Insurance activities means insurance operations that are regulated under Federal Law No. 6 of 2007 referred to above.
  - p. Finance and leasing activities means the provision of credit or financing for any kind of consideration, and the letting or otherwise granting the right to use an asset in exchange for rental or other consideration pursuant to a finance lease, operating lease or other arrangement, that are subject to the regulatory oversight of the Competent Authority in the State.
4. For the purposes of paragraph (n) of Clause (1) and paragraph (f) of Clause (2) of this Article, an activity shall be considered ancillary where it is necessary for the performance of the main activity or where it 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.

## Income Derived from Qualifying Intellectual Property

1. For the purposes of Clause (1) of Article (7) of Cabinet Decision No. 100 of 2023 referred to above, subject to the application of Clause (3) of this Article, the Qualifying Income shall be determined as follows:

$$\text{Qualifying Income} = \frac{\text{Qualifying Expenditures} + \text{Up-lift Expenditures}}{\text{Overall Expenditures}} \times \text{Overall Income}$$

2. For the purpose of Clause (1) of this Article the following provisions shall apply:
  - a. 'Qualifying Expenditures' means expenditures incurred to fund research and development activities, conducted either by the Qualifying Free Zone Person or outsourced to any Person in the State or any Person outside the State that is not a Related Party, directly connected with the creation, invention or significant development of the Qualifying Intellectual Property.
  - b. 'Overall Expenditures' means total expenditures incurred to fund research and development activities, conducted either by the Qualifying Free Zone Person or outsourced to any Person, directly connected with the creation, invention or significant development of the Qualifying Intellectual Property, including acquisition costs of the Qualifying Intellectual Property.
  - c. 'Overall Income' means royalties or any other income derived from Qualifying Intellectual Property as determined according to the provisions of the Corporate Tax Law, including embedded intellectual property income derived from the sale of products and the use of processes directly related to the Qualifying Intellectual Property as determined in accordance with the arm's length principle under Article (34) of the Corporate Tax Law.
  - d. 'Uplift Expenditures' means the Qualifying Expenditure increased by 30% (thirty percent), subject to the application of Clause (3) of this Article.
3. The Up-lift Expenditures shall be applicable only to the extent that Qualifying Expenditures, after being up-lifted is less than or equal to Overall Expenditures.



- b. Qualifying Expenditures and Overall Expenditures incurred.
- c. Overall Income derived from the Qualifying Intellectual Property.
- d. The link between Qualifying Expenditures and Overall Income derived from Qualifying Intellectual Property.

#### **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 (3) 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) Repeals**

Ministerial Decision 139 of 2023 referred to above shall be repealed.

#### **Article (7) 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**

**Issued by us,**

On: 12/Rabi' al-Akhir 1445 H  
Corresponding to: 27/ 10/ 2023



**Cabinet Decision No. 100 of 2023 on Determining Qualifying Income for the Qualifying Free Zone Person for the Purposes of Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses**

**The Cabinet:**

- Having reviewed the Constitution,
- Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses,
- Cabinet Decision No. 55 of 2023 on Determining Qualifying Income for the Qualifying Free Zone Person for the Purposes of Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses,
- Pursuant to what was presented by the Minister of Finance and upon the approval of the Cabinet,

**Decided:**

**Article (1)**

**Definitions**

Definitions in Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses shall apply to this Decision, otherwise the following words and expressions shall have the meaning assigned against each, unless the context requires otherwise:

**Domestic Permanent Establishment:** A place of Business or other form of presence of a Qualifying Free Zone Person outside the Free Zone in the State.

**Qualifying Activities:** Any activities determined by a decision issued by the Minister and conducted by a Qualifying Free Zone Person from which Qualifying Income is derived.

**Excluded Activities:** Any activities determined by a decision issued by the Minister and conducted by a Qualifying Free Zone Person from which non-Qualifying Income is derived.

**Non-Free Zone Person:** Any Person who is not a Free Zone Person.

**Qualifying Intellectual Property:** Patents, Copyrighted Software and any right functionally equivalent to a Patent that is both legally protected and subject to a similar approval and registration process to a Patent, such as utility models, intellectual property assets that grant protection to plants and genetic material, orphan drug designations, and extensions of Patent protection, but not including any marketing related intellectual property assets, such as trademarks.

**Patents:** Any patent granted under the law regulating patents in the State or granted under the relevant law of a foreign jurisdiction.

**Copyrighted Software:** Any copyright subsisting in software granted under the law regulating copyrights in the State or granted under the relevant law of a foreign jurisdiction.

**Commercial Property:** Immovable property or part thereof used exclusively for a Business or Business Activity and not used as a place of residence or accommodation including hotels, motels, bed and breakfast establishments, serviced apartments and the like.

**Designated Zone:** A designated zone according to what is stated in Federal Decree-Law No. (8) of 2017 on Value Added Tax, and which has been included as a Free Zone in accordance with the Corporate Tax Law.

**Corporate Tax Law:** Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses.



## **Article (2)**

### **Scope of Application**

The provisions of this Decision shall apply to Qualifying Free Zone Persons.

## **Article (3)**

### **Qualifying Income**

1. For the purposes of application of Article (18) of the Corporate Tax Law, Qualifying Income of the Qualifying Free Zone Person shall include the below categories of income, provided that such income is not attributable to a Domestic Permanent Establishment or a Foreign Permanent Establishment in accordance with Article (5) of this Decision, or derived from the ownership or exploitation of immovable property in accordance with Article (6) of this Decision, or considered Taxable Income under Clause (2) of Article (7) of this Decision:
  - a. Income derived from transactions with a Free Zone Person, except for income derived from Excluded Activities.
  - b. Income derived from transactions with a Non-Free Zone Person, but only in respect of Qualifying Activities that are not Excluded Activities.
  - c. Income derived from the ownership or exploitation of Qualifying Intellectual Property under Clause (1) of Article (7) of this Decision.
  - d. Any other income provided that the Qualifying Free Zone Person satisfies the de minimis requirements under Article (4) of this Decision.
2. For the purposes of paragraph (a) of Clause (1) of this Article, income will be considered as derived from transactions with a Free Zone Person where that Free Zone Person is the Beneficial Recipient of the relevant services or Goods.
3. For the purposes of this Article, the term “Beneficial Recipient” shall mean a Person who has the right to use and enjoy the service or the Good and does not have a contractual or legal obligation to supply such service or Good to another person and the term “Good” shall mean tangible or intangible property that has economic value in dealing including movable and immovable property.
4. For the purposes of determining whether a Qualifying Free Zone Person has a Domestic Permanent Establishment, the provisions of Article (14) of the Corporate Tax Law shall apply and the expression “Qualifying Free Zone Person” shall be used instead of the expression “Non-Resident Person”, and the expression “geographical areas outside the Free Zones in the State” shall be used instead of the word “State”, wherever used in that Article.

## **Article (4)**

### **De minimis Requirements**

1. 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 a percentage of the total Revenue of the Qualifying Free Zone Person in that Tax Period as specified by the Minister, or an amount specified by the Minister, whichever is lower.
2. Subject to Clause (3) of this Article, the following provisions shall apply:

- a. Non-qualifying Revenue is Revenue derived in a Tax Period from any of the following:
    - (1) Excluded Activities.
    - (2) Activities that are not Qualifying Activities where the other party to the transaction is a Non-Free Zone Person.
    - (3) Transactions with a Free Zone Person where such Free Zone Person is not the Beneficial Recipient of the relevant services or Goods.
  - b. Total Revenue is all Revenue derived by a Qualifying Free Zone Person in a Tax Period.
3. The following Revenue shall not be included in the calculation of non-qualifying Revenue and total Revenue:
- a. Revenue derived from the following transactions in relation to immovable property located in a Free Zone:
    - (1) Transactions with a Non-Free Zone Person in respect of Commercial Property.
    - (2) Transactions with any Person in respect of immovable property that is not Commercial Property.
  - b. Revenue attributable to a Domestic Permanent Establishment or a Foreign Permanent Establishment of the Qualifying Free Zone Person.
  - c. Revenue derived from the ownership or exploitation of intellectual property, except for the Revenue related to the Qualifying Income referred to in Clause (1) of Article (7) of this Decision.
4. For the purposes of this Article, a Qualifying Free Zone Person and its Domestic Permanent Establishment or Foreign Permanent Establishment shall be treated as if the establishment was a separate and independent Person that is a Related Party of the Qualifying Free Zone Person.

#### **Article (5)**

##### **Income Attributable to a Domestic Permanent Establishment or a Foreign Permanent Establishment**

1. Income attributable to a Domestic Permanent Establishment or a Foreign Permanent Establishment of the Qualifying Free Zone Person shall be considered Taxable Income and taxed in accordance with paragraph (b) of Clause (2) of Article (3) of the Corporate Tax Law.
2. The income attributable to a Domestic Permanent Establishment or a Foreign Permanent Establishment of the Qualifying Free Zone Person for a Tax Period is the Taxable Income attributable to any such establishment for that period calculated as if the establishment was a separate and independent Person that is a Related Party of the Qualifying Free Zone Person.

#### **Article (6)**

##### **Income Derived From Immovable Property Located in a Free Zone**

1. Income derived from immovable property located in a Free Zone from the below transactions shall be considered Taxable Income and taxed in accordance with paragraph (b) of Clause (2) of Article (3) of the Corporate Tax Law:

- a. Transactions with a Non-Free Zone Person in respect of Commercial Property.
  - b. Transactions with any Person in respect of immovable property that is not Commercial Property.
2. For the purposes of Clause (1) of this Article, the Taxable Income for a Tax Period shall be the income that is derived from the immovable property referred to in paragraphs (a) and (b) of Clause (1) of this Article calculated in accordance with the relevant provisions of the Corporate Tax Law.

#### **Article (7)**

##### **Income Derived from Qualifying Intellectual Property**

1. Qualifying Income derived from the ownership or exploitation of Qualifying Intellectual Property shall be calculated in accordance with a decision issued by the Minister.
2. Income derived from the ownership or exploitation of intellectual property that is not Qualifying Intellectual Property and income in excess of Qualifying Income calculated in accordance with Clause (1) of this Article, shall be considered Taxable Income and taxed in accordance with paragraph (b) of Clause (2) of Article (3) of the Corporate Tax Law.

#### **Article (8)**

##### **Maintaining Adequate Substance and Outsourcing in a Free Zone**

1. A Qualifying Free Zone Person shall undertake its core income-generating activities in a Free Zone or a Designated Zone, depending on where such activities are required to be conducted, and having regard to the level of the activities carried out, have adequate assets, an adequate number of qualified full-time employees in a Free Zone or a Designated Zone depending on where such activities are required to be conducted, and incur an adequate amount of operating expenditures, in relation to each activity.
2. Core income-generating activities can be outsourced to another Person in a Free Zone or a Designated Zone depending on where such activities are required to be conducted, provided the Qualifying Free Zone Person has adequate supervision of the outsourced activity.
3. Notwithstanding Clause (2) of this Article, core income-generating activities in respect of Qualifying Intellectual Property can be outsourced to any other Person in the State and to any other Person who is not a Related Party outside the State, provided the Qualifying Free Zone Person has adequate supervision of the outsourced activity.
4. For the purposes of this Article, core income-generating activities may vary according to the specific activity but mainly consist of those significant functions that drive the business value for each activity carried out by a Qualifying Free Zone Person and are not exclusively or mostly support activities.

#### **Article (9)**

##### **Implementing Decisions**

The Minister shall issue the necessary decisions to implement the provisions of this Decision.

**Article (10)**

**Repeals**

Cabinet Decision No. 55 of 2023 on Determining Qualifying Income for the Qualifying Free Zone Person for the Purposes of Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses shall be repealed.

**Article (11)**

**Publication and Application of this Decision**

This Decision shall be published in the Official Gazette and shall come into effect on 1 June 2023.

**Mohammed bin Rashid Al Maktoum**

**Prime Minister**

Issued by us,

On: 10/ Rabi' al-Akhir/ 1445 H

Corresponding to: 25 / October / 2023