



BY EMAIL

24 July 2023

To the Senior Executive Officers of DFSA Authorised Persons, DNFBPs and Registered Auditors

**RE: UAE Ministry of Finance consultation on application of the UAE Corporate Tax Law to the Free Zones**

Dear SEO,

As you know, in December 2022, the UAE issued Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses (the "Corporate Tax Law"), which entered into force on 1 June 2023.

While the Corporate Tax Law has implications for DIFC-based DFSA Authorised Firms, it provides that Qualifying Free Zone Persons can benefit from a preferential rate of 0% corporate tax on their Qualifying Income originating from Qualifying Activities, which are not Excluded Activities.

Since the publication of the Corporate Tax Law, the UAE Ministry of Finance has clarified what amounts to Qualifying Income under:

- Ministerial Decision No. 139 of 2023 regarding Qualifying Activities and Excluded Activities; and
- Cabinet Decision No. 55 of 2023 on Determining Qualifying Income for the Qualifying Free Zone Person.

Article 2 of the Ministerial Decision No. 139 of 2023 provides that such Qualifying Activities include, among others:

- reinsurance services;
- fund management services;
- wealth and investment services;
- treasury and financing services that are subject to the regulatory oversight of the competent authority in the State; as well as
- any activities ancillary to these activities.

In addition, Article 3 provides a list of Excluded Activities, the income from which is not considered Qualifying Income for the purpose of being subject to 0% corporate tax. Such income would, therefore, as a rule be subject to the 9% corporate tax rate unless some other exclusion or exemption applies. Among these activities are:

- banking;
- insurance (except reinsurance activities);



- finance and leasing activities;
- ownership or exploitation of intellectual property assets; as well as
- any activities ancillary to these activities.

We would like to draw your attention to the fact that the **UAE Ministry of Finance is now seeking feedback from interested stakeholders** on its approach to defining the scope of Qualifying and Excluded Activities. The public consultation is open **until 2 August**. Please note that the actual consultation paper is embedded within the feedback form.

The DFSA encourages Authorised Firms to submit their comments directly to the UAE Ministry of Finance. You are requested to indicate your location as the DIFC. Firms may also choose to save and share a copy of their comments with the DFSA by sending it to [consultation@dfsa.ae](mailto:consultation@dfsa.ae), which would allow us to understand better any concerns raised.

Please note that while the DFSA cannot provide guidance in relation to compliance with the Corporate Tax Law, Authorised Firms may wish to familiarise themselves with extensive information on this topic made available on the websites of the [UAE Ministry of Finance](#) and the [Federal Tax Authority](#).

Yours faithfully,

A handwritten signature in blue ink, appearing to read 'Peter Smith', is positioned above the typed name.

Peter Smith  
Managing Director, Strategy, Policy and Risk