BAM
Advisors

UAE FTA ISSUES NEW COMPLIANCE REQUIREMENTS FOR QUALIFYING FREE ZONE PERSONS

FTA DECISION NO. 6 OF 2026 INTRODUCES ADDITIONAL COMPLIANCE PROCEDURES EFFECTIVE FROM 1 JANUARY 2026

The Federal Tax Authority (FTA) has issued FTA Decision No. 6 of 2026, introducing additional compliance requirements for Qualifying Free Zone Persons (QFZPs) carrying on the qualifying activity of distribution of goods or materials in or from a Designated Zone.

The Decision applies to Tax Periods commencing on or after 1 January 2026 and introduces a new reporting requirement aimed at supporting a taxpayer's eligibility to benefit from the 0% Corporate Tax regime available to Qualifying Free Zone Persons engaged in qualifying distribution activities.

Who Is Affected?

The Decision applies to Qualifying Free Zone Persons that undertake the qualifying activity of distribution of goods or materials in or from a Designated Zone.

Businesses carrying on these activities should carefully review the new compliance requirements to ensure they continue to satisfy the conditions for qualifying income under the UAE Corporate Tax regime.

KEY CHANGE – AGREED-UPON PROCEDURES (AUP) REPORT NOW REQUIRED

One of the most significant changes introduced by the Decision is the requirement for affected Qualifying Free Zone Persons to obtain an Agreed-Upon Procedures (AUP) Report from an independent external auditor.The report must be prepared in accordance with ISRS 4400 (Agreed-Upon Procedures Engagements) and is intended to verify that the business satisfies the conditions applicable to qualifying distribution activities.

The AUP engagement will focus on whether:

01 Customers purchasing the goods are genuine resellers or process the goods for resale.

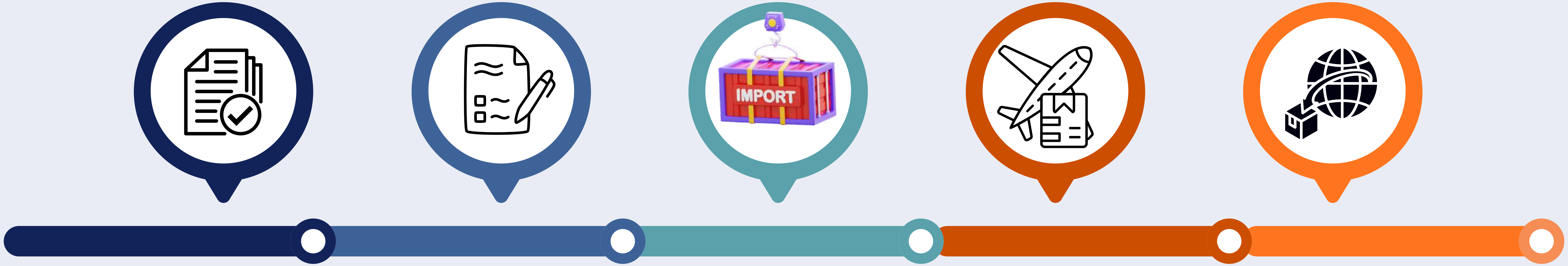
02 Goods imported into the UAE enter through a Designated Zone.

03 Appropriate commercial documentation is maintained to support these conditions.

The Decision also specifies detailed audit procedures covering customer licences, reseller declarations, sales agreements, invoices, customs documentation, shipping documents, and inventory records.

Documentation Is Critical

Businesses should ensure they maintain adequate supporting documentation, including:



01

Customer trade licences or equivalent documents.

02

Signed reseller declarations or confirmations.

03

Import declarations and customs clearance documents.

04

Bills of lading, airway bills, and other shipping documents.

05

Inventory and warehouse records demonstrating movement of goods through a Designated Zone.

Submission Deadline

The Agreed-Upon Procedures Report must be submitted to the FTA within 30 days after the Corporate Tax Return filing deadline for the relevant tax period, unless the FTA specifies otherwise.

WHY THIS MATTERS

Failure to submit the required Agreed-Upon Procedures Report means the additional compliance conditions will not be regarded as satisfied. This could affect a Qualifying Free Zone Person's ability to meet the requirements applicable to the qualifying distribution activity.

HOW BAM ADVISORS CAN HELP

01 Assessing whether the Decision applies to your business.

02 Reviewing compliance with Qualifying Free Zone Person requirements.

03 Evaluating documentation supporting qualifying distribution activities.

04 Coordinating with external auditors for the Agreed-Upon Procedures engagement.

05 Assisting with Corporate Tax compliance and ongoing FTA reporting obligations.

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