LSP CONSULTING DUBAI

TAX GUIDE 2026
FREE ZONE COMPANIES
IN THE UNITED ARAB EMIRATES

OVERVIEW OF CORPORATE TAX, SMALL BUSINESS RELIEF AND VAT



Updated August 2026

CORPORATE TAX IN THE UAE

AT A GLANCE

Standard rate: 9%.
Applied to taxable income above AED 375,000.

0% on the first AED 375,000
0% on the first AED 375,000 of taxable income in each tax period.

Free Zones: two available regimes
QFZP regime (0%) or standard regime (0% / 9%).

Compliance obligations
Registration, annual return and record keeping.

Small Business Relief extension
Available until 31 December 2029 (see dedicated slide).

TWO REGIMES AVAILABLE TO FREE ZONE PERSONS

1. QFZP REGIME

Qualifying Free Zone Person

- 0% rate on qualifying income from Qualifying Activities.
- No tax on non-qualifying income provided the rules are met.
- Substance requirements and specific conditions must be met.
- Small Business Relief cannot be used.

2. STANDARD REGIME

Standard Corporate Tax

- **The standard 0% / 9% structure applies.**
- Small Business Relief (SBR) may be used where the requirements are met.
- Better suited to consulting companies with external clients and mixed activities.

The choice of regime significantly affects taxation and compliance obligations.

QFZP REGIME: QUALIFYING ACTIVITIES

WHAT THEY ARE

Examples of the main activities considered “Qualifying”:

- **Headquarters and strategic management**
- **Holding of shares and investment management**
- **Logistics and distribution to related entities**
- **Financial and treasury services to group entities**
- **Research and development for related entities**
- **Insurance and reinsurance services**

Consulting and professional services provided to independent clients are generally NOT Qualifying Activities.

CONSULTING COMPANIES:

HOW TAXATION WORKS

Typical consulting activities

Management advisory
Business consulting
Accounting, bookkeeping and reporting
Operational and administrative support
Market entry and market analysis
Professional and specialist services

These activities, provided to independent clients, are NOT Qualifying Activities for QFZP purposes.

Consequently, income generated from these activities will be taxed under the standard regime (0% / 9%), unless Small Business Relief applies.

SMALL BUSINESS RELIEF (SBR)

UNTIL 31 DECEMBER 2029

Ministerial Decision No. 131 of 7 August 2026 extended Small Business Relief.

WHO IT APPLIES TO

UAE Resident Persons (including Free Zone companies).

REVENUE THRESHOLD

Total revenue ≤ AED 3,000,000 in the tax period and all relevant previous periods.

ANNUAL ELECTION

An election is required for each tax period in the Corporate Tax Return.

APPLICATION PERIOD

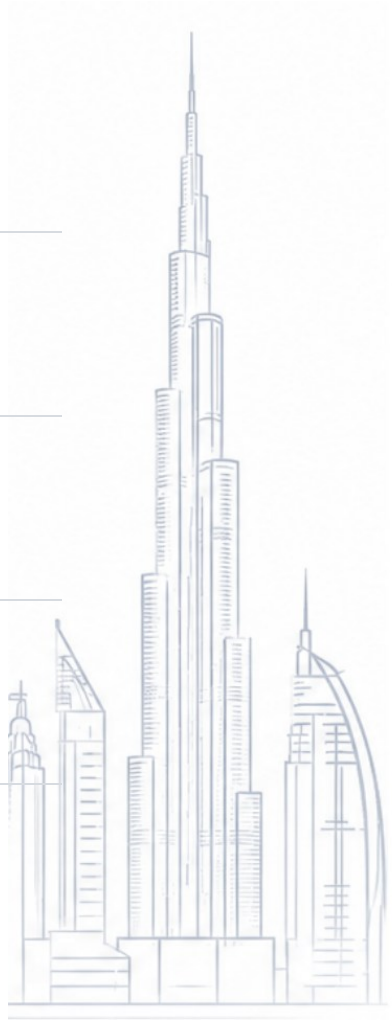
Available for tax periods beginning on or after 1 June 2023 and ending on or before 31 December 2029.

When applicable, the company is treated as having generated NO taxable income: Corporate Tax due = AED 0.

7. OBLIGATIONS AND GOOD PRACTICES

TO BENEFIT FROM SMALL BUSINESS RELIEF, IT IS ESSENTIAL TO:

- Continuously monitor gross revenue on a rolling 12-month basis.
- Verify compliance with all statutory requirements.
- Promptly notify the Tax Authority if the requirements cease to be met.
- Artificially splitting a business among multiple parties is prohibited when done solely to stay below AED 3,000,000 (anti-fragmentation rule).
- Adequate documentation must be retained to demonstrate compliance with all requirements.



PRACTICAL SBR EXAMPLE (UNTIL 2029)

CONSULTING COMPANY

Description	Value (AED)	Scenario without SBR	Scenario with SBR
Revenue	1.800.000	–	–
Taxable income	800.000	800.000	800.000
0% tax on first	AED 375.000	(375.000)	–
9% tax on excess	(425.000)	38.250	–
Corporate Tax due	**–**	**AED 38.250**	**AED 0**

With Small Business Relief, the company pays no Corporate Tax despite generating a profit, provided all requirements are met.

VAT IN THE UAE

KEY POINTS

- Standard rate: 5%.
- Mandatory registration if taxable turnover > AED 375,000.
- Voluntary registration available between AED 187,500 and AED 375,000.
- Requirement to issue compliant invoices, maintain records and file VAT Returns.
- Export of services: exemption may apply subject to specific requirements.

KEY CONSIDERATIONS

- Verify the correct VAT treatment of international services.
- VAT recovery on purchases based on the activities carried out.
- Retain documentation for at least 5 years.

LSP CONSULTING DUBAI

YOUR PARTNER FOR GROWTH IN THE UAE

- Company incorporation and structuring
- Tax registration (CT and VAT)
- Accounting and reporting
- Compliance and filings
- Tax advisory and planning
- Ongoing support and representation

We support you at every stage, from business launch to annual tax compliance.

LSP CONSULTING DUBAI

LOCAL FOCUS. INTERNATIONAL VISION.

TANGIBLE RESULTS.



CONTACT US

+971 58 585 1927

consultancy@lspconsultingme.ae

www.lspconsultingme.ae

IFZA Business Park,
Dubai, UAE

LSP CONSULTING DUBAI
From vision to value.