Spectrum Auditing

UAE Corporate Tax

New Compliance Rules for Free Zone Distributors

What FTA Decision No. 6 of 2026 Means for Your Business

Additional compliance procedures for Qualifying Free Zone Persons engaged in distribution in or from Designated Zones

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If your business operates from a UAE Designated Zone and enjoys the 0% corporate tax rate on distribution income, there is a new rule you need to know about. The Federal Tax Authority has issued FTA Decision No. 6 of 2026, and it changes how you prove your right to the 0% rate. Here is everything at a glance.

The Decision at a glance

Item	Detail
Legislation	FTA Decision No. 6 of 2026 on Determining the Additional Procedures for the Compliance of QFZP
Issued and published	Issued 2 June 2026, published on the FTA legislation portal in July 2026
Who it applies to	Qualifying Free Zone Persons distributing goods or materials in or from a Designated Zone
Applicable from	Tax periods commencing on or after 1 January 2026, so it applies right now
What is new	An agreed upon procedures report from an independent auditor under ISRS 4400
Submission deadline	Within 30 days from the corporate tax return filing deadline
Risk of not complying	Qualifying activity conditions may be treated as not met, putting the 0% rate at risk

Two points that deserve special emphasis

Before going further, two aspects of this Decision stand out and are worth calling out clearly:

Point to note	Why it matters
1. This is an additional requirement, over and above your audit report	Maintaining audited financial statements is already a condition for claiming QFZP status. The agreed upon procedures report does not replace it. It is a separate, additional deliverable, and it must be submitted within 30 days from your corporate tax filing date. Plan for two engagements, not one.
2. The sample size is prescribed by this circular, not by ISA or ISRS	Auditing standards normally leave sampling to the auditor's professional judgement. Not here. The FTA has defined the sample size formula in the Decision itself. The auditor must test that defined sample and report the factual findings in the agreed upon procedures report based on it. Neither you nor your auditor can scope this down.

Where this comes from

Under Ministerial Decision No. 229 of 2025, distribution of goods or materials in or from a Designated Zone is a qualifying activity eligible for the 0% corporate tax rate. Two conditions sit at the heart of it:

- **Reseller customers:** your customers must be resellers, meaning they buy your goods for resale, or for processing or altering for the purpose of sale or resale, and
- **Designated Zone importation:** where you import goods or materials into the UAE, they must enter through a Designated Zone.

Until now, meeting these conditions was largely about keeping your own records in order. Decision No. 6 of 2026 changes that. The FTA now wants an independent auditor to test your evidence and report on what they find.

The new requirement: an agreed upon procedures report

- **What you need:** An agreed upon procedures report from an independent external auditor
- **Who can prepare it:** Your existing statutory auditor, or any other independent auditor licensed in the UAE
- **The standard:** ISRS 4400, the International Standard on Related Services for agreed upon procedures engagements, read with applicable UAE auditing legislation
- **What it is not:** This is not an audit opinion. The auditor performs procedures prescribed by the FTA and reports factual findings. The FTA draws its own conclusions from those findings

That last point matters. The strength of the findings depends almost entirely on the quality of the documents you can put in front of the auditor. Weak files mean weak findings, no matter how good your auditor is.

Remember that this sits on top of your existing obligations. The audited financial statements required for QFZP status still need to be prepared as before. The agreed upon procedures report is an extra layer, with its own deadline of 30 days from the corporate tax filing date.

Condition 1: Proving your customers are resellers

You need evidence that customers acquire your goods for resale or onward supply. Here is what to maintain and what each document must show:

Document	What it must show
Customer trade, business, or commercial licences	Activities such as trading, wholesaling, retailing, distribution, or manufacturing that point to resale of the goods you supply
Written customer declarations or confirmations	A signed and dated statement that the customer is a reseller of your goods, relevant to the applicable tax period
Sales agreements, invoices, and purchase orders	Terms indicating resale or onward supply, such as bulk quantities, resale conditions, pricing structures, or processing of the goods for sale

Condition 2: Proving importation through a Designated Zone

Where you import goods or materials into the UAE, your evidence file should include:

Document	What it must show
Customs declarations, import permits, bills of lading, airway bills, and sales contracts	That importation took place through a Designated Zone
Designated Zone status confirmation	That the free zone, port, or area named in your import documents is officially recognised as a Designated Zone under the relevant Cabinet Decisions. Your Free Zone Authority can confirm this
Internal records: inventory logs, warehousing reports, goods movement records, logistics documentation	That the goods were received, handled, or stored within the Designated Zone before being distributed

What the auditor will actually do

The Decision prescribes the procedures in detail. In practice, expect the auditor to work through the following:

Area	Auditor procedure
Customer licences	Inspect a sample of licences and check whether the listed activities support a reseller profile
Customer declarations	Obtain declarations and verify each is signed, dated, and relates to the correct tax period
Transaction records	Read sampled agreements, invoices, and purchase orders and look for resale indicators
Import documents	Trace sampled imports to customs declarations and shipping documents
Zone status	Confirm the named location is a recognised Designated Zone
Internal records	Review inventory, warehousing, and goods movement records to see the goods actually passed through the zone

Each procedure in the report must describe the evidence obtained, when the work was performed, the extent of the work, and the factual finding. Sample details go into an appendix. If a procedure is reworded to fit your systems without changing its substance, that change must also be disclosed in an appendix.

How the sampling works

This is one of the most unusual features of the Decision. Under ISA and ISRS, sample sizes are normally a matter of the auditor's professional judgement. Here, the FTA has fixed the methodology in the circular itself, and the auditor reports factual findings in the agreed upon procedures report based on the defined sample tested. The population may consist of customers, sales agreements, or import transactions for the tax period. The sample size equals the population divided by one plus the population multiplied by the square of the margin of error, with the margin of error set at 10%. In practice:

Population size	Sample to be tested
100	50
300	75
500	About 83
1,000	About 91
5,000	About 98

And here is the detail that matters most: the sample must include the customers, agreements, or imports with the highest values during the tax period. Your largest transactions will be examined first, so those files need to be the strongest.

Deadline, consequences, and who is caught

Question	Answer
When is the report due?	Within 30 days from your corporate tax return filing deadline, unless the FTA determines another date
What does that mean in practice?	The return is due nine months after the tax period ends. A January to December 2026 tax period means a return by 30 September 2027 and the report within 30 days after that
Is this instead of the audit?	No. Audited financial statements remain a separate condition for QFZP status. This report is an additional submission
What if I do not submit?	The qualifying activity requirements may be treated as not satisfied
What is the real cost?	Distribution income could lose the 0% rate and be taxed at 9% instead
Who is caught?	Every QFZP distributing goods or materials in or from a Designated Zone, for tax periods starting on or after 1 January 2026

In short, this report is not a formality to be handled after everything else. It is the document that protects the tax benefit your free zone structure was built around.

An opening for auditors and advisors

There is another side to this Decision. It creates an entirely new engagement type in the UAE market:

- **Recurring work:** Every QFZP distributing from a Designated Zone needs an ISRS 4400 report, every year, prepared by a UAE licensed auditor
- **New skills in demand:** Testing the FTA defined sample, evidence review, and factual reporting under a prescribed framework
- **Advisory scope:** Documentation systems, readiness reviews before the auditor arrives, and reconciling import records with inventory and logistics data

For business owners, the practical takeaway is to involve your auditor early. An auditor appointed months before the deadline can flag missing declarations or gaps in customs paperwork while there is still time to fix them. One appointed at the last minute can only report what exists.

Your action checklist

- Confirm whetheryourbusiness distributes goods or materials in or from a Designated Zone and claims the 0% rate on that income
- Map your customers and check you hold current licences and signed, dated declarations for them
- Pull your import files and verify customs declarations, bills of lading, and warehouse records line up and clearly show the Designated Zone
- Confirm with your Free Zone Authority that your zone holds Designated Zone status
- Identify your highest value customers and imports, since these will be sampled first
- Plan for both deliverables: the audited financial statements and the agreed upon procedures report
- Appoint and brief your auditor early, well before the filing deadline

The message behind FTA Decision No. 6 of 2026 is straightforward enough. The 0% rate remains available, but the days of simply asserting that conditions are met are over. From now on, you have to be able to prove it, with documents, on time, and through the eyes of an independent auditor.

Need further information?

If you would like help understanding how FTA Decision No. 6 of 2026 applies to your business, or support with the agreed upon procedures report, we would be glad to hear from you.

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