UAE Corporate Tax alert – Additional compliance procedures for Qualifying Free Zone Persons (QFZP) engaged in distribution activities

July 2026

In brief

On 2 June 2026, the Federal Tax Authority ("FTA") issued Decision No. 6 of 2026 ("FTA Decision 6") introducing additional compliance procedures for Qualifying Free Zone Persons ("QFZPs") that distribute goods or materials in or from a designated zone for the purposes of Corporate Tax.

The decision applies to tax periods beginning on or after **1 January 2026**.

It requires affected QFZPs to obtain an agreed-upon procedures ("AUP") report from an independent external auditor, the specific procedures to be performed and the documentation and sampling requirements that must be adhered to.

In detail

The decision only applies to QFZPs carrying out the qualifying activity of distribution, subject to conditions relating to where the activity takes place, the movement of goods and the status of customers. It does not apply to other qualifying activities.

The decision introduces a significant new compliance requirement for distribution QFZPs. Affected businesses will need to plan early and coordinate with their company auditors and, where relevant, free zone authorities. Businesses considering the use of the distribution qualifying activity should also account for these requirements in their operating and compliance models.

1. Agreed-upon procedures report requirement

QFZPs carrying out the qualifying activity of distribution of goods or materials in or from a designated zone must obtain an AUP report from an independent external auditor (who is also responsible for the annual audit of the financial statements or any other independent auditor licensed in the UAE).

The AUP report must be prepared in accordance with the International Standard on Related Services (ISRS) 4400, as issued by the International Auditing and Assurance Standards Board (IAASB).

The AUP report must confirm that:

a) The QFZP supplies goods or materials to customers that resell them, including after processing or alteration

b) Goods or materials entering the State, if imported by the QFZP, are imported through a Designated Zone.

2. Documentation Requirements - Reseller Status

QFZPs must collect and retain sufficient documentation to demonstrate that customers qualify as resellers. Such documentation may include:

a) Valid business, trade, or commercial licences indicating that the customers carry out resale activities

b) Signed declarations or other written confirmations that the goods were acquired for sale, resale or donation to a public benefit entity

c) Sales agreements, invoices, purchase orders, or other transactional records demonstrating resale or onward supply activity

3. Documentation Requirements – Designated Zone Importation

QFZPs must retain documentation showing that goods entering the State were imported through a designated zone, including:

a) Import declarations and customs clearance documents evidencing lawful entry through a Designated Zone

b) Shipping documents, such as a bill of lading, airway bill, or equivalent document, showing entry through a designated zone

4. Specific agreed-upon procedures

The decision specifies detailed procedures for verifying:

a) Reseller status – inspection of customer trade licences, verification of customer declarations/confirmations, and review of sales agreements and transactional records

b) Designated Zone importation – inspection of import documentation, confirmation of Designated Zone status, and inspection of internal records (inventory logs, warehousing reports, goods movement records)

5. Sampling methodology

- Sample size formula: Sample size = Sample population / [1 + (Sample population × (Margin of error)^2)]
- Margin of error is fixed at 10%
- Sample population means the total number of customers, sales agreements, or imports (as applicable)
- Sample size must include those with the highest distribution transaction values in the relevant tax period

6. Submission deadline

The AUP report must be submitted to the FTA no later than 30 days following the deadline to file the Corporate Tax return for the relevant tax period (or such other date as determined by the FTA).

Failure to submit the AUP report will mean that the QFZP does not meet the conditions for the distribution qualifying activity.

Key takeaways

- FTA Decision No. 6 of 2026 introduces specific compliance requirements for QFZPs engaged in distribution.
- The requirement for an AUP report means QFZPs must engage their auditors (either responsible for annual audit of FS or any other independent auditor licensed in the UAE) early to plan and execute the agreed-upon procedures within the prescribed timelines.
- QFZPs should begin compiling the evidence needed to demonstrate customer reseller status and import through Designated Zones. This will require coordination across tax / finance teams and the business teams.
- These entities should also immediately get in touch with the relevant Free Zone authorities on the status of the Designated Zones into which goods are imported.
- Businesses are also recommended to assess their existing supply chain model, customs processes, customs documentation and record-keeping processes to identify any gaps that need to be addressed to meet the new requirements.
- The deadline of 30 days post-CT return filing for AUP report submission underscores the need for advance preparation and coordination with auditors.
- QFZP entities that are part of a Multinational Enterprise (MNE) Group for Pillar 2 purposes should weigh the benefits of the QFZP status and the associated compliances with their potential Top-up tax liability under the UAE DMTT Law.

How can we help

To discuss how these requirements may affect your business, contact us at CT.UAE@pwc.com or speak to your usual PwC tax contact.

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