

TAX UPDATE: AMENDMENTS TO THE UAE CORPORATE TAX LEGISLATION ON TRADING OF QUALIFYING COMMODITIES

Under Federal Decree-Law No. 47 of 2022 (the “UAE Corporate Tax Law”), Qualifying Income (“QI”) derived by a Qualifying Free Zone Person (“QFZP”) may benefit from the 0% Corporate Tax (“CT”) rate, subject to the fulfilment of certain conditions.

The Ministerial Decision No. 265 of 2023 regarding Qualifying Activities and Excluded Activities for the Purposes of Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses (the “Ministerial Decision 265”) details the scope and eligibility conditions of Qualifying Activities which specifically includes, inter-alia, “Trading of Qualifying Commodities.”

The new two Ministerial Decisions which repeal the Ministerial Decision 265 provide welcome clarifications to Commodity Traders, aligning the definition of Qualifying Commodities more closely with industry standards and international best practice, and providing greater certainty when assessing eligibility for the application of the 0% CT rate.

THE APPLICABLE CT RULES

Qualifying Commodity Trading income is eligible for the application of the 0% CT rate under the Free Zone regime, subject to meeting the prescribed conditions including a de minimis requirement for non-qualifying income.

If the conditions are not satisfied and / or the de minimis threshold is exceeded, the headline CT rate at 9% or 9% plus top up tax would apply.

UPDATE TO THE UAE CORPORATE TAX FRAMEWORK

The new Ministerial Decisions announce several changes to the definition of Qualifying Commodities.

Definition of “Qualifying Commodities”

Removal of Reference to “Raw Form”

To qualify, products must meet both the defined criteria and have a quoted market price.

The new definition of Qualifying Commodities no longer includes any reference to the commodities being in “raw form”.

The list has been expanded to capture associated by-products, industrial chemicals and environmental commodities in line with the policy intent.

Key Update – The previous requirement for products to be in their “raw” form unintentionally limited the applicability of the 0% CT rate under the Free Zone Regime, as many commonly traded commodities undergo some degree of processing. The revised definition aligns more closely with industry practices, accounts for associated by-products, and ensures consistent treatment of comparable or similar products.

Expansion of the scope of Qualifying Commodities

The previous definition of Qualifying Commodities was limited to metals, minerals, energy, and agricultural commodities. Under the recent amendments, this definition has been broadened to include *industrial chemicals* and *environmental commodities*. Environmental commodities refer to tradeable assets that deliver a specific environmental benefit, such as carbon credits or renewable energy certificates.

This expansion eliminates any uncertainty around the qualifying status of certain products, as for example certain fertilisers may be categorised as industrial products rather than agriculture products.

Moreover, the inclusion of *environmental commodities* reflects the UAE’s recognition of the growing importance of sustainability-linked markets and reinforces its ambition to position itself as a leading global hub for environmental trading activities.

Recognition of by-products as Qualifying Commodities

The new Ministerial Decisions clarify that *associated by-products* derived from the production or extraction of metals, minerals, industrial chemicals, energy, and agricultural commodities would also be treated as Qualifying Commodities.

This eliminates any uncertainty as to whether such by-products would fall within the scope of Qualifying Commodities.

From a commercial perspective, this change aligns the CT regime with the practical realities of the commodities trading sector, where associated by-products form an integral part of the trading value chain.

This clarification represents a significant and welcome development with a broader range of trading activities, including the trading of associated by-products, that are eligible to be considered Qualifying Commodities for the purposes of the application of the 0% CT rate under the FZ regime.

Excluded commodities

The new Ministerial Decisions confirm the exclusion of commodities packaged for retail sale (e.g. charcoal sold in consumer-ready packaging) and other listed products from being treated as Qualifying Commodities.

This exclusion safeguards the integrity of the Qualifying Free Zone regime by ensuring that only commodity trading activities are considered Qualifying Activities and not retail activities.

It is also anticipated that a list of additional products excluded from the definition of Qualifying Commodities will be released by a Ministerial Decision. In practice, this should help ensure that the scope of Qualifying Commodities remains certain and aligned with business practices and the tax policy intent.

Introduction of Quoted Price and Related Commodity

The new Ministerial Decisions introduce the concepts of *Quoted Price* and *Related Commodity* to the definition of Qualifying Commodities.

Under the new Ministerial Decisions, a commodity may qualify as a Qualifying Commodity provided that a **Quoted Price** exists for that commodity or for a Related Commodity.

Accordingly, the price of the commodity itself, or of a Related Commodity, may be obtained from a Recognised Commodity Exchange Market (RCEM) or from a recognised price reporting agency¹.

Key Update – It is no longer a requirement for a commodity to be physically listed on an RCEM to qualify. Instead, a price recognised through reporting agencies to be solely listed in the new Ministerial Decision¹ is sufficient, which offers flexibility and alignment with international market practices where prices for many commodities are derived from reporting agencies rather than direct listings. This eliminates any potential for unequal treatment of comparable or similar commodities based on whether they are traded on RCEMs, by also taking into account widely used alternative pricing sources.

An additional amendment is the addition of “Related Commodity” by reference to commodities within the same Harmonized System Nomenclature (HSN) Chapter.

This ensures that commodities of a similar nature and use though not directly traded or priced individually - are treated consistently for CT purposes by referencing the price of a related commodity within the same HSN classification. This approach aligns with industry practices and promotes commercial certainty.

Key Update - Commodities with alternative pricing data sources equivalent to RCEMs and / or within the same HSN category should be considered Qualifying Commodities.

Updated Definition of “Trading of Qualifying Commodities”

The definition of “Trading of Qualifying Commodities” has been updated to clarify that the trading of Qualifying Commodities does not extend to activities carried out by a QFZP where 51% or more of its Revenue is derived from warehousing, logistics, or inventory management functions.

This clarification is important as it reinforces the distinction between genuine commodities trading activities and ancillary or support functions such as storage and logistics. The intention is to ensure that the 0% CT rate remains available to businesses that are genuinely engaged in the buying and selling of commodities, rather than those whose primary business model revolves around storage and logistics services.

Distribution of goods to public benefit entity

The new Ministerial Decisions clarify that where a Free Zone entity engaged in Distribution Activities sells goods to a public benefit entity, such activity should be treated as Qualifying Activity.

1. As per the Ministerial Decision No. 230 of 2025

Important Note: This clarification ensures that qualifying Free Zone entities performing Distribution Activities will not be disadvantaged when transacting with public benefit entities, thereby preserving their eligibility for the 0% CT rate.

Own Account

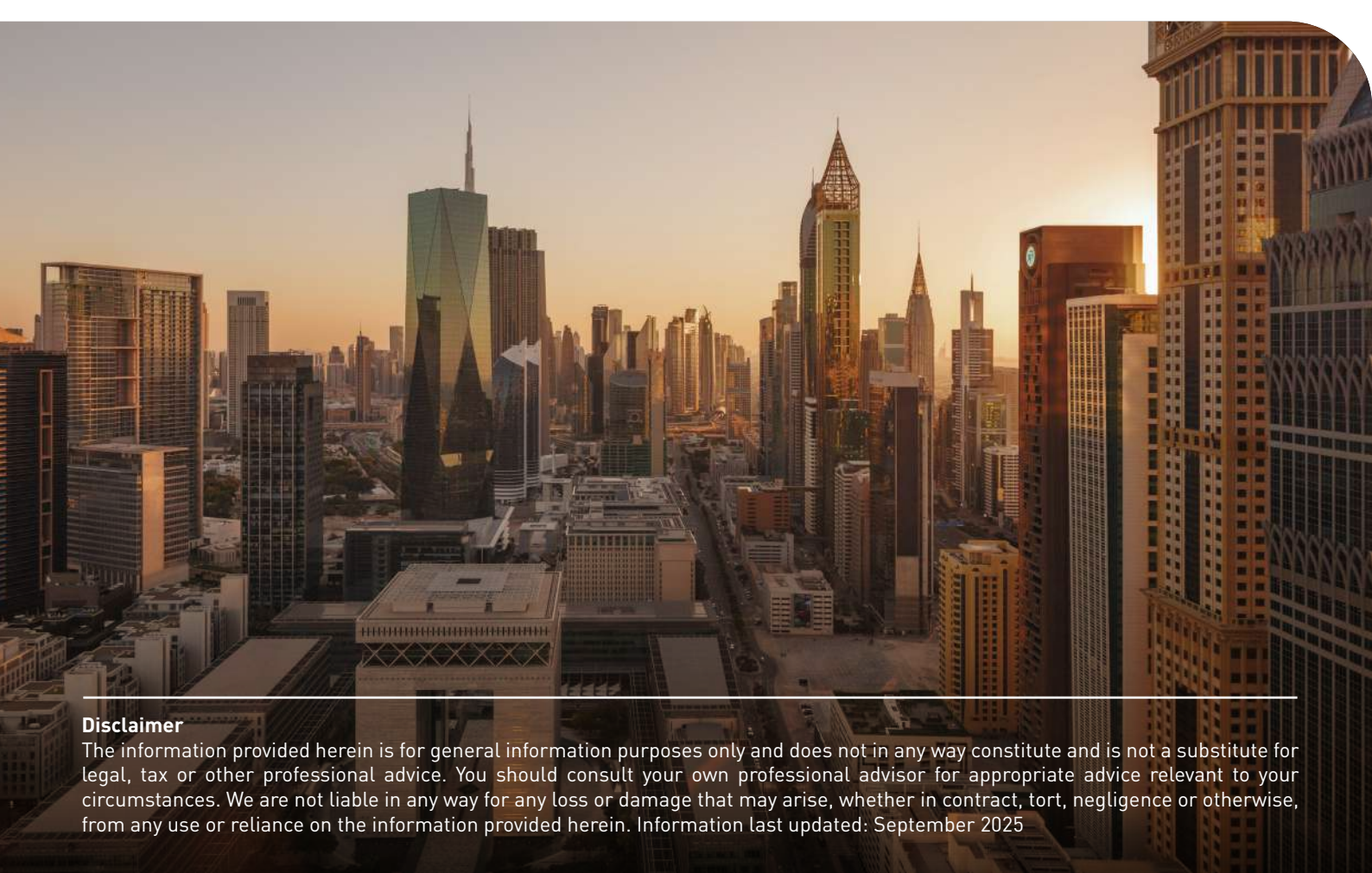
The new Ministerial Decisions expand the scope of Qualifying Activities by introducing "Own Account" under Treasury and Financing services to Related Parties, allowing such activities to be carried out for the taxpayer's own account.

Important Note: This clarification brings the new Ministerial Decisions in line with the Corporate Tax Guide for Free Zone Persons and enhances flexibility for Free Zone entities, as income from treasury and financing activities carried out for their own account may qualify for the 0% CT rate, provided all other conditions are satisfied.

Retrospective effect

The new Ministerial Decisions have retrospective effect and are applicable to the Tax Periods commencing on or after 1 June 2023.

Important Note: Taxpayers are advised to carefully review the amendments and assess whether commodities previously treated as non-Qualifying Commodities should now be reclassified as Qualifying Commodities under the updated rules. Where such a reclassification applies, taxpayers should ensure that appropriate voluntary disclosures are submitted to reflect the revised treatment and to apply for the waiver of penalties arising from the submission of an incorrect return.



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