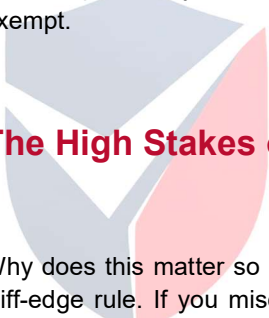

Proper Revenue Classification: The Secret to Protecting Your 0% Status

Revenue Classification: Not Just an Accounting Task

For Free Zone entities aiming for the 0% Corporate Tax rate, revenue classification is arguably the most critical technical task in their annual compliance cycle. It is not merely a bookkeeping exercise; it is the fundamental test of your eligibility for tax incentives. The Federal Tax Authority (FTA) requires a clear distinction between 'Qualifying Income' and 'Non-Qualifying Income.' If you fail to categorize your income accurately, you risk falling into a trap where you inadvertently trigger the 9% standard tax rate on income that you previously believed was exempt.



The High Stakes of Misclassification

Why does this matter so much? Because the 'de minimis' threshold (5% of total revenue or AED 5 million) is a cliff-edge rule. If you misclassify even a small portion of your non-qualifying income, you may push your non-qualifying revenue over this threshold. The penalty is immediate and severe: you lose your status as a Qualifying Free Zone Person (QFZP) for that entire tax period, and you are barred from the 0% benefit for the subsequent four tax years. This makes precision in classification a non-negotiable requirement for financial survival.

The Reality of 'Qualifying' vs 'Non-Qualifying'

Defining what counts as 'Qualifying Income' is not always intuitive. It generally involves income generated from transactions with other Free Zone entities or international markets. Conversely, domestic mainland transactions or specific prohibited activities often fall into the 'Non-Qualifying' bucket. This classification must be applied at the transaction level, requiring robust data tracking. If you are a business with diverse revenue streams—selling both goods and services to a mix of mainland, Free Zone, and international customers—you are navigating a complex landscape that requires precise, documented revenue mapping.

Audit Vulnerability: Where Errors Appear

During an audit, the FTA will not take your categorization at face value. They will scrutinize your invoices, delivery terms, and customer residency status. If your categorization cannot be mapped directly to your underlying transaction documents, you will face an immediate challenge. Many businesses trigger audits simply because their VAT and Corporate Tax revenue reports do not align seamlessly. Ensuring your revenue is correctly mapped across all your reporting platforms is the best way to remain invisible to unnecessary FTA scrutiny.

Why Your Business Needs Intex Global for Precise Revenue Classification

Revenue classification is the technical foundation of your Corporate Tax position. A misclassification—even if unintentional—is not just an accounting error; it is a direct threat to your 0% tax status. At Intex Global, we take the complexity out of this critical process.

We provide granular analysis of your income streams, helping you clearly delineate between 'Qualifying Income' and 'Non-Qualifying Income.' We review your contracts, customer profiles, and service locations to ensure every Dirham is categorized according to the Federal Tax Authority (FTA) guidelines. Our proactive approach means we identify potential classification issues before they manifest as audit red flags, allowing you to optimize your tax structure with total confidence. Don't risk your 0% status on an inaccurate spreadsheet—partner with Intex Global for precise, audit-ready revenue classification.

Need Help Categorizing Your Revenue? Contact Intex Global Today!