

Economic Substance Regulations (ES Regulations) in the United Arab Emirates (UAE) : The Ministry of Finance (MoF) portal is scheduled to “go-live” in the first week of December 2020.

Following significant changes to the ES Regulations in August 2020, the MoF has just released new documents, which include for the first time, Notification and Economic Substance Report templates. These templates provide clarification and guidance on the information to be filed on the MoF’s Portal which is scheduled to “go-live” in the first week of December 2020.

Hereafter, we highlight some key elements about these important changes. All capitalised terms within this update are defined in the ES Regulations.

A. Scope of the ES Regulations

The ES Regulations apply to all Licensees such as mainland, free zone and offshore companies registered in the UAE conducting any of the following Relevant Activities:

- Banking Business
- Insurance Business
- Investment Fund Management Business
- Lease - Finance Business
- Headquarters Business
- Shipping Business
- Holding Company Business
- Intellectual Property Business (IP)
- Distribution and Service Centre Business

B. Reporting obligations

Licensees falling within the scope of the ES Regulations are required to submit, on a yearly basis:

- 1) A Notification within six (6) months of their financial year end, and
- 2) an Economic Substance Report (if applicable) within twelve (12) months from their financial year end.

The first Reportable Period starts on the 1st of January 2019. Failure to comply with the filing obligations can result in penalties and other administrative sanctions such as the suspension, revocation or non-renewal of the Licensee’s trade license or permit.

C. Filing Mechanism and Deadlines

Each Licensee or Exempted Licensee having conducted any Relevant Activity that has generated an income during the Reportable Period must file an electronic Notification and Economic Substance Report (if applicable) through the MoF’s Portal, regardless whether the filing was previously done through a Regulatory Authority as per the former ES Regulations’ obligations.

The filing deadline for the Notifications due before the MoF’s Portal goes live was extended until the 31st of December 2020. Furthermore, the filing deadline for the Economic Substance Reports (if applicable) for a financial year ending on or before the 31st December 2019 is the 31st of December 2020 too.

We will give hereafter some examples of deadlines according to the financial year ending:

- 1) Financial year ends on the 31st of December 2019:
 - The Notification must be re-submitted by the 31st of December 2020
 - The Economic Substance Report (if applicable) must be (re-)submitted by the 31st of December 2020
- 2) Financial year ends on the 31st of March 2020:
 - The Notification must be re-submitted by the 31st of December 2020
 - The Economic Substance Report (if applicable) must be (re-)submitted by the 31st of March 2021
- 3) Financial year ends on the 31st of December 2020:
 - The Notification must be submitted by the 30th of June 2021,
 - The Economic Substance Report (if applicable) must be (re-)submitted by the 31st of December 2021

Failure to comply with the re-submission might lead to penalties ranging from AED 20,000 (for the Notification) to AED 50,000 (for the Economic Substance Report).

D. How can we help you?

We can assist you with the:

- Assessment of the ES Regulations' impact on your business;
- Assessment of the measures to be implemented to satisfy the Economic Substance Test (if applicable); and
- Filing of the Notification and Economic Substance Report.

For further information about the amended ES Regulations in the UAE, we invite you to read our latest article on this subject accessible on our website: <https://www.bonnard-lawson.com/economic-substance-regulations-important-updates/>.

The content of this document is intended to provide a general guidance to the subject matter. Specialist advice should be sought about your specific circumstances.



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