

## CIRCULAR

Date: 03 May 2020

Dear Esteemed Investors,

Subject: **ECONOMIC SUBSTANCE REQRUMENT NOTIFICATION**

As part of the UAE's commitment as a member of the OECD Inclusive Framework and in response to an assessment of the UAE's tax framework by the European Union ("EU") Code of Conduct Group of Business Taxation, the UAE introduced a Resolution on the Economic Substance (Cabinet of Ministers Resolution No.31 of 2019, the "Regulations") on 30 April 2019.

The Regulations require SAIF ZONE Authority entities that carry out any of the 'Relevant Activities' to maintain an adequate 'Economic Presence' in the UAE relative to the activities they undertake and applies to financial years commencing on or from 1<sup>st</sup> January 2019.

**The following business activities ("Relevant Activities") are covered by the ESR:**

- **Banking • Insurance • Fund management • Lease-finance**
- **Headquarters • Holding company • Shipping**
- **Distribution and Service Centre • Intellectual property (IP)**

Entities that are governed by the Regulations will need to submit a notification by 30 June 2020, and where required prepare and submit to SAIF ZONE Authority an economic substance declaration within 12 months from the end of their financial year (e.g. 31 December 2020 for entities with a financial year ending 31 December 2019.)

Failure by an entity to comply with the Regulations will result in administrative penalties, spontaneous exchange of information with the Foreign Competent Authority and potential suspension, revocation or non-renewal of its registration.

You will be advised on ESR awareness session on the regulation and reporting requirements  
For further information & details, kindly access the below links:

- Economic Substance Regulations
  - 1) <https://www.mof.gov.ae/en/lawsandpolitics/international-relations-sector/realistic-economic-activities/pages/312019.aspx>
  - 2) <https://www.mof.gov.ae/en/StrategicPartnerships/Pages/ESR.aspx>
- UAE Economic Substance Flowchart  
[https://www.mof.gov.ae/en/StrategicPartnerships/Documents/Economic-Substance-UAE-Economic-Substance-Flowchart%20\(1\).pdf](https://www.mof.gov.ae/en/StrategicPartnerships/Documents/Economic-Substance-UAE-Economic-Substance-Flowchart%20(1).pdf)

With warm regards,



**Saud Salim Al Mazrouei**  
Director - SAIF ZONE Authority

