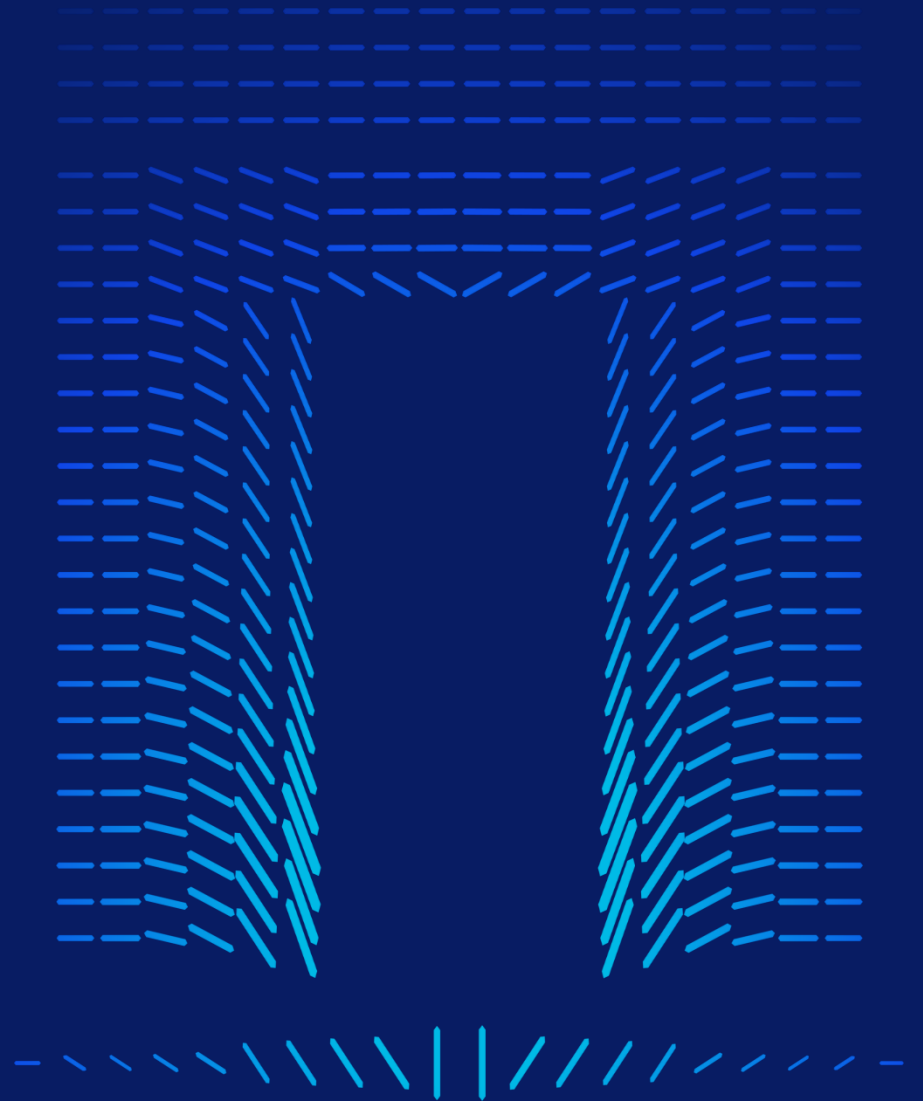




Dubai International
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UAE Economic Substance Regulations

14 May 2020

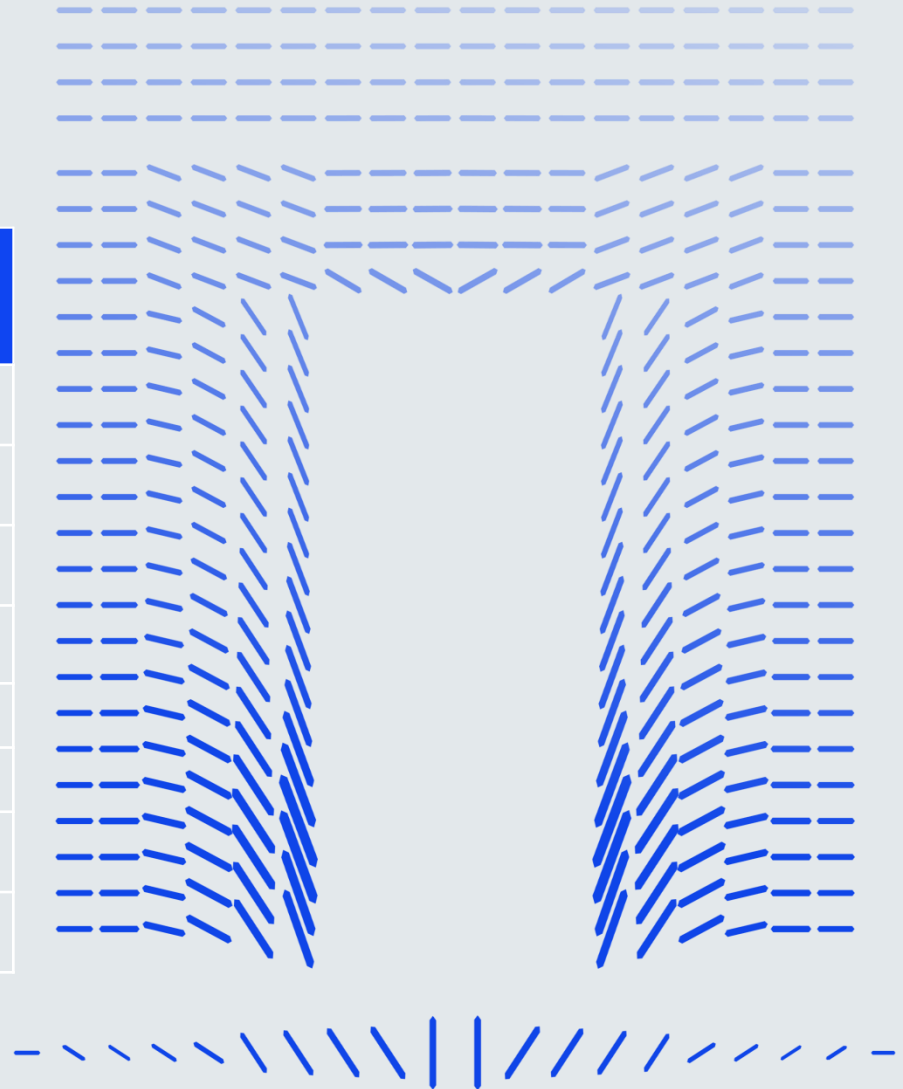




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Agenda

- 01 Welcome & Introduction
- 02 Background to the Regulations
- 03 Who is subject to the Regulations?
- 04 What do DIFC Licensees need to do?
- 05 Consequences of non-compliance
- 06 Economic Substance Notification
- 07 Overview of Notifications & Returns
- 08 Q&A





01

Welcome & Introduction



02

Background to the Regulations



Background

- On 30 April 2019 the UAE enacted the Economic Substance Regulations (ESR) which **applies across the UAE** in every jurisdiction, including all Free Zones and Financial Free Zone (such as the DIFC).
- **All DIFC entities** are now required to submit the Economic Substance Notification by **June 12, 2020** regardless of whether it conducts a Relevant Activity or not.
- The UAE Ministry of Finance has issued a [Relevant Activities Guide](#) which should assist you in determining whether your business conducts a relevant activity and falls within the scope of the ESR.
- More information can be found on the [Economic Substance page](#) on DIFC's website.
- Your business may also be required to file an economic substance return (“**ES Return**”), within 12 months of your financial year end, to demonstrate that your business meets the ESR requirements. Information relating to the ES Return will be issued in the **second half of 2020**.



03

Who is subject to the Regulations?



Who is in currently in scope

Who do the Regulations Apply to:

- A “**Licensee**” under the Regulations is a **natural** or **juridical (legal) person** licensed by the competent licensing authority/authorities in the State to carry out a Relevant Activity in the UAE, including a Free Zone (including an offshore free zone) and a Financial Free Zone (eg DIFC)
- **DIFC Licensee**: Is an entity incorporated or registered in the DIFC that holds a License.
- The Regulations **apply** to DIFC Licensees:
 - that **earn income** from 1 or more **Relevant Activities**
 - for financial years commencing **on or after 1 January 2019**

A DIFC Licensee can be a:

- | | |
|--------------------------------|--|
| ✓ Private Company (Ltd) | ✓ Foundation |
| ✓ Public Company (Plc) | ✓ Non-Profit Incorporated Organisation |
| ✓ Partnerships (LLP, LP & GP,) | ✓ DIFC branches of a UAE or foreign company or partnership |



What are the Relevant Activities?

Banking Business	Insurance Business	Fund Management Business	Relevant Activities Guide
Financing or Leasing Business	Headquarters Business	Shipping Business	Please refer to the Relevant Activities Guide issued by the Ministry of Finance
Holding Company Business	Intellectual property ("IP") holding or exploitation	Distribution and Service Business	Note: To determine whether a Relevant Activity is taking place, a <u>substance over form</u> approach is required This means looking beyond what is stated on the commercial licence to what activity is actually being undertaken



04

What do DIFC Licensees need to do?



What do DIFC Licensees need to do?

Requirements under the Regulations

ALL DIFC entities are required to:

- **Notify** the DIFC Registrar of Companies (RoC) that they undertake a Relevant Activity by 12 June 2020

Only DIFC Licensees that are not exempt and **undertake a Relevant Activity** which they earn **income** from during a relevant Financial Year are required to:

- **Meet** economic substance requirements; and
- **File** economic substance **return** an annual basis



Notification to the RoC

Notification: Applies to all DIFC entities

- Requirement to notify applies to **all DIFC entities** (regardless of whether they conduct a Relevant Activity).
- If an entity is part of a **group**, each entity in the group must file a separate Notification.
- Notification must be filed with the RoC on the DIFC Client Portal by **12 June 2020**
- Only DIFC entities that have been **dissolved, struck-off or liquidated** prior to the deadline for submission of the Notification, are not required to file a Notification.



Illustrative timeline for notification, demonstration of economic substance and return filing

Example #1:

An existing company with 1 January - 31 December financial year

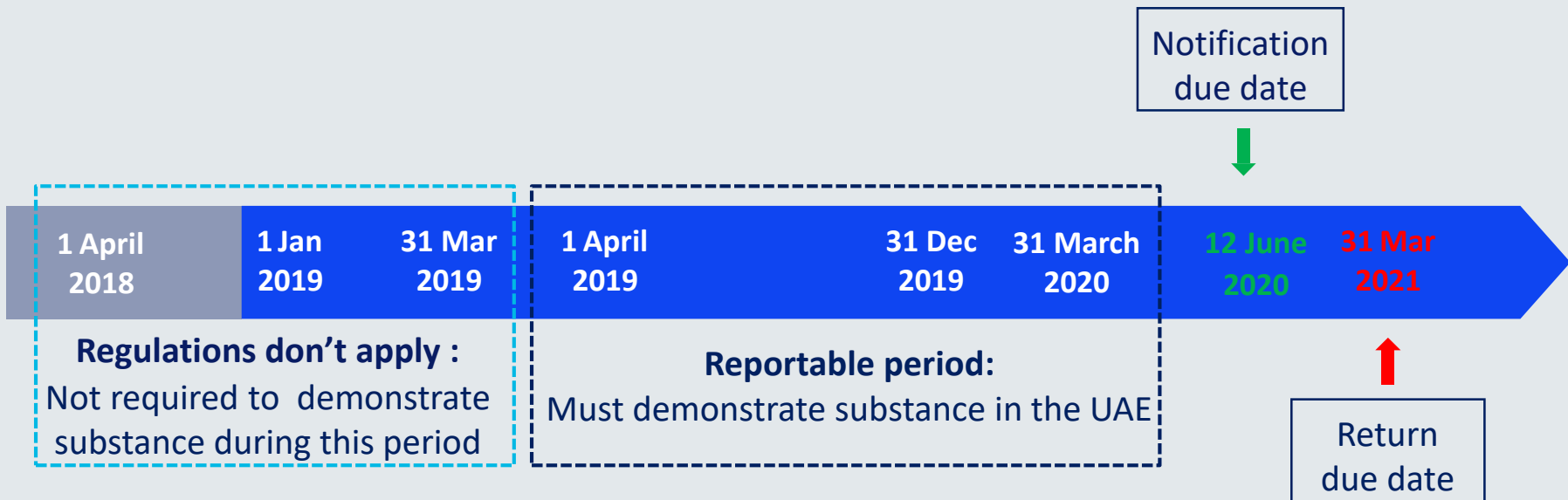




Illustrative timeline for notification, demonstration of economic substance and return filing

Example #2:

An existing company with 1 April - 31 March financial year





05

Consequences of non-compliance



Consequences of non-compliance

Penalties for failure to:

<i>Notify</i>	<i>Provide accurate or complete information</i>	<i>Demonstrate sufficient economic substance in the UAE for the relevant Financial Year</i>
<ul style="list-style-type: none">● Penalty of AED10,000 - AED50,000	<ul style="list-style-type: none">● Penalty of AED10,000 - AED50,000; and● Deemed failure to demonstrate economic substance in the UAE	<p><i>First year of failure</i></p> <ul style="list-style-type: none">● Penalty of AED10,000 - AED50,000; and● Information exchange with foreign competent authority of:<ol style="list-style-type: none">1. parent company;2. ultimate parent company; and3. ultimate beneficial owner <p><i>Second <u>consecutive</u> year of failure</i></p> <ul style="list-style-type: none">● Information exchange (see above); and● Penalty of AED100,000 - AED300,000; and● Commercial licence could be: suspended, withdrawn or not renewed



06

Economic Substance Notification



How to file the Notification?

Log into your DIFC Portal Account and Click on Services and select Company Services, Type Economic Substance as part of the Search Tab.

Step 1

Home **Services** Status COVID-19 Manage Entities ▾

What can we help you with?

List of service request that you can apply for this entity. You can use the search by service name or just scroll down to find the service request to apply for. Click Start Now to apply for the service.

Step 3

Economic **SEARCH**

Step 2

Company Services ▾

Corporate Actions

Economic Substance Notification

This service request is to complete and submit your Economic Substance Notification

Step 4

START NOW

Live Demo of Economic Substance Notification



General Details

Economic Substance Notification

Additional Information

Review & Finalise

Upload Required Documents

Submit Request

Economic Substance Notification

The purpose of this Economic Substance Notification ("Notification") is to provide the Registrar of Companies with certain initial information on each DIFC licensed entity in relation to Economic Substance and is a prerequisite to filing an Economic Substance return for the Reportable Period (where required) under the UAE Economic Substance Regulations. **The Economic Substance Notification must be submitted by 12 June 2020.**

[Previous](#) [Next](#)

1. Designated Person Contact Details ■ = Required Information

Designated Contact Person

First Name

Last name

Mobile

Email Address

Designation

2. Ownership of the Entity

Is the share capital of the entity at least 51% directly or indirectly owned by the UAE Federal Government, or the Government of an Emirate in U.A.E.

2.1 Please provide details of the Government Entity

Name of the Government entity

Please provide the Full reference of the Law or Decree number establishing the entity under UAE Law

3. Financial Year End

Please confirm the entity's Financial Year End

4. Reportable Period for Economic Substance

Reportable Period

Start Date

End Date

5. Relevant Activities

Did the entity conduct or plan to conduct one (1) or more Relevant Activities during the Reportable Period?

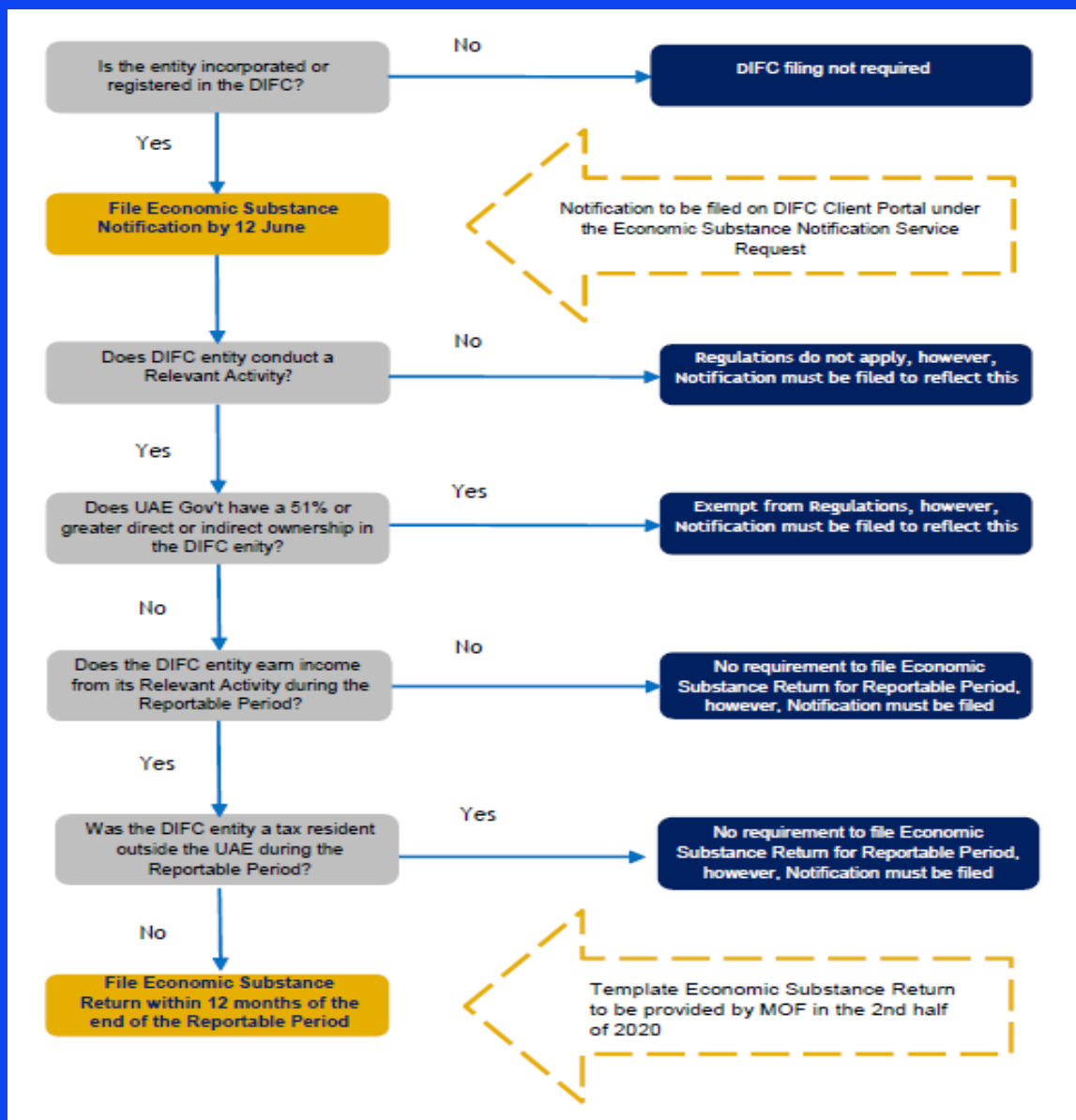
Relevant Activities	
Banking Business	Distribution and Service Centre Business
Fund Management Business	Headquarters Business
Holding Company Business	Insurance Business
Intellectual Property Business	Lease-Finance Business
Shipping Business	

Please refer to [Relevant Activities Guide](https://www.mof.gov.ae/ar/StrategicPartnerships/Documents/Relevant%2BActivities%2BGuide%2B_April%2B2020.pdf) (https://www.mof.gov.ae/ar/StrategicPartnerships/Documents/Relevant%2BActivities%2BGuide%2B_April%2B2020.pdf) for further information in respect of each Relevant Activity.



07

Overview of Notifications & Returns



#NOTE: This Flowchart is *indicative* in nature and is not binding.



08

Q & A



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Thank You
