



Ras Al Khaimah Economic Zone

Economic Substance Regulations Guidance

Background

On 30 April 2019, the UAE introduced Economic Substance Regulations (Cabinet of Ministers Resolution No. 31 of 2019, the “ESR”).

Further guidance that provides further clarity on the application of the Regulations was issued on 11 September 2019. The Regulations require UAE onshore and free zone companies and other UAE business forms that carry out any of the “Relevant Activities” listed below to maintain an adequate “economic presence” in the UAE relative to the activities they undertake.

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

The ESR applies in RAKEZ and requires RAKEZ licensed entities that carry on one or more “Relevant Activities” to have economic substance in the UAE in relation to these activities, and to comply with notification and return filing obligations.

United Arab Emirates Economic Substance Regime

The UAE Economic Substance Regime consists of:

- Cabinet of Ministers Resolution No. 31 of 2019 concerning Economic Substance Regulations, as amended by Cabinet Resolution No. 7 of 2020 (Regulations),
- Ministerial Decision No. 215 of 2019 (Guidance), and

Application in RAKEZ

ESR applies to licensed entities, whether they are companies, partnerships, foundations or branches of foreign companies or partnerships, that:

- Are registered in RAKEZ,
- Earn income from one or more relevant activities, and
- Whose financial year commences on or after 1 January 2019.



Exemptions

The ESR exempts RAKEZ companies in which the Federal Government of the UAE or the Government of any emirate of the UAE, or any governmental authority or body or any of them that has at least 51% direct or indirect ownership in their share capital.

However, exempt RAKEZ licensed entities must still file an economic substance annual notification to the Registration Authority.

ESR Contact Information

For ESR enquiries please email rakezesr@rakez.com

Annual notification

All RAKEZ licensed entities conducting relevant activities are required to notify RAKEZ of the following annually (regardless of being exempt or not earning income), i.e. the “Economic Substance Regulations Submission” or “ESR Submission”:

1. Whether or not the licensee is carrying on a relevant activity
2. If the licensee is carrying on a relevant activity, whether or not all or any part of the licensee’s gross income in relation to the relevant activity is subject to tax in a jurisdiction outside the UAE.
3. The date of the end of the licensee’s financial year (Accounting Reference Period).

Economic substance return

RAKEZ licensed entities that are **not exempt** and undertake a **relevant activity** from which they **earn income** during a relevant financial year, are required to:

1. Meet economic substance requirements.
2. File an Economic Substance Regulations Return “ESR Return”.

The ESR Return is due **within 12 months** of the end of the licensees’ financial year (Accounting Reference Period).

Note: if a licensee is exempt or carries on a relevant activity but does NOT derive income from that activity, it does NOT need to file an ESR Return.



USEFUL LINKS AND RESOURCES

United Arab Emirates Economic Substance Regime

<https://www.mof.gov.ae/en/StrategicPartnerships/Pages/ESR.aspx>

UAE Ministry of Finance

[Economic Substance Relevant Activities Summary](#)

[Economic Substance UAE Economic Substance Flowchart](#)

[Ministerial decision no. 215 for the year 2019](#)

[Relevant Activities Guide](#)

