

ECONOMIC SUBSTANCE REGULATIONS FAQ

1. Should the ESR return be submitted by all UAE licensed entities?

Yes, the ESR return should be submitted by all UAE licensed entities whether carrying out a Relevant Activity or not.

2. What are the Relevant Activities?

The Relevant Activities are:

- 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

3. We are carrying out a Relevant Activity but not generating any income, should the ESR return be completed in such a case?

Yes, all UAE licensed entities, whether carrying out Relevant Activities or not and whether generating income or not, will have to submit the ESR return.

4. Which businesses are required to file a notification by 30 June 2020?

Only businesses that have a financial year commencing on or after 1 January 2019 and ending on or before 31 December 2019 are required to submit a notification by 30 June 2020.

5. What is to be mentioned under “financial year-end/accounting reference period” in the form?

As mentioned, ESR submissions are required to be submitted by UAE licensees having their financial year starting on or after 1 January 2019 and ending on or before 31 December 2019. Therefore, please mention the last date of the financial year in this column (i.e. 31/12/2019).

6. What is to be mentioned under “reportable period for Economic Substance purposes” in the form?

The UAE ESR Regulations (Cabinet of Ministers Resolution no 31 of 2019) requires ESR return submissions from financial/accounting years commencing from 1 January 2019 onwards. However, submissions are due now only for licensees with a financial year starting on or after 1 January 2019 and ending on or before 31 December 2019. Therefore, if your company's financial/accounting year is from 1 January 2019 to 31 December 2019, the reporting period will be 1 January 2019 to 31 December 2019.

7. What if the business has a financial year that ends after 31 December 2019 (e.g., a financial year ending 31 March 2020 or 30 June 2020)?

There is the possibility but no statutory requirement to file a notification by 30 June 2020, and no administrative penalties will apply if a notification for reportable periods ending after 31 December 2019 is not submitted by 30 June 2020. We will shortly communicate the notification deadline for reportable periods (i.e. financial/accounting years) ending after 31 December 2019.

8. What if the business has a long first financial reporting period which started in 2018 and ended during 2019 (e.g. 1 June 2018 to 31 December 2019), is the business required to file a notification for the period by 30 June 2020?

No, in the above example, the licensee's first reportable period will be 1 January 2020 to 31 December 2020 and the first notification would be due in 2021.

9. Our company is not carrying out a Relevant Activity but the form asks for a mandatory selection of a Relevant Activity. How can we submit the form?

We have carried out changes and a revised form is now available. In the form, please select the option "None of the above" under Relevant Activities in such cases.

