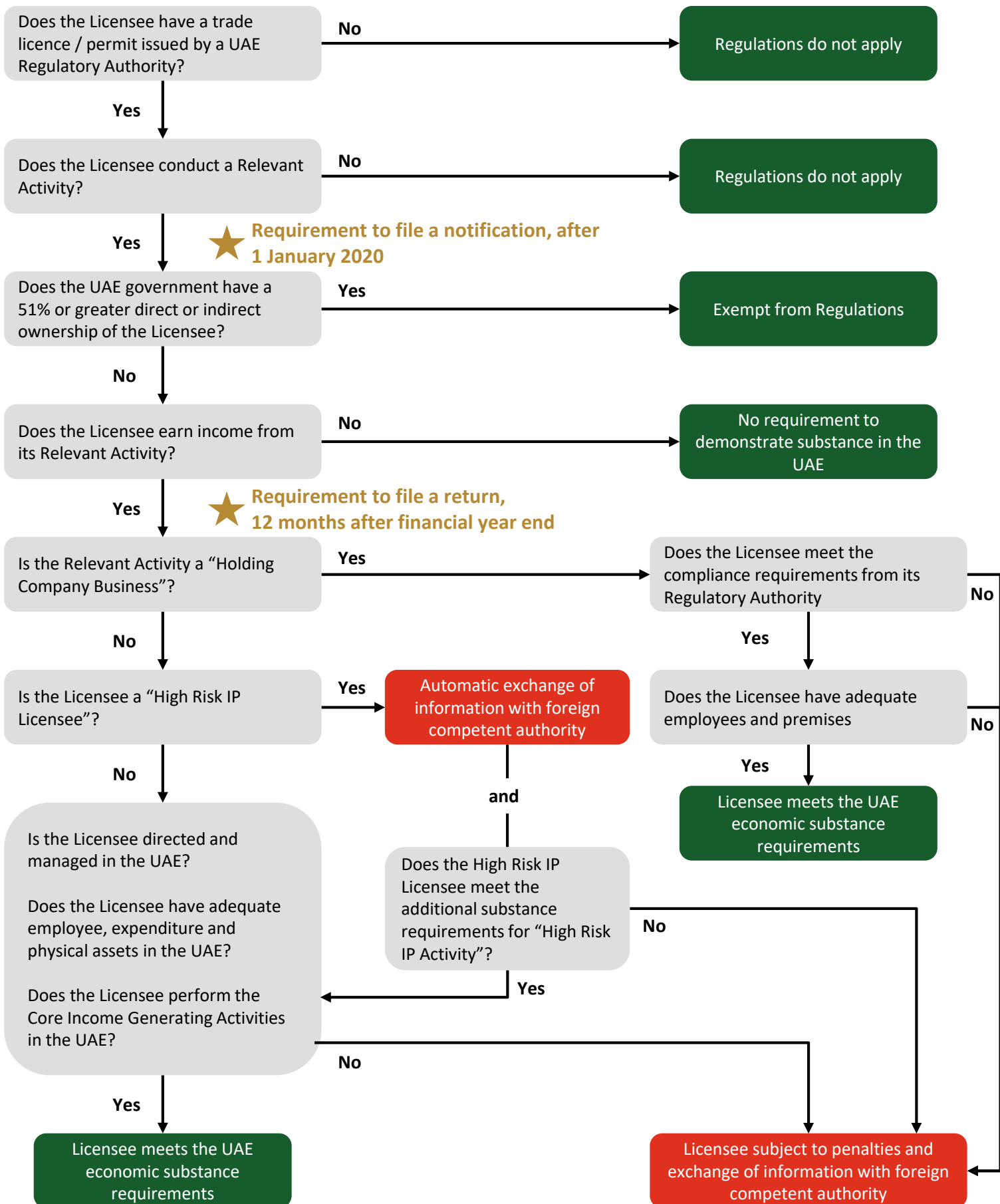


UAE Economic Substance Flowchart



Additional information

Applicable laws

- Cabinet of Ministers Resolution No. 31 of 2019 Concerning Economic Substance Regulations
- Ministerial Decision no. 215 of 2019 on the Issuance of Directives for the Implementation of the Provisions of the Cabinet Decision No. 31 of 2019 Concerning Economic Substance Requirements
- Cabinet Resolution No (58) of 2019 Determining the Regulatory Authorities Concerned with the Business Mentioned in Cabinet Resolution No (31) of 2019 Concerning Economic Substance Regulations

First reportable period

- The UAE economic substance regulations apply to Licensees with a financial year commencing on or after 1 January 2019

Relevant Activities

- Banking Businesses
- Insurance Businesses
- Investment Fund Management Businesses
- Lease-Finance Businesses
- Headquarter Businesses
- Shipping Businesses
- Holding Company Businesses
- Intellectual Property Businesses
- Distribution and Service Centre Businesses

Who is exempt?

- A Licensee that is directly or indirectly owned 51% or more by the UAE government is exempt. In this respect, the "UAE government" includes the UAE Federal Government, as well as governments of any Emirate of the UAE

What is a Holding Company Business?

- A Holding Company Business is a Licensee that:
 - Only holds equity interest(s) in juridical person(s); **and**
 - Only earns dividend and capital gains from its equity interest(s)
- If a Licensee undertakes any other commercial activity or earns any other forms of income, it cannot be a Holding Company Business. Consideration should be given as to whether or not it undertakes a "Relevant Activity"

What are the conditions for a High Risk IP business?

- Condition A or B set out below must be satisfied for an IP Business to be considered as "High Risk"

Condition A - all of the following need to be met

1. The Licensee did not create the IP asset which it holds for the purposes of its business;

2. The Licensee acquired the IP asset either from:

- a Connected Person, **or**
- in consideration for funding research and development by another person situated in a country other than the UAE;

3. The Licensee:

- licences the IP asset to one or more Connected Persons, **or**
- otherwise generates income from the asset in consequence of activities performed by Foreign Connected Persons

Condition B

The Licensee does not carry out research and development, or branding, marketing and distribution as part of its UAE Core Income-Generating Activity