

Economic Substance Reporting - Update to all DMCC Members.

Date 2nd April, 2020

Further to the previous guidance notes dated 6th January, and 27th February, 2020, DMCC hereby advises the following further information in respect to Economic Substance Reporting (“ESR”);

Whilst DMCC is continuing to seek further guidance and direction from Ministry of Finance and Free Zone Council especially in respect to the effect on member companies during the COVID-19 pandemic, it is currently our understanding that the requirement for each DMCC member company is to provide an annual declaration of whether they have conducted any Relevant Activities in the preceding financial year by latest 30th June, 2020.

It is expected that guidance of how this process will be undertaken will be provided during April, 2020.

Background provided in previous guidance notes;

- The Economic Substance Resolution is issued pursuant to the global standard set by the OECD Forum on Harmful Tax Practices (FHTP) which requires companies to have substantial activities in a jurisdiction.
- Every company registered and licensed in the UAE that carries on a “Relevant Activity” in the UAE, including any free zone company, must comply with the Economic Substance Resolution by satisfying the “Economic Substance Test” and complying with certain reporting requirements. The Relevant Activities are listed in Article 4 of the Resolution, and within the below link to the Ministerial decision no.215.
- DMCCA (“Regulatory Authority”) has been appointed as the regulatory authority for applicable DMCC Licensees as per Cabinet Resolution No. 58 of 2019.
- From 2020 onwards, every Licensee will have to make an annual declaration as to whether they have conducted any Relevant Activities in the preceding financial year.

- Ministerial decision no. 215 for the year 2019 on the issuance of directives for the implementation of the provisions of the cabinet decision no. 31 of 2019 concerning economic substance requirements;

<https://www.mof.gov.ae/en/lawsAndPolitics/CabinetResolutions/Documents/Ministerial%20decision%20no.%20215%20for%20the%20year%202019.pdf>

- Economic Substance Regulations FAQs;

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