

UAE COMPLIANCE REQUIREMENTS

United Arab Emirates (UAE) has several regulations in place for smooth and fair conduct of businesses.

Compliance requirements in UAE vary depending on the nature and legal type of business. Some of the major requirements, which companies in UAE should be aware of are:

1. Audit

There are separate requirements for Mainland companies and Free zone companies:

➤ Mainland Companies

Under the UAE Commercial Companies law, all companies in the mainland are required to have their financial accounts be audited by a licensed auditor. These companies have to keep their financial records for at least five years. Companies in mainland are onshore companies with their licenses issued by the Department of Economic Development (DED) or any related department in other Emirates

➤ Free Zone Companies

Various free zone authorities in UAE also mandate the submission of audited financial statements.

Business registered with free zones might be required to submit their audit report within 3 or 6 months from the end of the financial year. Some free zones require businesses to submit the audit report at the time of renewal of license.

2. The Economic Substance Regulations

The Economic Substance Regulations (ESR) is in line with UAE's commitment to the international tax cooperation and transparency. The regulations require UAE's onshore and free zone companies and other business forms that carry out any of the 'Relevant Activities' listed in the regulations' framework to maintain an adequate 'economic presence' in the UAE relative to the activities they undertake.

Following is the list of relevant activities covered in ESR scope:

1. Banking Business
2. Insurance Business
3. Investment Fund management Business
4. Lease - Finance Business
5. Headquarters Business
6. Shipping Business
7. Holding Company Business
8. Intellectual property Business ("IP")
9. Distribution and Service Centre Business

Business doing relevant activity are required to meet 'Economic Substance Test:

1. Directed and Managed Test
2. Core Income Generating activities ("CIGA") test
3. Adequacy test

ESR is an annual compliance to be done by the companies. Companies, which conduct any of the relevant activities, are required to submit ESR notification within 6 months of financial year and if applicable ESR report also to be submitted within 12 months of financial year.

3. Ultimate beneficial Owner

UAE cabinet had issued the regulation No.58/2020 dated 28 August 2020 to regulate and document beneficial ownership of company incorporated in UAE. The regulations are applicable for companies registered in mainland UAE or in a UAE free zone.

Companies are required to maintain below registers at their premises:

- Shareholder's register
- Register of beneficial owners
- Register of Nominee directors
- And copy of important documents and UBO forms submitted to authorities.

Companies are also required to file this information with the respective regulator/licensing authority. Also, companies must notify the relevant registrar of any change or amendment to the information provided within 15 days of such change or amendment.

4. Value Added Tax

Value Added Tax (VAT) was introduced in the UAE on 1 January 2018. The rate of VAT is 5 per cent. Value Added Tax or VAT is a tax on the consumption or use of goods and services.

A business must register for VAT if its taxable supplies and imports exceed AED 375,000 per annum.

It is optional for businesses to register whose supplies and imports exceed AED 187,500 per annum.

A monthly or quarterly VAT return must be filed by the companies and VAT payment as required to be timely done to the tax authorities.

5. Anti-Money Laundering Regulations for Designated Non-Financial Businesses and Professions (DNFBPs) in the UAE

UAE issued Federal Decree Law No. 20 of 2018 on Anti-Money Laundering and Combating the Financing of Terrorism and Illegal Organizations ("AML Law"). AML law imposes compliance obligations on DNFBPs as well as financial institutions.

Following businesses are included in DNFBPs:

- Real Estate
- Dealers in precious metals and precious stones
- Lawyers, notaries, and other independent legal professionals and independent accountants
- Corporate Services providers and trusts

These businesses must register in GoAML system and report suspicious transactions on this system.

6. Country by Country Reporting (CbCR)

Country by Country (CbC) Reporting is part of Action 13 of the Base Erosion and Profit Shifting (BEPS) initiative led by the Organisation for Economic Co-operation and Development (OECD) and the Group of Twenty (G20) industrialised nations.

BEPS Action 13 requires large Multinational Groups of Entities (MNEs) to file a CbC Report that should provide a breakdown of the Multinational Group's global revenue, profit before tax, income tax accrued, and some other indicators of economic activities for each jurisdiction in which the MNE operates.

The purpose of CbC Reporting is to eliminate any gap in information between the taxpayers and tax administrations with regard to information on where the economic value is generated within the MNE Group and whether it matches where profits are allocated and taxes are paid on a global level.

In the UAE, CbCR requirements are applicable to the UAE-headquartered MNE Groups with 'financial reporting years' starting on or after January 1st, 2019.

The ultimate parent entity of MNE headquartered groups in UAE (with consolidated group revenue of more than AED 3.15 billion in the previous year) must file the CbC report and notification in UAE for years beginning on or after 1 January 2019. As per the revised law, there are no longer compliance requirements for UAE constituent entities of non-UAE head-quartered MNE groups.

7. Wage Protection system (WPS)

UAE WPS is an electronic salary transfer system through which companies in the private sector pay their employees through banks or exchange houses approved by the Central banks for this purpose.

The purpose of WPS is to ensure that wages are paid on time and in full.

Currently, mainland (onshore) companies are required to register for WPS.