

UAE Economic Substance Regulations (ESR) – Deadlines

UAE introduced Economic substance regulations (ESR) in 2019 and further issued revised ESR regulations and guidance in August 2020. Please refer to our previous articles on amendments to ESR law ([ESR update 1](#) , [ESR update 2](#)) in UAE.

Cabinet resolution No. 57 of 2020 issued recently in Aug'20 replaced the previous Cabinet resolution No. 31 of 2019.

ESR regulations apply to financial years commencing on or from 1st Jan 2019.

Latest update on ESR compliance:

1. UAE Ministry of finance (MOF) has posted a circular on its website to provide information on the filing requirements and ESR deadlines as below:
 - a. **Entities undertaking relevant activities** (as per the law) are required to submit ESR notification and Economic substance report (as applicable)
 - b. All notifications and reports will need to be submitted online via MOF portal. MOF portal is expected to go live in first week of December 2020
 - c. As per law, **ESR notification** needs to be submitted within 6 months of end of financial year. However, since the portal took some time to come live , this deadline has been extended now to 31st January 2021. For example, entities with 31st March 2020 or 30th June 2020 financial year end will also be required to submit the notification by **31st Jan 2021**
 - d. Entities which had financial year end of 31st Dec 2019 and already submitted the notification earlier by the deadline of 30th June are required to **re-submit the notification by no later than 31st Jan 2021**
 - e. As per law, ESR report needs to be submitted within 12 months of end of financial year. Therefore, the deadline for filing **ESR report** for entities with financial year commencing on or after 1st Jan 2019 and ending on or before 31st Dec 2019 shall be **31st Jan 2021** (due to extension of deadline from Dec-20 to Jan-21)
2. MOF has also released the much-awaited templates for ESR notification and ESR report. These templates are useful to analyze and prepare for the required information to be submitted as part of ESR compliance.

3. The deadlines published by MOF for various financials years is as below,

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 MINISTRY OF FINANCE



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Filing deadlines

Financial Year End	Notification filing deadline	Report filing Deadline
Any period starting and ending between: 1 Jan 2019 - 31 December 2019 ★	31 Dec 2020 ★	31 Dec 2020 ★
31 Jan 2020 ★	31 Dec 2020 ★	31 Jan 2021
29 Feb 2020 ★	31 Dec 2020 ★	28 Feb 2021
31 Mar 2020 ★	31 Dec 2020 ★	31 Mar 2021
30 Apr 2020 ★	31 Dec 2020 ★	30 Apr 2021
31 May 2020 ★	31 Dec 2020 ★	31 May 2021
30 Jun 2020 ★	31 Dec 2020 ★	30 Jun 2021
31 Jul 2020	31 Jan 2021	31 Jul 2021
31 Aug 2020	28 Feb 2020	31 Aug 2021
30 Sep 2020	31 Mar 2021	30 Sep 2021
31 Oct 2020	30 Apr 2021	31 Oct 2021
30 Nov 2020	31 May 2021	30 Nov 2021
31 Dec 2020	30 Jun 2021	31 Dec 2021

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Only exception to above notification is that the deadline of 31 Dec 2020 has been extended to 31 Jan 2021 now

Penalties for failure to submit the ESR notification and report within timeline:

- Failure to submit ESR notification – **Penalty of AED 20,000**
- Failure to submit ESR report – **Penalty of AED 50,000**

Immediate steps for businesses (*less than 2 months left to manage ESR compliance*):

- Re-visit the earlier ESR classifications in light with the new regulations and evaluate whether entity will be required to file the notification
- Submit/re-submit (*as applicable*) the notification on the MOF portal (once portal goes live) by deadline of 31st December 2020
- Evaluate whether economic substance tests are met for the entity within the scope and prepare the required information to be submitted as part of the ESR report
- File ESR report on or before 31st Dec 2020 for the financial year ended 31st Dec 2019

How can Premier Brains assist?

- Impact assessment to assess whether the entity and its which activity is within the scope of ESR in line with the new regulations. This is very important step for the notification requirement.
- Assist the entity in determining applicability of any exemptions as per the changes in the new law.
- Assist the entity in determining the economic substance test requirements, which need to be met.
- Perform an assessment of the shortcomings in the current level of compliance with the Economic substance test requirements and advise on the changes to be done to ensure compliance.
- Assist in preparation and submission of ESR notification and report to the authority

If you would like to discuss any ESR matters, please drop us an email at info@premier-brains.com or call us at + 971 4 3542959.

ABOUT PBS

Premier Brains is a firm of qualified and experienced financial advisors and accountants. Delivering exceptional business value to our clients is our primary goal.

- Audit and Assurance (External & Internal)
- Business valuations
- Feasibility Studies
- Merger and acquisitions
- Business Accounts Outsourcing Services
- Assistance in raising corporate finance and finding equity partners
- Company Incorporations (registered agents with RAK Offshore)

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