



# **The UAE Country-By-Country Reporting legislation**

## **Guidance on preparation and submission of reports**



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## 1. Purpose

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

BEPS Action 13 requires large Multinational Groups of Entities (MNE Groups) 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 CbCR is to eliminate any gap in information between the taxpayers and tax administrations with regards 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 reporting fiscal years starting on or after 1 January 2019.

This document provides guidance to the UAE Ultimate Parent Entities (UPEs) of applicable MNE Groups on preparation and submission of CbC report in compliance with the UAE CbCR legislation (Cabinet Resolution No. 44 of 2020).

## 2. Abbreviations

Acronym	Full form
BEPS	Base Erosion and Profit Shifting
CbCR	Country-by-Country Reporting
CbC report	Country-by-Country report
FY	Fiscal year
G20	International forum for the governments and central bank governors from 19 countries and the European Union
MNE	Multinational enterprise
MoF	Ministry of Finance
OECD	Organisation for Economic Co-operation and Development
PE	Permanent establishment
UAE	United Arab Emirates
UAE CbCR legislation	Cabinet Resolution No. 44 of 2020
UPE	Ultimate parent entity



### 3. Key definitions

Term	Definition
<b>Arm's Length Principle</b>	<p>It is the international standard that the OECD member countries have agreed which should be used for determining transfer prices for tax purposes and is set forth in Article 9 of the OECD Model Tax Convention as follows:</p> <p><i>where "conditions are made or imposed between the two enterprises in their commercial or financial relations which differ from those which would be made between independent enterprises, then any profits which would, but for those conditions, have accrued to one of the enterprises, but, by reason of those conditions, have not so accrued, may be included in the profits of that enterprise and taxed accordingly".</i></p>
<b>Consolidated Financial Statements</b>	<p>The financial statements of the MNE Group in which the assets, liabilities, revenues, expenses, and cash flows of the UPE and Constituent Entities are presented as those of a single economic entity.</p>
<b>Constituent Entity</b>	<p>Means any of the following:</p> <ol style="list-style-type: none"> <li>1) Any separate business unit of an MNE Group that is included in the Consolidated Financial Statements of the MNE Group for the purposes of preparing the financial reports, or would be so included therein if equity interests therein were traded on a public securities exchange;</li> <li>2) Any business unit that is excluded from the MNE Group's Consolidated Financial Statements solely on size or materiality grounds.</li> </ol> <p>Any permanent establishment pertaining to any separate business unit of the MNE Group referred to in Clauses (1) or (2) above, provided that the said business unit prepares separate financial statements for such permanent establishment for the purposes of financial reporting preparation, regulatory, tax reporting, or internal management control purposes.</p>
<b>Fiscal Year</b>	<p>The annual accounting period in respect to which the Reporting Entity prepares the financial statements of the MNE Group.</p>
<b>Group</b>	<p>A group of companies related through ownership or control, such that it either is required to prepare Consolidated Financial Statements for the purposes of preparing financial reports under the applicable accounting principles, or would be so required if the equity interests in any of the companies were traded on a public securities exchange.</p>



Term	Definition
<b>MNE Group</b>	<p>Any group that includes:</p> <ol style="list-style-type: none"> <li>1) Two or more companies the tax residence of which is located in different jurisdictions, or including one single company having its tax residence in one country and being subject to tax with respect to the activity it carries out through a permanent entity located in another country;</li> <li>2) Which has a total consolidated group revenue that is equal to or more than AED 3,150,000,000<sup>1</sup> (UAE Dirhams Only Three Billion One Hundred and Fifty Million) during the Fiscal Year immediately preceding the Reporting Fiscal Year as indicated in its Consolidated Financial Statements for that preceding Fiscal Year.</li> </ol>
<b>Reporting Entity</b>	UPE of the MNE Group whose tax residence is located in the UAE and is required to submit the CbC report.
<b>Reporting Fiscal Year</b>	The Fiscal Year during which the financial and operational results are reflected in the CbC report.
<b>Ultimate Parent Entity</b>	<p>The Constituent Entity in the MNE Group that meets the following criteria:</p> <ol style="list-style-type: none"> <li>1) Owns directly or indirectly a sufficient interest in one or more Constituent Entities of such MNE Group such as it is required to prepare Consolidated Financial Statements under the accounting principles generally applicable in its jurisdiction tax residence, or be so required if its equity interests were traded on a public securities exchange in its jurisdiction tax residence;</li> <li>2) Its Group does not include any other Constituent Entity that owns directly or indirectly an interest described in Paragraph (a) above in such Entity.</li> </ol>

<sup>1</sup> In case the MNE Group has the immediately preceding fiscal year shorter than 12 months, the threshold should be adjusted proportionately. Further, in case of a demerger where the demerged entities form an independent MNE Group, such independent MNE Group will be required to file the CbC report, in case the consolidated revenue of the MNE Group in the preceding year (i.e. before demerger) is equal to or higher than the threshold.



#### 4. Guidance on preparation of CbC report

The CbC report includes quantitative and qualitative information about the MNE Group. Information such as revenues, profits, employees count, business description, etc. should be reported under three tables:

- **Table 1** – This contains the quantitative information per tax jurisdiction such as unrelated party and related party revenues, stated capital, taxes accrued and paid, employee count, etc.
- **Table 2** – This contains the qualitative information per constituent entity on the main business activities undertaken during the year.
- **Table 3** – This contains any additional information necessary to facilitate the understanding of Tables 1 and 2 (e.g. assumptions on exchange rates, source of data, etc.).

Further guidance on preparation of the three tables is provided below.

##### 4.1. Clarifications for data fields in Table 1 of the CbC report

**Table 1. Overview of allocation of income, taxes and business activities by tax jurisdiction**

Name of MNE Group : _____										
Fiscal year concerned : _____										
Currency used : _____										
Tax jurisdiction	Revenues			Profit (Loss) before Income Tax	Income Tax Paid (on Cash Basis)	Income Tax Accrued – Current Year	Stated Capital	Accumulate Earnings	Number of Employees	Tangible Assets other than Cash and Cash Equivalents
	Unrelated parties	Related parties	Total							

#### General guidance

##### **Relevant entities**

- Table 1 should include information of all the constituent entities of the MNE Group aggregated jurisdiction wise.
- In this regard, information for PEs should be reported in the tax jurisdiction of the PE and excluded from the tax jurisdiction of the legal entity of which it is a PE.

##### **Source of information**

- The MNE Group should consistently use the same sources of data from year to year in completing the template.
- The MNE Group may choose to use data from its consolidation reporting packages, from separate entity statutory financial statements, regulatory financial statements, or internal management accounts. A note should be included in Table 3 explaining the source of information.



- If a change is made in the source of data used from year to year, the MNE Group should explain the reasons for the change and its consequences in Table 3.

#### ***Period of information***

- The information in the CbC report should cover the fiscal year of the MNE Group.
- For Constituent Entities, at the discretion of the MNE Group, the information should reflect on a consistent basis either (i) information for the fiscal year of the relevant Constituent Entities ending on the same date as the fiscal year of the MNE Group, or ending within the 12 month period preceding such date, or (ii) information for all the relevant Constituent Entities reported for the fiscal year of the MNE Group. A note should be included in the Table 3 explaining the period of information reported.

#### ***Currency exchange rates***

- All amounts should be translated to the stated functional currency of the MNE Group at the average exchange rate for the year, which should be stated in Table 3, along with the source of exchange rates.

#### ***Constituent entities consolidated on a proportionate basis***

- In instances where the constituent entities are consolidated line by line in the financial statements only on a proportionate basis to the shareholding, the information to be reported in Table 1 should also be on a proportionate basis (including employees), with the note in Table 3.

#### ***Impact of mergers/ acquisitions/ demergers, etc.***

- All amounts should be reported as per applicable accounting rules. In case the consolidated financial statements includes only part year information of merged / demerged entities, such part year information should be reported in Table 1, with note in Table 3.

#### **Specific guidance**

##### ***Tax jurisdiction***

- MNE Group should list all of the tax jurisdictions in which Constituent Entities of the MNE Group are resident for tax purposes. A tax jurisdiction is defined as a State as well as a non-State jurisdiction which has fiscal autonomy.
- Constituent entities that are not tax residents in any tax jurisdiction can be presented on a combined basis with a tax jurisdiction column containing the “stateless” value.
- Each constituent entity can only be reflected in one row in Table 1. If a constituent entity is resident in more than one tax jurisdiction, applicable tax treaty tie breaker should be applied. If there is no tax treaty in place, the entity shall be reported in the tax jurisdiction of the place of effective management as per Article 4 of OECD model tax convention and its accompanying commentary.



## **Revenues**

### **From unrelated parties**

- The sum of revenues of all the constituent entities in the relevant tax jurisdiction generated from transactions with independent parties should be included.
- Independent parties are all parties other than constituent entities of the reporting MNE Group.
- All revenue, gains, income, or other inflows shown in the financial statement prepared in accordance with the applicable accounting rules should be reported as Revenue, including extraordinary income and gains from investment activities.

### **From related parties**

- Related parties include all constituent entities of the reporting MNE Group.
- The sum of revenues of all the constituent entities in the relevant tax jurisdiction generated from transactions with related parties should be included.
- Revenues should exclude payments received from other constituent entities that are treated as dividends in the tax jurisdiction of the entity paying dividends.

### ***Profit (loss) before income tax***

- Profit (loss) before income tax shown in the financial statement prepared in accordance with the applicable accounting principles should be reported.
- The field should include all extraordinary income and expense items.
- Profit (loss) should exclude payments received from other constituent entities that are treated as dividends in the payer's tax jurisdiction.

### ***Income Tax Paid (on Cash Basis)***

- The field shall reflect the amount of income taxes actually paid during the reporting fiscal year in the resident tax jurisdiction and other jurisdictions, including the following:
  - Tax payments and advance taxes paid during the reporting year;
  - Withholding tax deducted by other entities;
  - Payments during the reporting year fulfilling the previous year(s)' tax obligations, regardless of whether those taxes have been paid under protest; and
  - Tax refunds received may be reduced. In case tax refunds are included as a part of revenue, a note should be included in Table 3.



#### ***Income Tax Accrued – Current Year***

- The field shall reflect the amount of accrued current tax expense recorded on taxable profits or losses for the reporting fiscal year irrespective of whether or not the tax has been paid.
- The current tax expense should reflect only operations in the current year and should not include deferred taxes or provisions for uncertain tax liabilities.

#### ***Stated Capital***

- MNE Group should report the sum of the stated capital of all the Constituent Entities resident for tax purposes in the relevant tax jurisdiction.
- With regards to PEs, stated capital should be reported by the legal entity of which it is a PE unless there is a defined capital requirement in the PE's tax jurisdiction for regulatory purposes.

#### ***Accumulated Earnings***

- Accumulated earnings as per the applicable accounting rules should be reported.
- With regards to PEs, the accumulated earnings should be reported by the legal entity of which it is a PE.
- Negative accumulated earnings should also be reported. Where there are two or more constituent entities in the same jurisdiction, the negative figures for accumulated earnings, if there are any, should be netted with the positive figures for accumulated earnings. Where this is the case, a note should be provided in Table 3.

#### ***Number of employees***

- Total number of full-time equivalent employees should be reported.
- The number of employees may be reported as of the year-end, on the basis of average employment levels for the year, or on any other basis consistently applied across jurisdictions on a year on year basis.
- Independent contractors participating in the ordinary operating activities of the Constituent Entity may be reported as employees.
- Reasonable rounding or approximation of the number of employees is permissible, as long as it does not materially distort the relative distribution of employees across jurisdictions.
- Consistent approach should be adopted on a year on year basis, with a note in Table 3 to explain the basis of computation.

#### ***Tangible Assets other than Cash and Cash Equivalents***

- The field shall reflect the sum of the net book values of tangible assets.
- With regards to PEs, assets should be reported by reference to the tax jurisdiction in which the permanent establishment is situated.
- The field shall not include cash or cash equivalents, intangibles, or financial assets.



4.2. Clarifications for data fields in Table 2 of the CbC report

Table 2. List of all the Constituent Entities of the MNE group included in each aggregation per tax jurisdiction

Name of MNE Group : _____															
Fiscal year concerned : _____															
Tax jurisdiction	Constituent Entities Resident in the Tax Jurisdiction	Tax Jurisdiction of Organisation or Incorporation if Different from Tax Jurisdiction of Residence	Main Business Activity(ies)												
			A	B	C	D	E	F	G	H	I	J	K	L	M

- The list of all constituent entities of the MNE Group should be reported in Table 2 stating the jurisdiction of tax residence and jurisdiction of incorporation or organization, if different from jurisdiction of tax residence.
- The nature of the main business activity(ies) carried out by the Constituent Entities in the relevant tax jurisdictions shall be indicated by ticking one or more of the appropriate boxes:
  - A. Research and Development
  - B. Holding or Managing intellectual property
  - C. Purchasing or Procurement
  - D. Manufacturing or Production
  - E. Sales, Marketing or Distribution
  - F. Administrative, Management or Support Services
  - G. Provision of Services to unrelated parties
  - H. Internal Group Finance
  - I. Regulated Financial Services
  - J. Insurance
  - K. Holding shares or other equity instruments
  - L. Dormant
  - M. Other
- In case the activity is selected as ‘Other’, a description of the activity should be provided.
- With regard to PEs, the PE should be listed by reference to the tax jurisdiction in which it is situated. The legal entity of which it is a PE should be noted (e.g. XYZ Corp – Tax Jurisdiction A permanent establishment).
- Two additional columns i.e. ‘Tax identification number’ and ‘Address’ are also required in Table 2, which are not included in the Table 2 template as per the OECD above.



#### 4.3. Clarifications for data fields in Table 3 of the CbC report

**Table 3. Additional information**

Name of MNE Group : _____ Fiscal year concerned : _____
Please include any further brief information or explanation you consider necessary or that would facilitate the understanding of the compulsory information provided in Table 1 and Table 2 of the Country-by-Country Report

Table 3 should include any information or explanation that may facilitate the understanding of the information provided in Tables 1 and 2 of the CbC report. The required disclosures are presented below:

##### **Source of information**

- MNE Group should clearly provide the source of information used for the preparation of CbC report. The template of the expected disclosure recommended by OECD is provided below:

*Information has been obtained from the MNE Group's consolidation package with the exception of the following:*

- *[Specified items for jurisdictions A, B and C] were obtained from entity financial statements prepared in accordance with local GAAP.*
- *[Specified items for jurisdictions D, E and F] were obtained from regulatory financial statements prepared in accordance with local law.*
- *[Specified items for jurisdictions B, D and F] were obtained from internal management accounts.*

*Since the CbC report for [previous reporting fiscal year], the source of data used for [specified items for jurisdiction D] has changed from [previous source] to [current source]. [Description of the reasons and consequences of this change].*

##### **Period of information**

- In case the period of information reported for any of the constituent entities is different from the period of the MNE Group included in the CbC report, a note in Table 3 is expected.
- In case any constituent entities are consolidated on a proportionate basis, information in Table 1 should be included on a proportionate basis as well. Further, a note in Table 3 is expected.
- Similarly, in case information for any constituent entity is reported only for part of the year due to mergers, demergers, etc., a note in Table 3 is expected.

##### **Foreign exchange rates**

- If statutory financial statements are used as the basis for reporting, all amounts should be translated to the stated functional currency of the UPE using the average exchange rate for the year. MNE Group shall apply the same principle for determination of the average exchange rate for all constituent entities.
- Table 3 disclosure is expected to include:



- Exchange rates used, along with the source of such exchange rates
- Explanation for any change in approach from previous years

***Assumptions made with respect to number of full-time equivalent employees***

- MNE Group should consistently use the same approach for computation of full-time equivalent employees. MNE Group may choose from the year-end, on the basis of average employment levels for the year, or on any other basis consistently applied.
- A disclosure in Table 3 is expected on the assumptions used in reporting the employee count, including whether independent contractors participating in the ordinary operating activities of the Constituent Entity or seconded staff have been reported as employees.

***Other disclosures***

Other key disclosures in Table 3 include:

- A disclosure is expected in case income tax refund is included as a part of revenues and not as a deduction from income tax paid.
- In case negative accumulated earnings for one or more entities in a jurisdiction are netted off with positive accumulated earnings of other entities, such that the total accumulated earnings reported for that jurisdiction is positive, a note should be included in Table 3 as follows - *“Accumulated earnings include negative figures for jurisdiction [--]”*
- Reasons why certain information is not included for any Constituent Entity, e.g. Tax ID number is not available for certain jurisdictions.

The MNE Group may disclose any other information in Table 3 at its discretion, which would facilitate the understanding of Tables 1 and 2.



#### 4.4. OECD resources for further information

The OECD resources updated from time to time, can be used as reference to ensure a consistent and standard approach to CbC Reporting across all implementing countries. The UAE CbCR legislation is broadly aligned to the OECD recommendations. However, it should be noted that in case of conflicts between the OECD legislation / guidance / resources and the UAE CbCR legislation, the UAE CbCR legislation takes precedence. The available OECD guidance is listed below for ease of reference:

- **General information on CbCR** → <http://www.oecd.org/tax/beps/beps-actions/action13/>
- **OECD Action 13 report** → <http://www.oecd.org/tax/transfer-pricing-documentation-and-country-by-country-reporting-action-13-2015-final-report-9789264241480-en.htm>
- **Guidance on the Implementation of Country-by-Country Reporting: BEPS Action 13** → <https://www.oecd.org/ctp/guidance-on-the-implementation-of-country-by-country-reporting-beps-action-13.pdf>
- **Compilation of common errors made by MNE Groups while preparing CbC report** → <https://www.oecd.org/tax/beps/common-errors-mnes-cbc-reports.pdf>



## 5. Submission of CbC reports

CbC reports and CbCR notifications should be submitted on the CbCR portal → <https://cbcrportal.mof.gov.ae/>. Key considerations in relation to the filings are provided below.<sup>2</sup>

### 5.1. Enrollment on the CbCR portal

The login details to the portal can be obtained by the applicable MNE Groups after following an enrolment process. The process is discussed below.

#### ***MNE Groups which filed a CbCR notification on the existing notification system previously submitted***

It is important to note that the UAE headquartered MNE Groups subject to the UAE CbCR legislation, which had already filed the CbCR notification through the existing notification system will be migrated to the new UAE CbCR portal. Hence, such MNE Groups are not required to enrol the UPE again. Once the UAE CbCR portal is active, the registered users of such MNE Groups mentioned in the notification filed previously will receive the login details to the portal.

In this regard, such MNE Groups should take into consideration the following points:

#### Change in authorized primary user

- In case the authorized user needs to be changed and the email of existing user is active → Login using portal password received on email and submit a request for change of the authorized user<sup>3</sup>.
- In case the authorized user needs to be changed and the email of the existing user is inactive → Send an email to MoF with the name of the entity to enquire if the UPE is already enrolled. If the UPE is enrolled, the new authorized user needs to share required details over email to request for change in the authorized user<sup>2</sup>.

#### Change in entity information

- In case the address, year end or trade license / tax ID number of the entity is updated, it can be changed through a request on the portal.
- Please note that the name of the reporting entity cannot be changed; and should be requested through email.
- Entities which had provided VAT ID instead of trade license in the notification previously submitted need to check the trade license information for the entity on the portal and submit a request for change in reporting entity information, if VAT ID is included in that field.

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<sup>2</sup> The help guide in relation to the submission of filings on the portal is provided within the portal under the help menu. Further, an audio video guide is available on the [MoF CbCR website](#).

<sup>3</sup> For the purpose of change in user through the portal or email, an authorization letter and ID proof of the authorized user needs to be submitted. Template of the authorization letter for change in user is provided in **Appendix B**



### ***Other MNE Groups***

The MNE Groups which are not automatically enrolled as above can register on the CbCR system through enrolment process on the portal<sup>4</sup>.

Upon successful enrolment, the authorized user by the UPE of the MNE Group will receive the login details over email. Same process as above can be followed for change in primary user or entity information.

### **5.2. Submission of CbCR filings**

Once the enrollment process is complete, the authorized users may login and submit the required filings. Please note that the CbCR notification submitted on the existing notification system will need to be resubmitted on the new CbCR portal. However, based on the updated UAE CbCR legislation, the notification needs to be submitted only by the UPE of the UAE headquartered MNE Groups. In view of this, the notification on the new portal includes only the information about the UPE and not about the other constituent entities of the MNE Group in the UAE<sup>5</sup>.

Once the notification is submitted, the CbC Report can be filed. The filing should be in an 'XML' format compliant with the OECD XML Schema 2.0. Further information on the OECD XML Schema 2.0 (user guide and template schema file) can be obtained from the OECD website → <http://www.oecd.org/tax/country-by-country-reporting-xml-schema-user-guide-for-tax-administrations.htm>

Once the CbC report is filed, UAE MoF will share the CbC reports through the Common Transmission System with the corresponding competent authorities of jurisdictions with which UAE has CbCR exchange relationships.

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<sup>4</sup> For the purpose of enrolment, an authorization letter and ID proof of the authorized user needs to be submitted. Template of the authorization letter required for enrolment is provided in **Appendix A**. Also, note that a copy of the trade license needs to be attached to the letter.

<sup>5</sup> Please note that the due date for filing the notification is on or before the last day of the fiscal year. Hence, in addition to the re-submission of the previous year notification submitted on the existing notification system, annual notification for the current year should also be submitted.



## Appendix A - Template of authorization letter required for enrollment

**To be signed on the letterhead of the UPE**

<Date>

To the UAE Ministry of Finance

**Ref: Authorization letter for appointing the primary user to enrol on the UAE AEOI portal for the purpose of CbC Reporting**

I hereby authorize the following user as the primary user responsible to satisfy the obligations of <Name of the UPE> ('the entity') under the Cabinet Resolution No. 44 of 2020 ('UAE CbCR legislation').

Name of the user -

Position -

Email -

Phone -

The primary user is authorized to represent the entity in that capacity for the purpose of compliance with the UAE CbCR legislation and also to provide any change notice in respect of any subsequent change in the information required under the Legislation.

We will promptly provide you with an updated version of this authorisation letter in the event there is any change in the information contained herein.

Sincerely yours,

<Name and signature of the director>

Director,

<Name of the UPE>

**Attachment: Trade licence document**



## Appendix B - Template of authorization letter required for change in user

**To be signed on the letterhead of the UPE**

<Date>

To the UAE Ministry of Finance

**Ref: Authorization letter for changing the primary user to use the UAE AEOL portal for the purpose of CbC Reporting**

I hereby authorize the following user as the new primary user responsible to satisfy the obligations of <Name of the entity> ('the entity') under the Cabinet Resolution No. 44 of 2020 ('UAE CbCR legislation').

Name of the user -

Position -

Email -

Phone -

The primary user is authorized to represent the entity in that capacity for the purpose of compliance with the UAE CbCR legislation and also to provide any change notice in respect of any subsequent change in the information required under the Legislation.

The new primary user replaces the existing primary user:

Name of the user -

Position -

Email -

Phone -

We will promptly provide you with an updated version of this authorisation letter in the event there is any change in the information contained herein.

Sincerely yours,

<Name and signature of the director>

Director,

<Name of the entity>