UAE Economic Substance
Flowchart

Does the Licensee have a trade licence / permit issued by a UAE Regulatory Authority?
- No: Regulations do not apply
- Yes: Does the Licensee conduct a Relevant Activity?
  - No: Regulations do not apply
  - Yes: Does the UAE government have a 51% or greater direct or indirect ownership of the Licensee?
    - Yes: Exempt from Regulations
    - No: Does the Licensee earn income from its Relevant Activity?
      - Yes: Requirement to file a return, 12 months after financial year end
        - No: Requirement to file a notification, after 1 January 2020
        - Yes: Is the Relevant Activity a “Holding Company Business”?
          - Yes: Does the Licensee meet the compliance requirements from its Regulatory Authority
            - Yes: Licensee meets the UAE economic substance requirements and Automatic exchange of information with foreign competent authority
            - No: Licensee subject to penalties and exchange of information with foreign competent authority
          - No: Is the Licensee a “High Risk IP Licensee”?
            - Yes: Does the High Risk IP Licensee meet the additional substance requirements for “High Risk IP Activity”? 
              - Yes: Licensee meets the UAE economic substance requirements
              - No: Licensee subject to penalties and exchange of information with foreign competent authority
            - No: Is the Licensee directed and managed in the UAE?
              - Yes: Does the Licensee have adequate employees and premises
                - Yes: Licensee meets the UAE economic substance requirements
                - No: Licensee subject to penalties and exchange of information with foreign competent authority
              - No: Does the Licensee have adequate employee, expenditure and physical assets in the UAE?
                - Yes: Does the Licensee perform the Core Income Generating Activities in the UAE?
                  - Yes: Licensee meets the UAE economic substance requirements
                  - No: Licensee subject to penalties and exchange of information with foreign competent authority
                - No: Licensee meets the UAE economic substance requirements
              - No: Automatic exchange of information with foreign competent authority

[Insert relevant MoF disclaimer language]
Additional information

Applicable laws
- Cabinet of Ministers Resolution No. 31 of 2019 Concerning Economic Substance Regulations
- 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”

<table>
<thead>
<tr>
<th>Condition A - all of the following need to be met</th>
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<tbody>
<tr>
<td>1. The Licensee did not create the IP asset which it holds for the purposes of its business;</td>
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<tr>
<td>2. The Licensee acquired the IP asset either from:</td>
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<tr>
<td>- a Connected Person, or</td>
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<tr>
<td>- In consideration for funding research and development by another person situated in a country other than the UAE;</td>
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<tr>
<td>3. The Licensee:</td>
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<tr>
<td>- licences the IP asset to one or more Connected Persons, or</td>
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<td>- otherwise generates income from the asset in consequence of activities performed by Foreign Connected Persons</td>
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<th>Condition B</th>
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<tbody>
<tr>
<td>The Licensee does not carry out research and development, or branding, marketing and distribution as part of its UAE Core Income-Generating Activity</td>
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</table>

[Insert relevant MoF disclaimer language]