



# **The UAE Economic Substance Regulations Guidance on Economic Substance Report**

### **What is the purpose of the Report?**

This purpose of the Economic Substance Report is to provide the National Assessing Authority with information on the Licensee and the income, expenditure, assets, employees and governance related to its Relevant Activities in the UAE.

### **Who needs to submit an Economic substance Report?**

An Economic Substance Report must be filed by a corporate entity (e.g. Limited Liability Company, Public Joint Stock Company, Private Joint Stock Company, etc.) or a partnership (Limited Liability Partnership, General Partnership etc.) that is not an Exempted Licensee and that derives Relevant Income from any of the following Relevant Activities during a Reportable Period (see Section C, Question 1):

- Banking Businesses
- Insurance Businesses
- Investment Fund Management Businesses
- Lease-Finance Businesses
- Headquartered Businesses
- Shipping Businesses
- Holding Company Businesses
- Intellectual Property Businesses
- Distribution and Service Centre Businesses

Please refer to the Relevant Activities Guide in Schedule 1 of Ministerial Decision 100 of 2020 issued by the Ministry of Finance for further information and an explanation of each of the above Relevant Activities.

English:

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

Arabic:

<https://www.mof.gov.ae/ar/strategicpartnerships/pages/esr.aspx>

### **Can a single Economic Substance Report be filed for multiple Licensees?**

No, each Licensee must file an Economic Substance Report on a stand-alone basis, irrespective of whether the Licensee is part of a consolidated group for financial reporting or VAT purposes.

### **What are the reporting requirements for branches?**

A UAE corporate entity that operates through one or more branches registered in the UAE must report the Relevant Activities of itself and those of its UAE branches in one composite Economic Substance Report. The Economic Substance Report must be filed with the Regulatory Authority with which the Head Office is registered.

A UAE branch of a foreign entity is not required to file an Economic Substance Report if the Relevant Income of the UAE branch is reported and subject to tax in the jurisdiction of the foreign parent / head office.

Where a UAE entity carries on a Relevant Activity through a foreign branch or permanent establishment that is subject to tax in the foreign jurisdiction, the UAE entity should not report (i.e. exclude) in its Economic Substance Report the Relevant Income, assets, expenditure and employees of the foreign branch or permanent establishment.

#### **What is the deadline for filing the Economic Substance Report?**

The Economic Substance Report must be filled within 12 months from the Licensee's financial year end.

#### **How should the Economic Substance Report be filed?**

The Economic Substance Report must be submitted electronically on the Ministry of Finance ESR portal.

#### **What if the Licensee is in the process of being liquidated?**

If the Licensee undertakes a Relevant Activity in the year of liquidation, the entity or its liquidators must ensure that all obligations under the Economic Substance Regulations are satisfied for the period up to liquidation, including the filing of a Notification and Economic Substance Report (where applicable).

#### **What happens if a Licensee does not submit an Economic Substance Report, although it is required to do so?**

Non-compliance with the obligation to file an Economic Substance Report before the deadline is subject to a penalty of AED 50,000, and can result in the Licensee being deemed to have failed the Economic Substance Test for the relevant Financial Year.

#### **What happens if the information provided in the Economic Substance Report is incorrect?**

Providing incorrect or false information in the Economic Substance Report is subject to a penalty of AED 50,000. Knowingly providing incorrect or false information or incorrectly claiming an exemption from the Economic Substance Regulations can result in the Licensee being deemed to have failed the Economic Substance Test for the relevant Reportable Period.

#### **Completing the Economic Substance Report**

All fields in the Economic Substance Report are mandatory unless specifically designated as “optional”.

The Economic Substance Report will automatically show the next question (and section) based on your responses. Therefore, the ordering of questions (and sections) may, in some cases, not be sequential.

### **A. Licensee Details**

#### **1. Licensee name**

This is the name mentioned on the commercial licence, trade licence or permit of the Licensee.

**2. Does the Licensee have a dual license?**

Only Licensees that have been issued more than one commercial license, trade license or permit by different licensing authorities should select "yes"

**2.1. Commercial License / Trade License / Permit No.**

This is the registration number stated on the commercial license, trade license or permit of the Licensee.

**2.2. Licensing Authority**

This is the authority that has issued the commercial license, trade license or permit of the Licensee.

**3. Primary / Main Regulatory Authority**

Where a Licensee has multiple Regulatory Authorities, the Primary Regulatory Authority is the Regulatory Authority that issued the Licensee's primary trade/commercial license when it was first incorporated or registered and in which the premises, employees and expenditures are located.

**4. Place of establishment**

This is a confirmation of whether the Licensee has its main / primary place of establishment (being the place of registration) in a Free Zone (including Financial Free Zone) or in mainland UAE.

**5. Registered Office address**

This is the address stated on the commercial license, trade license or permit of the Licensee.

**6. Offices / premises (square footage)**

This is the size of the dedicated offices or premises owned or leased by the Licensee in the UAE.

**7. Legal form**

This is the legal status of the Licensee as per its constitutional documents or as otherwise specified pursuant to the laws and regulations of the jurisdiction of incorporation / registration.

**8. Is the Licensee registered for VAT in the UAE / UAE VAT registration number?**

This is the unique 15-digit number obtained after registering for VAT in the UAE. The VAT registration number can be found on the VAT certificate or VAT return. Where the Licensee is part of a UAE VAT group, please include the VAT registration number of the representative member for VAT purposes.

**9. Is the Licensee part of a multinational group?**

A Licensee is part of a multinational group if it has a foreign parent company or a foreign subsidiary or sister company, or if the Licensee or any other UAE entity that is under common ownership or control is subject to tax with respect to the activities carried out through a branch or permanent establishment in another jurisdiction.

**10. Is the Licensee wholly owned by the UAE government?**

Only Licensees that are directly or indirectly one hundred percent (100%) owned by the UAE government (Federal or Emirate) should select "yes".

## **B. Branch Details**

### **1. Are you reporting the Relevant Activity of a branch?**

Licensees with UAE branches that carry out Relevant Activities must report the Relevant Activities of their branches in this Economic Substance Report.

#### **2.1. Commercial License / Trade License / Permit No.**

This is the registration number stated on the commercial license, trade license or permit of the branch.

#### **2.2. Licensing Authority**

This is the authority that issued the commercial license, trade license or permit of the branch.

## **C. Reportable Period**

A Licensee's Reportable Period is the accounting period commencing on or after 1 January 2019 for which the Economic Substance Report is filed. The end of the Reportable Period should correspond to the end of the period that financial statements (if any) are prepared to.

Licensees are required to include the ""start"" and ""end"" date of their Reportable Period as illustrated below.

A Licensee has a financial year that corresponds to the Gregorian calendar year:

Start date: 1 January 2019

End date: 31 December 2019

A Licensee is incorporated on 1 October 2019 and has a 31 March 2020 financial year end (short period of account):

Start date: 1 October 2019

End date: 31 March 2020

A Licensee is incorporated on 1 January 2019 and has a 31 March 2020 financial year end (long period of account):

Start date: 1 January 2019

End date: 31 March 2020

Following the first long period of account, the Licensee's subsequent Economic Substance Report would cover the following Reportable Period:

Start date: 1 April 2020

End date: 31 March 2021

A Licensee incorporated on 1 July 2018 with a 30 June 2019 financial year end would not be required to submit an Economic Substance Report for this period, as the Regulations apply to financial years commencing on / or after 1 January 2019. The first reportable period for such Licensee would be:  
Start date: 1 July 2019  
End date: 30 June 2020

The Reportable Period is always the financial period preceding the financial period in which the Economic Substance Report is required to be submitted.

#### **D. Updated information**

- 1. Is the answer to Questions 1 to 5, 7 and 8 in Section A, Questions 1 and 2 in Section B and Question 1 in Section C different from the Notification filed for the Reportable Period?**

Only Licensees that have amended any of the pre-completed information from their Notification should select "yes".

#### **E. Financial information**

- 1. Are audited financial statements for the Reportable Period available?**

Audited financial statements are financial statements that have been audited by an independent external auditor.

This question should be answered with "yes" if stand-alone audited financial statements for the Licensees are available, or if the Licensee has been consolidated for financial reporting purposes in the audited financial statements of a parent or group company.

- 2. Currency used for financial information included in the Economic Substance Report**

All financial information must be provided in either UAE Dirham (AED) or United States Dollar (USD). Amounts received or paid in a different currency must be translated into AED or USD using the exchange rate prevailing (generally the spot rate when the amount was received, paid or accrued for).

- 3. Total revenue of the Licensee for the Reportable Period**

Where only consolidated financial statements are available, the stand-alone revenue and other financial data of the Licensee should be provided.

Total revenue is the income received from an entity's ordinary activities, as reported in the first line of the income statement. Transactions that do not arise from an entity's ordinary activities (e.g. dividend income or gains from the sale of an asset) are not included in Total Revenue

- 4. Accounting profit (loss) of the Licensee for the Reportable Period**

This is the accounting profit for the reporting period as per the Licensee's stand-alone financial statements prepared under applicable accounting standards. Where only consolidated financial statements are available, the stand-alone accounting profit of the Licensee should be provided.

## **5. Net book value of tangible assets held in the UAE at the end of the Reportable Period**

This is the value of the tangible assets as per the Licensee's stand-alone financial statements net of accumulated depreciation and impairment losses.

Tangible assets are assets that have a finite monetary value, and usually have a physical form. This can include (but is not limited to):

- Property, plant and equipment
- Inventory
- Receivables
- Cash

## **F. Relevant Activities information**

### **1. Indicate which Relevant Activity(ies) the Licensee carried on during the Reportable Period**

Please refer to Relevant Activities Guide in Schedule 1 of Ministerial Decision 100 of 2020 for further information in respect of each Relevant Activity.

#### **1.1. Regulatory Authority**

This is the authority designated under the Economic Substance Regulations as being responsible for reviewing and verifying the information of the Licensee with respect to a Relevant Activity.

### **2. Confirm if the Licensee is a High Risk Intellectual Property business**

Where a Licensee receives income from an Intellectual Property Asset, it will also have to determine whether it is a High Risk IP Licensee.

A High Risk IP Licensee is a Licensee that carries on an IP Business, and meets all of the following three requirements:

1. The Licensee did not create the IP Asset which it holds for the purpose of its business, and
2. The Licensee acquired the IP Asset from either
  - a. a group company, or
  - b. in consideration for funding research and development by another person situated in foreign jurisdiction, and
3. The Licensee licenses or has sold the IP Asset to one or more group companies, or otherwise earns separately identifiable income (e.g. royalties, license fees) from a foreign group company in respect of the use or exploitation of the IP asset.

Please refer to Relevant Activities Guide in Schedule 1 of Ministerial Decision 100 of 2020 for further information.

### **3. Is the answer to Questions 1 and 2 different from the Notification filed for the Reportable Period?**

The Relevant Activity(ies) for the Relevant Period should be those activities reported in the Notification that was filed for the same Reportable Period. In the case of any difference in the reported Relevant Activity(ies), the Licensee should explain the reason for this discrepancy.

#### **4. Has an Outsource Provider been used by the Licensee in relation to its Relevant Activity(ies)?**

Please indicate whether the Licensee has entered into any arrangements with an Outsourcing Provider in respect of its Relevant Activities. An Outsourcing Provider can be a third party or an entity (or entities) that are part of the same group of the Licensee or that are otherwise related to the Licensee through common ownership or control.

### **General questions for all Relevant Activities**

#### **1. Relevant Income from the Relevant Activity for the Reportable Period:**

Relevant Income from a Relevant Activity means all gross income (revenue) earned from that activity as recorded in the books and records of the Licensee for the Reportable Period prepared under applicable accounting standards, including income that is generated outside of the UAE.

In this context, gross income means all income from whatever source derived, including revenues from the sales of goods, services, royalties, interest, premiums, dividends and any other income earned in respect of the Relevant Activity. For the avoidance of doubt, income does not mean taxable income or accounting income or profit.

#### **2. Operating expenditure incurred in relation to the Relevant Activity for the Reportable Period:**

This is the amount of expenditure incurred by the Licensee in order to perform the Relevant Activity as recorded in the books and records of the Licensee for the Reportable Period prepared under applicable accounting standards.

Examples of expenditure typically classified as operating expenditure include: payroll, sales commissions, overhead / administrative expenses, transportation and travel costs, amortisation and depreciation, and rent.

#### **3. Average number of full time equivalent (FTE) employees in the UAE in relation to the Relevant Activity for the Reportable Period**

The number of full time employees refers to the number of persons involved in carrying on the Relevant Activity in the UAE, whether employed directly by the Licensee or by a related party or third party service provider, calculated based on a standard working week of 40 hours for the entire Reportable Period.

Any part-time employees or employees that did not work for the entire Reportable Period can be taken into account as a fraction of a "full time" employee, calculated by reference to the standard working week of 40 hours.

- A Licensee with 1 full time employee working a 40 hour work week for the entire Reportable Period will report on its Economic Substance Report as having 1.0 FTE.
- A Licensee with 1 full time employee working a 40 hour work week for 26 weeks of the Reportable Period (assumed to be 52 weeks) will report on its Economic Substance Report as having 0.5 FTE (i.e.  $1 \times 26 / 52$ ).
- A Licensee with 3 part time employees, each working 20 hours a week for the entire Reportable Period will report on its Economic Substance Report as having 1.5 FTE (i.e.  $3 \times 20 / 40$ ).



Directors that perform Core Income-Generating Activities ("CIGAs") in addition to their duties as Directors should also be counted when considering the number of full time equivalent employees, calculated by reference to the standard working week of 40 hours.

**4. Core Income-Generating Activity(ies) performed in the UAE in relation to the Relevant Activity for the Reportable Period**

The Licensee must select all of the CIGAs that it undertakes in the UAE, and include details of any other CIGAs performed in the UAE that are not specifically mentioned in the list.

Please refer to the Relevant Activity Guide in Schedule 1 of Ministerial Decision 100 of 2020 for further information on each CIGA.

**5. Expenditure incurred on Outsourcing Providers in the UAE in relation to the Relevant Activity for the Reportable Period**

This is the total expenditure incurred by the Licensee on the outsourcing of any of the CIGAs to an Outsourcing Provider.

**6. Accounting profit (loss) attributable to the Relevant Activity for the Reportable Period**

This is the Relevant Income earned from a Relevant Activity less all costs associated with that Relevant Activity as recorded in the books and records of the Licensee for the Reportable Period prepared under applicable accounting standards.

**Specific questions for Relevant Activities**

**A. Banking Business**

**A.1. Total value of UAE deposits held by the Banking Business at balance sheet date:**

This is the total value of deposits held at balance sheet date.

**A.2. Total value of loans receivables at balance sheet date**

This is the carrying value of loans issued (mortgages, car loans, personal loans, credit cards etc.) at balance sheet date.

**B. Insurance Business**

**B.1. Does the Licensee undertake captive insurance activities on behalf of Group companies?**

A Licensee provides captive insurance services where it insures the risks of its owners, group companies or affiliates.

**C. Investment Fund Management Business**

### **C.1. Total value of assets under management**

This is the total market value of equity securities, fixed income securities, cash, and other assets that the Licensee manages on behalf of the Investment Fund(s) at balance sheet date / the end of the Reportable Period.

### **D.a. Lease - Finance Business (Leasing)**

#### **D.a.1. Does the Licensee lease assets to Group companies, third parties, or both?**

This is the total market value of equity securities, fixed income securities, cash, and other assets that the Licensee manages on behalf of the Investment Fund(s) at balance sheet date / the end of the Reportable Period.

#### **D.a.2. Number of leases held at the end of the Reportable Period**

This is a confirmation of who the Licensee transacts with (i.e., are the Lessees related parties, third parties or both related parties and third parties).

#### **D.a.3. Net book value of assets leased at balance sheet date**

This is the number of active finance lease contracts / arrangements held by Licensee at balance sheet date.

#### **D.a.4. Net book value of assets leased at balance sheet date that are physically located in the UAE**

This is the net book value (written down value) of the assets leased by the Licensee at balance sheet date (see note D.a.3) that are primarily or predominately physically located in the UAE.

#### **D.a.5. Net book value of assets leased at balance sheet date that are physically located outside the UAE**

This is the net book value (written down value) of the assets leased by the Licensee at balance sheet date (see note D.a.3) that are primarily or predominately physically located outside of the UAE.

### **D.b. Lease - Finance Business (Financing)**

#### **D.b.1. Is financing provided to Group companies, third parties or both?**

This is a confirmation of who the Licensee transacts with (i.e., are the borrowers related parties, third parties or both related parties and third parties).

#### **D.b.2. Number of loans at the end of the Reportable Period**

This is the total number of loans issued at the end of the Reportable Period. Where the Licensee has made multiple loans to the same borrower, these loans can be aggregated and counted as a single loan for ESR purposes.

#### **D.b.3. Value of loans at balance sheet date**

This is the carrying value of loans issued to borrowers both in the UAE and outside the UAE at balance sheet date.

#### **D.b.4. Value of loans at balance sheet date that are issued to borrowers located in the UAE**

This is the carrying value of loans issued to borrowers in the UAE at balance sheet date.

#### **D.b.5. Value of loans at balance sheet date that are issued to borrowers outside the UAE**

This is the carrying value of loans issued to borrowers outside the UAE at balance sheet date.

### **F. Shipping Business**

#### **F.1. Number of ships operated by the Licensee during the Reportable Period**

This is the total number of ships that were operated by the Licensee for transporting passengers and / or cargo in international waters during the Reportable Period.

### **H. Intellectual Property Business**

#### **H.1. Type of Intellectual Property Asset(s) held by the Licensee**

An Intellectual Property Asset is defined as any intellectual property right in intangible assets, such as copyrights, patents, trademarks, brands, and technical know-how, from which the Licensee earns separately identifiable income in the form of royalties, license fees, franchise fees, capital gains and any other income from the sale or exploitation of the Intellectual Property Asset.

The two common types of Intellectual Property Assets are:

- I. Patents and similar assets (that share the same features of a patent, including e.g. copyrighted software, technical know-how and other similar novel, useful and protected assets); and
- II. Marketing intangibles (an intangible asset that relates to marketing activities, aids in the commercial exploitation of a product or service, and/or has an important promotional value for the product concerned such as trademarks, brands, customer lists and relationships).

Please refer to Ministerial Decision 100 of 2020 and detailed Notification guidance for further information.

#### **H.2. Amount and type of income from Intellectual Property Asset(s)**

This is a confirmation of the amount and type of income earned from the Intellectual Property Asset(s) listed in H1.

#### **H.3. Is (are) the Intellectual Property Asset(s) registered in the UAE or abroad**

The Intellectual Property Asset is considered registered in the location where it is registered with the relevant registration office.

#### **H.4. Legal owner of the Intellectual Property Asset(s) held by the Licensee:**

The legal owner of the Intellectual Property Asset is the entity that registered the Intellectual Property Asset, or is afforded protection over the Intellectual Property Asset through other legal arrangements.

#### **H.5. Net book value of the Intellectual Property Asset(s) at the end of the Reportable Period**

This is the book value of the Intellectual Property Assets as per the Licensee's stand-alone financial statements, net of any accumulated amortization. Where only consolidated financial statements are available, the stand-alone net book value of the tangible assets of the Licensee should be provided.

#### **H.6. Intellectual Property Asset is licensed / transferred / otherwise made available to Group companies, third parties or both during the Reportable Period:**

This is a confirmation of whether the Intellectual Property Asset is licensed, transferred or otherwise made available to related parties, third parties or both related parties and third parties.

#### **High Risk IP Licensee**

##### **1. Is the Licensee attaching evidence to rebut the presumption that the High Risk Intellectual Property Business does not meet the economic substance test by demonstrating that the Licensee does and historically has exercised a high degree of control over the development, exploitation, maintenance, protection and enhancement of the IP Asset(s)**

A High Risk IP Licensee must demonstrate that the income it earns is as a result of CIGAs undertaken in the UAE. The High Risk IP Licensee shall be deemed to fail to meet the Economic substance Test unless it demonstrates to the satisfaction of the National Assessing Authority that there is and historically has been a high degree of control over the development, exploitation, maintenance, enhancement and protection of its IP Asset(s), exercised by an adequate number of full-time employees with the necessary qualifications who permanently reside and perform these activities in the UAE.

Periodic decisions made in the UAE by non-resident directors or board members, or activities performed by local staff of a Licensee that passively holds IP Asset(s) whose creation and exploitation is a function of decisions made and activities performed outside of the UAE is not sufficient to rebut the presumption that the High Risk IP Licensee fails to meet the Economic Substance Test.

##### **I.a. Distribution and Service Centre Business (distribution)**

###### **I.a.1. Cost of goods sold in relation to the Distribution Business**

Cost of goods sold means the direct costs of acquiring the goods or products that have been sold, resulting in Relevant Income from a Distribution and Service Centre Business as recorded in the books and records of the Licensee for the Reportable Period prepared under applicable accounting standards.

###### **I.a.2. Industry**

This is a confirmation of the main industry sector in respect of which the Licensee undertakes their Distribution and Service Centre Business.

###### **I.a.3. Does the Licensee take legal title to the goods (or component parts or materials for goods) purchased from the Foreign Connected Persons?**

A Licensee is considered as taking / having title to the goods if legal ownership of the goods transfers to the Licensee, and the Licensee assumes the risk associated with the inventory (until such time legal title transfers to the customer).

**I.a.4. Does the Licensee maintain inventory in the UAE?**

Inventory is considered physically maintained in the UAE if the relevant goods are imported from the Foreign Connected Person into the UAE (onshore or in a free zone / bonded warehouse) and stored in the UAE before they are sold.

**I.b. Distribution and Service Centre Business (Service)**

**I.b.1. Type of services provided by the Licensee during the Reportable Period**

This is to confirm what type of services the Licensee provides.

**I.b.2. Did the Licensee also provide services to third parties during the Reportable Period?**

This is to confirm whether the Licensee (also) provides services to third parties.

**I.b.3. Total income from services provided to third parties for the Reportable Period**

Total income earned from services provided to third parties for the Reportable Period.

**G. Ownership information**

**1. Parent Company**

The Parent Company of the Licensee is the entity that directly:

- a. holds a majority of voting rights in the Licensee; or
- b. has the right to appoint or remove a majority of the boards of directors of the Licensee; or
- c. controls alone, pursuant to a joint arrangement with other shareholders or members, a majority of the voting rights in the Licensee; or
- d. has the right to exercise, or actually exercises, dominant direct influence or control over the Licensee.

**1.1. Name**

This is the name of the Parent Company.

**1.2. Tax identification number**

This is the identification number issued for corporate income tax purposes by the tax administration in the jurisdiction in which the Parent Company is tax resident.

**1.3. Address**

This is the address of the Parent Company.

**1.4. Country of tax residence**

This is the country in which the Parent Company claims to be tax resident.

## **2. Ultimate Parent Company**

The Ultimate Parent Company of the Licensee is an entity of a group that:

- a. owns directly or indirectly a sufficient interest in the Licensee or the Exempted Licensee such that it is required to prepare consolidated financial statements under applicable accounting standards or would be so required if its equity interests were traded on a public securities exchange in its jurisdiction of tax residence; and
- b. there is no other entity in the group that owns directly or indirectly a sufficient interest in such entity such that it is required to prepare consolidated financial statements under applicable accounting standards, or would be so required if its equity interests were traded on a public securities exchange in its jurisdiction of tax residence.

### **2.1. Name**

This is the name of the Ultimate Parent Company.

### **2.2. Tax identification number**

This is the identification number issued for corporate income tax purposes by the tax administration in the jurisdiction in which Ultimate Parent Company is tax resident.

### **2.3. Address**

This is the address of the Ultimate Parent Company.

### **2.4. Country of tax residence**

This is the country in which the Ultimate Parent Company claims to be tax resident.

## **3. Ultimate Beneficial Owner**

The Ultimate Beneficial Owner of the Licensee is an individual who owns directly or indirectly twenty five percent (25%) or more of the share capital or ownership interests in the Licensee. A Licensee may have one or more Ultimate Beneficial Owners.

If the Licensee is a UAE branch of a foreign company, then the Ultimate Beneficial Owner is an individual who owns directly or indirectly twenty five percent (25%) or more of the share capital of the foreign company.

### **3.2. UBO type**

This indicates the relationship between the Ultimate Beneficial Owner and the Licensee.

### **3.3. Name**

This is the name of the Ultimate Beneficial Owner.

### **3.4. Tax identification number**

This is the identification number issued for corporate or personal income tax purposes by the tax administration in the jurisdiction in which the Ultimate Beneficial Owner is tax resident.

### **3.5. Address**

This is the address of the Ultimate Beneficial Owner.

### **3.6. Country of tax residence**

This is the country in which the Ultimate Beneficial Owner claims to be tax resident.

## **H. Outsourcing information required per Relevant Activity**

### **1. Number of Outsourcing Provider(s) to which one or more of the CIGA have been outsourced**

An Outsourcing Provider can be a third party or an entity (or entities) that are part of the same group or that are otherwise related to the Licensee through common ownership or control.

#### **2.1. Name of the Outsourcing Provider**

This is the name mentioned on the commercial licence, trade licence or permit of the Outsourcing Provider.

#### **2.2. Address of the Outsourcing Provider**

This is the address stated on the commercial licence, trade licence or permit of the Outsourcing Provider.

#### **2.3. UAE VAT Tax Registration Number of the Outsourcing Provider**

This is the unique 15-digit number obtained after the VAT registration. The VAT registration number can be found on invoices from the Outsourcing Provider(s).

#### **2.4. Expenditure incurred on the Outsourcing Provider in the UAE for the Reportable Period**

This is the total amount paid by the Licensee to the Outsourcing Provider for the relevant services during the Reportable Period.

#### **2.5. Number of full time equivalent (FTE) employees provided by the Outsourcing Provider**

Full time (or equivalent) employee means the number of employees working on behalf of the Licensee during the Reportable Period, calculated based on a standard working week of 40 hours for the entire Reportable Period. Any employees that did not work for the entire Reportable Period can be calculated as a fraction of a "full time" employee, by reference to the standard working week of 40 hours.

A Licensee must ensure that the time spent by employees of the Outsourcing Provider on CIGAs of the Licensee are not also counted towards other Licensees (i.e., if an employee of an Outsourcing Provider spends an hour performing CIGAs for a Licensee, the same employee cannot spend the same hour performing CIGAs for a different Licensee).

### **3.1. Whether the Licensee's registered address is that of the Outsourcing Provider**

Where a Licensee uses premises / a registered office provided by the Outsourcing Provider, the Licensee must confirm that its registered address is that of the relevant Outsourcing Provider.

**3.2. The Licensee has adequate supervision of the CIGA carried out by the Outsourcing Provider**

A Licensee is required to demonstrate that it has the ability to supervise, in the UAE, the CIGAs being carried out by the Outsourcing Provider.

**3.3. The CIGA is carried out by the Outsourcing Provider exclusively in the UAE**

The CIGAs carried out by the Outsourcing Provider must be undertaken in the UAE (i.e., the employees and assets of the Outsourcing Provider used must be physically present in the UAE).

**I. Directed and managed in the UAE**

**1. Number of board meetings held during the Reportable Period?**

This is the total number of board meetings (or equivalent) that were held by the Licensee in relation to the Relevant Activity(ies) during the Reportable Period.

**2. Number of board meetings held in the UAE during the Reportable Period?**

This is the total number of board meetings (or equivalent) that were physically held in the UAE by the Licensee in relation to the Relevant Activity(ies) during the Reportable Period.

**3. Was a quorum of directors physically present in the UAE for the board meetings held in the UAE?**

The meaning of Quorum shall be determined in accordance with the laws and regulations applicable to the Licensee or the Licensee's constitutional documents (or both). The board members (or equivalent) are not required to be resident in the UAE, but do need to be physically present in the UAE when attending board meetings and making strategic decisions.

**4. Were all strategic decisions made during the board meetings held in the UAE?**

The strategic decisions taken in relation to the Relevant Activity(ies) must be made by directors (or equivalent) physically present in the UAE.

**5. Are the board minutes and company records maintained in the UAE?**

The minutes of board meetings (or equivalent) must record all the strategic decisions taken in relation to the Relevant Activity(ies) and must be signed by directors (or equivalent) physically present in the UAE.

**6. Does the board of directors have the necessary knowledge and expertise to discharge their duties?**

The directors (or equivalent) must have the necessary knowledge and expertise to discharge their duties and should not be merely giving effect to decisions being taken outside the UAE.



## J. Declaration

### 1. Designated contact person

The dedicated contact person must be duly authorized by the Licensee to respond to queries raised by, and provide further documents and other information to, the Regulatory Authority or the National Assessing Authority.

Examples of a "Designated Contact Person" include:

The Licensee's General Manager;  
The Licensee's Director; or  
The Licensee's Compliance Officer.

### 2. I confirm that the Licensee has adequate: (a) qualified employees, (b) expenditure and (c) physical assets in the UAE in respect of its Relevant Activity(ies) for the Reportable Period

What is an adequate or appropriate level of economic substance will depend on the nature and level of Relevant Activity(ies) carried out by the Licensee. A Licensee will have to ensure that it maintains sufficient records to demonstrate the adequacy and appropriateness of the resources and assets utilised and expenditure incurred in respect of its Relevant Activity(ies).

#### 2.a. I confirm that the Licensee has complied with all its requirements to submit any documents, records, or information required under applicable laws in the UAE

A Licensee will have to confirm that in respect of its Holding Company Business, it has complied with all of the requirements imposed on the Licensee to submit documents, records or other information to the relevant Regulatory Authority under applicable laws and regulations in the UAE.

#### 2.b. I confirm that the Licensee has an adequate number of employees and physical premises in the UAE to undertake its Holding Company Business

What is adequate or appropriate will depend on the nature and level of Relevant Activity being carried out by the Licensee. A Licensee will have to ensure that it maintains sufficient records to demonstrate the adequacy and appropriateness of the resources and assets utilised and expenditure incurred in respect of its Relevant Activity(ies).

For completeness, the employees and premises can be outsourced to a third party or to a related party. As with any outsourcing arrangement, the Licensee will in this case need to meet the requirements set out in Article 6(2) of the ESR.

### 3. I confirm that the Licensee is directed and managed in the UAE in respect of its Relevant Activity(ies)

A Licensee will have to confirm whether it was directed and managed in the UAE during the Reportable Period by meeting the conditions set out in paragraph 3 of Article 6 of the Regulations. Please also refer to paragraph (b) of Article 4.2 of the Guidance for further information on the directed and managed test.

### 5. Additional information (optional field)

Any additional information to support a Licensee's declaration that they have met the Economic Substance Test for the Relevant Period.

- 7. I confirm that the information provided in the Economic Substance Report is complete and accurate, and acknowledge that there are sanctions for providing inaccurate information as per Article 15 of the Economic Substance Regulations**

Providing incorrect or false information in the Economic Substance Report is subject to a penalty of AED 50,000. Knowingly providing incorrect or false information can result in the Licensee being deemed to have failed the Economic Substance Test for the relevant Financial Year.