



## Economic Substance Regulations – Recent Update by DAFZA

In this newsletter we discuss the latest updates on the notification procedure issued by Dubai Airport Freezone Authority (hereafter: “DAFZA”) for the Economic Substance Regulations (hereafter: “ESR”) in the United Arab Emirates (hereafter: “UAE”).

### Background

The UAE has introduced the ESR on April 30 of 2019 and announced that the first reporting is financial year 2019 (hereafter: “FY19”). Companies subject to ESR, must demonstrate that they have substance in the UAE according to the substance test. We refer to our earlier newsletter, which can be found here: *Newsletter 1*

For FY19, Companies in the UAE must submit a notification to their licensing authority confirming whether they are subject to the ESR as of 1 January 2020 (hereafter: “Notification”). If a company is subject to the ESR, it must also submit a report demonstrating its substance before 31 December 2020.

Each licensing authority may provide the timelines and process for the notification to its licensees.

### Notification for DAFZA entities

Recently, DAFZA has announced that all DAFZA entities are required to submit the notification confirming whether they are subject to ESR by 3 May 2020. The notification must be submitted on their online customer portal. DAFZA has also published a user guide on how to submit the notification.

### Conclusion and how Crowe can help

We recommend all DAFZA entities to assess whether they are subject to the ESR and prepare to submit the notification to the DAFZA authority by 3 May 2020.

Crowe Tax team can support further in:

- Assessment on whether companies are subject to the ESR. If companies are subject to ESR if they meet the substance test for FY 2019.
- Determining the impact of ESR on the overall tax structure of the group.
- Support in the notification and reporting obligations of companies which are subject to the ESR for FY19.
- Recommendation and implementation of substance requirements to meet substance test in the UAE.

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