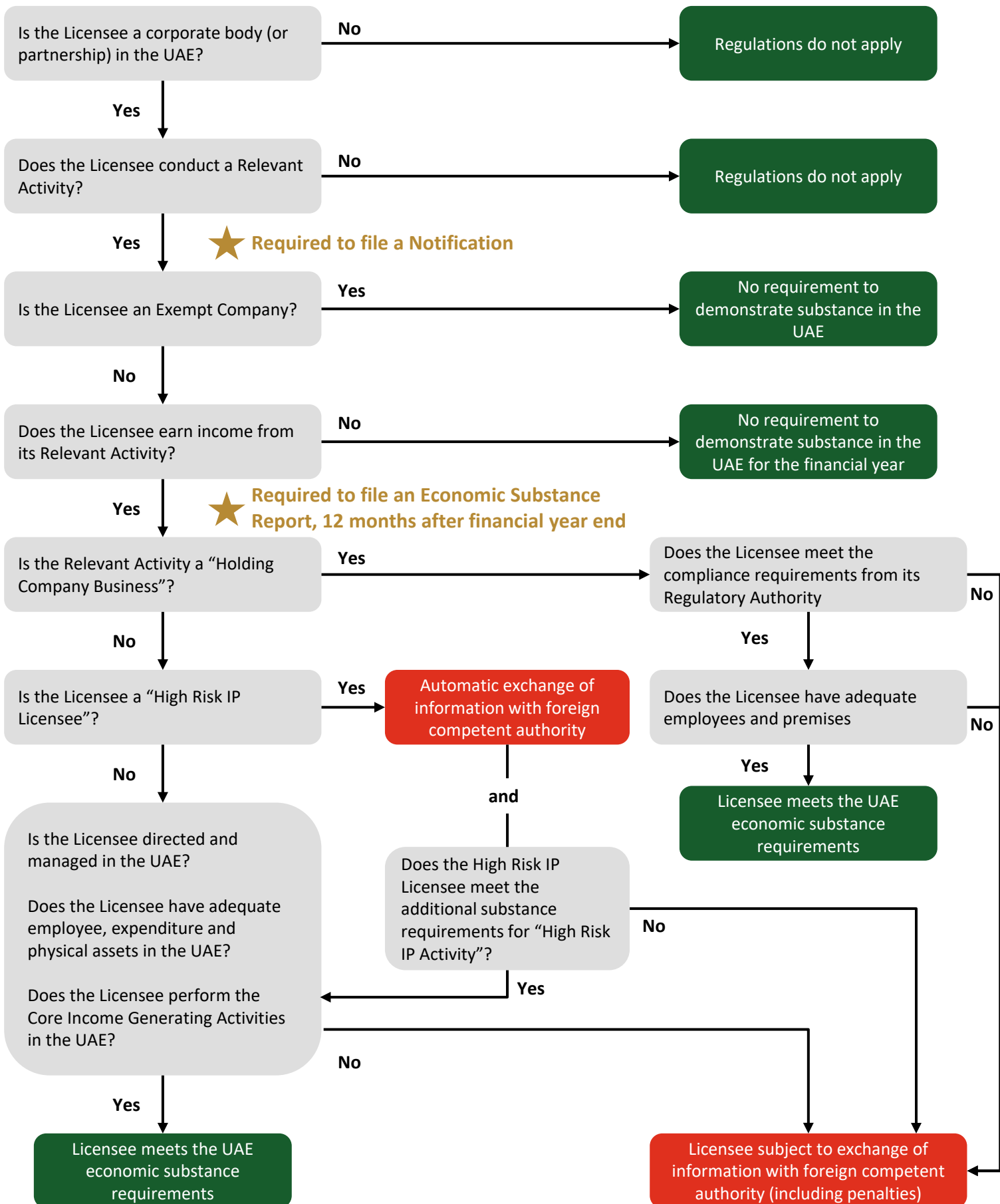


UAE Economic Substance Flowchart



Additional information

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 are exempt?

- A Licensee that is tax resident outside the UAE;
- An Investment Fund and its underlying SPVs / investment holding entities;
- A wholly UAE resident-owned business that is not part of a multinational group and that only carries on business in the UAE;
- A branch of a foreign entity that is subject to tax on all of its Relevant Income in a foreign jurisdiction;
- Any other Licensee at the direction of the Minister of Finance.

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 UAE entity undertakes any other commercial activity or earns any other forms of income, it cannot be a Holding Company Business. Where the holding of such other assets or the performance of other commercial activities constitute a different "Relevant Activity" (e.g. a Lease-Finance Business), the UAE entity would be subject to the UAE economic substance regulations in respect of that other Relevant Activity.

What are the conditions for a High Risk IP business?

- All of the following conditions must be for an IP Business to be considered as "High Risk"

1. The Licensee did not create the IP asset which it holds for the purposes of its business;

2. The Licensee acquired the IP asset either from:

- a Connected Person, **or**
- in consideration for funding research and development by another person situated in a country other than the UAE;

3. The Licensee:

- licences the IP asset to one or more Connected Persons, **or**
- otherwise generates income from the asset in consequence of activities performed by Foreign Connected Persons