

inBrief

**UAE Economic Substance Requirements – Penalties imposed by the Federal Tax Authority**

By Bashir Ahmed, Saurbh Kothari and Dimple Soni | 22 June 2021

The Federal Tax Authority (the FTA) has started to impose penalties on businesses that have failed to submit their economic substance notifications by the set deadline of 30 June 2020 for the financial period ended on 31 December 2019, and the economic substance reports by the set deadline of 31 December 2020 for the financial period ended on 31 December 2019.

Pursuant to the Cabinet of Ministers Resolution 57 of 2020 concerning the Economic Substance Requirements (**Decision**), the FTA has imposed a penalty of AED 20,000 on a licensee who has failed to submit the notification and an amount of AED 50,000 on a licensee who has failed to submit the economic substance report. The Decision empowers the FTA to impose certain other types of penalties on licensees.

Article 17 of the Decision provides that a licensee may appeal against a penalty by filing an appeal to the FTA.

A licensee conducting a relevant activity (as per the Decision) is annually required to file a notification within six months from the end of the relevant financial period, and an economic substance report within 12 months from the end of the relevant financial period. For a licensee whose financial year ended on 30 June 2020, the deadline to file an economic substance report is 30 June 2021, and if the financial year ended on 31 December 2020, the deadline to file a notification is 30 June 2021.

The notification and/or the economic substance report is required to be filed by creating an account on the Ministry of Finance website (www.mof.gov.ae/en/StrategicPartnerships/Pages/ESR.aspx). Additional information on Economic Substance Requirements can also be found on the Ministry of Finance website.

The Authors

Bashir Ahmed
Managing Partner
bahmed@afриди-angell.com

Bashir is the managing partner of Afridi & Angell. He advises clients on cross-border, general corporate and commercial, private equity, banking, licensing and maritime matters.



Saurbh Kothari
Senior Associate
saurbh@afриди-angell.com

Saurbh joined Afridi & Angell in 2008 and is a senior associate in the corporate and commercial team. He advises both local and international clients on a broad range of corporate/commercial and employment matters.



Dimple Soni
Paralegal
dimple@afриди-angell.com

Dimple is a paralegal at Afridi & Angell's Dubai office. She assists lawyers on a wide range of corporate, commercial, and dispute resolution matters.

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