

Q&A Guide: Practical Implications of UAE Economic Substance Law

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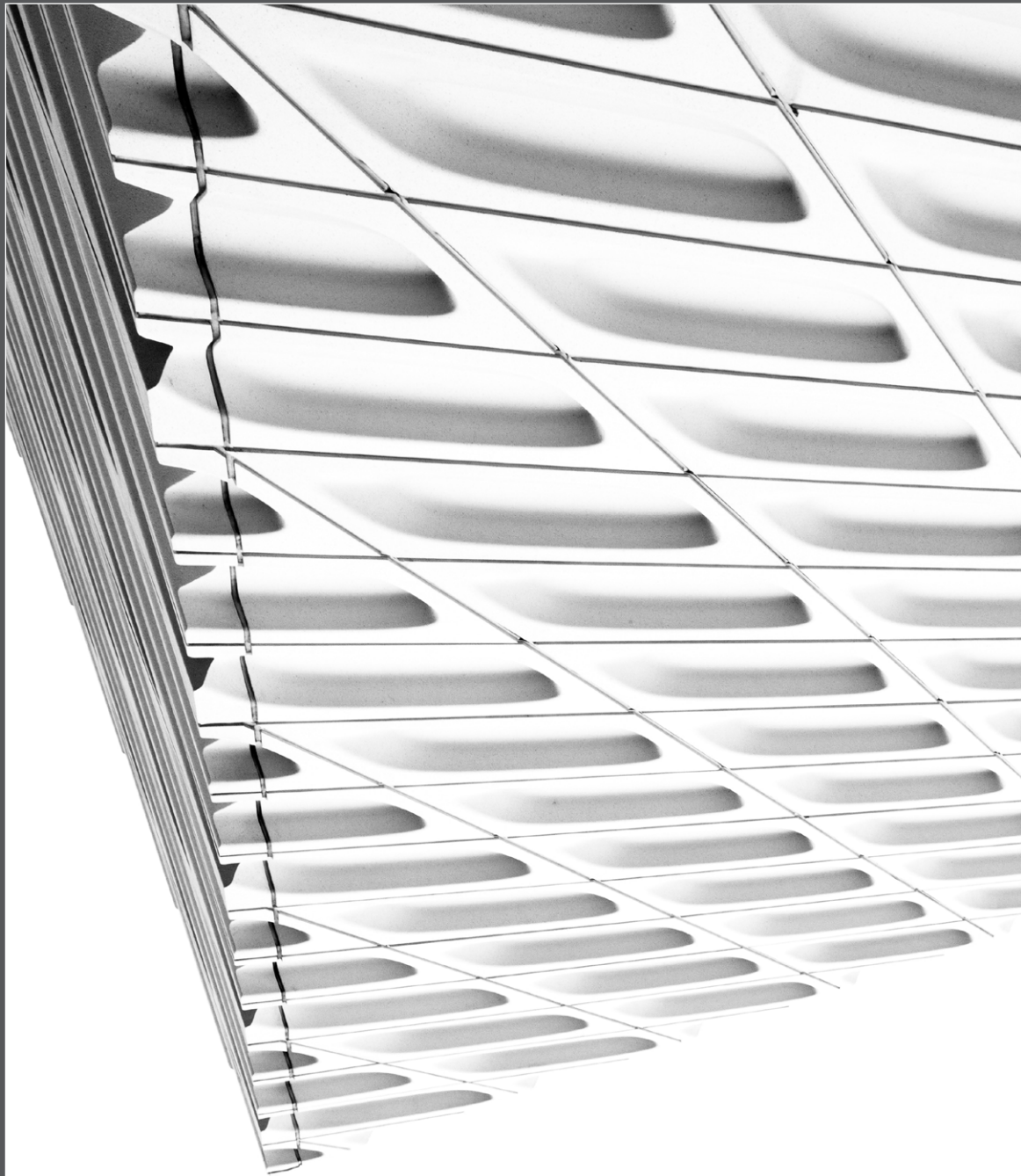
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Introduction

In our previous article ¹*Economic Substance Laws (Applicability and Requirements)*, we discussed the salient features of Economic Substance Laws in low tax jurisdictions such as UAE, Cayman Island, BVI and others.

This guide details the economic substance laws that the UAE has introduced as part of its commitment as a member of the OECD Inclusive Framework and in response to a negative assessment of the UAE's tax framework by the European Union. We will refer to the UAE laws and regulations collectively as the “**UAE Economic Substance Laws**” or the “**Regulations**”).

¹<https://lnkd.in/fCQhazz>

A. Scope of Application, Penalties and Reporting

1. Which entities are required to comply with the UAE Economic Substance Laws?

All companies, branches, partnerships and other legal persons which are established in the UAE (whether onshore, free zone, financial free zone or offshore) (Licensee) which carry out any of the following activities:

- a. banking business;
- b. insurance business;
- c. investment fund management business;
- d. lease-finance business;
- e. headquarter business;
- f. shipping business;
- g. holding company business;
- h. intellectual property business; and/or
- i. distribution and service centre business (each a "Relevant Activity")

2. What are the penalties for non-compliance with the UAE Economic Substance Laws?

a) Failure (or deemed failure) to meet economic substance test in a financial year.

First Failure

- AED 10,000 – AED 50,000 (approx. USD 2,700 - USD 14,000); and
- Information exchange with foreign competent authority of: (i) parent company; (ii) ultimate parent company; and (iii) ultimate beneficial owner.

Failure in the subsequent financial year

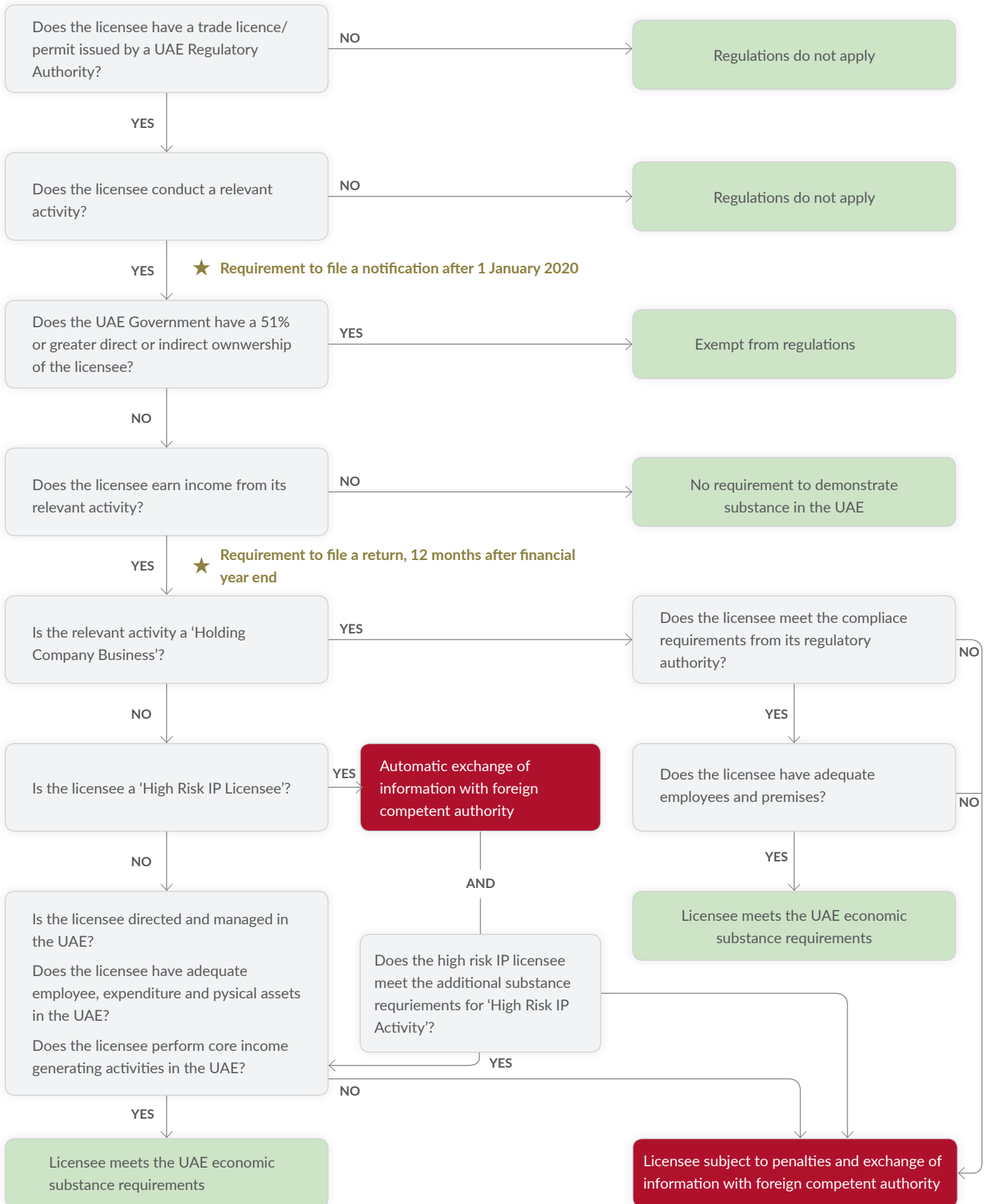
- Trade/commercial license could be revoked, suspended, withdrawn or not renewed;
- AED 50,000 – AED 300,000 (approx. USD 14,000 - USD 82,000); and
- Information exchange with foreign competent authority of: (i) parent company; (ii) ultimate parent company; and (iii) ultimate beneficial owner.

b) Failure to provide required information or providing inaccurate information.

- AED 10,000 – AED 50,000 (approx. USD 2,700 - USD 14,000)



Flowchart on the Applicability of the UAE Economic Substance Laws



3. What are the applicable regulatory authorities?

The UAE Economic Substance Laws have prescribed the applicable regulatory authority in respect of each Relevant Activity. For example, for the non-financial Relevant Activities, the applicable regulatory authorities are Ministry of Economy/Economic Departments in the case of Licensees established in mainland UAE and the relevant free zone in the case of Licensees established in free zones. We have set out the complete list of the applicable regulatory authorities in the Annexure to this Q&A Guide.

4. What are the consequences of exchange of information with foreign competent authority?

As stated in A (2) above, one of the penalties for failure by a Licensee to comply with the UAE Economic Substance Laws is the exchange of information with foreign competent authority of: (i) parent company; (ii) ultimate parent company; and (iii) ultimate beneficial owner. This is perhaps the most severe penalty as it may result in the parent company, ultimate parent company and/or ultimate beneficial owner being subject to further tax and penalties in their respective home jurisdictions, which are likely to be higher tax jurisdictions as compared to the UAE.

5. What are the reporting requirements prescribed under the UAE Economic Substance Laws?

There are two types of reporting which are required to be made under the UAE Economic Substance Laws:

a. Notification

All Licensees which undertake a Relevant Activity are required to submit a notification with their regulatory authority (the "ES Notification"). ES Notifications for the financial period 2019 are required to be filed on or after 1 January 2020. The notification should confirm:

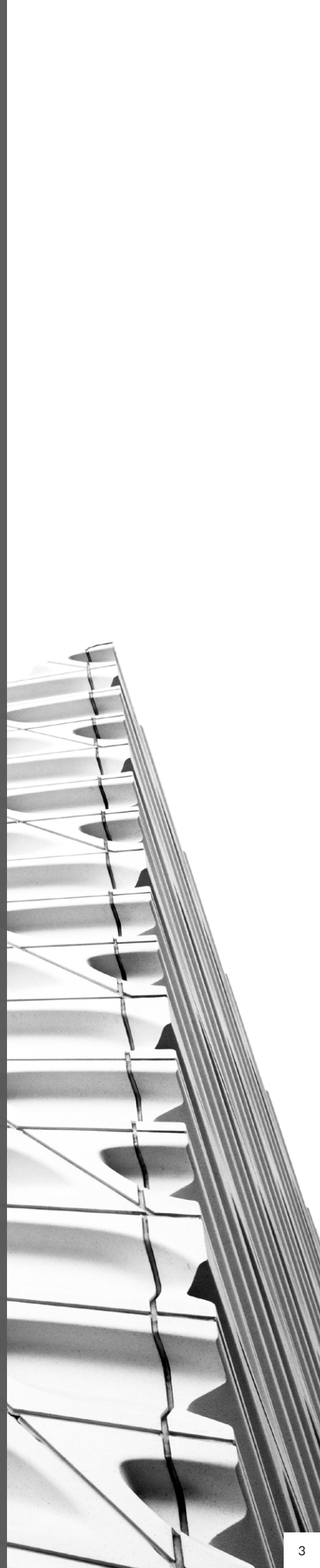
- i. whether or not the Licensee carries out a Relevant Activity;
- ii. whether or not all or part of the Licensee's gross income in relation to a Relevant Activity is subject to tax in a jurisdiction outside the UAE; and
- iii. its financial year.

Therefore, it is irrelevant whether or not the Licensee is exempted or has not earned an income. This minimum obligation is mandatory.

Having said that, it is important to note that although the UAE Economic Substance Laws require only Licensees which conduct a Relevant Activity to file an ES Notification, the Dubai International Financial Centre (DIFC) has taken a different approach by requiring all entities registered with it to file an ES Notification by 31 March 2020 failing which penalties may be imposed. As at the date of publishing this Q&A Guide, the other free zones were yet to have issued any statement on the approach they would take.

b. Economic substance return/report

Only Licensees which earn income from a Relevant Activity during the relevant financial period are required to file a report/return with the applicable regulatory authority confirming whether such Licensee has



complied with the UAE Economic Substance Laws (the Economic Substance Return). The Economic Substance Return must be filed within 12 months from the end of the relevant financial period. Although the UAE Economic Substance Laws have prescribed the contents of the Economic Substance Return, none of the applicable regulatory authorities have issued the form/ templates of their respective Economic Substance Return.

6. Which entities are exempted from the UAE Economic Substance Laws?

Only Licensees in which the UAE government body or authority owns at least 51 percent of the issued capital are exempt from UAE Economic Substance Laws.

7. Is a company registered under an 'offshore' free zone company regime subject to the Regulations?

Yes, if the 'offshore' company undertakes a Relevant Activity.

8. Do the activities listed on the commercial license determine whether a Licensee undertakes a Relevant Activity?

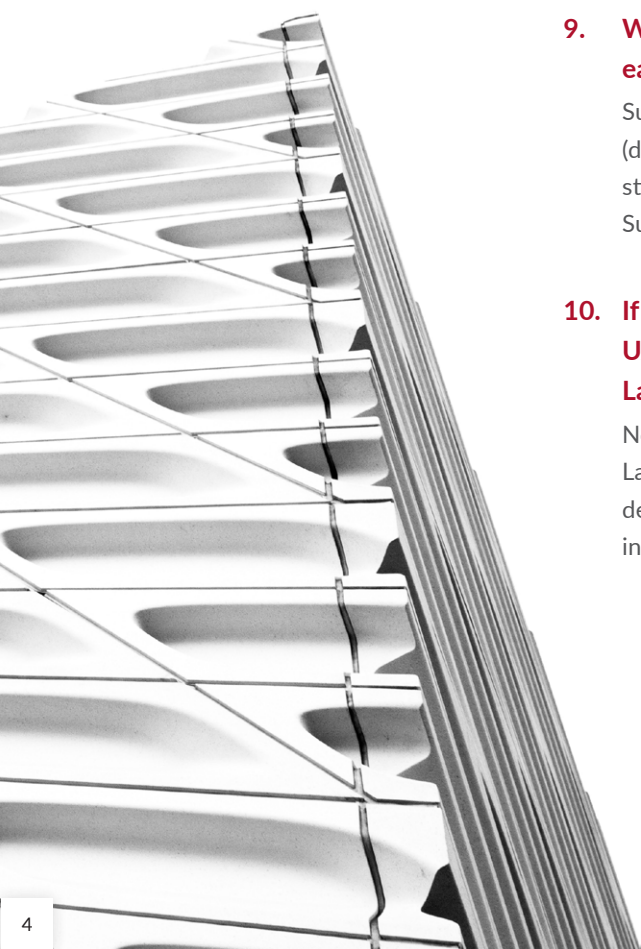
No. Whilst the commercial license may indeed state the Relevant Activity, a 'substance over form' approach must be used to determine whether a Licensee undertakes a Relevant Activity and is within the scope of the UAE Economic Substance Laws. This means looking beyond what is stated on the commercial licence to the activities actually undertaken by the Licensee during a financial year. For example, a Licensee may not refer to a 'holding company' activity but if the Licensee is in fact a holding company then the UAE Economic Substance Laws apply.

9. What if a Licensee undertakes a Relevant Activity, but does not earn any income from that activity during a financial period?

Such a Licensee is not required to meet the Economic Substance Test (defined in paragraph 12 below) for that period. Whilst the Licensee would still need to submit an ES Notification, it is not required to file an Economic Substance Return for the relevant financial year.

10. If all income from the Relevant Activity is earned from outside the UAE, is the Licensee exempt from the UAE Economic Substance Laws?

No. The Licensee is not exempt from the UAE Economic Substance Laws. Income from a Relevant Activity for which the Licensee needs to demonstrate economic substance in the UAE includes all income, including income generated by the Licensee from outside of the UAE.



11. How can we help?

We can assist entities established in the UAE as follows

Assessment

- i. review and advise you on whether your entity in the UAE is subject to the UAE Economic Substance Laws together with advice on whether it is required to file an ES Notification and/or an Economic Substance Return;
- ii. if your entity is subject to UAE Economic Substance Laws, assess if your UAE operations are currently expected to meet the requirements for economic substance under the UAE Economic Substance Laws; and
- iii. recommend solutions to remedy potential noncompliance, in order for you to comply with the UAE Economic Substance Laws.

Implementation

Assist you in implementing the recommended solutions to comply with the UAE Economic Substance Laws.

Ongoing Compliance

Prepare the ES Notification and the Economic Substance Return and assist with the submission to the applicable regulatory authority.

B. Demonstrating Economic Substance in the UAE

12. What are the substance requirements under the UAE Economic Substance Laws?

In order for a Licensee to demonstrate that the Relevant Activity has adequate economic substance in the UAE, it must:

- a. conduct the “State Core Income-Generating Activities” (CIGAs) in relation to that Activity in the UAE (see further analysis in paragraph 17 and 18);
- b. be directed and managed in the UAE in relation to that Relevant Activity (see further analysis in paragraph 16, 19, 20 and 21); and
- c. have adequate employees, premises and expenditure in the UAE (see further analysis in paragraph 14, 18, 20 and 21).

(the above economic substance requirements are hereinafter collectively referred to as the “Economic Substance Test”).

13. When are the applicable regulatory authorities required to make a determination as to whether a Licensee has met the Economic Substance Test?

The applicable regulatory authorities are required to issue a decision as to whether a Licensee has met the Economic Substance Test immediately after the end of the relevant financial year and in any case within six years after the end of the relevant financial year. However, this timeline does not apply where a regulatory authority is not able to make a ‘determination’ as a result of gross negligence, fraud or deliberate misrepresentation by the relevant Licensee.

14. What is “adequate” or “appropriate” economic substance?

The UAE Economic Substance Laws provide that adequacy and appropriateness will depend on: (a) the nature and level of activities carried out; and (b) the amount of income earned by the relevant Licensee. Therefore, the

UAE Economic Substance Laws do not provide a minimum standard for what is considered as “adequate” or “appropriate”. The applicable regulatory authorities are expected to take a pragmatic approach when assessing whether a Licensee has met the Economic Substance Test whilst taking into account the type and level of activity of the relevant Licensee together with the amount of income which has been derived.

15. Can Licensees which are part of the same group elect to be assessed on a ‘consolidated’ basis?

No. Economic substance must be assessed by each Licensee. The UAE Economic Substance Laws do not permit Licensees which are part of the same group to be aggregated for economic substance purposes. Each Licensee will need to comply with the UAE Economic Substance Laws, and demonstrate economic substance. Having said that, relevant economic substance (such as staff, functions, assets, etc.) maintained in the UAE by other group companies can be taken into account if that economic substance is made available to the relevant Licensee under a service/outsourcing type arrangement. Accordingly, appropriate service contracts/outsourcing contracts would need to be entered into as a Licensee would be required to provide evidence of such service/outsourcing arrangements. (See further analysis on outsourcing in Part C below)

16. Does a Licensee need to hold board meetings in the UAE?

Yes. An adequate number of board meetings should be held in the UAE. What is considered to be an adequate number of board meetings will depend on the nature and extent of the Relevant Activity being undertaken by the Licensee. For each board meeting held in the UAE:

- a. a quorum of directors must be physically present in the UAE. Therefore, directors of Licensees who form quorum are required to be physically present for all board meetings held on or after the commencement of their respective financial year in 2019. Effectively, this means that most Licensees may not be compliant with this requirement for their respective financial years commencing in 2019 exposing them to possible penalties/fines for failure to meet the Economic Substance Test in their respective financial years commencing in 2019. As such, it is imperative that Licensees examine their compliance status and seek to remedy any such non-compliance.
- b. meeting minutes must be maintained and signed in the UAE. Licensees will be required to examine their minute keeping ensuring that all board minutes are in writing, maintained and signed in the UAE. In particular, companies which store their minutes on the cloud in locations outside the UAE would need to note this requirement and make appropriate arrangements to comply with it; and
- c. directors attending the board meeting must have the necessary skills and expertise to discharge their fiduciary duties. To ensure compliance with this requirement, Licensees will be required to review the skills and expertise of the directors they have on their boards having regard to the business nature and level of the activities carried out by such Licensees. A Holding Company Business is not required to be directed and managed in the UAE, except where this is a requirement of the relevant licensing authority.

17. What are the Computerised Integrated Government Accounting systems (CIGAs) in respect of each relevant activity?

The CIGAs are the core activities for each Relevant Activity which must be conducted by a Licensee in the UAE. The UAE Economic Substance Laws have provided a list of such activities (set out in the Annexure to this Q&A Guide). The list is not exhaustive. The general principle is that activities which form the CIGAs are regarded to be the most important activities which a Licensee carrying out a Relevant Activity is expected to be carrying on in the UAE.

18. Do employees who perform CIGAs need to be resident in the UAE?

The employees who perform CIGAs would in principle need to be resident in the UAE. Non-resident employees or other persons would count towards economic substance of a Licensee in the UAE only if: (a) the relevant activities are performed while the individual is physically present in the UAE and under the direction of the Licensee; and (b) the Licensee bears the relevant costs of the non-resident individual.

19. Do directors of the Licensee need to be resident in the UAE?

No. Directors only need to be physically present in the UAE to attend relevant board meetings of the Licensee.

20. Do general managers need to be resident in the UAE?

Yes. General managers of branch offices, representative offices and other commercial companies which do not have a board of directors are required to be physically present in the UAE when taking key decision relating to the management and operation of such entities.

21. Can directors be counted as employees?

Yes. Directors who in addition to performing their directorship duties also perform CIGAs can be counted as employees of the Licensee for the purposes of meeting the Economic Substance Test.

22. Is having a UAE Tax Residency Certificate sufficient proof that the Economic Substance Test has been met?

No. The UAE Economic Substance Laws have specified that obtaining a UAE Tax Residency Certificate will not be sufficient to prove that the Economic Substance Test has been met.

C. Demonstrating Economic Substance in the UAE – Outsourcing

23. Can Licensees satisfy Economic Substance Test through outsourcing?

Yes and no. A Licensee is permitted to outsource two out of three of the economic substance requirements. A Licensee: (a) is permitted to outsource the performance of CIGAs; and (b) can satisfy the requirement to have adequate employees and premises through outsourcing. However, the requirement for a Licensee to be directed and managed in the UAE in relation to the Relevant Activity cannot be outsourced as the Licensee is required to demonstrate oversight and control of its Relevant Activity in the UAE.

24. To whom can a Licensee outsource?

A licensee can outsource CIGAs either to related parties or third parties, as long as the Licensee monitors and retains ability to control the outsourced activities.

25. What conditions must be satisfied for Economic Substance Test to be fulfilled through outsourcing?

The following conditions must be satisfied:

- a. a third party service provider to whom a Licensee's CIGAs have been outsourced must have, at all times in the UAE, levels of activities, employees, expenditures and premises which are individually and in aggregate, adequate in relation to the CIGAs being undertaken. However, there must be no double counting if the services are provided to more than one Licensee carrying out a Relevant Activity. The UAE Economic Substance Laws are not very clear on how double counting will be assessed by the applicable regulatory authorities;
- b. the Licensee must be able to demonstrate its ability at all times to supervise the carrying out of the CIGAs by the third party service provider;
- c. the Licensee must ensure that the outsourced CIGAs are conducted in the UAE;
- d. the Licensee remains responsible for ensuring accurate information is reported to the relevant regulatory authority. This will include precise details of the level of resources employed by such third party service provider. For example, based on the use of timesheets; and
- e. the Licensee must demonstrate to the relevant regulatory authority that outsourcing to third party service providers is not being done with the objective of circumventing the Economic Substance Test.

26. Can a Licensee outsource any of its activities to a foreign person?

Activities which are CIGAs cannot be outsourced to a foreign person. However, activities that are not CIGAs (for example, back office functions) can be outsourced to related parties or third party service providers located outside the UAE without adversely impacting the economic substance of the Licensee in the UAE.

27. What measures should Licensees take to ensure that their outsourcing arrangements satisfy the Economic Substance Test?

The UAE Economic Substance Laws provide that Licensees should enter into written agreements with the related parties/third party service providers. Licensees are also required to ensure that such agreements meet the requirements prescribed under the UAE Economic Substance Laws including the requirement to share information relating to the resources of the third party service provider for the purposes of disclosure to the relevant regulatory authority.

Accordingly, it is critical for Licensees to put in place outsourcing agreements which comply with the requirements of the UAE Economic

Substance Laws. These agreements will be the key document the relevant regulatory authority will place reliance on when determining whether the Licensee has satisfied the Economic Substance Test through outsourcing. Licensees which already have outsourcing agreements in place need to have them reviewed to ensure that they comply with the requirements prescribed under the UAE Economic Substance Laws.

28. What should a Licensee consider before the end of a financial period?

The UAE Economic Substance Laws provide that Licensees should consider the following matters (and action, where relevant) before the end of their respective financial years. The list is meant to be non-exhaustive:

- a. assess the Relevant Activities it has performed during the financial period (applying a “substance over form” approach);
- b. assess the amount and type of income earned (if any) from the Relevant Activity during the financial period;
- c. hold board meetings with a quorum of directors physically present in the UAE;
- d. ensure board meeting minutes are signed and maintained in the UAE;
- e. identify the amount and type of expenses and UAE based assets (including premises) in respect of the Relevant Activity and ensure access to assets (including premises) can be demonstrated (through agreements and financial records);
- f. identify the number of UAE based full-time employees or other personnel (and their qualifications) responsible for carrying out the Licensee’s Relevant Activity; and
- g. ensure control and supervision over any outsourcing arrangements can be demonstrated, for example by means of contractual agreements. Additional actions may be required to ensure a Licensee can demonstrate sufficient economic substance in the UAE for a relevant financial period, and the considerations above may differ where a Licensee has either a Holding Company or a High Risk IP Business.


D. Spotlight on Some of the Relevant Activities

Holding Company Business

29. What is a Holding Company Business?

A UAE entity is considered engaged in a Holding Company Business if it:

- a. only holds equity interest(s) in juridical person(s); and
- b. only earns dividend and capital gains from its equity interest(s). A UAE entity which holds other assets or earns other forms of income will not



be considered to be Holding Company Business. Where the holding of such other assets or the performance of other commercial activities constitute a different “Relevant Activity” (for example, a Lease-Finance Business), the UAE entity would be subject to the UAE Economic Substance Laws in respect of that other Relevant Activity.

30. Does a Holding Company Business need to demonstrate economic substance?

Yes. However, a Holding Company Business is subject to reduced substance requirements as follows:

- a. compliance with existing reporting/compliance requirements under the regulations applicable to the Licensee. This may include submission of documents, records or information such as financial records, details of change in directors, shareholders and ultimate beneficial owners; and
- b. have adequate employees and physical assets (for example, premises) for holding and managing the Holding Company Business.

A Holding Company Business is not required to:

- a. be “directed and managed” in the UAE (unless otherwise provided for under the rules and regulations of the applicable regulatory authority); or
- b. have/demonstrate adequate expenditure in the UAE.

31. Will lending by a holding company to its related entities take it outside the scope of the Holding Company Business regime?

Yes and no. A holding company which advances a loan or provides any other form of credit to its subsidiaries or other group entities (whether such entities are established in the UAE or outside the UAE) for consideration (for example, interest) will be considered to be undertaking Lease-Finance Business and will be required to meet the more stringent Economic Substance Test for Lease-Finance Business. However, a holding company which advances loans and other form of credit without deriving any consideration will only be required to meet the reduced Economic Substance Test for Holding Company Business.

Headquarter Business

32. What is a Headquarter Business?

A UAE entity which provides any of the following services to foreign group entities: (a) provision of senior management; (b) assumption or control of material risk for activities carried out by, or assets owned by any foreign entity; and (c) provision of substantive advice in connection with the assumption of such control or risk.

33. Does an entity need to be the 'parent' company to be considered a Headquarter Business?

No. A group's corporate structure is not relevant in determining whether a UAE entity within the group is engaged in a Headquarter Business. Whether an entity is engaged in a Headquarter Business is entirely dependent on the nature of the services provided to foreign group entities.

Distribution and Service Centre Business

34. What is a "Distribution and Service Centre" Business?

A "Distribution and Service Centre" Business refers to two distinct activities that are covered under one "Relevant Activity" heading.

A UAE entity is considered engaged in a Distribution Business if it:

- a. purchases goods from a foreign related entity/person; and
- b. imports those goods into the UAE; and
- c. distributes those goods outside the UAE.

A UAE entity is considered engaged in a Service Centre Business if it:

- a. provides services to a foreign related entity/person; and
- b. those services are in connection with the foreign related entity's/person's business outside the UAE.

The economic substance requirements for a Distribution and Service Centre Business are applicable to UAE entities whose main activity is distribution and/or service centre operations. Licensees engaged in Banking, Insurance, Investment Fund Management, Lease-Finance, Shipping, or Headquarter Business may also purchase goods for, and/or provide services to foreign related entities/persons as a normal part of their business operations. To prevent duplicate reporting, such Licensees are not also considered to be engaging in a Distribution and Service Centre Business. UAE entities that purchase and sell goods from and to third parties, or that provide services to third parties, are not subject to the UAE Economic Substance Laws (as a Distribution and Service Centre Business).

Lease-Finance Business

35. What is a Lease-Finance Business?

A UAE entity is considered engaged in a Lease-Finance Business if it provides credit or rents assets, equipment or any other goods to another person for consideration. Providing credit includes making loans and entering into other financing arrangements such as hire purchase agreements and finance leases. Licensees engaged in Banking, Insurance, and Fund Management Business may also perform lease or financing activities as a normal part of their business operations. To prevent duplicate reporting, such Licensees are not also considered engaged in a Lease-Finance Business and will not need to separately demonstrate economic substance in respect of any ancillary Lease-Finance activities.

36. Is investing and trading in debt securities considered undertaking a Lease-Finance Business?

No. UAE entities which invest and hold bonds and other debt securities which are traded on a regulated exchange are not considered engaged in a Lease-Finance Business.

37. What if there is no consideration payable for the credit provided?

The UAE Economic Substance Laws do not apply to credit and other financing and leasing arrangements where there is no expectation of consideration in the form of interest, fees, rental payments, capital gains or any other form of compensation. The grant of security in favour of the lender would not constitute consideration.

Investment Fund Management Business

38. What is a UAE Investment Fund Management Business?

A UAE entity which provides discretionary investment management services to collective investment vehicles located in the UAE or in a different jurisdiction. An Investment Fund Management Business includes making discretionary investment, divestment and risk related decisions on behalf of an investment fund. UAE entities providing other types of investment fund related services such as fund administration, investment advisory and custodian services are not considered engaged in an Investment Fund Management Business.

Intellectual Property Business

39. What is an Intellectual Property Business?

A UAE entity that holds, exploits or receives income from intellectual property assets.

40. When is an Intellectual Property Business considered to be “high risk”?

Intellectual Property Business is considered to be engaged “high risk” (High Risk IP Business) if either of the following conditions apply:

- a. Condition A: the Licensee:
 - i. did not create the intellectual property asset which it holds for the purposes of its business.
 - ii. acquired the intellectual property asset from either:
 - related persons/entities; or
 - in consideration for funding research and development by another person situated in a country other than the UAE.
 - iii. Licences the intellectual property asset to on or more related entities/persons or otherwise generates income from the asset in consequence of activities performed by foreign related entities/persons.
- b. Condition B: the Licensee does not carry out research and development, or branding, marketing and distribution as part of its CIGAs in the UAE.

41. What does it mean if a Licensee has a High Risk IP Business?

Licensees which undertake High Risk IP Business are:

- a. exposed to disclosure of information with the foreign competent authority of the parent company, ultimate parent company and ultimate beneficial owner regardless of whether the Licensee meets or fails to meet the: (i) Economic Substance Test; and (ii) the increased substance requirements in respect of High Risk IP Business, set out in paragraph (b) below;
- b. presumed not to have met the Economic Substance Test. A Licensee is required to meet the following increased substance requirements so as to rebut such presumption:
 - i. submit (amongst others) sufficient information demonstrating that the Licensee does and has historically exercised a high degree of control over the development, exploitation, maintenance, enhancement and protection of the intellectual property asset by an adequate number of full-time employees, with the

necessary qualifications, who permanently reside and perform their activities in the UAE;

- ii. submit a business plan providing reasons for holding the intellectual property in the UAE;
- iii. provide sufficient evidence that decision making is taking place in the UAE by meeting the following criteria:
 - taking strategic decisions and managing (as well as bearing) the principal risks related to development and subsequent exploitation of the intellectual property asset;
 - taking the strategic decisions and managing (as well as bearing) the principal risks relating to acquisition by third parties and subsequent exploitation and protection of the intellectual property asset;
 - carrying on ancillary trading activities through which the intellectual property assets are exploited leading to the generation of income from third parties.

Annexure

List of relevant activities, CIGAs and applicable regulatory authorities

Relevant Activity	State Core Income Generating Activities	Applicable regulatory authorities
Banking Business	<ul style="list-style-type: none"> • Raising funds, managing risk including credit, currency and interest risk. • Taking hedging positions. • Providing loans, credit or other financial services to customers. • Managing capital and preparing reports to investors or any government authority with functions relating to the supervision or regulation of such business. 	<ul style="list-style-type: none"> • Central Bank of the UAE for the banking activities regulated by it. • Competent authorities in financial free zones for banking activities conducted in such financial free zone. For example, in the DIFC, the applicable regulatory authority would be the DFSA.
Insurance Business	<ul style="list-style-type: none"> • Predicting and calculating risk. • Insuring or re-insuring against risk and providing Insurance Business services to clients. • Underwriting insurance and reinsurance. 	<ul style="list-style-type: none"> • Insurance Authority for the insurance activities regulated by it. • Competent authority in the free zone for insurance activities conducted in such free zone. • Competent authorities in financial free zones for insurance activities conducted in such financial free zone.
Investment Fund Management Business	<ul style="list-style-type: none"> • Taking decisions on the holding and selling of investments. • Calculating risk and reserves. • Taking decisions on currency or interest fluctuations and hedging positions. • Preparing reports to investors or any government authority with functions relating to the supervision or regulation of such business. 	<ul style="list-style-type: none"> • Securities and Commodities Authority for the investment funds management regulated by it. • Competent authority in the free zone for investment funds management activities conducted in such free zone. • Competent authorities in financial free zones for investment funds management activities conducted in such financial free zone.

Relevant Activity	State Core Income Generating Activities	Applicable regulatory authorities
Lease-Finance Business	<ul style="list-style-type: none"> • Agreeing funding terms. • Identifying and acquiring assets to be leased (in the case of leasing). • Setting the terms and duration of any financing or leasing. • Monitoring and revising any agreements. • Managing any risks. 	<ul style="list-style-type: none"> • Central Bank of the UAE for the financial leasing activities regulated by it. • Competent authority in the free zone for financial leasing activities conducted in such free zone. • Competent authorities in financial free zones for financial leasing activities conducted in such financial free zone.
Headquarter Business	<ul style="list-style-type: none"> • Taking relevant management decisions. • Incurring operating expenditures on behalf of group entities. • Coordinating group activities. 	<ul style="list-style-type: none"> • Ministry of Economy for onshore companies undertaking the headquarter activities. • Competent authority in the free zone for free zone companies undertaking the headquarter activities. • Competent authority in the financial free zone for companies undertaking the headquarter activities in the financial free zone.
Shipping Business	<ul style="list-style-type: none"> • Managing crew (including hiring, paying and overseeing crew members). • Overhauling and maintaining ships. • Overseeing and tracking shipping. • Determining what goods to order and when to deliver them, organising and overseeing voyages. 	<ul style="list-style-type: none"> • Ministry of Economy for onshore companies undertaking the shipping activities. • Competent authority in the free zone for free zone companies undertaking the shipping activities. • Competent authority in the financial free zone for companies undertaking shipping in the financial free zone.

Relevant Activity	State Core Income Generating Activities	Applicable regulatory authorities
Holding Company Business	All activities related to that business; and in respect of Holding Company Business that derives income from other sources other than dividends and capital gains from its equity interest, the state Core Income-Generating Activities shall be those activities associated with the income generated.	<ul style="list-style-type: none"> • Ministry of Economy for onshore companies undertaking holding company activities. • Competent authority in the free zone for free zone companies undertaking holding company activities. • Competent authority in the financial free zone for companies undertaking holding company activities in the financial free zone.
Intellectual Property Business	<ul style="list-style-type: none"> • Where the Intellectual Property Asset is a - <ul style="list-style-type: none"> » patent or an asset that is similar to a patent, research and development; and » non-trade intangible (including a trademark), branding, marketing and distribution. • If the Relevant Activity is conducted by a Licensee that is regarded as a High Risk IP Licensee, the State Core Income-Generating Activity must include any of the following additional activities: <ul style="list-style-type: none"> » taking strategic decisions and managing (as well as bearing) the principal risks related to development and subsequent exploitation of the intangible asset generating income; » taking the strategic decisions and managing (as well as bearing) the principal risks relating to acquisition by third parties and subsequent exploitation and protection of the intangible asset; and » carrying on the ancillary trading activities through which the intangible assets are exploited leading to the generation of income from third parties. 	<ul style="list-style-type: none"> • Ministry of Economy for onshore companies undertaking intellectual property activities. • Competent authority in the free zone for free zone companies undertaking intellectual property activities. • Competent authority in the financial free zone for companies undertaking intellectual property activities in the financial free zone.

Relevant Activity	State Core Income Generating Activities	Applicable regulatory authorities
Distribution and Service Centre Business	<ul style="list-style-type: none"> • Transporting and storing component parts, materials or goods ready for sale. • Managing inventories. • Taking orders. • Providing consulting or other administrative services. 	<ul style="list-style-type: none"> • Ministry of Economy for onshore companies undertaking distribution and service centre activities. • Competent authority in the free zone for free zone companies undertaking distribution and service centre activities. • Competent authority in the financial free zone for companies undertaking distribution and service centre activities in the financial free zone.

Key contacts

Should you require more information, please do not hesitate to contact:



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