

CLIENT ALERT

Upcoming ESR Filing Deadline in the UAE – 31 December 2021

Companies in the UAE must review their potential obligations under the UAE's Economic Substance Regulations (ESR). Relevant ESR filings must be submitted through the Ministry of Finance Portal by 31 December 2021. Failure to comply may result in substantial penalties.

Background

The ESR Regulations were introduced to address international initiatives to combat harmful tax avoidance practices. The ESR applies to all legal entities (referred to as Licensees or Exempt Licensees - where an exemption is applicable) that carry out Relevant Activities for financial years commencing on or after 1 January 2019.

The purpose of the ESR is to ensure that legal entities undertaking Relevant Activities in the UAE transparently report profits relating to Relevant Activities.

Reporting Requirements

NOTE: Filing deadlines vary based on the financial year of the company as registered or notified with the authorities.

- **ESR Notification Requirement:** Licensees and Exempted Licensees must file an **ESR Notification** within **6 months** of relevant financial year end.
- **ESR Reporting Requirement:** Licensees must file an **ESR Report** including all relevant information substantiating that the Licensee has satisfied the Economic Substance Test within **12 months** of a relevant financial year end.

ESR filings should be submitted directly to the Ministry of Finance (MOF) at the ESR Portal: <https://eservices.mof.gov.ae/Shared/>

Penalties

Failure or delay in filing Notifications or Reports, or knowingly filing inaccurate information, for a relevant financial year can result in administrative fines of **AED 20,000 – AED 50,000** for each breach.

Repetition of ESR filing violations in a following financial year may result in a further administrative fine of **AED 400,000**.

The Federal Tax Authority (FTA), working under the umbrella of the MOF, is actively enforcing non-compliance.

If you require advice or support, please reach out to your main contact at AMERELLER.

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