

# A M E R E L L E R

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## Client Alert: DAFZA Requires Urgent Filing of Economic Substance Notification

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*The Dubai Airport Free Zone Authority (DAFZA) now requires all companies within the Dubai Airport Free Zone (DAFZ) to submit an economic substance notification by 3 May 2020, making it the first government entity to require a submission for all companies under its jurisdiction.*

In response to being added to the European Union non-cooperative tax jurisdiction ‘grey list’, on 30 April 2019, the United Arab Emirates (UAE) Cabinet issued Federal Cabinet Resolution No.31 of 2019 regarding the requirements of actual economic activities and Federal Cabinet Resolution No. 32 of 2019 regarding the organization of reports submitted by multinational companies (together the “**Resolutions**”).

The Resolutions are aimed at ensuring that businesses are carrying out meaningful business activities and are not merely registered to avoid taxation in other jurisdictions.

The Resolutions require that UAE entities carrying out specific categories of licensed activities satisfy prescribed economic substance criteria and report annually on compliance. The Resolutions apply to all UAE businesses, including those registered in the free zones.

### DAFZA Circular

DAFZA recently issued a circular requiring all companies and branches registered in DAFZ to submit an economic substance notification (the “**Notification**”) by no later than 3 May 2020.

While the Resolutions only apply to businesses in certain sectors, DAFZA is requiring all businesses to submit the Notification.

The template of the Notification is available to each business registered in DAFZ on the DAFZA online portal.

DAFZA further clarified that an economic substance return will be published later this year. This will likewise need to be submitted in a timely fashion.

### Key Aspects of the Notification

The Notification form is relatively short and comprised of five key sections. One of the crucial elements of the application form is to confirm which, if any, of the following ‘Relevant Activities’ the company is carrying on:

- Banking business
- Insurance business
- Fund management business
- Lease-finance business
- Headquarters business
- Shipping business

- Holding company business
- Intellectual Property ("IP") business
- Distribution and service center business

If the company is carrying on a 'Relevant Activity' it will need to provide further information concerning its earned and taxable income.

We note that, a company holding a 'High-Risk Intellectual Property License' will need to provide additional information such as details of their parent company and a list of the company's ultimate beneficial owners.

The consequences of failing to make a timely filing have not yet been confirmed by DAFZA but may include: (i) fines; (ii) the company bring unable to conduct other business in DAFZ or at the federal level; or (iii) the information on the business being reported overseas. All DAFZ companies should file the Notification by the 3 May 2020 deadline to avoid these potential consequences.

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**If you would like more information about this topic then please contact us.**

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