

Cabinet of Ministers Resolution No. (57) of 2020

On the Determination of the Requirements of Real Economic Activities

The Cabinet of Ministers:

- Having reviewed the Constitution,
- And Federal Law No. (1) of 1972 regarding the Competencies of Ministries and the Powers of Ministers, and its amendments,
- And Federal Law No. (18) of 1981 regarding the Regulation of Commercial Agencies, and its amendments,
- And Federal Law No. (26) of 1981 regarding the Maritime Commercial Law, and its amendments,
- And Federal Law No. (5) of 1985 promulgating the Civil Transactions Law, and its amendments,
- And Federal Law No. (3) of 1987 promulgating the Penal Code, and its amendments,
- And Federal Law No. (10) of 1992 promulgating the Law of Evidence in Civil and Commercial Transactions, and its amendments,
- And Federal Law No. (11) of 1992 promulgating the Civil Procedures Law, and its amendments,
- And Federal Law No. (37) of 1992 regarding Trademarks, and its amendments,
- And Federal Law No. (4) of 2000 regarding the Emirates Securities and Commodities Authority and Market, and its amendments,
- And Federal Law No. (7) of 2002 regarding Copyrights and Related Rights, and its amendments,
- And Federal Law No. (17) of 2002 regarding the Regulation and Protection of Industrial Property of Patents and Industrial Designs and Models, and its amendments,
- And Federal Law No. (8) of 2004 regarding Financial Free Zones,
- And Federal Law No. (6) of 2007 regarding the Establishment of the Insurance Authority and the Regulation of its Operations, and its amendments,
- And Federal Law No. (2) of 2015 regarding Commercial Companies, and its amendments,
- And Federal Law No. (8) of 2015 regarding the Federal Customs Authority,
- And Federal Decree-Law No. (13) of 2016 regarding the Establishment of the Federal Tax Authority,

- And Federal Law No. (14) of 2016 regarding Violations and Administrative Penalties in the Federal Government,
- And Federal Law No. (19) of 2016 regarding Combating Commercial Fraud,
- And Federal Law No. (7) of 2017 regarding Tax Procedures,
- And Federal Decree-Law No. (8) of 2017 regarding Value Added Tax,
- And Federal Law No. (8) of 2018 regarding Financial Leasing,
- And Federal Decree-Law No. (14) of 2018 regarding the Central Bank & Organisation of Financial Institutions and Activities,
- And Federal Decree No. (48) of 2018 ratifying the Multilateral Administrative Agreement for the Automatic Exchange of Information,
- And Federal Decree No. (54) of 2018 ratifying the Framework Convention on Mutual Assistance in Tax Matters,
- And Cabinet of Ministers Resolution No. (31) of 2019 on the Determination of the Requirements of Real Economic Activities, and its amendments,
- And Cabinet of Ministers Resolution No. (58) of 2019 on the Determination of the Regulatory Authorities Concerned with the Activities mentioned in Cabinet of Ministers Resolution No. (31) of 2019 on the Determination of the Requirements of Real Economic Activities,
- And based on the proposal of the Minister of Finance and the approval of the Cabinet of Ministers,

Has decided:

Article (1)

Definitions

For the purposes of this Resolution, the following words and expressions shall have the meanings assigned to them below, unless the context otherwise requires:

State : The United Arab Emirates.

Banking Business : Shall have the meaning specified in the law regulating this business in the State.

Business Day : The days of the week from Sunday to Thursday, excluding public holidays and official vacations.

Business Document : Any of the following documents:

- a. Relating to the practice of a Relevant Activity by a Licensee or an Exempted Licensee.
- b. Forming part of any record under legislation applicable to a Licensee or an Exempted Licensee.

Business Premises

	: The premises used for conducting any Relevant Activity in the State by a Licensee or an Exempted Licensee.
Competent Authority	: The Ministry of Finance.
Central Bank	: The Central Bank of the United Arab Emirates.
Foreign Competent Authority	: The foreign authority designated under an international agreement or treaty or a similar international arrangement concluded by the State to request and receive any information or documents related to the implementation of any of the provisions contained in this Resolution.
Connected Person	: An entity that is part of the same Group to which the Licensee or Exempted Licensee belongs.
Distribution and Service Centre Business	: A center that carries out any of the following two activities: a. Purchasing spare parts, materials for goods, or finished goods for sale from a Foreign Connected Person and reselling those components or goods. b. Providing services to Foreign Connected Persons.
Economic Substance Requirements	: The requirements specified in (0) of this Resolution.
Economic Substance Report	: The report to be submitted pursuant to the provision of clause (4) of (0) and in accordance with the provision of clause (5) of (0) of this Resolution.
Financial Free Zone	: A financial free zone established under the aforementioned Federal Law No. 8 of 2004.
Financial Free Zone Authority	: The authority authorized in the relevant Financial Free Zone to be the Regulatory Authority for the purposes of this Resolution.
Financial Year	: The financial year of the business of a Licensee or an Exempted Licensee.
Foreign Connected Person	: A Connected Person that is not a tax resident in the State.
Free Zone	: A free zone established in the State.
Free Zone Authority	: The authority authorized in the relevant Free Zone to be the Regulatory Authority for the purposes of this Resolution.
Fund Management Business	: Shall have the meaning specified in the law regulating this business in the State.
Headquarters Business	: Providing any of the following services to one or more Foreign Connected Persons: a. Senior management functions.

b. Primarily assuming or controlling risks associated with the activities carried out by the Foreign Connected Person or risks associated with its owned assets.

c. Providing advice on the substantive provisions for assuming or controlling the risks referred to in paragraph (b) of this definition.

High-Risk IP Licensee

: A Licensee engaged in Intellectual Property Business who:

a. Did not itself create the intellectual property right over the intellectual property assets it holds for the purpose of carrying out business activities.

b. And acquired the intellectual property assets either:

1. From a Connected Person.

2. In exchange for funding research and development conducted by a person residing in a country other than the State.

c. And licenses or sells the intellectual property assets to one or more Connected Persons or otherwise generates identifiable income from a Foreign Connected Person in respect of the use or exploitation of those assets.

Holding Company Business

: Means the activity where:

a. Its function is limited to owning and holding shares, stocks, or equity interests in other companies.

b. Its income is solely from dividends and capital gains from equity interests.

Income in Respect of Intellectual Property Assets

: Includes any of the following:

a. Royalties.

b. Income from a franchise agreement.

c. Income derived from licensing intellectual property assets.

d. Income from appreciation in value and any other income derived from the sale of intellectual property assets.

Insurance Business : Shall have the meaning specified in the law regulating this business in the State.

Intellectual Property Business : The business of owning, exploiting, or receiving income from Intellectual Property Assets.

Intellectual Property Asset	: Any intellectual property right in intangible assets, including but not limited to, copyrights, patents, trademarks, brand names, technical know-how, which generate income that can be separately accounted for from any revenue generated from any tangible assets.
Notification	: The notification to be submitted pursuant to the provisions of (0) of this Resolution.
Lease-Finance Business	: Shall have the meaning specified in the law regulating this business in the State.
National Assessing Authority	: The Federal Tax Authority designated in accordance with the provisions of and of this Resolution.
Regulatory Authority	: The authority or authorities entrusted with regulating a Relevant Activity for the purposes of this Resolution and as specified in (0) of this Resolution.
Relevant Activity	: Any of the activities listed in (0) of this Resolution.
Licence	: A commercial license or permit issued by the competent licensing authority in the State, including a Free Zone and a Financial Free Zone.
Licensee:	<p>: Either of the following two entities:</p> <ol style="list-style-type: none"> A juridical person (incorporated inside or outside the State). An unincorporated partnership. <p>That is registered in the State, including a Free Zone and a Financial Free Zone, and carries out a Relevant Activity.</p>
Exempted Licensee	<p>: Any of the following Licensees:</p> <ol style="list-style-type: none"> An Investment Fund. A Licensee whose tax residence is outside the State. A Licensee wholly owned by one or more residents in the State and meeting the following two conditions: <ol style="list-style-type: none"> 1. Is not part of a Multinational Enterprise Group. 2. Conducts its activities only in the State. A branch of a foreign entity registered in the State whose income from the Relevant Activity is subject to tax in a country other than the State. Any Licensee for whom the Minister of Finance issues a resolution granting it the status of "Exempted Licensee".
Ultimate Beneficial Owner	

Ship	: The natural person who directly or indirectly owns twenty-five percent (25%) or more of the capital shares of the Licensee or Exempted Licensee.
Ship	: Shall have the same meaning as in Article 11 of Federal Law No. 26 of 1981 regarding the Maritime Commercial Law and its amendments, but does not include a fishing vessel, a small ship, or a pleasure boat (as defined in Article 18 of the same law).
Consolidated Financial Statements of the Group	: The consolidated financial statements of the Group which include all assets, liabilities, income, expenses, and cash flows of the Ultimate Parent Company as a single economic unit.
Group	: Two or more entities related through ownership or control to the extent that they are required, under applicable accounting standards, to prepare consolidated financial statements for financial reporting purposes.
Investment Fund	: An entity whose main activity is to issue investment interests to raise funds or pool investor funds for the purpose of enabling the owner of the investment interest to benefit from the profits or returns resulting from that entity's acquisition, holding, management, or disposal of investments, and includes any entity through which an investment fund directly or indirectly invests, but does not include the entity or group of entities in which the fund invests.
Multinational Enterprise Group	<p>: Any group consisting of any of the following:</p> <ol style="list-style-type: none"> 1. Two or more entities whose tax residence is in different countries. 2. A single entity residing for tax purposes in one country and subject to tax on activities carried out through a branch or permanent establishment in another country.
Partnership	<p>:</p> <ol style="list-style-type: none"> a. Limited partnership (which does not have an independent legal personality). b. General partnership, registered in the State, including a Free Zone or a Financial Free Zone.
Relevant Income	: The gross income derived from a Relevant Activity which is recorded in the books of the Licensee or Exempted Licensee in accordance with applicable accounting standards.
Shipping Business	

: The activity involving the operation of a ship anywhere in the world other than in the territorial waters of the State, including:

- a. The business of transporting persons, animals, goods, or mail by sea.
- b. Chartering ships for a specific voyage or period, for the purpose described in paragraph (a) above.
- c. The sale of travel tickets or their equivalent, and ancillary services related to the operation of the ship.
- d. The use, maintenance, or rental of containers, including trailers and other vehicles or equipment necessary for the transportation of containers, used for transporting anything by sea.
- e. The management of the ship's crew.

Core Income-Generating Activity : Shall have the meaning provided in (0) of this Resolution.

Parent Company : The entity that:

- a. Directly owns the majority voting rights in the Licensee or Exempted Licensee.
- b. Has the right to appoint or remove the majority of the board members of the Licensee or Exempted Licensee.
- c. Alone or by virtue of a joint arrangement with other shareholders or members, controls the majority voting rights in the Licensee or Exempted Licensee.
- d. Has the right to exercise, or actually exercises, the power of direct influence or control over the Licensee or Exempted Licensee.

Ultimate Parent Company : The member entity of the Group that meets the following criteria:

- a. It holds, directly or indirectly, a sufficient interest in the Licensee or Exempted Licensee such that it is required to prepare consolidated financial statements under the accounting standards applicable to it, or would have been required to do so if its equity interests were traded on a stock exchange in its country of tax residence.
- b. There is no other member entity in the Group that directly or indirectly holds an interest in it that would require it to prepare consolidated financial statements under the accounting

standards applicable to it, or would have been required to do so if its equity interests were traded on a stock exchange in its country of tax residence.

Third Party Service Provider : A person or entity that carries out a Core Income-Generating Activity on behalf of the Licensee in accordance with the conditions specified in clause (2) of (0) of this Resolution.

Article (2)

Objectives of the Resolution

This Resolution aims to define the requirements to be met by a Licensee and establish the criteria confirming that a Licensee conducting business activity in the State is described as a real economic activity.

Article (2) bis

Scope of Application

The provisions of this Resolution shall apply to financial years that commenced from 01/01/2019 to the financial year ending on 31/12/2022.

Article (3)

Relevant Activity and Core Income-Generating Activity

1. A Relevant Activity for the purposes of this Decision is any of the following activities:

- a. Banking Business.
- b. Insurance Business.
- c. Investment Fund Management Business.
- d. Lease-Finance Business.
- e. Headquarters Business.
- f. Shipping Business.
- g. Holding Company Business.
- h. Intellectual Property Business.
- i. Distribution and Service Centre Business.

2. Core Income-Generating Activities are the activities that are of central importance to a Licensee for the purpose of generating income from a Relevant Activity, and include the following:

a. Banking Business, which relates to any of the following:

1. Raising funds and managing risk, including credit, currency, and interest risk.
2. Hedging against fluctuations in credit, currency, and interest rates.
3. Providing loans, credit, or other financial services to customers.
4. Managing capital and preparing reports for investors or any government authority with similar functions related to the supervision or regulation of such business.

b. Insurance Business, which relates to any of the following:

1. Predicting and studying risks.
2. Insuring or reinsuring against risks and providing insurance business services to customers.
3. Underwriting insurance and reinsurance.

c. Investment Fund Management Business, which relates to any of the following:

1. Making decisions regarding the acquisition and sale of investments.
2. Calculating risks and reserves.
3. Making decisions regarding currency or interest rate fluctuations and hedging against them.
4. Preparing reports for investors or any government authority with functions related to the supervision or regulation of such business.

d. Lease-Finance Business, which relates to any of the following:

1. Approving financing terms.
2. Identifying and acquiring the assets to be leased (in the case of leasing).
3. Setting the terms and duration of any financing or lease.
4. Monitoring and reviewing any agreements.
5. Managing any risks.

e. Headquarters Business, which relates to any of the following:

1. Making relevant management decisions.
2. Incurring operating expenses on behalf of the group.
3. Coordinating group activities.

f. Shipping Business, which relates to any of the following:

1. Managing the crew (including hiring, paying, and supervising crew members).
2. Repairing and maintaining ships.
3. Overseeing and tracking the delivery of cargo.
4. Determining which goods are ordered and when they are delivered, and organizing and overseeing voyages.

- g. Holding Company Business: Carrying out all activities related to such business.
- h. Intellectual Property Business, which relates to any of the following:
 - 1. Intellectual property assets, which include the following:
 - a. A patent or similar intellectual property asset, in which case the core income-generating activity consists of research and development.
 - b. Marketing of intangible intellectual property assets, or similar intellectual property assets, in which case the core income-generating activity consists of branding, marketing, and distribution.
 - 2. In exceptional cases (but not including the case of a Licensee engaged in a High-Risk IP Business), the core income-generating activity may include any of the following:
 - a. Making strategic decisions and managing and bearing the main risks related to the development of intellectual property assets and the subsequent exploitation of the income derived therefrom.
 - b. Making strategic decisions and managing and bearing the main risks related to the acquisition by third parties of intellectual property assets and their subsequent exploitation and protection of the income derived therefrom.
 - c. Carrying out ancillary trading activities through which intellectual property assets are used to generate revenue from any third party.

- i. Distribution and Service Centre Business, which relates to any of the following:
 - 1. Transporting and storing spare parts, materials for goods, or finished goods for sale.
 - 2. Managing inventories.
 - 3. Receiving orders.
 - 4. Providing consulting or other administrative services.

Article (4)

Regulatory Authorities

- 1. Pursuant to this Decision, each of the following authorities is designated as the Regulatory Authority for regulating the following Relevant Activities for the purposes of this Decision:
 - a. Banking Business:
 - 1. Central Bank.
 - 2. Financial Free Zone Authority with respect to Banking Business carried out in the Financial Free Zone.

b. Insurance Business:

1. Insurance Authority.
2. Free Zone Authority with respect to Insurance Business carried out in the Free Zone.
3. Financial Free Zone Authority with respect to Insurance Business carried out in the Financial Free Zone.

c. Investment Fund Management Business:

1. Securities and Commodities Authority.
2. Free Zone Authority with respect to Investment Fund Management Business carried out in the Free Zone.
3. Financial Free Zone Authority with respect to Investment Fund Management Business carried out in the Financial Free Zone.

d. Lease-Finance Business:

1. Central Bank.
2. Free Zone Authority with respect to Lease-Finance Business carried out in the Free Zone.
3. Financial Free Zone Authority with respect to Lease-Finance Business carried out in the Financial Free Zone.

e. Headquarters Business:

1. Ministry of Economy.
2. Free Zone Authority with respect to Headquarters Business carried out in the Free Zone.
3. Financial Free Zone Authority with respect to Headquarters Business carried out in the Financial Free Zone.

f. Shipping Business:

1. Ministry of Economy.
2. Free Zone Authority with respect to Shipping Business carried out in the Free Zone.
3. Financial Free Zone Authority with respect to Shipping Business carried out in the Financial Free Zone.

g. Holding Company Business:

1. Ministry of Economy.
2. Free Zone Authority with respect to Holding Company Business carried out in the Free Zone.
3. Financial Free Zone Authority with respect to Holding Company Business carried out in the Financial Free Zone.

h. Intellectual Property Business:

1. Ministry of Economy.
2. Free Zone Authority with respect to Intellectual Property Business carried out in the Free Zone.
3. Financial Free Zone Authority with respect to Intellectual Property Business carried out in the Financial Free Zone.

i. Distribution and Service Centre Business:

1. Ministry of Economy.
2. Free Zone Authority with respect to Distribution and Service Centre Business carried out in the Free Zone.
3. Financial Free Zone Authority with respect to Distribution and Service Centre Business carried out in the Financial Free Zone.

2. Each Regulatory Authority shall, within its jurisdiction, perform the following functions:

- a. Receiving the notification, the Economic Substance Report, and all other related supporting documents.
- b. Reviewing the notification and the Economic Substance Report with the supporting documents to ensure their completeness and accuracy.
- c. Determining whether an Exempted Licensee has provided sufficient information and documents to qualify for the exemption provided for in this Decision.
- d. Fulfilling the reporting requirements stipulated in [Article X] of this Decision.
- e. Performing any other tasks necessary for the implementation of this Decision.
- f. Performing any other tasks necessary for the implementation of any decision issued by the Minister of Finance or the National Assessing Authority in accordance with this Decision.

Article (5)

The National Assessing Authority

Pursuant to this Decision, the Federal Tax Authority is designated as the National Assessing Authority, which shall exercise the functions assigned to it under this Decision, including:

1. Determining whether a Licensee or an Exempted Licensee has met the Economic Substance Test in accordance with the provisions of [Article X] of this Decision.
2. Imposing the administrative penalties provided for in accordance with the provisions of Articles (13), (14), and (15) of this Decision.
3. Considering and deciding on appeals in accordance with the provisions of [Article X] of this Decision.

4. Fulfilling the reporting requirements in accordance with the provisions of [Paragraph B] of this Decision.
5. Exercising any other functions necessary for the application of the provisions of this Decision.
6. Performing any tasks necessary for the implementation of any decision issued by the Minister of Finance in accordance with this Decision.

Article (6)

Requirements to meet the Economic Substance Test

1. Subject to the provisions of clauses (5), (6), and (7) of this Article, and with the exception of an Exempted Licensee, a Licensee must meet the following criteria to satisfy the Economic Substance Test in relation to any Relevant Activity it carries out:
 - a. If the Licensee carries out a Core Income-Generating Activity in the State.
 - b. If the Relevant Activity is directed and managed in the State.
 - c. Taking into account the level of the Relevant Activity, as follows:
 1. Having an adequate number of qualified full-time employees who are physically present in the State (whether employed by the Licensee or another entity, and whether contracted under temporary or long-term contracts).
 2. The Licensee incurring adequate operating expenditure in the State.
 3. Having adequate physical assets in the State.
2. A Licensee may outsource a Core Income-Generating Activity to a third party, provided that the following conditions are met:
 - a. The Licensee is able to monitor and control the third party's execution of that activity and can demonstrate its full control within the State over the activity outsourced to that third party.
 - b. The third party's employees, expenditures incurred, and physical assets in the State are adequate for carrying out the outsourced Relevant Activity.
 - c. The Core Income-Generating Activity performed by the third party is completed within the State.
 - d. The employees, expenditures, and physical assets of the third party are not counted more than once by more than one Licensee when demonstrating that the Licensee has met the Economic Substance Test.
3. The requirements specified in paragraph (b) of clause (1) of this Article are met if the following conditions are satisfied:
 - a. The Board of Directors of the Licensee meets in the State at frequent and appropriate intervals for the number of decisions required to be taken at that level.
 - b. A quorum of attendees is physically present for the board meetings referred to in paragraph (a) of clause (3) of this Article.

- c. The board meetings are recorded in minutes signed by the members present at those meetings.
- d. The minutes of the board meetings referred to in paragraph (a) of clause (3) of this Article include a record of the strategic decisions related to the Relevant Activity taken by the Licensee at that meeting.
- e. The members of the Licensee's Board of Directors have the necessary knowledge and expertise to carry out the duties of that board.
- f. The minutes of all board meetings and the records of the Licensee are kept within the State.

4. Where the Licensee is managed by a shareholder, partner, or one or more individual managers, the requirements of clause (3) of this Article shall apply to that shareholder, partner, or manager(s) as if they were a member of a board of directors.

5. With respect to a Licensee whose activity is limited to Holding Company Business, the Licensee is considered to have met the Economic Substance Test if the following conditions are met:

- a. It meets the requirements for submitting any data, documents, or information that must be submitted to the competent Regulatory Authority in accordance with the law to which that Licensee is subject in the State.
- b. And it has adequate employees and premises for carrying out the Holding Company Business.

6. A Licensee is not required to meet the Economic Substance Test if it has not generated income from a Relevant Activity during a given financial year.

7. An Exempted Licensee that fails to meet the notification requirements stipulated in [Article X] of this Decision must:

- a. Meet the Economic Substance Test with respect to any Relevant Activity it carries out during each financial year in which it fails to meet the notification requirements.
- b. Be subject to all provisions applicable in this Decision to a Licensee.

Article (7)

Assessment of Meeting the Economic Substance Test

1. The National Assessing Authority may determine that a Licensee has not met the Economic Substance Test during any financial year of the Licensee, provided that such determination is made within a maximum period of six (6) years from the end of the financial year to which the determination relates.
2. The period mentioned in clause (1) of this Article shall not apply if the National Assessing Authority is unable to make a determination within the six (6) year period due to gross error, fraud, or misrepresentation committed by the Licensee or any other person.

3. For the purposes of clause (1) of this Article, the National Assessing Authority must determine that a Licensee carrying out a "High-Risk" Intellectual Property Business has not met the Economic Substance Test during the financial year period unless that Licensee provides sufficient information to convince the National Assessing Authority that it has met these requirements in accordance with the provisions of clause (6) of [Article X] of this Decision.

Article (8)

Requirement to Provide Information

1. Every Licensee and every Exempted Licensee must send a notification to the Regulatory Authority each year stating the following:
 - a. The Relevant Activity carried out by the Licensee or Exempted Licensee during the relevant financial year.
 - b. Whether it has generated income from a Relevant Activity during the relevant financial year.
 - c. The start and end date of its financial year.
 - d. Any other information or documents that the Regulatory Authority may request.
2. An Exempted Licensee must provide to the Regulatory Authority, along with the notification referred to in clause (1) of this Article, all required information and documents confirming its status as an Exempted Licensee, and any other information as requested by the Regulatory Authority.
3. The notification referred to in clause (1) of this Article shall be sent at the time specified by the Regulatory Authority and in the form and manner determined by that authority in coordination with the Competent Authority.
4. A Licensee that is required to meet the Economic Substance Test under this Decision must submit an Economic Substance Report to the Regulatory Authority in accordance with clause (5) of this Article no later than twelve (12) months from the end of the Licensee's financial year starting on January 1, 2019, or in any subsequent financial year.
5. The Economic Substance Report shall be prepared in the form and manner approved by the National Assessing Authority in coordination with the Competent Authority, and must include the following information and documents relating to the Licensee during the relevant financial year:
 - a. The type of Relevant Activity it carries out.
 - b. The value and type of its income generated from the Relevant Activity.
 - c. The value and type of operating expenses and assets for the Relevant Activity it carries out.
 - d. The location of its place of business, and, if any, the factory, property, or equipment used to carry out the Relevant Activity in the State.

e. The number of full-time employees, stating their qualifications, and the number of personnel responsible for carrying out the Relevant Activity.

f. The activity that generates core income for the Relevant Activity it carries out.

g. Its financial reports.

h. A disclosure of whether it has met the Economic Substance Requirements.

i. In case the Relevant Activity carried out is an Intellectual Property Business, a disclosure of whether it is considered a Licensee conducting a "High-Risk" Intellectual Property Business.

6. If a Licensee declares that it carries on a High-Risk Intellectual Property Business, it must provide the National Assessing Authority with information and documents demonstrating that it currently exercises, and has historically exercised, a high degree of control over the development, exploitation, maintenance, enhancement and protection of the intellectual property asset through full-time employees with appropriate qualifications who are permanently resident and perform their activities in the State, in order to rebut the finding reached by the National Assessing Authority pursuant to Clause (3) of Article 8 of this Resolution. It must also provide the following:

a. A business plan showing the reasons for owning the intellectual property assets in the State.

b. Information about employees, including their level of experience, type of contract, qualifications, and length of service with the Licensee.

c. Evidence that decisions related to the Relevant Activity are made in the State.

7. When a Licensee outsources a core income-generating activity to a third party, it must provide information demonstrating its compliance with the conditions specified in Clause (2) of Article 5 of this Resolution.

8. A Licensee must provide to the National Assessing Authority any additional information, documents, or records as may be reasonably required by the National Assessing Authority to decide on the matter specified in Article 8 of this Resolution.

9. Both the Regulatory Authority and the National Assessing Authority may send a notice to a Licensee and an Exempted Licensee to request any documents or information that must be submitted in the form and within the period specified in the notice for the purpose of implementing the provisions of this Resolution.

10. Every Licensee and Exempted Licensee that is required to submit any information or documents in accordance with this Resolution must provide the information and documents in English.

11. Every Licensee and Exempted Licensee that is required to submit any information or documents in accordance with this Resolution must retain them for a period of six (6) years from the date of submission of such information or documents.

Article (9)

Submission of Information by the Regulatory Authority

1. Upon receipt of the Notification and the Economic Substance Report under this Resolution, the Regulatory Authority must send the Notification, the Economic Substance Report, and all related documents in accordance with the provisions of this Resolution to the National Assessing Authority within thirty (30) business days of their receipt.
2. In the event a Licensee or an Exempted Licensee fails to submit the Notification or the Economic Substance Report, or any document or information related to either of them that is required to be submitted in accordance with this Resolution within the period specified under this Resolution, the Regulatory Authority shall notify the National Assessing Authority of this failure within a period not exceeding thirty (30) business days from the date the Regulatory Authority became aware of this failure.
3. The Regulatory Authority shall provide any information available to it to the National Assessing Authority upon the latter's request for the purposes of implementing the provisions of this Resolution.
4. The Regulatory Authority must provide to the National Assessing Authority all information it has received in accordance with this Resolution relating to any of the following Exempted Licensees:
 - a. Whose tax residence is outside the State.
 - b. Who is a branch of a foreign entity and whose income from its Relevant Activity is subject to tax in a jurisdiction other than the State.

Article (10)

Submission of Information by the National Assessing Authority

1. Subject to the Licensee's right to appeal in accordance with the provisions of Article 17 of this Resolution, if the National Assessing Authority decides, pursuant to Article 8 of this Resolution, that a Licensee has not met the Economic Substance Requirements for a specific financial year, it must notify the Competent Authority of this decision and provide it with the information stipulated under Article 8 of this Resolution, and any other information related to that Licensee that can be accessed upon request by the National Assessing Authority.
2. For a Licensee carrying on a "High-Risk" Intellectual Property Business, regardless of whether the National Assessing Authority has made a decision pursuant to Article 8 of this Resolution regarding it, the National Assessing Authority must provide to the Competent Authority the information available to it pursuant to Article 8 of this Resolution regarding that Licensee for each of its financial years.
3. The National Assessing Authority must provide to the Competent Authority all relevant information it has received relating to any of the following Exempted Licensees:

- a. Whose tax residence is outside the State.
- b. Who is a branch of a foreign company and whose income from its Relevant Activity is subject to tax in a jurisdiction other than the State.

4. The National Assessing Authority shall notify the relevant Regulatory Authority of its decision to impose an administrative penalty or its decision regarding an appeal against it in accordance with the provisions of this Resolution.

Article (11)

Exchange of Information by the Competent Authority

- 1. Upon receiving information from the National Assessing Authority that a Licensee has not met the Economic Substance Requirements for a specific financial year in accordance with Clause (1) of Article 10 of this Resolution, the Competent Authority shall, in accordance with the provisions of an international agreement or treaty or any similar international arrangement to which the State is a party, provide the relevant information concerning this Licensee to the foreign competent authority in the country where the Parent Company, Ultimate Parent Company, and Ultimate Beneficial Owner of this Licensee reside.
- 2. Upon receiving information from the National Assessing Authority concerning a Licensee carrying on a High-Risk Intellectual Property Business in accordance with the provisions of Clause (2) of Article 10 of this Resolution, the Competent Authority shall, in accordance with the provisions of an international agreement or treaty or any similar international arrangement to which the State is a party, provide the relevant information concerning this Licensee to the foreign competent authority in the country where the Parent Company, Ultimate Parent Company, and Ultimate Beneficial Owner of this Licensee are located.
- 3. Upon receiving information from the National Assessing Authority concerning an Exempted Licensee whose tax residence is outside the State for a specific financial year in accordance with the provisions of Clause (3) of Article 10 of this Resolution, it shall, in accordance with the provisions of an international agreement or treaty or any similar international arrangement to which the State is a party, provide any relevant information concerning this Exempted Licensee to the foreign competent authority:
 - a. In the country that the Exempted Licensee declares as its tax jurisdiction.
 - b. In the country or jurisdiction where the Parent Company, Ultimate Parent Company, and Ultimate Beneficial Owner of this Exempted Licensee reside.
- 4. Upon receiving information from the National Assessing Authority concerning an Exempted Licensee that is a branch of a foreign entity whose tax residence is outside the State for a specific financial year in accordance with the provisions of Clause (3) of Article 10 of this Resolution, it shall, in accordance with the provisions of an international agreement or treaty or any similar international arrangement to which

the State is a party, provide any relevant information concerning this Exempted Licensee to the foreign competent authority in:

- a. The country that the Exempted Licensee declares as its tax jurisdiction.
- b. The country or jurisdiction where the Parent Company, Ultimate Parent Company, and Ultimate Beneficial Owner of this Exempted Licensee reside.

5. Employees of the Competent Authority, the National Assessing Authority, the Regulatory Authority, or any other ministry or government authority, whether federal or local, shall not disclose any data, information, or documents they have access to or that are in their custody by virtue of performing their assigned duties in accordance with the provisions of this Resolution, unless such disclosure is necessary for the implementation of any of its provisions.

6. The Regulatory Authority and the National Assessing Authority must provide to the Competent Authority any additional information that the Competent Authority may request for the purposes of performing its functions in accordance with the provisions of this Resolution or under an international agreement, treaty, or similar international arrangement to which the State is a party.

Article (12)

Cooperation of Other Government Agencies

1. All other ministries and government authorities, whether federal or local, must provide to the Regulatory Authority, the National Assessing Authority, and/or the Competent Authority any data, information, or documents in their possession related to a Licensee or an Exempted Licensee upon request from any of these authorities.
2. All other ministries and government authorities, whether federal or local, must cooperate with the Regulatory Authority, the National Assessing Authority, and/or the Competent Authority to take the necessary actions to implement the provisions of this Resolution, including identifying the business premises of the inquired Licensee or Exempted Licensee and requesting the submission or updating of any data or information necessary for the implementation of the provisions of this Resolution.

Article (13)

Administrative Penalty and Violation for Failure to Submit Notification

1. An administrative penalty of twenty thousand dirhams (AED 20,000) shall be imposed for the failure of a Licensee or an Exempted Licensee to submit the Notification and any related information or documents pursuant to the provisions of this Resolution.
2. If the National Assessing Authority determines that a Licensee or an Exempted Licensee has committed the violation stipulated in Clause (1) of this Article for a specific financial year, it must notify it of the following:

- a. That the National Assessing Authority has determined that it did not submit the Notification in accordance with the provisions of this Resolution for that financial year.
- b. The reasons for the decision to impose the administrative penalty.
- c. The amount of the administrative penalty imposed on it under this Article.
- d. The date on which the administrative penalty under this Article is due, which shall be no less than thirty (30) business days after the issuance of the notice.

Article (14)

Administrative Penalty and Violation for Failure to Submit an Economic Substance Report and for Failure to Meet the Economic Substance Requirements

1. An administrative penalty of fifty thousand dirhams (AED 50,000) shall be imposed on a Licensee or an Exempted Licensee if it commits any of the following two violations:
 - a. Failure to submit the Economic Substance Report and any related information or documents in accordance with the provisions of this Resolution.
 - b. In the event of its failure to meet the Economic Substance Requirements for any financial year.
2. If the National Assessing Authority determines, pursuant to Article 8 of this Resolution, that a Licensee or an Exempted Licensee has not submitted the Economic Substance Report and any related information or documents in accordance with the provisions of this Resolution or has not met the Economic Substance Requirements for a specific financial year, it must notify the Licensee or the Exempted Licensee of the following:
 - a. That the National Assessing Authority has determined that the Licensee or the Exempted Licensee has not met the Economic Substance Requirements for that financial year.
 - b. The reasons for that decision.
 - c. The amount of the administrative penalty imposed on the Licensee or the Exempted Licensee under Clause (1) of this Article.
 - d. The date on which the administrative penalty under Clause (1) of this Article is due, which shall be no less than thirty (30) business days after the issuance of the notice.
3. If the National Assessing Authority determines that a Licensee or an Exempted Licensee that committed the financial violation stipulated in Clause (2) of this Article has committed the same violation in the financial year following this violation, an administrative penalty of four hundred thousand dirhams (AED 400,000) shall be imposed in this case, and the National Assessing Authority shall issue a notice to the Licensee or the Exempted Licensee to inform it of the following:

- a. That the National Assessing Authority has determined that the Licensee or the Exempted Licensee has not met the Economic Substance Requirements for the second consecutive time.
- b. The reasons for that decision.
- c. The amount of the administrative penalty imposed on the Licensee or the Exempted Licensee under Clause (3) of this Article.
- d. The date on which the administrative penalty under Clause (3) of this Article is due, which shall be no less than thirty (30) business days after the issuance of the notice.
- e. Any other administrative action taken by the National Assessing Authority, including suspending, withdrawing, or not renewing the license issued to the Licensee or the Exempted Licensee. The National Assessing Authority shall notify the competent Regulatory Authority of this decision, and the competent Regulatory Authority must take the necessary action to implement it.

Article (15)

Administrative Penalty and Violation for Providing Inaccurate Information

1. An administrative penalty of fifty thousand dirhams (AED 50,000) shall be imposed on a Licensee or an Exempted Licensee if it provides inaccurate information to the Regulatory Authority or the National Assessing Authority, knowing of its inaccuracy at the time of submission, and fails to notify the Regulatory Authority or the National Assessing Authority thereof upon discovering its inaccuracy after submission.
2. If the National Assessing Authority determines that a Licensee or an Exempted Licensee has committed the violation stipulated in Clause (1) of this Article for a specific financial year, it must notify it of the following:
 - a. That the National Assessing Authority has determined that it has not met the Economic Substance Requirements for that financial year.
 - b. The reasons for the decision to impose the administrative penalty.
 - c. The amount of the administrative penalty imposed on it under this Article.
 - d. The date on which the administrative penalty under this Article is due, which shall be no less than thirty (30) business days after the issuance of the notice.

Article (16)

Period for Imposing an Administrative Penalty for a Violation

1. Without prejudice to the provisions of Clause (2) of this Article, no administrative penalty may be imposed under this Resolution after the expiration of a period of six (6) years from the date of the commission of the violation that warrants such administrative penalty.
2. If a Licensee or an Exempted Licensee is liable to pay an administrative penalty under Article 15 of this Resolution, the administrative penalty may not be imposed

after the expiration of twelve (12) months from the date the National Assessing Authority became aware of the occurrence of this violation.

3. The provisions of the periods referred to in Clauses (1) and (2) of this Article shall not apply if the Licensee or the Exempted Licensee has committed fraud that prevented the National Assessing Authority from imposing the administrative penalty on it within the period specified in Clause (1) of this Article or from requiring its payment within the period specified in Clause (2) of this Article.

Article (17)

Right to Appeal an Administrative Penalty

1. Any Licensee or Exempted Licensee may appeal to the National Assessing Authority against its decision to impose an administrative penalty on it for any of the following reasons:

- a. It did not commit the administrative violation attributed to it.
- b. The administrative penalty imposed on it is disproportionate to the violation.
- c. The administrative penalty imposed exceeds the limit prescribed for the violation committed in accordance with this Resolution.

2. The National Assessing Authority shall issue a decision specifying the appeal procedures under Clause (1) of this Article, including how to submit the appeal and other procedures related to its consideration and decision on the appeal, and notifying the Licensee or Exempted Licensee of its decision thereon.

Article (18)

Due Date for Payment of Administrative Penalty

Any administrative penalty under this Resolution must be paid on or before the earlier of the following two dates:

1. The date on which the administrative penalty is due under the notice issued by the National Assessing Authority in accordance with the provisions of Articles (13), (14), and (15) of this Resolution.
2. In the case of an appeal against the decision under Article 17 of this Resolution, the date shall be the date of the decision on the appeal or its withdrawal.

Article (19)

Authority to Enter Business Premises and Inspect Business Documents

1. Any employee authorized by the Regulatory Authority and the National Assessing Authority may inspect any business document present at the business premises and obtain copies thereof.
2. Any employee authorized by the Regulatory Authority and the National Assessing Authority may enter the business premises during official working hours for the purpose of exercising the powers specified in Clause (1) of this Article.

3. The powers specified in Clauses (1) and (2) of this Article shall be exercised only for the purposes of any administrative investigation conducted by the Regulatory Authority or the National Assessing Authority to verify any person's compliance with the provisions of this Resolution.

4. Either the Regulatory Authority or the National Assessing Authority may, by notice, request any person during official working hours to produce any business document kept at the business premises for the purpose of enabling the Regulatory Authority and the National Assessing Authority to exercise their powers set out in Clause (1) of this Article.

5. The Regulatory Authority and the National Assessing Authority shall coordinate with each other in the event that any of their employees exercise any of the powers specified in Clauses (1), (2), and (3) of this Article.

Article (20)

Executive Decisions

The Minister of Finance shall issue the necessary decisions to implement any provision of this Decision.

Article (21)

Repeals

Cabinet Decision No. (31) of 2019, and its amendments, and the aforementioned Cabinet Decision No. (58) of 2019 are hereby repealed, as is any provision that violates or contradicts the provisions of this Decision.

Article (22)

Publication and Entry into Force of the Decision

This Decision shall be published in the Official Gazette and shall come into force from the date of its issuance.

Mohammed bin Rashid Al Maktoum

Prime Minister

Issued by us:

On: 20 / Dhu al-Hijjah / 1441 H

Corresponding to: 10 / August / 2020 AD