

Are You Ready?

Economic Substance Regulations

(ESR)



BEPS – Base Erosion and Profit Shifting

FHTP – Forum on Harmful Tax Practices

CIGA – Core Income Generating Activities

OECD – The Organization for Economic Cooperation and Development

Nimai
Arranging Finance Globally

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AUDIT | TAX | ERP | ADVISORY

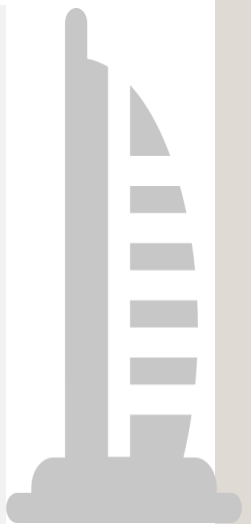
» As per Economic Substance principle a transaction is valid if, it has substantial purpose & economic effect other than reducing tax liability



» ESR requires entities to demonstrate existence of actual economic activity to achieve the economic interest & are not incorporated solely for tax benefits.

Why ESR is implemented in UAE?

- UAE's commitment to address concerns around "no or nominal tax jurisdictions" ("NOON's")
- Important step towards OECD's Base Erosion and Profit Shifting (BEPS) directives
- Transparency to international players and investors



When ESR was implemented in UAE?

30-Apr-2019

Resolution of the Cabinet of Ministers No. (31) for 2019 concerning ESR

11-Sep-2019

Ministerial Decision no. 215 of 2019, Directives for Implementation of ESR

Any other NOON's implemented ESR?



BVI



Cayman Islands



Guernsey



The Isle of Man



Mauritius



Bermuda Bahamas



Bahrain



Jersey



ESR is applicable on?

UAE onshore, free zone and offshore entities having “**Relevant Activity**” (Article 3 read with Article 1), only exemption to Licensees owned at least **51%** directly or indirectly by the Federal or an Emirate Government, or a UAE Government body or authority.

What is “Relevant Activity” (Article 4)



• **Banking**



• **Lease-finance**



• **Holding company**



• **Insurance**



• **Headquarter**



• **Intellectual property**



• **Investment fund mgt.**



• **Shipping**



• **Distribution & service centre**

“Substance Over Form” to determine “Relevant Activity”, looking beyond activities listed in Trade License

What is required from the companies within the scope of ESR?

For each financial period, demonstrate income earned from relevant activity meets “**Economic Substance Tests**”, starting from FY 2019. (Article 8)

Compliance Requirement	Purpose	Due Date
Give ESR Notification	Confirm the “Relevant Activity”	31-May-2020 / 30-Jun-2020
Submit ESR Return / Report	Evidence that “Relevant Activity” meets “Economic Substance Tests”	12 Months from the end of FY i.e. before 31-Dec-2020 for FY 2019

How Nimai-RAMA can assist in complying with the ESR?



Determine



Diagnose



Design



Deploy



Deliver

The applicability, relevant activity (ies), CIGA

Current state of affairs of relevant activity and its economic substance

Series of steps required to be undertaken to demonstrate economic substance

Assist in implementing the actions as decide

Assist in filing the ESR Notification / ESR Report to the relevant authority

Why Nimai-RAMA?

- ✓ Dedicated research team to comprehend the law and related announcements
- ✓ Understanding of **ESR and allied laws implemented by 'NOON'**
- ✓ Exposed to multiple jurisdictions, business strategies, structures, dynamics & transactions
- ✓ Proven track record to prepare **companies for new compliances across geographies**
- ✓ Expertise in **developing, enhancing & demonstrating** the governance process
- ✓ **Partner with Management ensuring on-ground delivery**

Way
forward?

- [Click here](#) for a quick assessment on ESR applicability to your organization
- Contact us on below phone / email for quick session on provisions related to the ESR

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