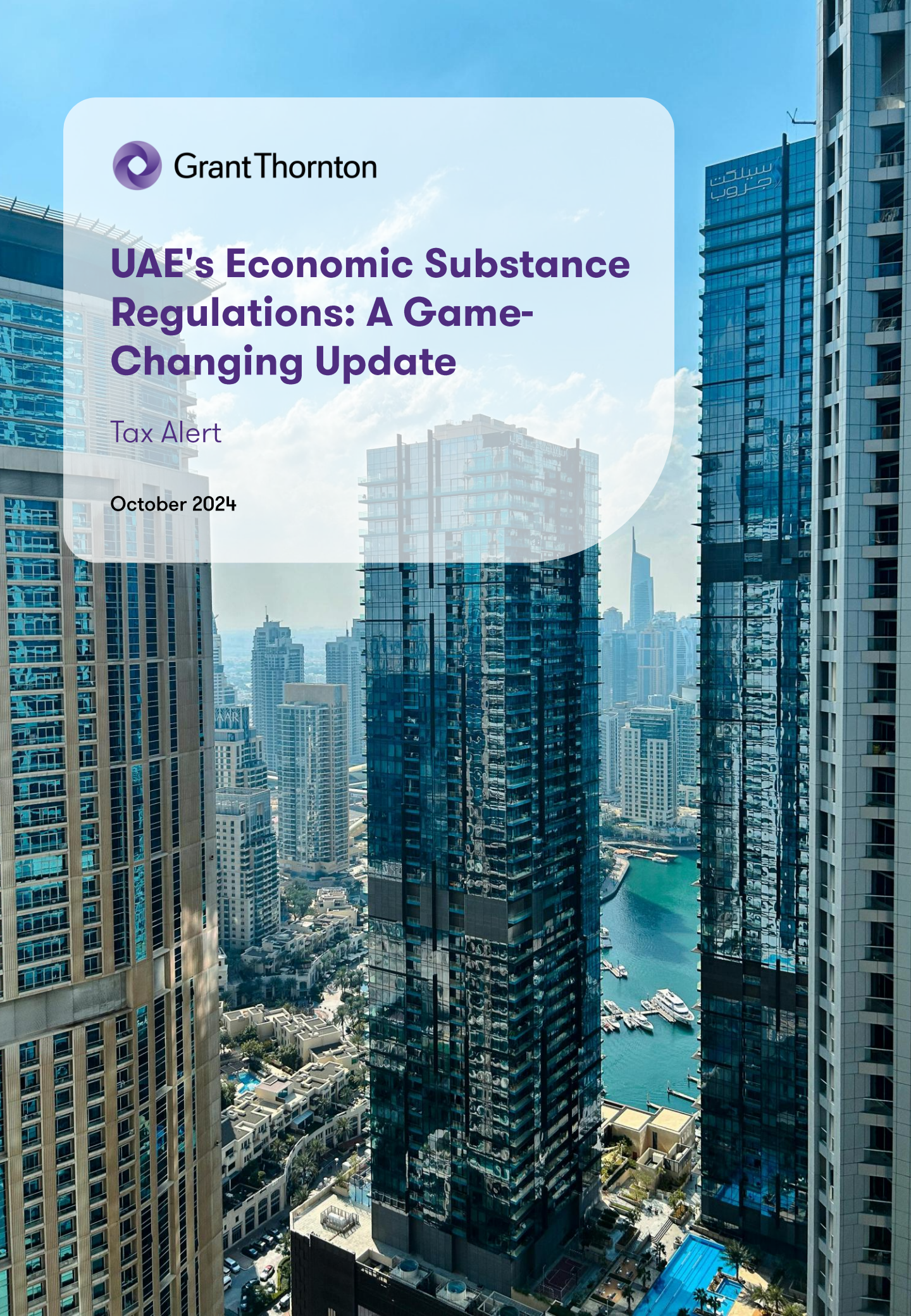


UAE's Economic Substance Regulations: A Game-Changing Update

Tax Alert

October 2024



In a move that's set to reshape the business landscape in the UAE, a significant update to the Economic Substance Regulations (ESR) has been announced. Let's dive into what this means for businesses operating in the region.

The ESR Overhaul: What You Need to Know

The UAE government has introduced Cabinet Decision No. 98 of 2024, which brings sweeping changes to the ESR framework. Here's the lowdown:

- 1. Revised Applicability Period:** The ESR now applies to financial years from January 1, 2019, to December 31, 2022. This is a crucial amendment to the previous Cabinet Decision No. 57 of 2020.
- 2. Administrative Penalties Cancelled:** In a relief for businesses, any administrative penalties imposed for the financial year starting after December 31, 2022, have been cancelled.
- 3. Refunds and Dispute Resolution:** The National Assessing Authority will refund or resolve disputes related to penalties imposed for financial years ending after December 31, 2022.



The Bigger Picture: Impact on Corporate Tax

This ESR update is not just about regulatory compliance—it could have far-reaching implications for the UAE's Corporate Tax (CT) regime. We anticipate a **shift in focus towards CT compliance**, with businesses needing to demonstrate their economic presence and activities within the UAE more robustly, in particular this is relevant for Qualifying Free Zone persons availing the 0% CT regime.

Time to Act

These changes come into effect from **September 2, 2024**. As a business owner or manager in the UAE, now is the time to:

1. Check if you're eligible for any penalty refunds.
2. Reassess your strategy for effectively demonstrating economic substance for your operations in free zones, in light of potential CT implications.

In the ever-evolving landscape of UAE tax regulations, staying informed and proactive is key. These ESR changes represent not just a regulatory rethink, but an opportunity to optimally strategize your business operations in the UAE.



Speak to one of our experts

Grant Thornton UAE can assist you in understanding and navigating these changes, and we are ready to provide you with in-depth analysis and expert guidance. For a thorough understanding or any specific questions, reach out to the Grant Thornton UAE Tax team.



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