



Ref: CIR/138/2020

Date: 5 November 2020

Dear SPCFZ Valued Customers,

**ESR Guidance Note:**

Further to our communication with respect to Economic Substance Regulation (ESR) published in Jun 2020, please find further guidance and updates with respect to ESR.

Amendments to the ESR were made by Cabinet of Ministers Resolution No. (57) of 2020 on 10 August 2020, and updated Guidance via Ministerial Decision No. (100) of 2020 was issued on 19 August 2020, by the Ministry of Finance.

Accordingly, SPC Licensees are required to reassess their business activities in light of amendments to the ESR. All SPCFZ Licensees which undertake Relevant Activity(ies) will be required to file a notification and if applicable, Economic Substance Report on the Ministry of Finance Portal (**MoF Portal**) as per the deadlines given below.

**A) Amendments to the ESR**

Please follow the link for the new Regulations and other relevant resources:

- [Cabinet of Ministers Resolution No.57 of 2020 Concerning Economic Substance Requirements](#)
- [Ministerial Decision No.100 for the year 2020 Concerning Economic Substance Requirements](#)
- [Relevant Activity Guide](#)
- [Updated FAQs](#)

SPCFZ will release a separate circular providing an overview of the amendments to the Regulations.

## B) Ministry of Finance Portal

All ESR Notifications and Economic Substance Reports must going forward only be submitted electronically on the Ministry of Finance Portal. Licensees and/or Exempted Licensees can commence filing once it goes live, which is scheduled for the first week of December 2020.

## C) ESR Notifications and Economic Substance Reports Filing Deadlines

- *ESR Notifications previously filed with Regulatory Authorities to file again:* Licensees and/or exempted Licensees that have submitted a Notification to a Regulatory Authority before the MoF Portal goes live (e.g. by the 30 Jun 2020 deadline) are required to submit their notification on the MoF Portal by no later than **31 December 2020**. The businesses must reassess their activities in light of the amendments to ESR before refileing in the MoF Portal.
- *ESR Notifications due before the MoF Portal goes live:* The filing deadline for Notifications that are due before the MoF Portal is available is extended to **31 December 2020**. For example, in respect of a Licensee with a 31 March 2020 financial year end would be required to file by 30 September 2020, this Licensee would be required to file by no later than 31 December 2020.
- *Economic Substance Reports due before the MoF Portal goes live:* The filing deadline for Economic Substance Reports for a financial year commencing on or after 1 January 2019 and ending on or before 31 December 2019 shall be **31 December 2020**.

Licensees and Exempted Licensees shall ensure that the filing deadlines noted under this circular are met for both the ESR Notification and the Economic Substance Report.

## D) Format for ESR Notification and Economic Substance Report

While the MoF Portal has not yet been launched, the Ministry of Finance has issued templates for the ESR Notification and Economic Substance Report. Please find the link for the same here:

- [Economic Substance – Notifications Template](#)
- [Economic Substance – Report Template](#)

**E) Penalties on failure to provide ESR Notifications and Economic Substance Reports within given deadlines**

- Licensees and/or Exempted Licensees that fail to resubmit their Notification by the aforementioned date shall be subject to a penalty of AED 20,000 under Article 13 of Decision 57 for failure to provide a Notification.
- Licensees and/or Exempted Licensees (where applicable) that fail to submit their Economic Substance Report within the aforementioned period shall be subject to a penalty of AED 50,000 under Article 14 of Decision 57 for failure to provide Economic Substance Report.

SPC FZ Licensed entities are responsible for ensuring full compliance to the New UAE ESR. For any uncertainty regarding the application of the New ESR, SPCFZ recommends consulting a professional advisor.