



# SHARJAH MEDIA CITY (Shams)

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UAE Economic Substance  
Regulations ('ESR') –  
Annual Notification  
User Guide

Version 1  
15 June 2020

# Economic Substance Annual Notification Guide

مدينة الشارقة للإعلام  
Sharjah Media City



**15 June 2020**

## To all Sharjah Media City (Shams) member entities

Sharjah Media City Free Zone Authority ('Shams Free Zone Authority') is pleased to release this Economic Substance Annual Notification Guide to aid Shams licensees in understanding the requirements and process of filing the Economic Substance Regulations ('ESR') Annual Notification Form (the 'ES notification form').

**Please note that Shams will not advise or instruct any of its Licensees on how to fill out the ES notification form, including as to whether or not the Licensee undertakes a Relevant Activity. For any uncertainty on how to apply ESR, please consult a professional advisor.**

## INTRODUCTION



### What is the purpose of the ES notification form?

This purpose of the ES notification form is to provide Shams with certain initial information on the Licensee and its activities in the UAE, and is a prerequisite to filing an ES return for the Reportable Period (where required).

## FILING REQUIREMENTS



### Who are required to submit an ES notification form with Shams?

**All Licensees** of whatever legal form established in Sharjah Media City Free Zone (Shams) **regardless of whether or not they have carried out a Relevant Activity during the Relevant reportable period**, are required to file the ES notification form.

Shams does not allow filing a single/consolidated ES notification form covering two (2) or more licensees. Therefore, each Shams licensee must file the ES notification form on a standalone basis.

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## FILING REQUIREMENTS (cont'd)



### When is the deadline for submission of the ES notification form?

The ES notification form must be filed by **30 June 2020** for licensees incorporated in Shams, and still in existence as on date of submission of the notification due date.



### How should the ES notification form be filed?

The ES notification form must be filed within the deadline by e-mailing a copy of the duly filled ES notification form (in Excel Macro-enabled workbook format) to [esnotification@shams.ae](mailto:esnotification@shams.ae)



### What happens if a Licensee does not submit an ES notification form, although it is required to do so?

Shams licensees which failed to file the ES notification form before the deadline will be subject to penalties ranging from AED 10,000 to AED 50,000.



### What happens if the information provided in the ES notification form is incorrect?

Providing incorrect or false information in the ES notification form is subject to penalties ranging from AED 10,000 to AED 50,000.

Please note that in case a Shams licensee knowingly provides incorrect or false information, or incorrectly claims an exemption from ESR can result in the licensee being deemed to have failed the Economic Substance Test for the relevant accounting period.

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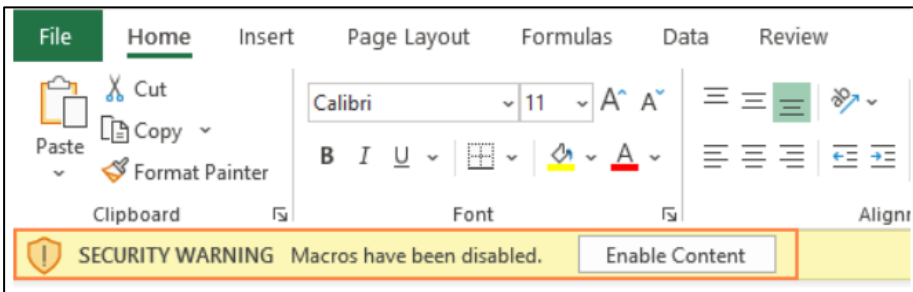
## IMPORTANT NOTICE IN USING THE FORM



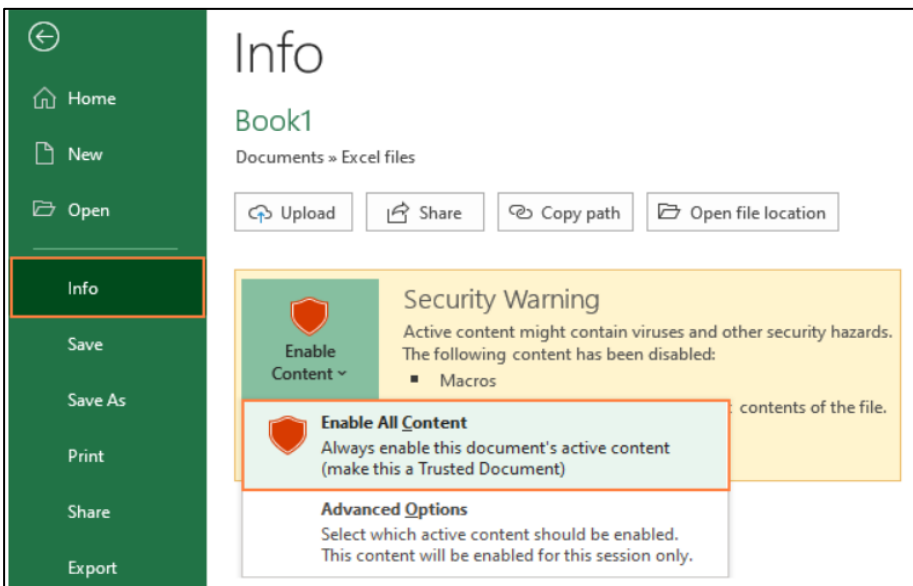
- Please note that the ES notification form contains VBA codes. **Accordingly, it is very important to ensure that macros have been enabled when using the form. Please consult your company's IT team for any system-related issues regarding the use of the form.**

There are 2 ways to turn on macros:

### (1) Enable macros via Security Warning Bar



### (2) Enable macros in Backstage view





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## LINE INSTRUCTIONS

### A Licensee Details

**ECONOMIC SUBSTANCE NOTIFICATION**  
(For entities operating within Sharjah Media City Free Zone)

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**A. LICENSEE DETAILS**

<p>1 License Name: <input style="width: 100%;" type="text"/></p> <p>2 Commercial Licence / Trade Licence / Permit No. <input style="width: 100%;" type="text"/></p> <p>3 Financial year end / accounting reference period <input style="width: 100%;" type="text"/></p>	<p>4 Registered office address <input style="width: 100%;" type="text"/></p> <p>5 Legal form <input style="width: 100%;" type="text"/></p> <p>6 Was the share capital of the Licensee at least 51% directly or indirectly owned by the UAE Federal Government, or the Government of an Emirate, or any governmental authority or body of the UAE Federal or an Emirate Government during the Reportable Period? <input style="width: 100%;" type="text"/></p>
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1. Enter the name mentioned on the commercial license, trade license or permit issued by Shams to the Licensee.
2. Enter the registration number stated in the commercial license, trade license or permit issued by Shams to the Licensee.
3. The financial year end or accounting reference period is the date on which the Licensee's financial year ends (and to which the Licensee's financial accounts are prepared). In the absence of a financial year end / accounting reference period (e.g. where the Licensee is not required to have a financial year end / accounting reference period), the anniversary of the Licensee's incorporation date should be used.
4. Enter the address stated on the commercial license, trade license or permit issued by Shams to the Licensee.
5. This is the legal form of the Licensee as stated on the commercial license, trade license or permit. Please select the appropriate legal form from the drop-down list.
6. Please select 'Yes' or 'No' from the drop-down list.

Licensees that are 51% directly or indirectly owned by the UAE Federal Government, the Government of an Emirate, or any governmental authority or body of the UAE Federal or an Emirate government must file an ES Notification in order to claim an exemption from having to file an ES Return to demonstrate economic substance in the UAE. Shams may ask such Licensees to provide supporting documentation to substantiate their government ownership.

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## LINE INSTRUCTIONS (cont'd)

### B Reportable Period

B. REPORTABLE PERIOD		
	Start date	End date
1 Reportable Period for Economic Substance purposes	<input type="text"/>	<input type="text"/>

1. The Reportable Period is the financial period to which the ES notification relates. Please note that it is required to enter the "start" and "end" dates of the relevant financial period in the relevant fields (i.e. cell J15 for the start date, and cell M15 for the end date) in the form.

#### **Examples:**

- A Licensee whose financial year corresponds to the calendar year would include the following:  
Start date: *1 January 2019*  
End date: *31 December 2019*
- **Please note that the Reportable Period is always the financial period preceding the financial period in which the ES notification form is due.**
- Accordingly, a Licensee incorporated on 1 July 2019 with a 31 March 2020 financial year end, would include the following:  
Start date: *1 July 2019*  
End date: *31 March 2020*
- Also, a Licensee with a financial year end of 31 August 2020, would include the following:  
Start date: *1 September 2019*  
End date: *31 August 2020*

Licensees that are in the process of strike off or liquidation are required to comply with the ES Notification requirement in respect of Reportable Periods ending on or before the completion of the strike off or liquidation process.

Licensees that no longer have a commercial license before the ES Notification filing deadline for a relevant Reportable Period are not required to file a Notification for the Reporting Period ending on the date of strike off or liquidation.





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## LINE INSTRUCTIONS (cont'd)

### C Relevant Activities (cont'd)

1. Please select 'Yes' or 'No' from the drop-down list.

A 'substance over form' approach must be used to determine whether the Licensee carried on a Relevant Activity. This means looking beyond what is stated on the commercial license, trade license or permit to the activities actually undertaken during the Reportable Period.

- 2A. Tick the check box located on the left side of the Relevant Activity in case the Licensee has carried out such Relevant Activity(ies) during the reportable period. Please refer to the [Relevant Activities Guide](#) for further information on how to classify the activities carried out by the Licensee vis-à-vis the Relevant Activities set out in ESR.
- 2B. Please select 'Yes' or 'No' from the drop-down list.

Income from a Relevant Activity means *all gross income earned from that activity as recorded in the books and records of the Licensee for the Reportable Period prepared under applicable accounting standards, including income that is generated outside of the UAE.*

- 2C. Please select from the drop-down list to indicate whether the gross income from the Relevant Activity(ies) was fully, partially, or not subject to tax in a jurisdiction other than the UAE.

For example, income from a Relevant Activity could be subject to tax outside the UAE if the Licensee has a taxable presence / permanent establishment in a foreign country that reports all or part of the income from the Relevant Activity in its tax return.

- 2D. Please select 'Yes' or 'No' from the drop-down list in cell J35. In case the answer is 'Yes', please select the country (in which the Licensee was a resident for tax purposes) from the drop-down list in cell M35.

A Licensee is regarded as tax resident in a jurisdiction other than the UAE if the entity is subject to corporate income tax on all its income from a Relevant Activity by virtue of its tax residence, domicile or any other criteria of a similar nature in that other jurisdiction.



## LINE INSTRUCTIONS (cont'd)

### C Relevant Activities (cont'd)

3. Where a Licensee receives income from an Intellectual Property ('IP') Asset, it will also have to consider if it is a 'High Risk IP Licensee'.

A High Risk IP Licensee is a Licensee that carries on an IP Business, and in respect of which any of the following two (2) conditions apply:

Condition A (all of the following criteria need to be met):

1. The Licensee did not create the IP Asset which it holds for the purpose of its business, and
2. The Licensee acquired the IP Asset from either -
  - a. A group company, or
  - b. In consideration for funding research and development by another person situated in foreign jurisdiction, and
3. The Licensee licenses or has sold the IP Asset to one or more group companies, or otherwise earns separately identifiable income (e.g. royalties, license fees) from a foreign group company in respect of the use or exploitation of the IP asset.

Condition B:

The Licensee does not carry out research and development, or branding, marketing and distribution as part of its State Core Income-Generating Activity.

Please refer to the [Relevant Activities Guide](#) for further information in respect of High Risk IP Licensees.

In case the Licensee has determined that it is a 'High Risk IP' licensee, please select 'Yes' from the drop-down list and proceed in answering the questions in 3A.

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## LINE INSTRUCTIONS (cont'd)

### C Relevant Activities (cont'd)

**3A.** If the answer to question no. 3 is 'Yes', the High risk IP licensee is required to disclose in the form the following details:

- Name of the parent company, and the country where the parent company is situated;
- Name of the ultimate parent company, and the country where the ultimate parent company is situated; and
- Name of the ultimate beneficial owner(s), and the country where the ultimate beneficial owner is a national

The **Parent Company** of the Licensee is the entity that directly:

- a. holds a majority of voting rights in the Licensee; or
- b. has the right to appoint or remove a majority of the boards of directors of the Licensee; or
- c. controls alone, pursuant to a joint arrangement with other shareholders or members, a majority of the voting rights in the Licensee; or
- d. has the right to exercise, or actually exercises, dominant direct influence or control over the Licensee.

The **Ultimate Parent Company** of the Licensee is an entity of a group that:

- a. owns directly or indirectly a sufficient interest in the Licensee, such that it is required to prepare consolidated financial statements under accounting principles generally applied in its jurisdiction of tax residence, or would be so required if its equity interests were traded on a public securities exchange in its jurisdiction of tax residence; and
- b. there is no other entity of such group that owns directly or indirectly an interest described in subsection (a) above in the first mentioned entity.

The **Ultimate Beneficial Owner** of the Licensee is an individual who owns directly or indirectly twenty five percent (25%) or more of the share capital of a Licensee. A Licensee may have one or more Ultimate Beneficial Owners.

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## LINE INSTRUCTIONS (cont'd)

### D Declaration

D. DECLARATION	
1	Designated contact person
	<input type="text"/>
	<input type="text"/>
	<input type="text"/>
	<input type="text"/>
2	By submitting this Notification, the Licensee confirms that the information provided in this Notification is accurate, and acknowledges that there are sanctions for providing inaccurate information as per Article 11 of the Economic Substance Regulations. The Licensee further declares that the designated contact person is authorised to respond to queries raised by and provide further information and documentation to the Regulatory Authority.
	<input type="text"/>

1. Enter the details of the entity's designated contact person.

The dedicated contact person can be anyone who has the authority to respond to queries raised by and provide further documents to Shams. Examples of a "Designated Contact Person" include:

- The Licensee's General Manager;
- The Licensee's Director;
- The Licensee's Compliance Officer; or
- Authorised signatory

2. Please select 'Confirmed' from the drop-down list. Kindly note that the Licensee is not required to print and physically sign the ES notification form.

Penalties ranging from AED 10k to 50k if the Licensee knowingly provides inaccurate information in the ES Notification form, and does not correct the information provided. In certain circumstances (e.g. where a Licensee knowingly claims an exemption, even though the Licensee does not meet the requirements and this is not corrected), the Licensee could be deemed to have automatically failed the Economic Substance test.

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## FURTHER INFORMATION



### Who should you contact in case of further clarifications?

For inquiries, please contact [economicsubstances@shams.ae](mailto:economicsubstances@shams.ae) or call 800 – SHAMS (74267).

## DISCLAIMER

This Guide should be read in conjunction with the UAE ESR and any other relevant Shams regulations and directives.

This Guide only provides high level information on how to apply the ESR, as well as the procedures that need to be adhered to in relation to the filing of the ES notification form to Shams.

For further assistance, we recommend seeking advice from a professional advisor.