

Cabinet Resolution No. (57) of 2020 Specifying the Requirements of Real Economic Activities

The Cabinet:

- Upon reviewing the Constitution;
- Federal Law No. (1) of 1972, concerning the Competencies of Ministries and Powers of the Ministers, as amended;
- Federal Law No. (18) of 1981 concerning the Regulation of Trade Agencies, and any amendments thereof;
- Federal Law No. (26) of 1981 on Maritime Trade Law, as amended;
- Federal Law No. (5) of 1985 Promulgating the Civil Transactions Law, as amended;
- Federal Law No. (3) of 1987 Promulgating the Penal Code, as amended;
- Federal Law No. (10) of 1992 Promulgating the Law of Evidence in Civil and Commercial Transactions, as amended;
- Federal Law No. (11) of 1992 Promulgating the Civil Procedure Law, as amended;
- Federal Law No. (37) of 1992 On Trademarks, and amendments thereof;
- Federal Law No. (4) of 2000 concerning Emirates Securities and Commodities Authority and Market, and any amendments thereof;
- Federal Law No. (7) of 2002 concerning Copyrights and Associated Rights, as amended;
- Federal Law No. (17) of 2002 Regulating and Protecting Industrial Property Rights for Patents and Industrial Drawings and Designs and amendments thereof;
- Federal Law No. (8) of 2004 concerning Financial Free Zones;
- Federal Law No. (6) of 2007 Concerning the Establishment of the Insurance Authority and Regulation of Insurance Operations, and amendments thereof;
- Federal Law No. (2) of 2015 Concerning Commercial Companies, as amended;
- Federal Law No. (8) of 2015 Concerning the Federal Customs Authority;
- Federal Law by Decree No. (13) of 2016 Establishing the Federal Tax Authority;

- Federal Law No. (14) of 2016 Concerning Violations and Administrative Penalties in the Federal Government;
- Federal Law No. (19) of 2016 Combating the Commercial Fraud;
- Federal Law No. (7) of 2017 On Tax Procedures;
- Federal Law by Decree No. (8) of 2017 concerning Value Added Tax;
- Federal Law No. (8) of 2018 concerning Finance Leasing;
- Federal Law by Decree No. (14) of 2018 concerning the Central Bank and the Regulation of Financial Institutions and Activities;
- Federal Decree No. (48) of 2018 Approving the Multilateral Administrative Convention on Automatic Exchange of Information;
- Federal Decree No. (54) of 2018 Approving the Framework Convention on Mutual Assistance in Tax Matters;
- Cabinet Resolution No. (31) of 2019 Specifying the Requirements of Real Economic Activities, as amended;
- Cabinet Resolution No. (58) of 2019 Determining the Regulatory Authorities Concerned with the Activities Stated in the Cabinet Resolution No. (31) of 2019 Specifying the Requirements of Real Economic Activities;
- Upon the proposal of the Minister of Finance, and the approval of the Cabinet;

Has Resolved:

Article (1)

Definitions

In application of the provisions of this Resolution, the following words and phrases shall have the meanings assigned to each, unless the context indicates otherwise:

- | | | |
|---------------------------|---|---|
| State | : | The United Arab Emirates. |
| Banking Operations | : | Shall have the meaning specified by the Law regulating these operations in the State. |
| Working Day | : | Days of the week from Sunday to Thursday, except official |

holidays.

- Document** : Any document that:
- a. Relates to the exercise of a relevant activity by the licensee or the excluded licensee.
 - b. Forms a part of any register pursuant to any legislation applicable to a licensee or an excluded licensee.
- Work Headquarters** : The headquarters used to exercise any business relevant to the State by a licensee or an excluded licensee.
- Competent Authority** : Ministry of Finance.
- The Central Bank** : Central Bank of the United Arab Emirates.
- Competent Foreign Authority** : The foreign authority relevant to an international agreement, convention or any similar arrangement made by the State to demand and receive any information or documents relevant to the enforcement of any provisions stipulated in this Resolution.
- Relevant Person** : An entity forms a part of the same group to which the licensee or excluded licensee belongs.
- Distribution and Service Provision Centre** : A Centre engages in any of the two following activities:
- a. Purchasing spare parts, goods material or goods that are ready for sale from a relevant foreign person and reselling such spare parts or goods.
 - b. Providing services to relevant foreign persons.
- Requirements of Real Economic Activities** : Requirements specified in Article (6) of this Resolution.
- Requirements of Real Economic** : Report to be submitted pursuant to provision of Clause (4) of Article (8) and in accordance with provision of Clause

Activities Report	:	(5) of Article (8) of this Resolution.
Financial Free Zone	:	A financial free zone incorporated subject to the aforementioned Federal Law No. (8) of 2004.
Financial Free Zone Authority	:	The authority authorized in the relevant financial free zone, for purposes of this Resolution, to be the Regulatory Authority.
Fiscal Year	:	The fiscal year of commercial businesses of a licensee or an excluded licensee.
Relevant Foreign Person	:	Relevant person whose tax residence is not in the State.
Free Zone	:	A free zone established in the State.
Free Zone Authority	:	The authority authorized in the relevant free zone, for purposes of this Resolution, to be the Regulatory Authority.
Operations of Investment Funds Management	:	Shall have the meaning specified by the Law regulating these operations in the State.
Operations of the Headquarters	:	Provision of any of the following services to a relevant foreign person/persons: <ul style="list-style-type: none"> a. Duties of Senior Management b. To basically handle or control risks related to activities exercised by the relevant foreign person or risks related to assets owned by such relevant foreign person. c. Giving advice concerning subjective decisions to handle or control risks referred to in Paragraph (B) of this definition.
Licensee Exercising "High Risks" Intellectual Property Activity	:	The person licensed to exercise intellectual property works which: <ul style="list-style-type: none"> a. He did not create ownership right on the assets of intellectual property under his hand by himself for the purposes of doing commercial businesses.

- b. Intellectual property assets are owned:
 - 1. From a relevant person.
 - 2. (2) For financing the research and development processes conducted by a person residing in a country other than the State.
- c. He shall license or sell the intellectual property assets to relevant person/persons or, otherwise, shall get a verifiable income from a relevant foreign person, with regard to use or exploitation of such assets.

Holding Company Operations : Shall mean the activity which:

- a. Its function is limited to owning and possessing shares or securities or rights in other companies.
- b. Its income comes from the capital profits and returns from the capital rights.

The Income Arising from The Intellectual Property Rights : Shall include any of the following:

- a. The revenues
- b. An income from a concession contract.
- c. The income arising from licensing the intellectual property rights
- d. The income accrued from value increase or any other income arising from selling the intellectual property assets.

Insurance Operations : Shall have the meaning specified by the Law regulating these operations in the State.

Intellectual Property Operations : Operations of owning, using or receiving income from intellectual property assets.

Intellectual Property Assets : Any right of intellectual property in intangible assets, including without limitation, copyrights, patents,

trademarks, commercial feature and technological knowledge from which an income is accrued that can be separated in accounts from any revenues accrued from any tangible assets.

Notice : Notice that should be submitted pursuant to provisions of Article (8) of this Resolution.

Finance Leasing Operations : Shall have the meaning specified by the Law regulating these operations in the State.

National Authority for Evaluation : Federal Tax Authority entrusted in accordance with provisions of Article (5) of this Resolution.

Regulatory Authority : Authority or authorities entrusted to regulate any activity related to purposes of this Resolution, as specified in Article (4) of this Resolution.

Relevant Activity : Any of the activities stipulated in Article (3) of this Resolution.

License : Commercial license or permission issued by the competent licensing authority in State including, free zone and financial free zone.

Licensee : Any of the two following entities:
a. Legal person (incorporated inside or outside state).
b. Joint coalition that does not have the independent legal personality.

It shall be registered in State, including the free zone and financial free zone, and shall carry out a relevant activity.

Excluded Licensee : Any of the following licensees:
a. Investment Fund.

- b. Licensee which its tax headquarters is outside State.
- c. Licensee that is fully owned by one or more residents in State and meets the two following requirements:
 - 1. It shall not be a part of a MNE Group.
 - 2. It shall carry out its activity in State only.
- d. Branch of a foreign entity registered in State that its income from the relevant activity is subject to tax in any other country except the State.
- e. Any licensee for which a resolution is issued by Minister of Finance to be granted the capacity of "Excluded Licensee".

Beneficiary from Capital Ownership	:	The natural person directly or indirectly owns twenty five percent (25%) or more of capital shares of licensee or excluded licensee.
Vessel	:	Shall have the same meaning stipulated in Article 11 of Federal Law No. 26 of 1981 on Maritime Commercial Law, as amended. However, this shall not include a fishing vessel, small vessel or cruising boat (as stipulated in Article 18 of the same law).
Consolidated Financial Statements	:	Consolidated Financial Statements for the Group which include all assets, liabilities, income, expenses and financial flows of the parent company in money as a single economic unit.
Group	:	Two or more entities interconnected through an ownership or a control to the extent that it shall prepare consolidated financial statements, according to the accounting standard applicable thereto, for submitting the financial reports.
Investment Fund	:	An entity which its main activity is to issue investment rights to collect funds or collect the funds of investors to enable the owner of the investment right to benefit from

the profits or revenue arising when such entity acquires, gets or manages the disposition of investments. This shall include any entity through which the investment fund has directly or indirectly invested. This definition shall not include the entity or group of entities in which the fund invests.

- MNE Group** : Any group consists of any of the following:
1. Two or more entities which the tax residence of each locates in different countries.
 2. One entity resides in a country for tax purposes and is subject to a tax for the activities it carries out through a branch or a permanent establishment in another country.
- Joint Coalition** : a. Limited Partnership (which does not have an independent legal personality).
b. General Partnership Company. It is registered in State including, free zone or financial free zone.
- Income Arising from Relevant Activity** : Total income arising from a relevant activity and is registered in the records of licensee or excluded licensee according to the applicable accounting standards.
- Shipping Operations** : The activity involves the operation of a vessel anywhere in the world, other than the territorial waters of State, including:
- a. Operations of transport of passengers, animals, goods or mails by sea.
 - b. Chartering a vessel for a voyage or for certain period for the purpose indicated in Paragraph (A) above.
 - c. Selling travel tickets or equivalent and additional services relating to the operation of the vessel.
 - d. Usage, maintenance or leasing of containers, including trailers and other vehicles or equipment necessary for

containers carrying used to transport anything by sea.

e. Managing the vessel crew.

The Activity Generates a Main Income : Shall have the meaning stipulated in Article (3) of this Resolution.

Parent Company : The entity that:

- a. Is directly owned to the right to voting by majority in the licensee or excluded licensee.
- b. Has the right to appoint or dismiss the majority of members of board of directors of the licensee or excluded licensee.
- c. Dominates, solely or under a mutual arrangement with shareholders or other members, the right of voting by majority in the licensee or excluded licensee.
- d. Has the right to initiate, or effectively initiates, the power of affecting or direct control in the licensee or excluded licensee.

Ultimate Parent Company : The entity member to the group that has the following standards:

- a. It shall directly or indirectly own in the licensee or excluded licensee an interest sufficient to be required to prepare consolidated financial statements according to the accounting standards applicable thereto, or this would have been requested therefrom if the ownership rights therein are tradeable in a securities market in its tax residence country.
- b. No other member to the group shall directly or indirectly own an interest therein requiring it to prepare consolidated financial statements according to the accounting standards applicable thereto, or this would

have been requested therefrom if the ownership rights therein are tradeable in a securities market in its tax residence country.

Third-Party Service Provider : A person or entity exercising an activity generating a main income on behalf of the licensee, in accordance with the conditions stipulated in Clause (2) of Article (6) of this Resolution.

Article (2)

Resolution Objectives

This Resolution aims at specifying the requirements the licensee should abide by and putting the standards that confirm that the licensee exercises a commercial activity in the State that is an real economic activity.

Article (2) BIS

Scope of Application

The provisions of this Resolution shall apply to fiscal years commencing from 01/01/2019 up to and including the fiscal year ending on 31/12/2022.

Article (3)

Relevant Activity and Activity Generates a Main Income

1. For purposes of this Resolution, the relevant activity shall be one of the following activities:
 - a. Banking operations.
 - b. Insurance operations.
 - c. Operations of investment funds management.
 - d. Finance leasing operations.
 - e. Operations of the headquarters.
 - f. Shipping operations.

- g. Holding company operations.
 - h. Intellectual property operations.
 - i. Operations of Distribution and Service Centre
2. The activities generating a main income are the main activities of the licensee important for generating an income from a relevant activity, including the following:
- a. Banking operations relating to any of the following:
 - 1. Funds collection and risk management, including risks relating to credit, currency and interest transactions.
 - 2. Hedging regarding fluctuations of rates with regard to credit, currencies and interest rates.
 - 3. Providing loans, credit or other financial services to customers.
 - 4. Managing capitals, preparing reports for investors or any governmental authority that has similar duties relevant to supervision or organization of these operations.
 - b. Insurance operations relating to any of the following:
 - 1. Risks expectation and study.
 - 2. Risk insurance or reinsurance and provision of insurance operations to customers.
 - 3. Guarantee of insurance and reinsurance.
 - c. Investment funds management operations relating to any of the following:
 - 1. Taking decisions concerning ownership and sale of investment.
 - 2. Considering the risks and reserves.
 - 3. Taking necessary decisions concerning fluctuations of currency rates or interest rates and hedging regarding them.
 - 4. Preparing reports for investors or any governmental authority that has functions relevant to supervision or organization of these operations.
 - d. Finance leasing operations relating to any of the following:
 - 1. Approving the financing conditions.
 - 2. Determining and acquiring the assets that will be leased (in case of leasing).
 - 3. Determining the requirements and period of any financing or leasing.

4. Supervising and reviewing any agreements.
5. Managing any risks.
- e. Headquarters operations relating to any of the following:
 1. Taking relevant management decisions.
 2. Affording operational costs on behalf of the group.
 3. Coordinating activities of the group.
- f. Shipment operations relating to any of the following:
 1. Managing the crew (including the appointment, reimbursement and supervision of the crew staff).
 2. Repairing and maintenance of vessels.
 3. Supervising and tracking the delivery of shipments.
 4. Determining the ordered commodities, the time of delivery, and organizing and supervising the voyages.
- g. Holding company operations: Exercising all activities relating to such operations.
- h. Intellectual property operations relating to any of the following:
 1. Assets of intellectual property which include the following:
 - a. Patent or similar assets of intellectual property. In this case, the activity generating a main income is the researches and development works.
 - b. Marketing intangible assets of intellectual property or similar assets of intellectual property; the activity generating a main income is the commercial feature, marketing and distribution.
 2. In exceptional cases (but not including the case of licensee exercising high risks intellectual property activity, the activity generating a main activity may include any of the following:
 - a. Taking strategic decisions and managing and affording main risks relevant to development of intellectual property assets and subsequent use of the arising income.
 - b. Taking strategic decisions and managing and affording main risks relevant to acquisition of intellectual property assets by a third-party, and subsequent use and protection to the arising income.

- c. Exercising affiliate commercial activities through which the intellectual property assets are used in order to accrue revenues from any third party
- i. Distribution and Service Provision Centre operations relating to any of the following:
 - 1. Transporting and storing spare parts, goods material or ready-for-sale goods.
 - 2. Managing inventory.
 - 3. Receiving orders.
 - 4. Providing consultancies or other administrative services.

Article (4)

Regulatory Authorities

1. Subject to this Resolution, each of the following authorities shall be appointed as a Regulatory Authority for regulating the following relevant activities and for purposes of this Resolution:

- a. Banking operations:
 - 1. The Central Bank.
 - 2. Financial free zone authority with regard to banking operations exercised in the financial free zone.
- b. Insurance operations:
 - 1. The Insurance Authority.
 - 2. Free zone authority with regard to insurance operations exercised in the free zone.
 - 3. Financial free zone authority with regard to insurance operations exercised in the financial free zone.
- c. Operations of investment funds management:
 - 1. The Securities and Commodities Authority.
 - 2. Free zone authority with regard to operations of investment funds management exercised in the free zone.
 - 3. Financial free zone authority with regard to operations of investment funds management exercised in the financial free zone.
- d. Finance leasing operations:

1. The Central Bank.
 2. Free zone authority with regard to finance leasing operations exercised in the free zone.
 3. Financial free zone authority with regard to finance leasing operations exercised in the financial free zone.
- e. Operations of headquarters:
1. The Ministry of Economy.
 2. Free zone authority with regard to operations of headquarters exercised in the free zone.
 3. Financial free zone authority with regard to operations of headquarters exercised in the financial free zone.
- f. Shipping operations:
1. The Ministry of Economy.
 2. Free zone authority with regard to shipping operations exercised in the free zone.
 3. Financial free zone authority with regard to shipping operations exercised in the financial free zone.
- g. Holding company operations:
1. The Ministry of Economy.
 2. Free zone authority with regard to holding company operations exercised in the free zone.
 3. Financial free zone authority with regard to holding company operations exercised in the financial free zone.
- h. Intellectual property operations:
1. The Ministry of Economy.
 2. Free zone authority with regard to intellectual property operations exercised in the free zone.
 3. Financial free zone authority with regard to intellectual property operations exercised in the financial free zone.
- i. Operations of Distribution and Service Centre:
1. The Ministry of Economy.

2. Free zone authority with regard to operations of Distribution and Service Centre exercised in the free zone.
 3. Financial free zone authority with regard to operations of Distribution and Service Centre exercised in the financial free zone.
2. Each Regulatory Authority shall exercise the following duties within its competence:
- a. Receiving the notice, the real economic activities report and all other related supporting documents.
 - b. Reviewing the notice and the real economic activities report with the supporting documents to confirm their completion and validity.
 - c. Deciding whether the excluded licensee has provided the information and documents sufficient for exclusion stipulated in this Resolution.
 - d. Meeting the requirements of report stipulated in Article (9) of this Resolution.
 - e. Carrying out any other duties required for enforcing this Resolution.
 - f. Carrying out any other duties required for enforcing any resolution issued by the Minister of Finance or the National Authority for Evaluation in accordance with this Resolution.

Article (5)

National Authority for Evaluation

Subject to this Resolution, the Federal Tax Authority shall be appointed as the National Authority for Evaluation, which shall exercise the duties entrusted thereto pursuant to this Resolution, including:

1. Deciding whether the licensee or excluded licensee has fulfilled the requirements of real economic activities in accordance with provisions of Article (7) of this Resolution.
2. Applying the administrative fines stipulated in accordance with provisions of Articles (13), (14) and (15) of this Resolution.
3. Considering the grievances and deciding thereon in accordance with provisions of Article (17) of this Resolution.
4. Meeting the requirements of report in accordance with provisions of Article (10) of this Resolution.

5. Carrying out any other duties required for enforcing the provisions of this Resolution.
6. Carrying out any duties required for enforcing any resolution issued by the Minister of Finance in accordance with this Resolution.

Article (6)

Requirements of Fulfilment of Real Economic Activities

1. Subject to provisions stated in Clauses (5), (6) and (7) of this Article, save the excluded licensee, the licensee should fulfil the standards determined below for fulfilling the requirements of realizing the real economic activities with regard to any relevant activity exercised thereby:

- a. If the licensee exercises an activity that generates a main income in the State.
- b. If the relevant activity is directed and managed in the State.
- c. Taking the level of relevant activity into account as follows:
 1. There should be a sufficient number of full-time qualified employees working in this activity and are already in the State (whether working with the licensee or with another entity and whether working under temporary or long-term contracts).
 2. The licensee shall accrue sufficient operational costs in State.
 3. There should be sufficient tangible assets in State.

2. The licensee may authorize a third-party on its behalf to exercise the activity generating a main income, provided fulfilling the following conditions:

- a. If the licensee is able to supervise and control the implementation of the third-party to such activity and is able to evidence its full control, inside State, to the activity authorized to the third-party.
- b. Employees of third-party, costs it accrued and its tangible assets in State are sufficient to exercise the relevant activity entrusted thereto.
- c. The activity generating a main income that is carried out by the third-party has been completed inside State.
- d. The employees, costs and tangible assets of the third-party are not calculated more than a time by more than a licensee when demonstrating that the licensee fulfils the

requirements of real economic activities.

3. The requirements specified in Paragraph (B) of Clause (1) of this Article shall be fulfilled if the following conditions are available:

- a. The board of directors of the licensee meets in the State repeatedly in a way that is consistent with the number of resolutions taken on that level.
- b. The quorum of members attending the meetings of the board of directors is completed as referred to in Paragraph (A) of Clause (3) of this Article.
- c. Meetings of the board of directors shall be recorded in minutes and members attending those meetings shall sign such minutes.
- d. Minutes of the board of directors stated in Paragraph (A) of Clause (3) of this Article shall include recording the strategic resolutions relevant to the activity taken by the licensee in those meetings.
- e. Members of board of directors shall have the knowledge and expertise required to perform the duties of that board.
- f. Minutes of all board meetings shall be kept in the State, in addition to the records of the licensee.

4. When the licensee is managed by a shareholder, partner or by one or more directors, the requirements of Clause (3) of this Article shall apply to such shareholder, partner or director/directors as if he is a member to the board of directors.

5. With regard to the licensee whose activity is limited to the holding company operations, the licensee shall be deemed as has fulfilled the requirements of economic activities in case the following conditions are available:

- a. The licensee has fulfilled the requirement to provide any details, documents or information that should be provided to the competent Regulatory Authority subject to the law to which the licensee is subject in the State.
- b. The licensee has employees and quarters sufficient to perform the holding company operations.

6. The licensee may not fulfil the requirements of real economic activities if no income is generated from any relevant activity within certain fiscal year.

7. Excluded licensee failing to fulfil the requirements of notice stipulated in Article (8) of this

Resolution should:

- a. Fulfil the requirements of real economic activities, with regard to any activity he exercises within each fiscal year through which he fails to fulfil the notice requirements.
- b. Be subject to all provisions applicable in this Resolution to the licensee.

Article (7)

Evaluation of Fulfilment of Requirements of Real Economic Activities

1. The National Authority for Evaluation may decide that the licensee has not fulfilled the requirements of real economic activities during any fiscal year of the licensee, provided that such decision should be taken within maximum (6) six years from the end of the fiscal year relevant to the decision.
2. The period stated in Clause (1) of this Article shall not be applicable if the National Authority for Evaluation could not take a decision within (6) six years due to a gross fault, cheating or fraud made by the licensee or any other person.
3. For the purposes of Clause (1) of this Article, the National Authority for Evaluation should decide the licensee who exercises "high risk" intellectual property activity does not fulfil the requirements of real economic activities within the fiscal year, unless the licensee provides information that is sufficient to convince the National Authority for Evaluation that he has fulfilled such requirements, in accordance with provision of Clause (6) of Article (8) of this Resolution.

Article (8)

Requirement of Information Provision

1. Each licensee and excluded licensee should send a notice to the Regulatory Authority each year clarifying the following:
 - a. The relevant activity exercised by the licensee or excluded licensee within the concerned fiscal year.
 - b. Whether an income is generated from a relevant activity within the concerned fiscal year.

- c. Date of start and end of the fiscal year.
 - d. Any other information or documents requested by the Regulatory Authority.
2. In addition to the notice mentioned in Clause (1) of this Article, the excluded licensee should provide the Regulatory Authority with all required information and documents confirming his capacity as an excluded licensee, and any other information as requested by the Regulatory Authority.
 3. The notice stated in Clause (1) of this Article shall be sent on the time determined by the Regulatory Authority, in the form and method determined by such authority in coordination with the competent authority.
 4. The licensee who should fulfil the requirements of real economic activities under this Resolution shall be committed to provide the Regulatory Authority with the real economic activities report according to Clause (5) of this Article within no more than twenty (12) months from termination of the fiscal year of the licensee that starts as of the first of January 2019 or on any following fiscal year.
 5. The real economic activities report shall be prepared according to the form and the method permitted by the National Authority for Evaluation, in coordination with the competent authority. The report should include the following information and documents relating to the licensee within the concerned fiscal year:
 - a. The kind of the relevant activity the licensee exercises.
 - b. The value and kind of income arising from the relevant activity.
 - c. The value and kind of operational costs and assets of the relevant activity the licensee exercises.
 - d. The location of the activity quarter, if any, the factory, properties or devices used in exercising the relevant activity the licensee exercises in the State.
 - e. The number of full-time employees, their qualifications and number of persons responsible for exercising the relevant activity the licensee exercises.
 - f. The activity generating a main income with regard to the relevant activity the licensee exercises.
 - g. The financial reports.
 - h. The disclosure whether or not he has fulfilled the requirements of real economic

activities.

- i. The disclosure whether the licensee exercises a "high-risk" intellectual property activity in case the exercised relevant activity is of the intellectual property operations.
6. If the licensee declares that he exercises high risk intellectual property activity, he shall provide the National Authority for Evaluation with the information and documents proving that he in the present time and in the past has exercised a high control over the development, use, maintenance, protection and improvement of intellectual property assets through full-time employees who have appropriate qualifications and who permanently reside and exercise their activity in the State, in order to refute the report concluded by the National Authority for Evaluation subject to Clause (3) of Article (7) of this Resolution. He shall also provide the following:
 - a. A work plan indicating the reasons to own intellectual property assets in the State.
 - b. Information about employees, including the level of expertise, kind of contracting with them, their qualifications and employment periods with the licensee.
 - c. A proof that the decisions relating to the relevant activity are taken in the State.
7. When the licensee authorizes a third-party to carry out the activity generates a main income, he shall provide the information proving his fulfilment of the conditions stated in Clause (2) of Article (6) of this Resolution.
8. The licensee shall submit to the National Authority for Evaluation any additional information, documents or papers that may be reasonably required by the National Authority for Evaluation to decide on the matter specified in Article (7) of this Resolution.
9. Both the Regulatory Authority and National Authority for Evaluation may send a notice to the licensee and excluded licensee to request any documents or information that should be according to the form and within the period specified in the notice in order to enforce the provisions of this Resolution.
10. Each licensee and excluded licensee who is committed to provide any information or documents according to this Resolution shall submit the information and documents in English.

11. Each licensee and excluded licensee who is committed to provide any information or documents according to this Resolution shall keep them for six (6) years from the date of providing such the information and documents.

Article (9)

Provision of Information by Regulatory Authority

1. When the Regulatory Authority receives the notice and the real economic activities report under this Resolution, it should send the notice, the real economic activities report and all relevant documents, according to provisions of this Resolution, to the National Authority for Evaluation within thirty (30) working days from receiving them.
2. If the licensee and excluded licensee fail to provide the notice or the real economic activities report or any document or information connecting to any of them and it should be provided according to this Resolution within the period determined under this Resolution, the Regulatory Authority shall notify the National Authority for Evaluation within no more than (30) working days from the date the Regulatory Authority is aware of such breach.
3. The Regulatory Authority shall provide any information available therewith to the National Authority for Evaluation upon a request from it for enforcing the provisions of this Resolution.
4. The Regulatory Authority should provide the National Authority for Evaluation with the information it received according to this Resolution, that relates to any of the following excluded licensees:
 - a. Excluded licensee whose tax residence is outside State.
 - b. Excluded licensee which is a branch to a foreign entity and the income of its relevant activity is subject to tax in a territory other than the State.

Article (10)

Provision of Information by National Authority for Evaluation

1. Subject to the right of the licensee to submit grievance according to provisions of Article (17) of this Resolution, if the National Authority for Evaluation decides subject to Article

(7) of this Resolution that the licensee has not fulfilled the requirements of real economic activities for a specific fiscal year, it shall notify the competent authority of this Resolution and provide it with the information stipulated in Article (8) of this Resolution and any other information relevant to that licensee that may be accessed upon a request from the National Authority for Evaluation.

2. As for the licensee exercising a "high risk" intellectual property activity, regardless of the decision taken by the National Authority for Evaluation subject to Article (7) of this Resolution concerning the licensee, the National Authority for Evaluation shall provide the competent authority with the information available therewith pursuant to Article (8) of this Resolution concerning the licensee for each of its fiscal years.
3. The National Authority for Evaluation should provide the competent authority with all relevant information it received, that relates to any of the following excluded licensees:
 - a. Excluded licensee whose tax residence is outside State.
 - b. Excluded licensee which is a branch to a foreign company and the income of its relevant activity is subject to tax in a territory other than the State.
4. The National Authority for Evaluation shall notify the concerned Regulatory Authority of its resolution on applying an administrative fine or of its resolution of the grievance according to provisions of this Resolution.

Article (11)

Exchange of Information by Competent Authority

1. When the competent authority receives information from the National Authority for Evaluation informing that the licensee has not fulfilled the requirements of real economic activities for certain fiscal year subject to Clause (1) of Article (10) of this Resolution, the competent authority, subject to the provisions of an international agreement or convention or any other similar international arrangement to which the State is a party, shall provide the relevant information concerning this licensee to the foreign competent authority in the country where the parent company, ultimate parent company and the beneficiary from the capital ownership of the licensee are located.
2. When the competent authority receives information from the National Authority for

Evaluation informing that the licensee exercises the high risk intellectual property activity subject to Clause (2) of Article (10) of this Resolution, the competent authority, subject to the provisions of an international agreement or convention or any other similar international arrangement to which the State is a party, shall provide the relevant information concerning this licensee to the foreign competent authority in the country where the parent company, ultimate parent company and the beneficiary from the capital ownership of the licensee are located.

3. When the competent authority receives information from the National Authority for Evaluation informing that the tax residence of an excluded licensee exercises locates outside State for certain fiscal year subject to Clause (3) of Article (10) of this Resolution, it, subject to the provisions of an international agreement or convention or any other similar international arrangement to which the State is a party, shall provide the relevant information concerning this licensee to the foreign competent authority:
 - a. In the country that the excluded licensee declares that it is his tax country.
 - b. In the country or territory where the parent company, ultimate parent company and the beneficiary from the capital ownership of the excluded licensee are located.
4. When the competent authority receives information from the National Authority for Evaluation informing that the excluded licensee is a branch to a foreign entity that its tax residence locates outside State for certain fiscal year subject to Clause (3) of Article (10) of this Resolution, it, subject to the provisions of an international agreement or convention or any other similar international arrangement to which the State is a party, shall provide any relevant information concerning this excluded licensee to the foreign competent authority in:
 - a. The country that the excluded licensee declares that it is his tax country.
 - b. The country or territory where the parent company, ultimate parent company and the beneficiary from the capital ownership of the excluded licensee are located.
5. The employees of competent authority, National Authority for Evaluation, Regulatory Authority or any ministry or other governmental authority, whether federal or local, may not disclose any details, information or documents they review or have under their custody due to carrying out the works authorized to them according to provisions of this

Resolution, unless such disclosure is required for enforcing any of its provisions.

6. The Regulatory Authority and National Authority for Evaluation should provide the competent authority with any additional information that it may request for purposes of exercising its duties according to provisions of this Resolution or under an international agreement or convention or any other similar international arrangement to which the State is a party.

Article (12)

Cooperation of Other Governmental Bodies

1. All ministries and other governmental authorities, whether federal or local, should provide the Regulatory Authority and National Authority for Evaluation and/or competent authority with any details, information or documents it acquires concerning a licensee or an excluded licensee upon a request from these authorities.
2. All ministries and other governmental authorities, whether federal or local, should cooperate with the Regulatory Authority and National Authority for Evaluation and/or competent authority in order to enforce the provisions of this Resolution, including the determination of quarters of inquired licensee or excluded licensee, and request submitting or updating any data or information required for enforcing the provisions of this Resolution.

Article (13)

Administrative Fine and Violation on Non-Submission of Notice

1. An administrative fine of twenty thousand Dirham (AED 20.000) shall be applied for the licensee or excluded licensee fails to submit the notice (and any relevant information or documents) pursuant to provisions of this Resolution.
2. If the National Authority for Evaluation decides that the licensee or excluded licensee has committed one of the violation stipulated in Clause (1) of this Article for certain fiscal year, it shall notify him of the following:
 - a. The National Authority for Evaluation decides that he has not submitted the notice according to provisions of this Resolution for this fiscal year.

- b. Reasons for taking the decision on applying the administrative fine.
- c. Value of the administrative fine applied thereto under this Article.
- d. Date on which the administrative fine is due subject to this Article, provided that its period shall not be less (30) thirty working days after the issuance of the notice.

Article (14)

Administrative Fine and Violation on Non-Submission of Real Economic Activities Report and Non-Fulfilment of Requirements of Real Economic Activities

1. An administrative fine of fifty thousand Dirham (AED 50.000) shall be applied to the licensee or excluded licensee if he commits any of the two following violations:
 - a. Failure to submit the real economic activities report (and any relevant information or documents) according to provisions of this Resolution.
 - b. Failure to fulfil the requirements of real economic activities for any fiscal year.
2. If the National Authority for Evaluation decides under Article (7) of this Resolution that the licensee or excluded licensee did not submit the real economic activities report (and any relevant information or documents) according to provisions of this Resolution or did not fulfil the requirements of real economic activities for certain fiscal year, it shall notify the licensee or excluded licensee of the following:
 - a. The National Authority for Evaluation decides that the licensee or excluded licensee did not fulfil the requirements of real economic activities for such fiscal year.
 - b. Reasons of such decision.
 - c. Value of administrative fine applied to the licensee or excluded licensee under Clause (1) of this Article.
 - d. Date on which the administrative fine is due subject to Clause (1) of this Article, provided that its period shall not be less (30) thirty working days after the issuance of the notice.
3. If the National Authority for Evaluation decides that the licensee or excluded licensee committing the financial violation stipulated in Clause (2) of this Article has committed the same violation in the fiscal year following this violation, in this case, an

administrative fine of four hundred thousand Dirham (AED 400.000) shall be applied, and the National Authority for Evaluation shall, in this case, issue a notice to the licensee or excluded licensee informing him of the following:

- a. The National Authority for Evaluation has decided that the licensee or excluded licensee did not fulfil the requirements of real economic activities for the second consecutive time.
- b. Reasons of such decision.
- c. Value of administrative fine applied to the licensee or excluded licensee under Clause (3) of this Article.
- d. Date on which the administrative fine is due subject to Clause (3) of this Article, provided that its period shall not be less (30) thirty working days after the issuance of the notice.
- e. Any other administrative procedure taken by the National Authority for Evaluation, including the suspension, withdrawal or non-renewal of the license issued for the licensee or excluded licensee. The National Authority for Evaluation shall notify the competent Regulatory Authority of this decision and the competent Regulatory Authority shall take the required to enforce it.

Article (15)

Administrative Fine and Violation on Submission of Inaccurate Information

1. An administrative fine of fifty thousand Dirham (AED 50.000) shall be applied to the licensee or excluded licensee if he submits inaccurate information to the National Authority for Evaluation, knowing they are inaccurate when submitting them and did not notify the Regulatory Authority or the National Authority for Evaluation upon discovering their inaccuracy after submitting them.
2. If the National Authority for Evaluation decides that the licensee or excluded licensee has committed one of the violation stipulated in Clause (1) of this Article for certain fiscal year, it shall notify him of the following:
 - a. The National Authority for Evaluation decides that he did not fulfil the requirements of real economic activities for such fiscal year.

- b. Reasons for taking the decision on applying the administrative fine.
- c. Value of the administrative fine applied thereto under this Article.
- d. Date on which the administrative fine is due subject to this Article, provided that its period shall not be less (30) thirty working days after the issuance of the notice.

Article (16)

Period of Application of Administrative Fine to Violation

1. Without prejudice to provisions of Clause (2) of this Article, it is not permissible to apply any administrative fine under this Resolution after six (6) years as of the date of committing the violation necessitating such administrative fine.
2. If the licensee or excluded licensee is responsible for paying an administrative fine under Article (15) of this Resolution, the administrative fine may not be applied after twenty (12) months from the date the National Authority for Evaluation is aware of such violation.
3. Provisions of the period mentioned in Clauses (1) and (2) of this Article shall not apply if the licensee or excluded licensee has committed fraud that led to not enable the National Authority for Evaluation to apply the administrative fine thereto within the period specified in Clause (1) of this Article or to authorize him to pay it within the period specified in Clause (2) of this Article.

Article (17)

Right to Appeal the Administrative Fine

1. Any licensee or excluded licensee may appeal to the National Authority for Evaluation against its decision on applying the administrative fine thereto for any of the following reasons:
 - a. He did not commit the administrative violation attributed thereto.
 - b. The administrative fine applied thereto is not commensurate with the violation.
 - c. The applied administrative fine exceeds the limit prescribed for the committed violation according to this Resolution.
2. The National Authority for Evaluation shall issue a decision specifying the appeal

procedures subject to Clause (1) of this Article, including the method to submit the appeal, other procedures relating to hearing the appeal, decision taking and informing the licensee or excluded licensee with its decision regarding such appeal.

Article (18)

Date of Payment of Administrative Fine

Any administrative fine shall be paid subject to this Resolution before or on any of the following two dates, which is earlier:

1. The date on which the administrative fine is due pursuant to the notice issued by the National Authority for Evaluation subject to provisions of Articles (13), (14) and (15) of this Resolution.
2. In case of appealing the decision subject to Article (17) of this Resolution, the date shall be the date on which the appeal is decided or withdrawn.

Article (19)

Power to Access the Work Headquarters and to Examine Business Documents

1. Any employee authorized by the Regulatory Authority and National Authority for Evaluation may examine any business document found in the work headquarters and may obtain a copy of such document.
2. Any employee authorized by the Regulatory Authority and National Authority for Evaluation may access to the work headquarters at the official working hours to exercise the powers specified in Clause (1) of this Article.
3. 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 Authority for Evaluation to check the compliance of any person to provisions of this Resolution.
4. The Regulatory Authority and the National Authority for Evaluation may, subject to a notice within the official working hours, require any person to provide any business document that the person keeps at the work headquarters to enable the Regulatory

Authority and the National Authority for Evaluation to exercise its powers stipulated in Clause (1) of this Article.

5. The Regulatory Authority and the National Authority for Evaluation shall coordinate among them if any of their employees exercises any of the competencies stated in Clauses (1), (2) and (3) of this Article.

Article (20)

Executive Resolutions

The Minister of Finance shall issue the necessary resolutions to implement any of provisions of this Resolution.

Article (21)

Repeals

The Cabinet Resolution No. (31) of 2019, as amended, and Cabinet Resolution No. (58) of 2019 mentioned shall be repealed, as well as any provision violates or contradicts the provisions of this Resolution.

Article (22)

Publication and Enforcement of Resolution

This Resolution shall be published in the Official Gazette and shall come into force as of the date it is issued.

Mohammed Bin Rashid Al Maktoum

Prime Minister

Issued by us:

Date: 20 /Dhul-Hijah/ 1441 H

Corresponding to: 10 /August/ 2020