



## **RAKICC has published guidance on economic substance regulations** **One of the first free zones in the UAE – *Regulatory Authority Acknowledgement***

RAK International Corporate Centre (**'RAKICC'**), an offshore free zone based in Ras Al Khaimah, takes lead in public acknowledgement of being a **'Regulatory Authority'** for UAE economic substance purposes. The proactive move had manifested through release of a [six-pager document](#) explaining economic substance regulations and its impact on RAKICC registered member companies.

The role of Regulatory Authorities has been explained in the economic substance regulations ([see our alert](#)) and in the corresponding additional guidance ([see our alert](#)), as sole governing bodies responsible for the determination of whether their Licensees meet economic substance requirements or not. They may draw such conclusions using powers delegated to them under the economic substance regulations, of receiving, reviewing, holding, storing and disseminating as required – all documentation, records and information of all in-scope Licensees. They are also responsible for administering and imposing penalties on Licensees that fail the economic substance tests and communicate the same to the Ministry of Finance.

Although the economic substance regulations refer to Regulatory Authorities (i.e., multiple authorities), definitive identification of such bodies have not yet been announced. However, inference can be taken from the above acknowledgement (as mentioned in our previous alerts) that all licensing authorities may be designated as Regulatory Authorities for UAE economic substance purposes – which includes Department of Economic Development and the various free zone authorities.

### ***We have summarized below a few points mentioned in the RAKICC guidance document:***

- Offshore free zones and international corporate centre are in-scope for the purposes of economic substance regulations;
- RAK ICC will be establishing the requirements for sending the appropriate notification by **01 January 2020**;



- Registered companies with a financial year ending 31 December 2019, shall submit information by **31 December 2020**, but if the financial year end of a Licensee is mid-year for example, 31 May 2019, then the filing would be required by **31 May 2020** (*The latter however, seems to contradict the additional guidance published by the Ministry of Finance, as the latter states that the reporting date will be twelve (12) months from the end of the financial year commencing on or after 01 January 2019 – implying that a Company with financial year 01 June 2019 to 31 May 2020, would be required to file the report by 31 May 2021*); and
- For entities that do not earn income from a Relevant activity, RAKICC mandates that the registered agent for such entities file a declaration stating the same with them.

If you have an entity based in RAKICC and would like our assistance in understanding the specific implications of the same to your business, please feel free to get in touch with us.

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