



# Awareness Workshop – Country by Country Reporting in the United Arab Emirates

**28 October 2019**

This document contains slides presented during the awareness workshop on CbCR on October 28, 2019. This is strictly for the purpose of awareness. If any information mentioned herein is contradictory to the UAE Cabinet Resolution No. 32 of 2019, the Cabinet Resolution will hold precedence.

# Opening Statement



## Agenda

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# 01

## Background



## Key aims of BEPS and CbCR

### Purpose of BEPS and CbCR

- CbCR is a part of Action 13 of the Base Erosion and Profit Shifting (**BEPS**) project that is led by the **G20** and the Organisation for Economic Co-operation and Development (**OECD**)
- The BEPS initiative is aimed at **preventing tax planning that exploits gaps and mismatches in tax rules** to artificially shift profits to low or no-tax locations where there is little or no economic activity



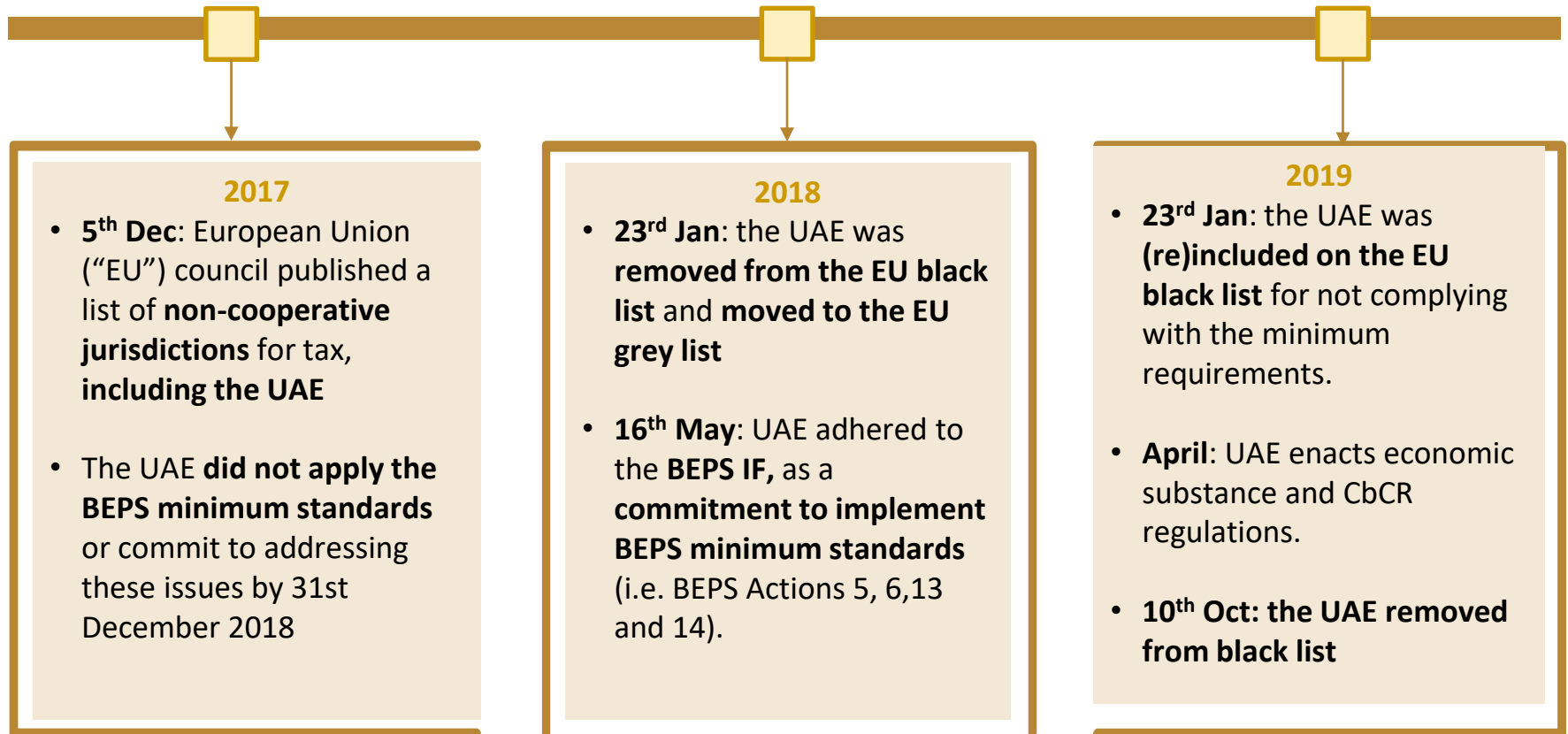
## Key aims of BEPS and CbCR

### Relevant actions taken by the UAE (to date)

- The UAE **joined the BEPS Inclusive Framework (BEPS IF) on 16 May 2018** and has committed to implementing the four BEPS minimum standards, including CbCR
- The UAE has issued a CbCR legislation on April 2019 under the **Cabinet Resolution no 32 of 2019**
- As of **October 2019**, the UAE has signed and ratified the **multilateral competent authority agreement (MCAA)** on the exchange of CbC reports, but has signed **49 agreements for the automatic exchange of CbC reports**, effective for periods beginning January 1, 2019



## UAE's BEPS journey





## *Example of why tax authorities want a global view*

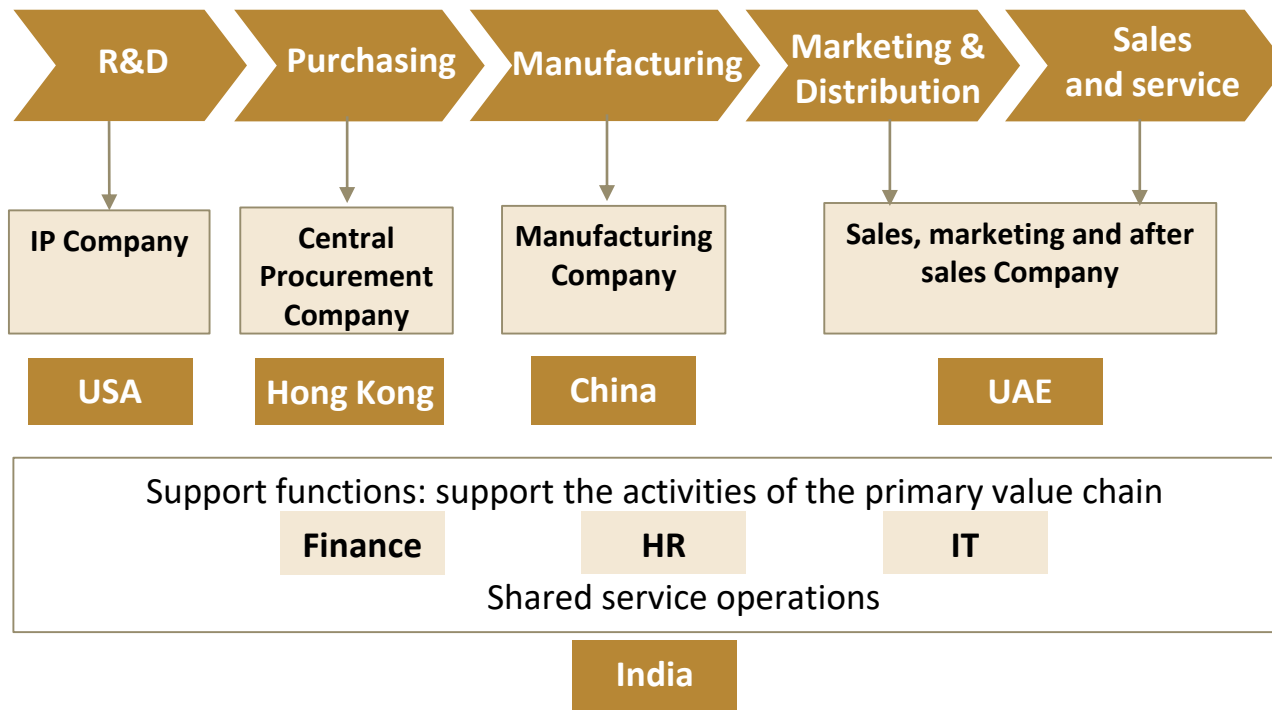
The focus of BEPS regulations is to ensure **alignment of profit allocation** (remuneration) **with value creation** (functions performed, risks assumed and assets owned) for each entity across the value chain





## Example of why tax authorities want a global view

A simplified value chain for a physical product:



Can the proportion of total group profits that should be reported in UAE be determined by analyzing the activities performed in UAE alone?

# 02

## UAE CbCR compliance requirements



## Snapshot of CbCR requirements in the UAE

### Applicability

- For financial years **beginning on or after January 1, 2019**
- **UAE tax resident constituent entities of Multinational (MNE) Groups with consolidated revenue of AED 3.15 billion or more** in the preceding Group financial year

### Compliance requirements

- **CbC Report** filing within **12 months from the end of Group financial year**
- **CbCR Notification** filing by the **end of Group financial year**

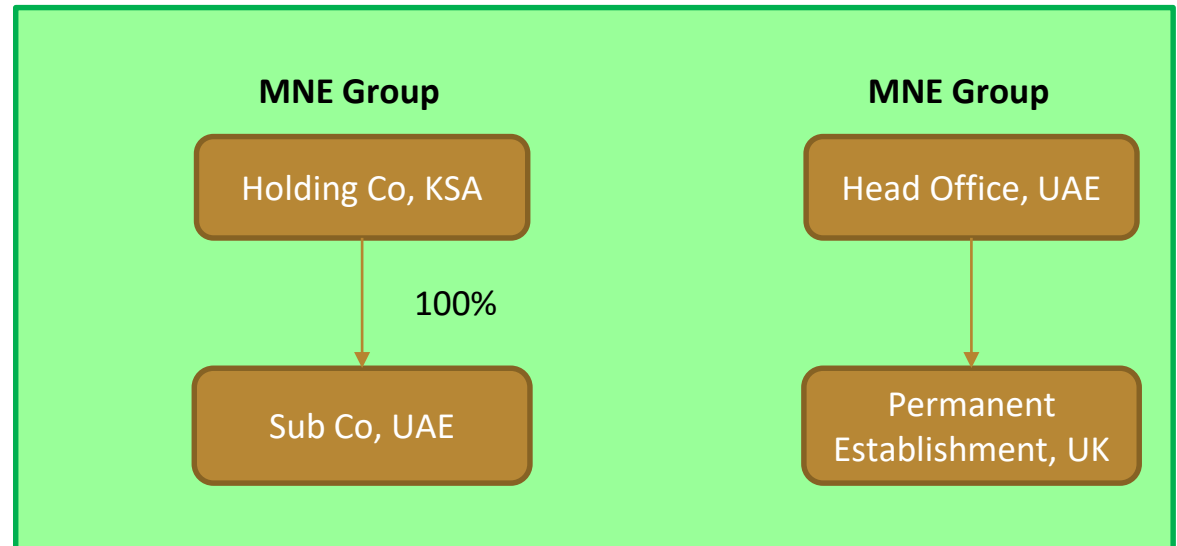
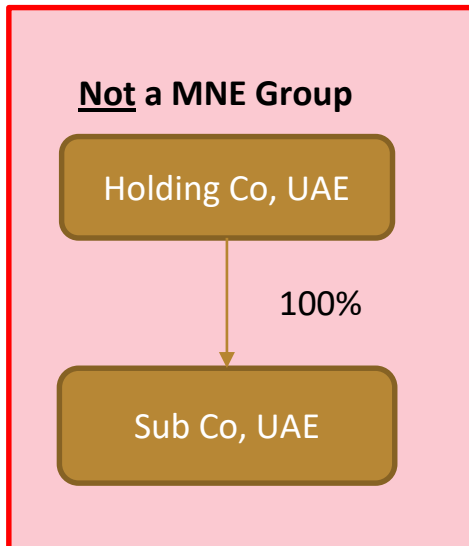
### Penalties

- Four types of administrative penalties ranging from **AED 50,000 to AED 1,000,000**
- **Additional** penalty of AED 10,000 per day **maximum up to AED 250,000 for delay in filing**



## Multinational Group (MNE Group)

For CbCR purposes the MNE Group is the group which consists of **two or more enterprises** that are **residents for tax purposes in different jurisdictions**





## *Constituent entity of MNE Group*

1. Any **separate business unit** of MNE Group that is included in the **Consolidated Financial Statements**; or
2. **Excluded** from Consolidated Financial Statements **solely on size or materiality grounds**; or
3. Any **permanent establishment** of any separate business unit of the MNE Group referred to in paragraphs 1 or 2 above, **if separate financial statements prepared** for any purpose

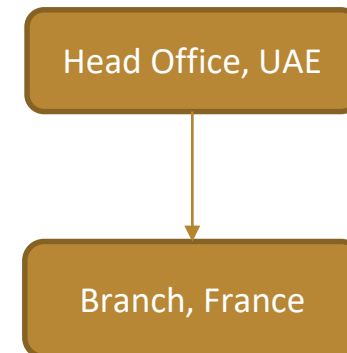


## Constituent entity of MNE Group

**SubCo is a constituent entity, but ABC Co. is not**

Particulars	Hold Co	Sub Co	Inter-co	Consolidated
Sales	100	20	(10)	110
Purchase	80	18	(9)	89
Profit	20	2	(1)	21
Share of profit from ABC Co.				5

**Head office and branch to be considered as two separate constituent entities**



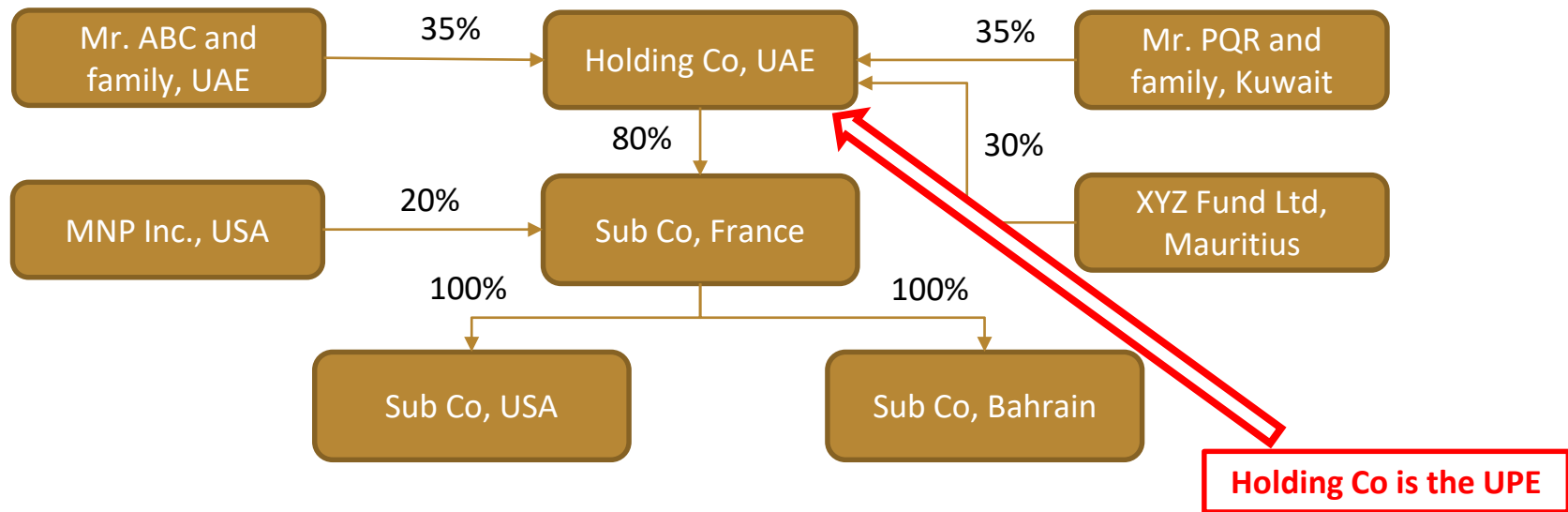


## *Ultimate parent entity of MNE Group*

1. Owns directly or indirectly a sufficient interest in one or more other Constituent Entities of such MNE Group such that it is **required to prepare Consolidated Financial Statements;**  
**and**
2. There is **no other Constituent Entity** of such MNE Group that **owns** directly or indirectly **an interest in the above Constituent entity.**



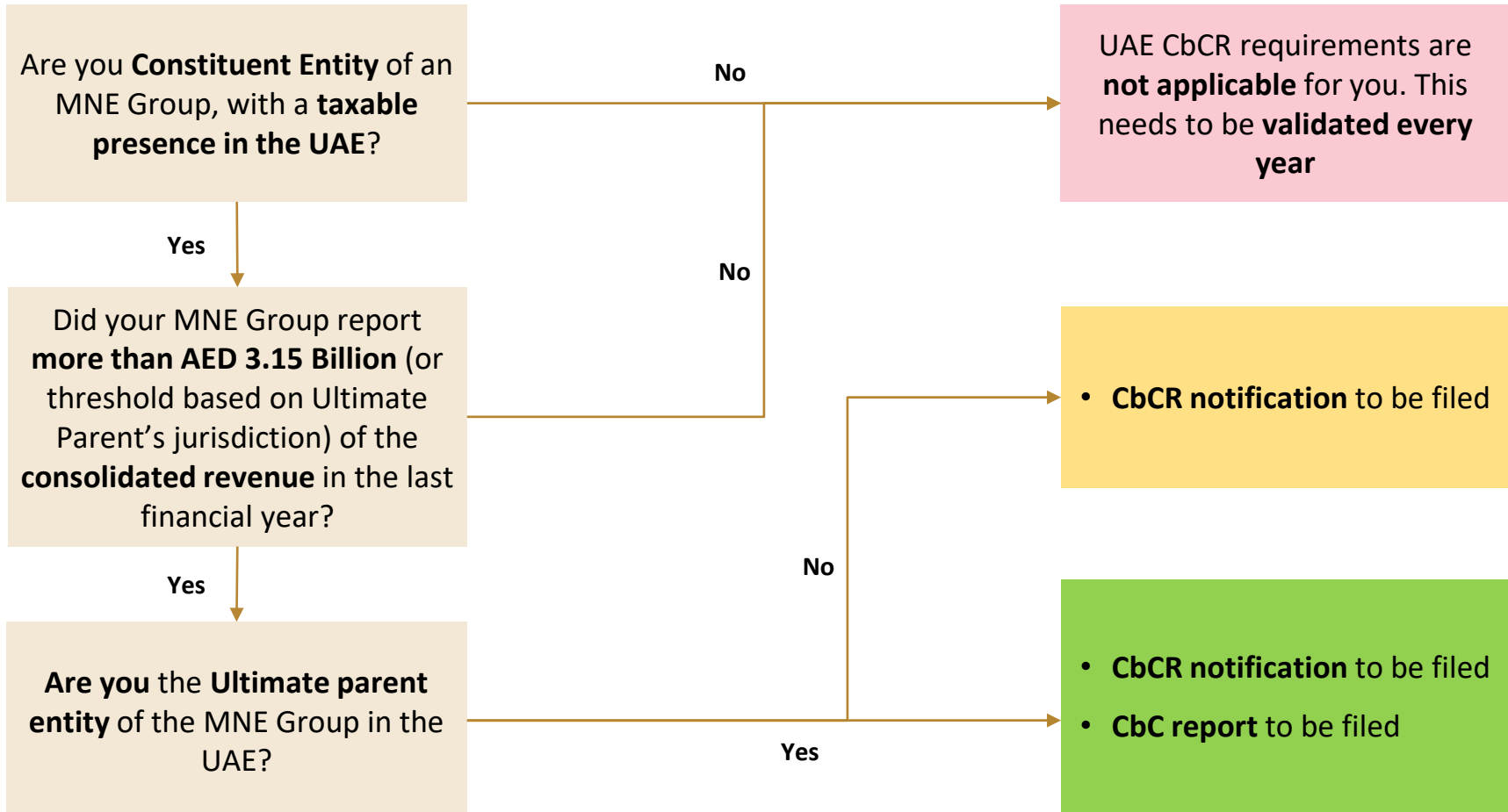
## Ultimate parent entity of MNE Group







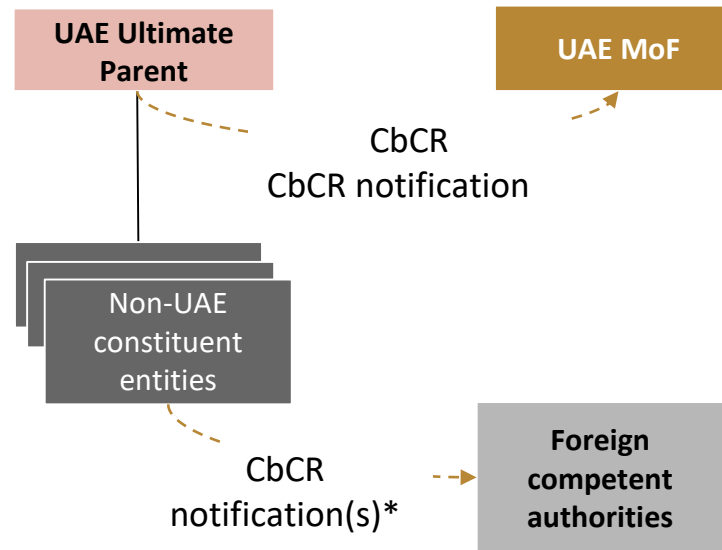
## Obligations for the UAE private sector - filing obligations





## Illustration

### Scenario 1: MNE Group with an Ultimate Parent Entity in the UAE

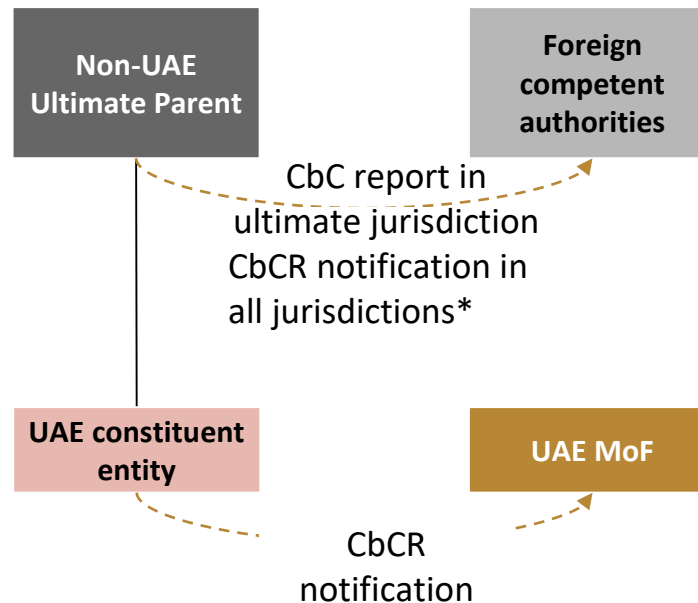


(\* ) May be required to file CbCR under secondary filing in jurisdictions with this requirement, if either of conditions for secondary filing in the respective overseas jurisdictions are satisfied



## Illustration

### Scenario 2: MNE Group with an Ultimate Parent Entity outside of the UAE



(\* ) May be required to file CbCR under secondary filing in jurisdictions with this requirement, if either of conditions for secondary filing in the respective overseas jurisdictions are satisfied



## ***Penalties for non-compliance***

### **Failure to file CbCR / CbCR notification in time**

An administrative fine of AED 1,000,000 (plus AED 10,000 for each day of failure up to a maximum of AED 250,000)

### **Failure to provide full and accurate information in the CbCR / CbCR notification**

An administrative fine of no less than AED 50,000 and not exceeding AED 500,000 is applicable

### **Failure to maintain information and documentation for five years**

AED 100,000

### **Failure to provide any other information requested**

AED 100,000



## Available guidance – webpage on the MoF website



UNITED ARAB EMIRATES  
MINISTRY OF FINANCE

Welcome to th

The screenshot shows the top navigation bar of the MoF website. The 'Strategic and International Partnerships' menu item is circled in black. Its dropdown menu is open, listing several options. A red arrow points to the 'Country by Country Reporting' option at the bottom of the dropdown.

- Local Strategic Partnerships
- Double Taxtion Agreements
- GCC Economic Integration
- Strategic Regional and Global Partners
- The UAE in Global Competitiveness Reports
- FATCA and CRS
- Country by Country Reporting



## Available guidance – webpage on the MoF website



الإمارات العربية المتحدة  
وزارة المالية

Welcome to the Ministry

About the Ministry	Resources and Budget	Services	Rules and Policies	Strategic and International Partnerships	Media	E-Participation	Open Data
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Search Site..  Advanced Search عربي | Accessibility | Help | Contact Us

Home / Strategic and International Partnerships / Country by Country Reporting

### Country by Country Reporting

On 30 April 2019, the Cabinet Resolution No. 32 of 2019 was issued introducing the requirements on Country-by-Country Reporting (CbCR) in the United Arab Emirates.

CbC Reporting is part of Action 13 of the Base Erosion and Profit Shifting (BEPS) initiative led by the Organization for Economic Co-operation and Development (OECD) and the Group of Twenty (G20) industrialized nations. BEPS Action 13 requires large Multinational Groups of Entities (MNEs) to file a CbC Report that should provide a breakdown of the Multinational Group's global revenue, profit before tax, income tax accrued and some other operates.

The purpose of CbC Reporting is to eliminate any gap in information between the taxpayers and tax administrations with regards to information on where the economic value is generated within the MNE Group and whether it is reported. According to the Resolution, CbCR requirements are applicable to 'financial reporting years' starting on or after January 1st 2019. Accordingly, for the financial reporting year starting on January 1st 2019, the CbC report must be filed by the end of the reporting year.

[Please Click Here to register to workshop](#)

[Please Click Here see the link to the Cabinet Resolution.](#)

[Please Click Here for CbCR notification form \[Under Construction\]](#)

#### Frequently Asked Questions

**A. General CbC reporting considerations**



## *Available guidance – responses to Frequently Asked Questions*

### Frequently Asked Questions

#### A. General CbC reporting considerations

#### B. CbC report filing

#### C. CbCR notifications

##### 22. What is a CbCR notification?

A reporting containing (i) confirmation that the entity is a member of the MNE Group subject to the CbC Reporting requirements and (ii) reference to the identity and to another entity within the Group that is responsible for filing the CbC Report on behalf of the MNE Group.

##### 23. Who is required to submit a CbCR notification in the UAE?

The UAE tax resident entity, which is a member of the MNE Group subject to the CbC Reporting Legislation (notification and/or filing) in the UAE. In case there are more than one UAE tax resident entities that are members of the same MNE Group, one of the UAE tax resident entities can be designated to file the CbCR notification on behalf of all the entities tax resident in the UAE.

##### 24. What is the deadline for submission of the CbCR notification in the UAE?

CbCR notifications must be submitted no later than the last day of the financial reporting year of the MNE. Accordingly, for the MNE Group's financial year starting on or after 1 January 2019, CbCR notifications must be submitted in the UAE by no later than December 31st 2019.

##### 25. How should a CbCR notification be filed in the UAE?

# 03

## Challenges and impact of the CbCR on UAE businesses





## *Potential impact of introducing CbCR regulations in the UAE*



### Key Benefits

- **Reporting** CbCR information **to the UAE MoF** (rather than to foreign tax authorities), thereby **preserving confidentiality** on such (potentially sensitive) information to be within the UAE only
- **Extensive network of UAE exchange of information framework (49 agreements)** will ensure **minimum secondary filing requirements** in other jurisdictions
- Groups to get an **birds-eye view of operations** through CbCR information, where **risks can be identified** and where Groups can take **proactive steps to mitigate** such risks



## *Potential impact of introducing CbCR regulations in the UAE*



### Key challenges

- Additional **administrative and compliance burden**, particularly for those UAE headquartered businesses that are not already subject to CbCR requirements elsewhere
- **Increased oversight from international bodies** on how UAE headquartered groups conduct their businesses

# 04

## CbCR Notification guidance



## *CbCR notification requirements in the UAE*

### Who?

- **Constituent entities of MNE Group** tax resident in the **UAE** (including Ultimate parent entities)

### When?

- By the **end of the MNE Group's financial years** beginning on or after January 1, 2019 (Hence, the closest deadline being 31 December 2019)

### What?

- **Information** about the **Ultimate parent entity / Reporting entity** (the entity submitting the CbC report on behalf of the Group), such as name, filing jurisdiction, MNE Group financial year, etc.)

### How?

- **One notification** should be submitted **on behalf of all UAE entities**.
- An **online system** is being implemented.



## *Anticipated format of the CbCR notification*

### **Country by Country Reporting**

On 30 April 2019, the Cabinet Resolution No. 32 of 2019 was issued introducing the requirements on Country-by-Country Reporting (CbCR) in the United Arab Emirates.

CbC Reporting is part of Action 13 of the Base Erosion and Profit Shifting (BEPS) initiative led by the Organization for Economic Co-operation and Development (OECD) and the G nations.

BEPS Action 13 requires large Multinational Groups of Entities (MNEs) to file a CbC Report that should provide a breakdown of the Multinational Group's global revenue, profit before other indicators of economic activities for each jurisdiction in which the MNE operates.

The purpose of CbC Reporting is to eliminate any gap in information between the taxpayers and tax administrations with regards to information on where the economic value is generated whether it matches where profits are allocated and taxes are paid on a global level.

According to the Resolution, CbCR requirements are applicable to 'financial reporting years' starting on or after January 1st 2019. Accordingly, for the financial reporting year start report must be submitted latest by December 31st 2020.

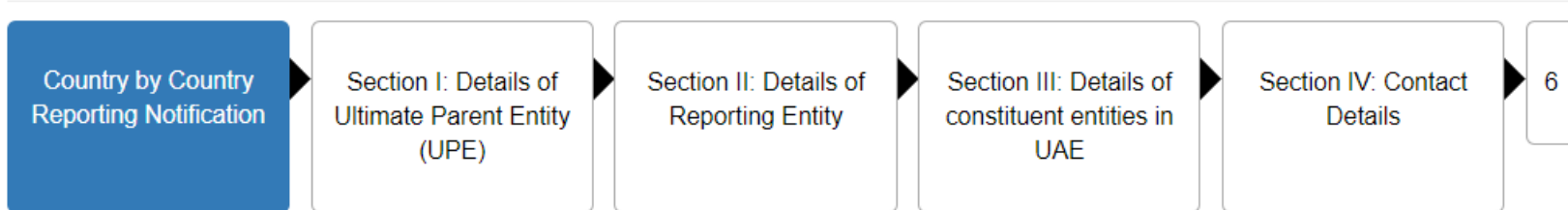
Please Click Here to register to workshop

Please Click Here see the link to the Cabinet Resolution.

Please Click Here for CbCR notification form [Under Construction]



## Anticipated format of the CbCR notification



### Country by Country Reporting Notification

Fields marked with \* are required and must be filled out.

Saved 07:05:30

#### Preliminary

Are you a:

- (i) UAE Tax Resident entity that is
- (ii) part of a Multinational Group (headquartered either in UAE or outside of the UAE) with a
- (iii) consolidated group turnover of AED 3.15 billion or more during the preceding financial year?

Please confirm: \*

- Yes
- No

# 05

## CbC Report guidance



## *CbC Reporting requirements in the UAE*

### Who?

- **UAE tax resident Ultimate parent entity**

### When?

- **Within 12 months** from the **end of the MNE Group's financial years** beginning on or after January 1, 2019 (Hence, the closest deadline being 31 December 2020)

### What?

- Refer subsequent slides for details on the contents of CbC Report.

### How?

- An **online system** is being implemented.





## What is a CbC Report

A report including **quantitative and qualitative information about the MNE Group**. Information such as revenues, profits, employees count, business description, etc. should be reported under three tables:

- **Table I** – This contains the **quantitative information per tax jurisdiction** such as third party and related party revenues, stated capital, taxes accrued and paid, employee count, etc.
- **Table II** – This contains the **qualitative information per constituent entity** on the main business activities undertaken during the year.
- **Table III** – This contains **any additional information** necessary to facilitate the understanding of Tables I and II (e.g. assumptions on exchange rates, source of data, etc.)



## *General CbCR guidance*

### *Data Sources*

- Consolidation reporting packages or Statutory financial statements or Internal management accounts
- The source should be **consistent year on year**.

### *Currency*

- CbCR should be in the stated **functional currency of the MNE Group**
- Conversions, if any, should be made at average rate of exchange during the year, with source mentioned in Table 3

### *Year of data to be included in the CbCR*

- For Ultimate Parent Entity – **Group financial year**
- For other constituent entities – Group financial year or local financial year immediately preceding the Group financial year. E.g. if Group financial year ends December 31, 2019, the financial year end for other constituent entities can be anywhere between Jan 1, 2019 to Dec 31, 2019



**Table 1: Overview of allocation of income, taxes and business activities by tax jurisdiction**

Tax jurisdiction	Revenues			Profit (loss) before income tax	Income tax paid (on cash basis)	Income taxes accrued – current year	Stated capital	Accumulated earnings	Number of full time employees	Tangible assets (other than cash and cash equivalents)
	Unrelated party	Related party	Total							

- **All the tax jurisdictions** in which constituent entities of Group are tax residents to be included.
- **Separate line** for constituent entities not tax residents in any tax jurisdiction i.e. ‘**Stateless entities**’.
- If **resident in more than one tax jurisdiction** --> applicable **tax treaty tie breaker** should be applied.
- **No tax treaty** --> report in the tax jurisdiction of the **place of effective management** as per Article 4 of OECD model tax convention.
- Data for **multiple entities in one jurisdiction to be aggregated, and not consolidated**.
- Data for **permanent establishments to be reported in the tax jurisdiction of the permanent establishment and excluded from the tax jurisdiction of the legal entity** of which it is a permanent establishment.



## Table 1: Overview of allocation of income, taxes and business activities by tax jurisdiction

Tax jurisdiction	Revenues			Profit (loss) before income tax	Income tax paid (on cash basis)	Income taxes accrued – current year	Stated capital	Accumulated earnings	Number of full time employees	Tangible assets (other than cash and cash equivalents)
	Unrelated party	Related party	Total							

- The **sum of revenues** of all the constituent entities in the relevant tax jurisdiction generated from transactions **with independent parties** should be included.
- Independent parties are **all parties other than related parties** (discussed in the next slide).
- All revenue, gains, income, or other inflows shown in the financial statement prepared in accordance with the applicable accounting rules (based on source of data) should be reported as **Revenue, including extraordinary income and gains from investment activities**.



**Table 1: Overview of allocation of income, taxes and business activities by tax jurisdiction**

Tax jurisdiction	Revenues			Profit (loss) before income tax	Income tax paid (on cash basis)	Income taxes accrued – current year	Stated capital	Accumulated earnings	Number of full time employees	Tangible assets (other than cash and cash equivalents)
	Unrelated party	Related party	Total							

- The **sum of revenues** of all the constituent entities in the relevant tax jurisdiction generated from transactions **with related parties** should be included.
- **Related parties include all the constituent entities.** The definition of **related parties as per the applicable reporting framework in the local tax jurisdiction should not** be considered.
- Revenues should **exclude payments received from other constituent entities that are treated as dividends** in the payer's tax jurisdiction.



## Table 1: Overview of allocation of income, taxes and business activities by tax jurisdiction

Tax jurisdiction	Revenues			Profit (loss) before income tax	Income tax paid (on cash basis)	Income taxes accrued – current year	Stated capital	Accumulated earnings	Number of full time employees	Tangible assets (other than cash and cash equivalents)
	Unrelated party	Related party	Total							

- Profit (loss) before income tax shown in the financial statement prepared in accordance with the applicable accounting rules (based on source of data) should be reported.
- The profit (loss) before income tax should **include all extraordinary income and expense items**.
- Profit (loss) **may exclude payments received from other constituent entities that are treated as dividends** in the payer's tax jurisdiction.



## Table 1: Overview of allocation of income, taxes and business activities by tax jurisdiction

Tax jurisdiction	Revenues			Profit (loss) before income tax	Income tax paid (on cash basis)	Income taxes accrued – current year	Stated capital	Accumulated earnings	Number of full time employees	Tangible assets (other than cash and cash equivalents)
	Unrelated party	Related party	Total							

- Income Tax Paid (on Cash Basis) is the amount of **taxes actually paid during the reporting fiscal year** in the resident tax jurisdiction and other jurisdictions, which should thus include:
  - Tax payments, advance taxes and withholding taxes (WHT)** for the reporting year;
  - WHT deducted in other jurisdictions;**
  - Payments fulfilling the previous year (s)' tax obligations**, regardless of whether those taxes have been paid under protest; and
  - Tax refunds received may be reduced** (unless shown as part of revenues).



**Table 1: Overview of allocation of income, taxes and business activities by tax jurisdiction**

Tax jurisdiction	Revenues			Profit (loss) before income tax	Income tax paid (on cash basis)	Income taxes accrued – current year	Stated capital	Accumulated earnings	Number of full time employees	Tangible assets (other than cash and cash equivalents)
	Unrelated party	Related party	Total							

- Income Tax Accrued-Current Year is the amount of **accrued current tax expense** recorded on taxable profits or losses for the reporting fiscal year **irrespective of whether or not the tax has been paid**.
- The current tax expense should reflect only operations in the current year and should **not include deferred taxes or provisions for uncertain tax liabilities**.





**Table 1: Overview of allocation of income, taxes and business activities by tax jurisdiction**

Tax jurisdiction	Revenues			Profit (loss) before income tax	Income tax paid (on cash basis)	Income taxes accrued – current year	Stated capital	Accumulated earnings	Number of full time employees	Tangible assets (other than cash and cash equivalents)
	Unrelated party	Related party	Total							

- Stated capital is the **residual equity** (as per the applicable reporting framework, based on the data source) **other than the accumulated earnings**.
- Hence, it would usually be the **ordinary share capital, preference share capital, share premium, other contributed capital** and **perpetual securities**.
- With regard to **permanent establishments**, the stated capital should be **reported by the legal entity** of which it is a permanent establishment **unless there is a defined capital requirement in the permanent establishment tax jurisdiction** for regulatory purposes.



**Table 1: Overview of allocation of income, taxes and business activities by tax jurisdiction**

Tax jurisdiction	Revenues			Profit (loss) before income tax	Income tax paid (on cash basis)	Income taxes accrued – current year	Stated capital	Accumulated earnings	Number of full time employees	Tangible assets (other than cash and cash equivalents)
	Unrelated party	Related party	Total							

- Accumulated earnings as per the applicable reporting framework, based on the data source should be reported.
- With regard to **permanent establishments**, the **accumulated earnings should be reported by the legal entity** of which it is a permanent establishment.
- **Negative accumulated earnings should also be reported.**



## Table 1: Overview of allocation of income, taxes and business activities by tax jurisdiction

Tax jurisdiction	Revenues			Profit (loss) before income tax	Income tax paid (on cash basis)	Income taxes accrued – current year	Stated capital	Accumulated earnings	Number of full time employees	Tangible assets (other than cash and cash equivalents)
	Unrelated party	Related party	Total							

- Total number of employees on a **full-time equivalent** (“FTE”) basis should be reported.
- The number of employees may be reported as of the **year-end**, on the basis of **average** employment levels for the year, or on **any other basis consistently applied**.
- **Independent contractors** participating in the ordinary operating activities of the Constituent Entity **may be reported** as employees.
- **Reasonable rounding or approximation** of the number of employees is **permissible**.



## Table 1: Overview of allocation of income, taxes and business activities by tax jurisdiction

Tax jurisdiction	Revenues			Profit (loss) before income tax	Income tax paid (on cash basis)	Income taxes accrued – current year	Stated capital	Accumulated earnings	Number of full time employees	Tangible assets (other than cash and cash equivalents)
	Unrelated party	Related party	Total							

- Report the sum of the **net book values of tangible assets**.
- With regard to permanent establishments, assets should be reported by reference to the tax jurisdiction in which the permanent establishment is situated.
- Do **not include cash or cash equivalents, intangibles, or financial assets**.



**Table 2: List of all constituent group entities included in each aggregation per tax jurisdiction**

Tax jurisdiction	Constituent entities resident in tax jurisdiction	Tax jurisdiction of incorporation if different from residence	Main business activities													
			Research and Development	Holding or managing Intellectual Property	Purchasing or Procurement	Manufacturing or Production	Sales, Marketing or Distribution	Administrative, Management or Support Services	Provision of services to unrelated parties	Internal Group Finance	Regulated Financial Services	Insurance	Holding Shares or Other Equity Instruments	Dormant	Other	
1					√			√								
2								√								
1											√					
2															√	

All the constituent entities to be listed tax jurisdiction wise

In case jurisdiction of incorporation is different than the tax residence jurisdiction, to be reported

Main business activities performed by each constituent entity to be indicated

In case the activity is deemed to be auxiliary in nature, details to be mentioned in Table 3

In case the activity selected is 'Other', details to be mentioned in Table 3



## Table 3: Additional information

Please include **any further brief information** or **explanation** you consider necessary or that would **facilitate the understanding** of the compulsory information provided in **Table 1 and Table 2** of the Country-by-Country Report

The disclosures are based on the facts of each case. Certain examples of Table 3 disclosures are provided below:

Data source and exchange rates

Reporting periods of constituent entities

Tax refunds included in 'revenue' or reduced from 'income tax paid'

Description of "Other" or "Auxiliary" activities selected in Table 2

Whether any part year information is included (In case of mergers / demergers)

Reasons in case Tax ID numbers of certain entities are not available

Assumptions made with respect to computation of FTE employees

Whether dividends excluded from 'Profit before tax' as well

Whether any Joint venture entities are included

Explanations about any data inconsistencies

# 06

## Key takeaways



## Key takeaways

UAE headquartered Groups (with Consolidated Group Revenue more than AED 3.15 billion in previous year) need to file the CbCR and the CbCR notification in the UAE

UAE constituent entities of the non-UAE headquartered Groups subject to CbCR requirements need to file the CbCR notification in the UAE

Groups can identify risks from CbCR information and take proactive steps to mitigate the risks for subsequent periods





## Key takeaways

Preparation of CbCR can encourage improving business processes and provide useful organizational insights on a global scale

The group accounting strategies need to be aligned globally in order to make consolidated reporting easier and more consistent