



UAE issues FAQs on Country by Country reporting regulations

Summary

Further to the recent issuance of Cabinet of Ministers Resolution No. 32 of 2019 concerning Country-by-Country ('CbC') reporting requirements, the UAE Ministry of Finance ('MoF') has, on 16 October 2019, issued additional guidance in the form of 25 [Frequently Asked Questions \('FAQs'\)](#) for the implementation of CbC regulations in the UAE. The FAQs address the following:

- A. General CbC reporting considerations;
- B. CbC report filing; and
- C. CbC notifications.

These FAQs intend to assist with the interpretation of some of the terms contained in the UAE's CbC reporting legislation and provide clarificatory guidance with illustrations on reporting and procedural matters.

Although guidance with respect to completion and filing of CbC Reports and notifications is yet to be issued, a welcome clarification is that multinational enterprise ('MNE') groups with multiple UAE resident entities can now designate one entity in the UAE to file the CbC notification on behalf of all UAE group entities.

As detailed in our [previous alert](#), the CbC reporting regulations are effective for financial years beginning on 1 January 2019 (first reports due on 31 December 2020 and first notifications due on 31 December 2019) for MNEs with a consolidated revenue that is equal to or more than AED 3.15 billion for the financial year preceding the reporting year concerned.

The MoF is also conducting a CbC workshop for businesses covered under the CbC regulations. The registration portal for the same can be accessed [here](#).



We have tabulated below the key clarificatory points included in the FAQs.

Topic	FAQ Reference	Guidance
A. <u>General CbC Reporting Considerations</u>		
Role of OECD guidance in UAE CbC Framework	3	The FAQs clarify the role of OECD guidance and model legislation in the UAE CbC legislative framework, stating that the OECD guidance can be used to interpret the UAE CbC reporting legislation, but entities must be mindful of the differences between the OECD model legislation and the UAE CbC regulations. In addition, it also clarifies that where there is a conflict between the two, the UAE CbC legislation shall take precedence.
B. <u>CbC Report Filing</u>		
UAE Tax Resident for CbC purposes	15	The FAQs clarify that an entity should be considered as a tax resident in UAE, not only if it is incorporated or created under the laws of UAE, but also if it has its place of effective management therein. Entities should refer the relevant local laws and international tax treaties to determine whether it is resident in UAE for tax purposes and accordingly comply with CbC regulations.
Source of Information	16	The FAQs recommend entities to use the same sources of data from year to year for preparation of CbC Reports to ensure consistency. Data can be obtained from the following sources: <ol style="list-style-type: none"> 1. Consolidation reporting packages; or 2. Separate entity statutory financial statements; or 3. Regulatory financial statements; or 4. Internal management accounts. <p>The entity preparing the CbC Report should provide a brief description of the sources of data used and any reason for any change in the sources of information from year to year in Table III (Additional Information section) of the CbC Report.¹</p>
Exchange Rates	19	If separate statutory financial statements are used as the basis for reporting, all amounts must be converted into the functional currency of the MNE Group. The average exchange rates must be used for currency conversion and the applied rates should be stated in the Additional Information Section of Table III in the CbC Report. ¹
Language of the CbC Report	20	The CbC Report should be submitted in English.

¹ This is in line with the instructions given for CbC reporting under the BEPS OECD Action 13 Report.



Topic	FAQ Reference	Guidance
Reporting permanent establishments (including branches)	21	Permanent establishments (including branches) should be reported with reference to the tax jurisdiction in which the establishment is situated and not by reference to the tax jurisdiction of the entity. For example, if a UAE entity has a branch in the UK, the revenue, profit and other qualitative and quantitative indicators of the branch should be reported as related to UK and should not be consolidated with the information related to UAE. ¹
C. <u>CbC Notification</u>		
More than 1 UAE tax resident entity?	23	In case there are more than one UAE tax resident entities which are members of the same MNE group, one UAE resident entity can be designated to file the CbC Report notification on behalf of all the entities tax resident in the UAE.

Guidance/ details awaited

The MoF is yet to provide guidance on how to complete and file CbC Reports and notifications. The FAQs state that guidance on these matters would be provided soon. Also, a CbC notification form tab is already under construction in the CbC Reporting page of the MoF website.

If you would like to discuss the above in more detail and understanding the specific implications of the developments to your business, please feel free to get in touch with:

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