



DANGER!

HIGH TAX VOLTAGE

Tax has a new name - BEPS

- 3 Re-Discovered Fundamentals ('RDF') beyond the obvious

Actions 5,
11 - 15

Tax transparency and reporting tax data and information

Actions 1,
7-10

Aligning transfer pricing and profits with substance and value creation

Actions
2,3,4 and
6

Combatting the application of artificial transactions such as interest deductions, hybrid mismatches, and treaty abuse

BEPS – Outlook for the UAE



Why has it been issued?

- In response to European Commission concerns which had resulted in the UAE being added to the European Union list of non-cooperative tax jurisdictions
- Further aligns UAE's legislative framework to the standards set out in the OECD Base Erosion and Profit Shifting (BEPS) action plan
- Similar to economic substance requirements recently implemented in jurisdictions such as the Cayman Islands and Jersey.



What it means?

- Legal requirement for all UAE entities to locally maintain 'economic substance', meet CbCR requirements and become more tax transparent
- Broadly be considered to consist of employees, premises, management, and costs
- Regulatory filing requirements that need to be met in order to comply with the regulations



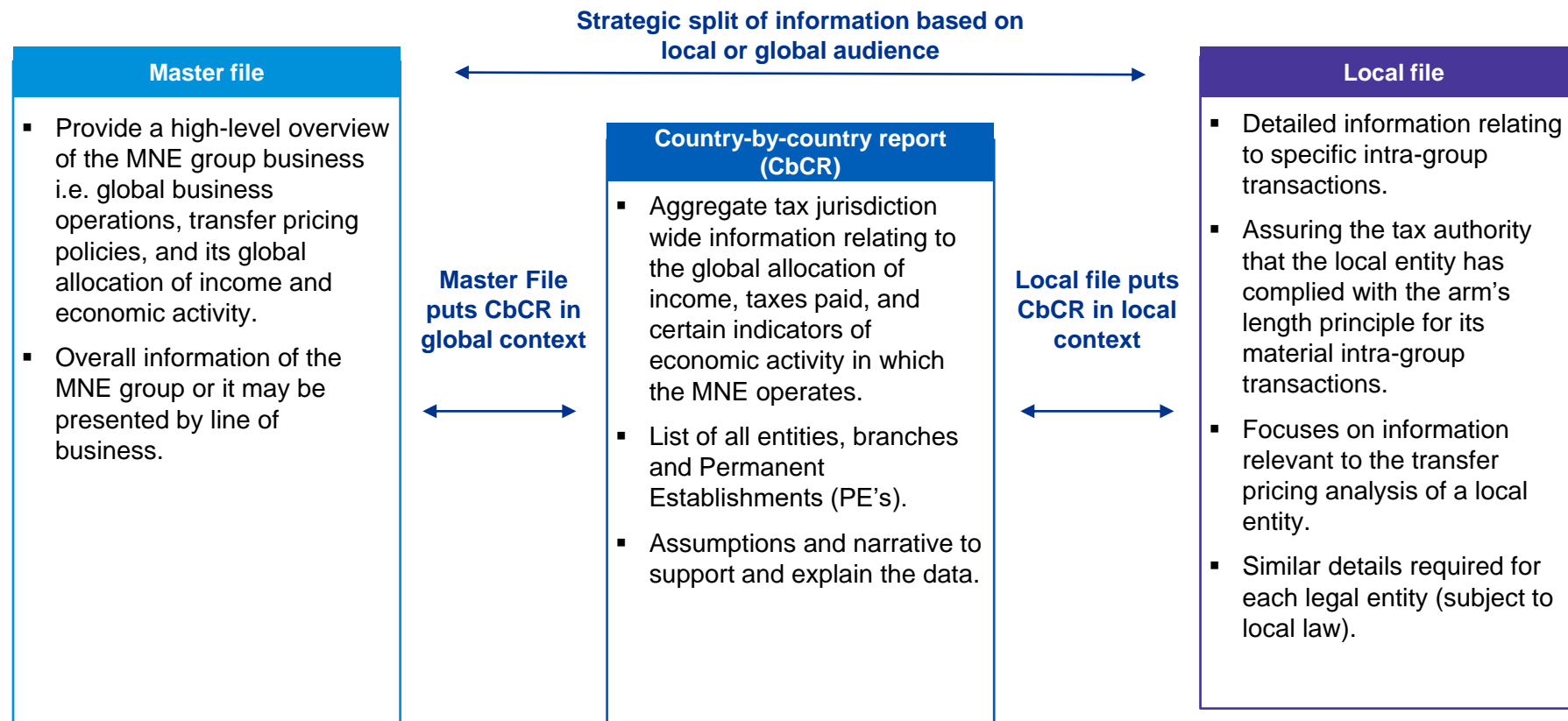
What needs to be done

- All UAE entities need to examine whether the BEPS minimum standards apply to them and how should they comply with the regulations
- Annual compliance requirements, disclosures

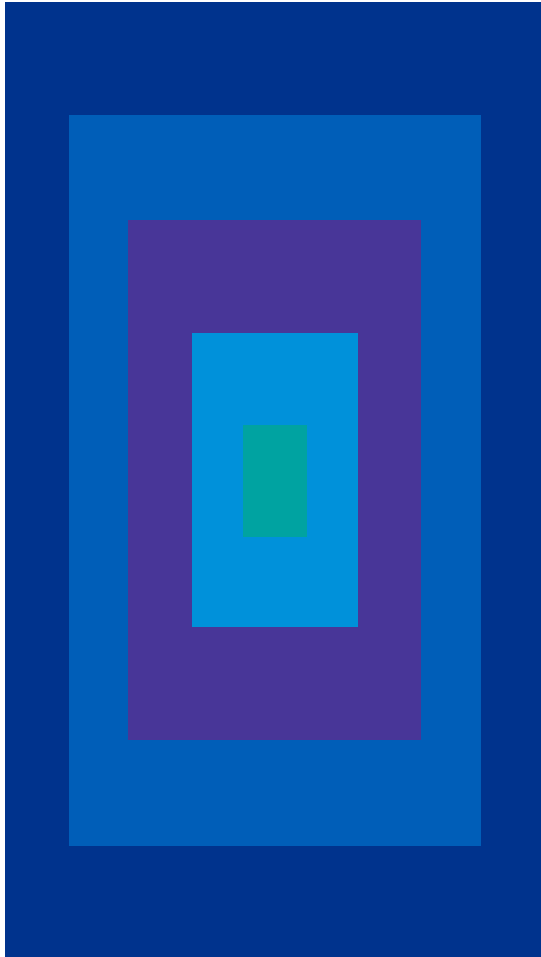
Action 13 – Transfer pricing profiling



Action 13 is immediately relevant to multinational groups headquartered in the Middle East, since the requirement to prepare a group Master file, Local files and a CbCR may exist due to operational presence in other jurisdictions that have adopted Action 13



UAE Country-by-Country rules



Why now?

In March 2018, the UAE joined the OECD Inclusive framework on BEPS to demonstrate cooperation and increased transparency. One of UAE's commitments is to implement CbCR regulations as part of BEPS minimum standards.



Who does it apply to?

UAE tax residents (branches?) part of an MNE group with consolidated group revenues equal to or exceeding AED 3.15bn (approx. USD 850m or EUR 760m) in the preceding fiscal year.



What information CbCR usually contains?

Based on the OECD CbCR standard format, the report should include aggregate financial information and details about its business activities for further details). Each entity of the MNE group are expected to appear on the CbCR.



What to undertake during FY 2019?

UAE-based entity of an MNE group should notify the UAE Ministry of Finance of their intent to satisfy to the CbCR filing requirements. If multiple entities of the group are UAE-based, each entity is required to notify.



... And in FY 2020, what happens?

Within 12 months after the last day of FY 2019, in other words no later than the last day of FY 2020, the CbCR should be electronically filed. (DUAL FILING CONSIDERATIONS).



What CbC reporting exchange relationships mean for MNE groups?

UAE MoF will automatically share CbC reports with tax authorities located in other jurisdictions where the group has constituent entities.

UAE has activated their bilateral exchange relationships with 49 exchange partners and will send CbC reports (as applicable) starting from FY20 regarding the CbC reporting FY19

When is CbC report applicable? CbCR demystified

- 1 Who?**

Multinational enterprises (“MNEs”) with annual consolidated revenues of AED 3.15 billion or higher (750 million EUR / 800 million USD).
- 2 When?**

Typically by 31 December of the **following year** for the **previous year’s CbC report**.
- 3 How?**

To be filed **electronically** by the MNE’s ultimate parent entity (“UPE”) on behalf of constituent entities (“CEs”).
- 4 Filing**

Either by the UPE or by a CE nominated as a surrogate parent entity (“SPE”) in the specified XML schema.
- 5 SPEs**

If the UPE is present in a jurisdiction that has **not adopted CbCR**, it can **nominate** a CE as an SPE (located in a jurisdiction **that has adopted CbCR**) to file the CbC report on its behalf.
- 6 Notify**

Tax authorities in the SPE jurisdiction and those in certain CE jurisdictions must be notified in writing (or electronically), up to 12 months prior to the CbC report submission date.

OECD's model CbC report template

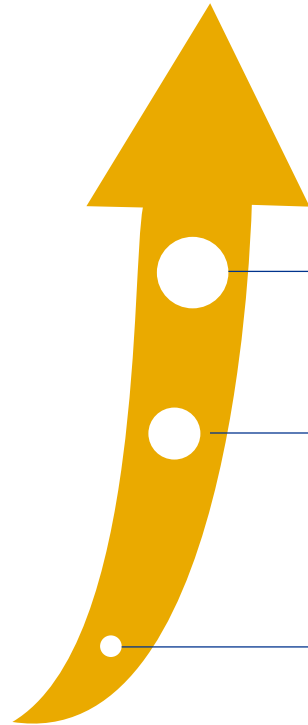
CbC Report Template – Table 1										
Country	Revenue			Profit (Loss) before Income Tax	Income Tax Paid (on a Cash Basis)	Income Tax Accrued – Current Year	Stated Capital	Accumulated Earnings	Number of Employees	Tangible Assets Other than Cash and Cash Equivalents
	Related Party	Unrelated Party	Total							
Country A										
Country B										

CbC Report Template – Table 2														
Country	Constituent Entities Resident in Country	Country of Organization or Incorporation if Different from Country of Residence	Activities											
			R&D	Hold/manage IP	Purchasing & Procurement	Manufacturing & Production	Sales, Marketing & Distribution	Administrative, Management & Support Services	External Service Business	Internal Group Finance	Regulated Financial Services	Insurance	Holding Company	Dormant
Country A	Entity A	Country B												
Country A	Entity B													

CbC Report Template – Table 3
Opportunity to include any further information or explanation considered necessary or that would facilitate the understanding of the compulsory information provided in the CbyC report.

Source: Information obtained from Annex III to Chapter V of OECD/G20 Base Erosion and Profit Shifting Project: Guidance on Transfer Pricing Documentation and Country-by-Country Reporting

Administrative penalties applicable



1,250,000 = 1M + 10K for every day during which the failure continues (max. 250K)

For the failure to report the information required to be reported under the Resolution
For the failure to notify the MoF, on or before the required reporting date, of the intention to file a report in respect of a certain accounting period

Up to **500,000*** (from 50,000 to 500,000)
For the failure to report the information in a complete and accurate manner

100,000*
For the failure to provide the MoF with any information requested in accordance with the Resolution
For the failure to retain documentation and information required to be collected with regards to the Resolution for minimum five years from the date of reporting to the MoF

➔ *Exclusion made of the higher amount, the total penalties for any violations of the CbCR regulations in any reporting fiscal year is limited to 1M.

Impact on UAE based MNEs

Increased governance

Multi dimensional review of tax data

International travel of tax data

Cascading impact on existing UAE licenses, VAT profile, valuation

Increased compliance profile



Q&A



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