

EU BLACKLIST FOR THE UAE: WHAT DOES IT MEAN AND WHAT TO EXPECT FOR BUSINESSES?

On 12 March 2019 the Council of the European Union (hereinafter - the "Council") have adopted the list of a non-cooperative jurisdictions for tax purposes (hereinafter - the "EU blacklist").

This year the Council have extended the list with ten new countries which, in the Council`s opinion, either have not addressed certain EU`s concerns delivered to these countries before or have not fulfilled their commitments.

Two Gulf Council Countries ("GCC") were added to the EU blacklist this year - United Arab Emirates ("UAE") and Oman.

The reason of inclusion of the UAE to the EU blacklist is explained as failure to implement economic substance requirements by the set deadline of 31 December 2018.

It is known that decision on inclusion of the UAE to the list was not adopted unanimously by all EU member-states and hot disputes were heard in lobbies of the Council on that matter until the last minute.

What will be the consequences of the UAE being included to the EU blacklist?

Generally, the EU blacklist does not provide explicit implications imposed to jurisdictions included into the EU blacklist.

Although certain member-states may choose to implement a new legislation regulating transactions with blacklisted countries, inclusion of the UAE to the blacklist may (but not necessarily) trigger following actions:

- Certain EU governmental funds, such as funds of the European Investment Bank and the European Fund for Sustainable Development will not be channeled through the UAE;
- Increased monitoring and audit from tax authorities and banks;
- Imposition of withholding tax for the income derived from the EU member-state (may not necessarily be implemented in case of presence of Double Tax Treaty with such a member-state);
- Reporting obligation and automatic exchange of information to the EU member-state.



What will happen now?

Inclusion to the EU blacklist does not mean that a country will remain there once for all.

Earlier in 2017 the UAE was also included into the very first EU blacklist, however, further in 2018 it was moved to the Annex 2 of the Council Conclusions (also known as “greylist”) after accepting certain commitments before the EU.

The EU Council can remove countries from its list after it will be confirmed that these countries have addressed and cleared the EU`s concerns with respect to their taxation system.

According to officials of the UAE, the country has committed to the EU on a certain timeline of actions which will be implemented in the UAE in accordance with its legal process and constitutional requirements.

How will it influence on my business?

Multinationals and corporations should bear in mind stricter reporting and monitoring rules imposed to them in order to enhance transparency of transactions and operations in the UAE.

One should note that the UAE have already been included into the blacklist before, but could successfully exit from it afterwards. We expect the history to be repeated again and the UAE to be removed from the list by the end of the year.

However, substance requirements (for example, presence of office and personnel) as well as introduction of low-rated corporate income tax can be anticipated by us in the nearest time. We also expect stricter compliance procedures with respect to opening of bank accounts.

We strongly advise you to make sure that all of your accounting documents are in proper condition and consider starting implementing certain substance attributes.

We will be glad to advise you what can be done to support your company in the UAE as well as to determine specific risks and implications for your business.



Who we are?

Garant Business Consultancy DMCC is a boutique business advisory firm with wide expertise in business establishment and operation in the UAE market.

Garant has an extensive hands-on experience in advising on worldwide structuring assets as well as estate planning and wealth management.

Having supported establishment of more than hundreds of companies Garant is the best choice for those looking for well-trusted, diligent and quality-oriented business advisors.

Who will support you?



ALEXANDER MARTS

Managing Director

t: +971 4 421 4335

e: a.marts@garant.ae



ASSEM MURATOVA

Senior Associate

t: + 971 4 421 4335

e: assem.m@garant.ae

Business Consultancy

Disclaimer

This material has been prepared for general informational purposes only and is not intended to be relied upon as accounting, tax, or any other professional advice. The information herein is provided "as is" and without warranty of any kind, express or implied.

Garant disclaims all express and implied warranties with regard to the information and materials contained on this material, including without limitation implied warranties of merchantability, fitness for a particular purpose and non-infringement.

If you require any further information or explanations, or specific advice, please contact us and we will be happy to discuss matters further.

© 2019 Garant Business Consultancy DMCC. All Rights Reserved

