



## ACCOUNTING RECORDS & AUDIT – MYTH, REALITY AND BEST PRACTICE

M/HQ has recently partnered with Re/think ME Accounting services and RAA Auditing to provide services to all of their clients. Although maintaining five years of accounting records and annual financial audits is a requirement throughout the UAE (including, in principle, free zones), some UAE jurisdictions have for the time being resolved to date not to systematically enforce the submission of the audit accounts, although they technically remain a requirement.

The below table highlights the jurisdictions that have opted to apply strict requirements as to annual auditing of the accounting books of their member entities.

### Strict enforcement of annual audit requirements:

JURISDICTION	LEGAL REFERENCE
Dubai Multi Commodities Centre (DMCC)	DMCC Entity Regulation No. 1/3 issued in 2003
Dubai World Central (DWC)	Law No. 8 of 2006 (as amended) applicable to DWC
Jebel Ali Free Zone (JAFZA)*	Regulation 1/92 pursuant of Law No. 9 of 1992; applicable to JAFZA
Meydan Free Zone	Meydan Free Zone Regulation No.(1) of 2009
Sharjah Airport Free Zone (SAIF)	Emiri Decree No. 2 of 1995 issued in Sharjah on May 8
Dubai International Financial Centre (DIFC)	Companies Law, DIFC Law No. 2 of 2009
Abu Dhabi Global Market (ADGM)**	Abu Dhabi Law No. 4 of 2013

\* For free zone establishment and free zone companies

\*\* Not applicable to small and micro entities with annual revenue of less than AED 13.5M

JURISDICTION	LEGAL REFERENCE
UAE Mainlands (LLCs and branches)	UAE Federal Law No.2 of 2015

Other free zone jurisdictions have to date been more lenient in their enforcement of the federal requirements on their territory – or in the case of ADGM, created exemptions for small and micro entities. But it is anticipated that the implementation of stricter compliance standards across the UAE, coupled with the introduction of VAT, will result in most if not all jurisdiction to apply consistent standards – and request annual filing of audited accounts.

### Jurisdictions where annual audit are required by law but not yet enforced:

JURISDICTION	LEGAL REFERENCE
Dubai Airport Free Zone (DAFZA)	Law No. 2 of 1996 applicable to DAFZA
TECOM (Dubai Internet city, media city & knowledge village) Free Zone	Law No. 1 of 2000 of the Emirate of Dubai applicable for entities in Dubai Technology, Electronic Commerce and Media Free Zone
Media Zone Abu Dhabi (twofour54)	Decree Law No. 12 of 2007
Ajman Free Zone	Emiri Decree No. 3 of 1996
Fujairah Free Zone	Emiri Decree of 1987 issued on November 28
RAK Free Trade Zone	Emiri decree dated 1/5/2000 of H.H.Sheikh Saqr Bin Mohammed Bin Salem Al Qassimi, concerning the entities in RAK Free Zone
RAK Investment Authority (RAKIA)	Emiri Decree No. 2 of 2005
Umm Al Quwain Free Trade Zone	Law No. 3 of 2014 applicable to UAQFTZ
Hamriya Free Zone	Emiri decree issued in November 2, 1995 for entities in Hamriyah Free Zone, Sharjah



JURISDICTION	LEGAL REFERENCE
JAFZA Offshore	Jebel Ali Free Zone Authority Offshore Companies Regulations 2003
RAK ICC	The Ras Al Khaimah International Corporate Centre Business Companies Regulations 2016

## The law

Articles 26 and 27 of Federal Law No.2 of 2015 applicable to Commercial Companies in United Arab Emirates provide as follows:

*“Every company shall have one or more auditors to audit the accounts of the company every year. Moreover, every company shall keep accounting records showing its transactions to reveal at any time the financial position of the company and enabling the partners or shareholders to confirm that the accounts of the company are properly kept with the provision of this law. Every company shall keep its accounting books in its head office for a period of at least 5 years from the end of the financial year of the company.”*

## Who we are and how we can help

M/HQ is a multi-service platform catering to a broad spectrum of clients, from successful individuals to established multinationals.

The Firm's offering is unique in the Middle East: a holistic and cross-disciplinary combination of a law firm's specialist expertise and a market-leading corporate services firm. We have extensive experience advising our clients on a broad range of wealth and tax structuring issues, including structuring of operational and non-operational assets, succession and legacy planning.

M/HQ has partnered with Re/think and RAA Auditing to form an even more unique business support platform. Through a combination of our teams' versatile capabilities, we ensure that our clients understand the country's ever changing legal, financial, tax and compliance requirements, and meet all of these requirements in a timely fashion.

**RAA Auditing:** internationally experienced auditors, able to perform required **external audits**, internal audits, and compliance audits.

**Re/think ME:** provision of annual or monthly accounting services, CFO services, and Finance Officer Designation through Experienced finance professionals, HR services, Due Diligence, and business plans, forecasts and presentations for capital raise or sale of companies.

**Re/think ADGM:** provision of compliance services to regulated firms in the DIFC and ADGM, as well as mainland. Advisory services to regulated entities, corporate service providers, large corporates, legal firms and government authorities.

## Why RAA Auditing?

M/HQ partners with a number of qualified audit partners operating domestically to service the needs of their clients. RAA Auditing is our main 3rd party audit partner. It has been chosen due to its key people's international experience, client service focus and commitment to ethics in the field of audit. Its auditors will ensure that filing deadlines are met and that all audits are carried out in compliance with relevant statutory requirements and regulations, both local and international.

## Who will assist you?



**Yann Mrazek** / Managing Partner M/HQ

Attorney-at-Law with 10 years of on the ground Middle-East experience. Multidimensional expertise and vast experience advising successful individuals and families with Middle Eastern exposure on structuring their operational assets and global wealth and on implementing inter-generational wealth transfer strategies.

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**Gregory Shippee** / Managing Partner Re/think

Over sixteen years of corporate finance experience in the US, Europe, and Middle East & Africa regions. Multidimensional expertise and vast experience in strategy consulting, family office controlling, acquisition due diligence and financial planning, budgeting and control.

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