

# Audit Requirements in UAE

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# Audit Requirements in UAE

This presentation explains audit procedures in the UAE.

Conducting an audit is essential to effectively ensuring corporate tax compliance. In the UAE, Ministerial Decision 74 of 2023, issued by the Ministry of Finance, contains information on the procedure for conducting corporate tax audits.

Audits primarily seek to validate the information disclosed and check the organization's compliance with tax legislation and norms.



# Audited Financial Statements Are Mandatory for Entities

The UAE Cabinet has issued Ministerial Decision  
No. 82 of 2023

Which define the audit standards for tax purposes for corporate  
income tax in the UAE. Maintaining and preparing audited financial  
statements is mandatory for the following taxable persons:

## Entity

Subject to tax with  
revenue of more than  
AED 50M in a particular  
tax year

## QFZP

A Qualifying  
Free-Zone  
Person



# Financial Audits of Mainland Companies

Commercial Companies Federal Decree-Law No. 32/2021 declared it mandatory for all companies established in the UAE mainland to get their financial audits.



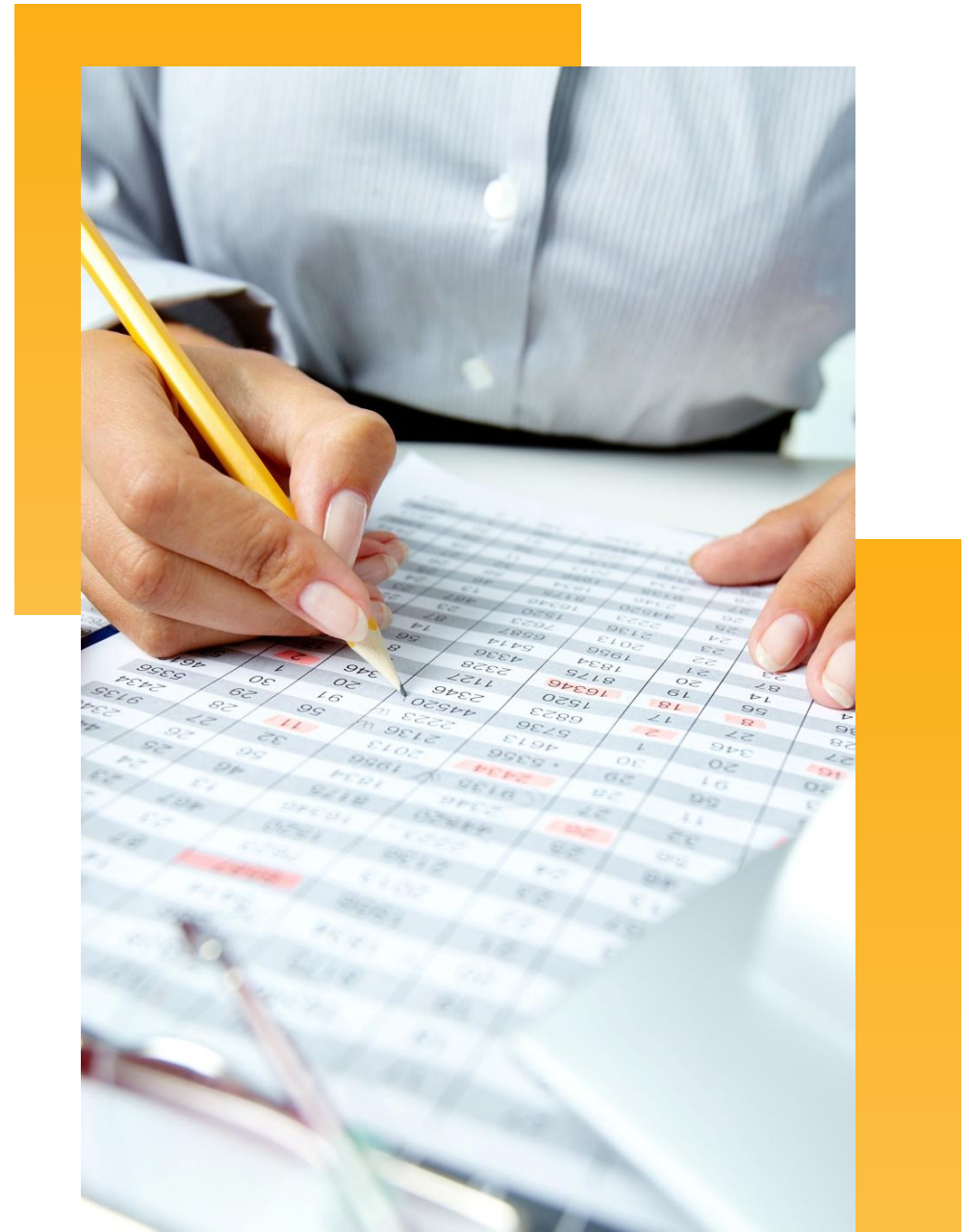
## Mandatory Audit

In mainland firms, there is a legal requirement for external audits that involve checking the firm's financial statements, activities, and conformity to accounting practices and laws.



## Record Keeping

It was noted that to meet the legal requirements, companies must retain their financial records for at least 5 years





# Financial Audits for Free Zone Companies

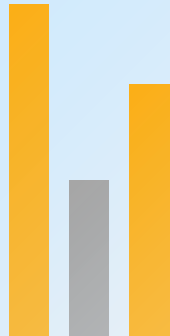
Free zones in the UAE have their own set of rules and regulations that govern the activities in these zones. Audit requirements for free zone companies include

## Not Necessarily Audited

FZ companies do not have to automatically submit their audit report. Certain entities require mandatory audits, for instance, FZE and FZCO may require mandatory audits

## Internal Preparation

Nonetheless, even if it is not obligatory, free zone companies are advised to prepare audit reports in case they will be needed sometime in the future



Department of  
Economic  
Development is  
an example for  
competent  
authority



Mainland vs Free Zone

# Mainland Companies (Onshore)

- ✓ Not within the free zones
- ✓ Licenses issued by the competent authority

Suitable for companies planning to do business within the UAE mainland or take on government contracts.

Mainland vs Free Zone

## Free Zone Companies

These companies are primarily allowed to conduct business within the Free Zone or internationally. Licenses are issued by the respective Free Zone authorities.

Free Zones offer attractive benefits such as tax exemptions, full repatriation of profits, customs privileges, and a simplified company setup process.

**Located within  
designated Free  
Zones** across the UAE.

**No legal requirement**  
to present the audit  
reports to the  
authorities, but they  
must have proper  
accounting records





# Statutory Audit

A statutory audit is a process of examination of a company's financial situation and its results as stated by its financial reports

## Purpose and Scope of Statutory Audit →

### External Auditors

- **Independence:** The external auditors carry out statutory audits to offer independent opinions of the financial health of the company.
- **Appointment:** The regulatory authorities or shareholders.

### Objective

Ensure the stakeholders are confident in the financial statements and that they are credible, consistent, and by the law.

### Annual Basis

Usually, it is performed once a year, but the frequency of their conduct depends on the local legislation and the nature of the organization

### Entities Covered

Mandatory for certain subjects prescribed by legal acts, commonly, it concerns public interest entities and companies subject to regulation





# List of Documents Required for Statutory Audit in UAE

To carry out a statutory audit, the auditors require certain documents, among which are the following.



## Basic Company Details

Details on the organization's organizational and legal profile, and ownership structure. Like, MoA, TL, etc...



## Cash Transactions

Cash statement related to cash flow in and out of the business with proper authorization



## Fixed Assets

Fixed asset register and Lists of depreciation schedules for assets with supporting documents



## Business Contracts

Examples include tenancy and rental agreements, leasing, and other business undertakings



## Bank Statements

Documentation of the financial activities of an organization, such as the money that is coming in and the money going out



## Statutory Dues

Adherence to tax remittances, social security contributions, and other legal requirements concerning the company's operations

# List of Documents Required for Statutory Audit in UAE

To carry out a statutory audit, the auditors require certain documents, among which are the following.



## Inventory

Accounts for inventory items and Evaluation method adopted



## Credit, Loans, and Advances

Statement for Borrowings, loans, and advances account



## Transaction Details

Detailed records of all the company's activities



## Purchases (Local and Imported)

Documentation of the items bought and/or received



## Payables and Receivables

Documents for buying, selling, and payments—like invoices, POs, payment records, bank statements, and aging reports.



## Overhead Costs

It included the business operating expenses, for instance, the employees' wages, electricity, and other administrative expenses.



# Audit Timeframe and Extension

The limitation period is **5 years** for an audit from the conclusion of the tax period or from the tax declaration date. In case there is tax evasion or suspicion of fraud, the time limit can be extended up to more than five years by the Federal Tax Authority, bringing the total to ten years.

**5**

The FTA must provide at least **five business days'** notice for the audit date, except when it suspects that the entity will interfere with the process.



## Location of Audit and Compliance Functions

It is possible to conduct the audits at the FTA office, the taxable enterprise's place of business, or any other place where the entity does business. The taxable entity has to provide the FTA with the information, documents, records, or data that have been requested by the FTA within the stipulated time and work in hand with the FTA for proper assessment

## Assessment of Tax Liability and Audit Findings Reporting

Specifically, the FTA issues an audit report to the taxpayer that includes all findings, observations, recommendations, and any amount of tax that the taxpayer owes or is due a refund for or overpaid.

According to the audit report, the FTA comes up with the tax amount to be paid by the taxpayer, and if the taxpayer disagrees with the amount, they can appeal within 30 days by submitting an objection form with supporting documents to the FTA.



# Have Questions? Contact Us Today

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