

OPINION

SPOTLIGHT SERIES ON EXTERNAL FINANCIAL AUDITING IN THE UAE WHY YOUR BUSINESS MUST BE AUDITED



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Introduction

Ever-changing law and regulation in the UAE have led to significant changes in the external financial audit environment.

In this series, we clarify the current statutory requirement with regard to the external financial audit, how the audit profession is changing to meet the new challenges, what standards of financial reporting are now stipulated in law and what the benefits of a professional external financial audit are for businesses in the UAE.

In the first of this spotlight series, we focus on the statutory and regulatory requirement for a business to have an external financial audit.

Do I require an audit for my business?

There is, unsurprisingly, much confusion in the minds of businesspeople in the UAE surrounding the requirement for a financial audit of the books of account of companies in the UAE.

With some minor exceptions, **an audit by a UAE-registered audit firm is effectively a mandatory requirement for all companies in the UAE**, irrespective of their size and structure.

This has been the case under Commercial Law for several years now, but strict adherence to this has not been universally monitored. The introduction of Corporate Tax (CT), with the annual financial statements being the basis for the computation of the CT liability, means the UAE authorities have a financial imperative to strictly apply this mandatory requirement and it is anticipated that they will do so.

a. Mainland Commercial Law

For mainland companies, Federal Law number (32) of 2021, states that every limited liability company (LLC) shall have one or more auditors to audit the accounts of the Company on a yearly basis. The remaining forms of companies may appoint an auditor in accordance with the provisions of this Decree-Law.

b. Free Zone Commercial Law

Federal Law number (32) does not apply to free zone companies. Free zones set their own commercial laws and regulations. As such, with the exception of some small companies in DIFC and ADGM and companies incorporated in the Abu Dhabi Airports Freezone (where the regulations are silent in audit), all free zone companies must conduct an audit.

c. Corporate Tax Law

The UAE Corporate tax regime reinforces the need for audit but is less comprehensive than Federal and Free Zone commercial law, stating that taxable persons with revenues of Dh50 million (USD 13.6m) or more are required to prepare and maintain audited financial statements. In addition, taxable persons who wish to qualify as a 'Qualifying Free Zone Person (QFZP) and are eligible for the 0% tax regime, must have their accounts audited.

External or statutory auditors are responsible to review, validate and report a business's tax provisions. This helps to ensure that the amount of taxes owed is accurately calculated and reported. An auditor must also consider any potential tax-related risks and uncertainties that could have an impact on the financial statements.

How can we help

RAA is a top international quality, UAE-headquartered audit firm. We provide audits ranging from small entrepreneurs to complex multinationals. We offer our clients high quality and competent auditors at **prices that are far more competitive** than Big 4 and other UAE-based international offices.

Who we are

RAA Auditing is a UAE-registered audit and accounting firm in Dubai, with extensive experience of auditing in both the UAE mainland and most of the free zones.

We are focused on providing entrepreneurial businesses of varying sizes with timely, proactive, and customized business solutions from start-up and early development to the latest stages of a business's lifecycle. Our audits aim to help clients mitigate risk, improve operational efficiencies, and safeguard their business by providing clarity on issues that matter.

Our audit and liquidation assignments are led by independent auditors with a commitment to the highest standard.

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