

HOW TO STAY COMPLIANT IN RAPIDLY CHANGING LEGAL AND REGULATORY ENVIRONMENTS – BEST PRACTICES FOR BUSINESSES IN THE UAE

The UAE's legal and regulatory landscape continues to evolve rapidly, reflecting the country's commitment to international best practices, economic diversification, and transparent business governance. The introduction of **UAE Corporate Tax**, continued enhancements to the **VAT regime**, strengthened **Anti-Money Laundering and Counter-Terrorist Financing (AML/CFT)** requirements, data protection legislation, sanctions compliance, Ultimate Beneficial Ownership (UBO) transparency, Economic Substance reforms, and increased sector-specific regulation have significantly expanded the compliance obligations of businesses operating in both the UAE mainland and its financial and commercial free zones.

From our experience advising local and international businesses, compliance should no longer be viewed as a periodic legal exercise but as an essential component of corporate governance and strategic risk management. Organisations that implement a proactive compliance framework are better positioned to minimise regulatory risk, maintain investor confidence, and avoid financial penalties, licence restrictions, reputational damage, and business disruption.

A practical starting point is to establish a comprehensive compliance governance framework with clearly defined responsibilities at board and senior management level. Regular legal, regulatory, tax, and compliance reviews should be undertaken to identify legislative developments, assess their impact on business operations, and implement appropriate internal policies and procedures. Businesses should avoid relying on outdated precedents or historic practices, particularly in areas where legislation and regulatory expectations continue to evolve.

Companies should adopt a **risk-based compliance approach**, conducting periodic assessments across key legal and regulatory areas, including corporate governance, commercial contracts, **UAE Corporate Tax and VAT**, **AML/CFT compliance**, sanctions screening, data protection, employment law, intellectual property, competition law, and sector-specific licensing obligations. This enables management to identify high-risk areas, allocate resources effectively, and demonstrate an appropriate compliance culture to regulators.

Particular attention should be given to **tax governance**. Businesses should ensure timely Corporate Tax and VAT registrations where applicable, maintain accurate accounting records, assess the tax implications of cross-border transactions, review transfer pricing arrangements, and implement appropriate documentation to support related-party transactions. Regular tax health checks can identify potential risks before they become costly disputes or assessments.

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Equally important is the establishment of a robust **AML/CFT compliance programme**, particularly for Designated Non-Financial Businesses and Professions (DNFBPs), financial institutions, and businesses operating in higher-risk sectors. Best practice includes conducting enterprise-wide risk assessments, customer due diligence (CDD) and enhanced due diligence (EDD) where appropriate, beneficial ownership verification, sanctions and politically exposed person (PEP) screening, transaction monitoring, suspicious activity reporting, employee training, and periodic independent compliance reviews. An effective AML/CFT framework not only satisfies regulatory obligations but also protects businesses from financial crime and reputational risk.

Businesses should also maintain effective internal controls through documented approval procedures, contract management systems, compliance registers, delegated authority frameworks, and periodic internal audits. Ongoing employee training remains essential, ensuring that management and staff understand evolving legal obligations and are equipped to identify potential compliance issues at an early stage.

For organisations operating across multiple jurisdictions, compliance programmes should be coordinated globally while remaining tailored to local legal requirements. Cross-border businesses must carefully manage differences in tax legislation, data protection, AML/CFT obligations, employment law, and regulatory reporting to ensure consistent compliance across all jurisdictions.

Finally, businesses should view external legal advisers as strategic partners rather than engaging them only when disputes arise. Ongoing legal support enables organisations to anticipate legislative developments, review commercial arrangements proactively, strengthen governance, and respond efficiently to changing regulatory expectations before they impact business operations.

Our Key Advice: In today's regulatory environment, compliance is no longer simply about meeting minimum legal requirements—it is a strategic business function. Businesses that integrate legal compliance, tax governance, and AML/CFT controls into their corporate culture are better equipped to navigate regulatory change, attract investors and financial institutions, maintain strong relationships with regulators, and support sustainable business growth. A proactive, risk-based compliance framework is one of the most valuable investments a business can make in protecting its long-term commercial success.