Navigating IFZA's New Financial Reporting Mandate

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A Strategic Shift in Corporate Compliance

TheInternational Free ZoneAuthority's (IFZA) new mandate for mandatory financial statement submissions represents a pivotal development in the UAE's broader push for greater financial transparency and regulatory maturity. This is more than an administrative update; it is a strategic alignment with global best practices and foundational national framework.

For the business, this means treating financial reporting not as a year-end chore, but as a core component of your operational strategy.

This guide provides a clear, comprehensive, and actionable breakdown of the new requirements for all IFZA licensees. Our objective is to dissect the core mandate, outline the distinct reporting paths, detail the specific accounting standards, and clarify the submission process, empowering you to navigate these changes with confidence and precision.

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Understanding the fundamental obligations

Who is affected ?

This new requirement applies unequivocally to all IFZA licensees, without exception. This includes both Free Zone Companies (FZCOs) and Branch offices.

Implementation timeline

The critical effective date for this mandate is September 30, 2025**.**

License Renewals On or After September 30, 2025:

Submission of the requiredFinancialStatementsis mandatory as part of the renewal process.

License Renewals Before September 30, 2025:

Submission is not required for the 2025 renewal cycle. However, it will become mandatory for the subsequent renewal in the following year.

Financial Period

The Financial Statements must cover the most recently completed financial year as of the license renewal date.

Determining the Financial Year

The company's official financial year is not arbitrary; it is formally stipulated in Section 75 of the company’s Articles of Association (AOA).

Simplified Financial Statement Vs. Full Audit.

IFZA's two-path system is a welcome, pragmatic approach, recognizing that the compliance needs of a startup or SME are fundamentally different from those of a large enterprise. This tiered structure is designed to align the compliance burden with the scale of a company's operations.

Criteria for Simplified Financial Statements

To qualify for the streamlined process of submitting a Simplified Financial Statement, a company must meet both of the following criteria:

1. **Annual Turnover :** Is equal to or below **AED 3 million** for the completed financial year.

2. **Employee Count:** The company had **nine or fewer employees** at any point during the completed financial year.

When are Audited Financial Statements Required ?

If **either** of the above criteria is not met, full Audited Financial Statements are required to be submitted.

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Simplified Financial Statement Vs. Full Audit.(Continued)

To ensure absolute clarity, IFZA has provided specific definitions for the key terms that underpin these criteria:

Term	Official IFZA Definition
Turnover	Turnover means the gross amount of income derived during a financial year. Turnover should be determined based on the market related principles (similar to those applied for UAE Corporate Tax Law). When determining the turnover, the income from all business activities undertaken by a company must be included
Employee	An employee is defined as any individual performing work or services under an executed EmploymentContract-whetherdirectlysponsoredorotherwise-providedtheyoperateunder the company's supervision and contribute to its business operations

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Ensure the accounting and preparation standards

In alignment with UAE Corporate Tax Law, the required accounting standard is determined by the company's **annual turnover**:

Cash Basis

Annual Turnover ≤ AED 3 Million

The financial statements must use the Cash Basis of accounting.

IFRS for SME's

AED 3 Million $<$ Annual Turnover $<$ AED 50 Million

The financial statements must be prepared using IFRS for SME's.

IFRS

Annual Turnover $>$ AED 50 Million

The financial statements must be prepared using full International Financial Reporting Standards (IFRS).

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Preparation and Formatting Requirements

The preparation and formatting rules differ significantly between the two statement types:

For Simplified Financial Statements

It is mandatory that licensees use the official, IFZA-provided template. **No other format will be accepted**. This ensures uniformity and streamlines the review process for qualifying companies. The template can be previewed here:

Simplified Financial Statement preview

For Audited Financial Statements

These financial statements must be prepared, then certified, and signed by a **registered UAE auditor**.

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Final Steps to Compliance

Authorization and Signature

- Whether the completed Financial Statements, Simplified or Audited, must be electronically signed by an authorized signatory of the company. The individuals permitted to provide this authorization are the company's Manager, Director, or Shareholder.

How to submit

- The prepared and signed Financial Statements must be submitted via a dedicated electronic form. This form is not a publicly available link; it will be provided directly by IFZA to the company as an integral part of the official license renewal process.

With the set of financial statements correctly prepared and formatted as required, the final steps involve proper authorization and submission through the designated channels to complete the compliance cycle.

The Compliance Checklist

Here is a summary of the most critical action items.

1.Verify Your Financial Year:

Locate thecompany'sArticlesofAssociation (AOA) and confirm the financialyearstipulatedin Section 75. This is the official reporting period.

2. Assess the Reporting Path:

Calculate the annual turnover and maximum employee count for the most recently completed financial year. This will definitively determine if the company require a Simplified or Audited Financial statements.

3. Align Accounting Practices:

Ensure the internalbookkeeping andreporting methods are consistent with the correct standard (Cash Basis,IFRSforSMEs,orfullIFRS)based on the turnover.

4.Engage Resources Early:

Engagingwith a qualifiedUAE accounting and auditing professional well ahead of y

licenserenewal date to ensure timely preparation and avoid last-minute complications.

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How BAM can assist you

1. Simplified Financial Statement Preparation

Preparation of IFZA-approved templates for eligible companies (turnover ≤AED 3M, ≤9 employees)

2. Audited financial statements and audit support services

Preparation of the audited financial statements and audit support services by registered UAE auditors for companies exceeding simplified statement criteria.

3. Accounting Standards Advisory

Guidance on applicable accounting standards (Cash Basis, IFRS for SMEs, or IFRS) based on your turnover.

4. Year-Round Bookkeeping & Accounting

Monthlybookkeeping,reconciliations,andfinancial records maintenance for audit-ready accounts.

5. Financial Year-End Management

Year-end closing services and preparation of financial statements ready for IFZA submission.

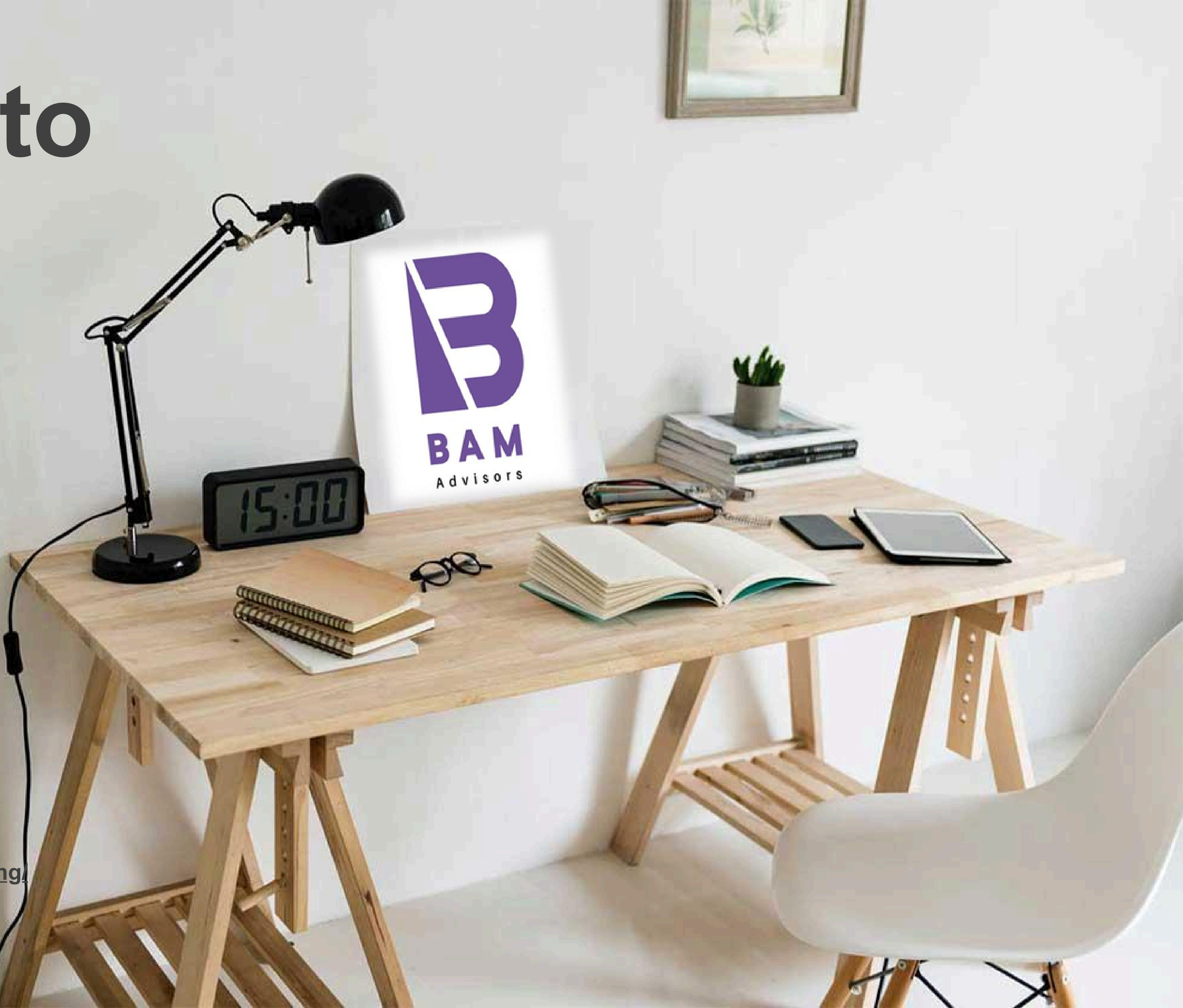
6. UAE Corporate Tax Compliance

Corporate tax returns and alignment of financial statements with FTA requirements for dual compliance.

Reach out to our Team

Bazaar Accounting and Management Advisors LLC

BAM Tax Advisors LLC



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