

# DOING BUSINESS

IN THE UNITED ARAB EMIRATES

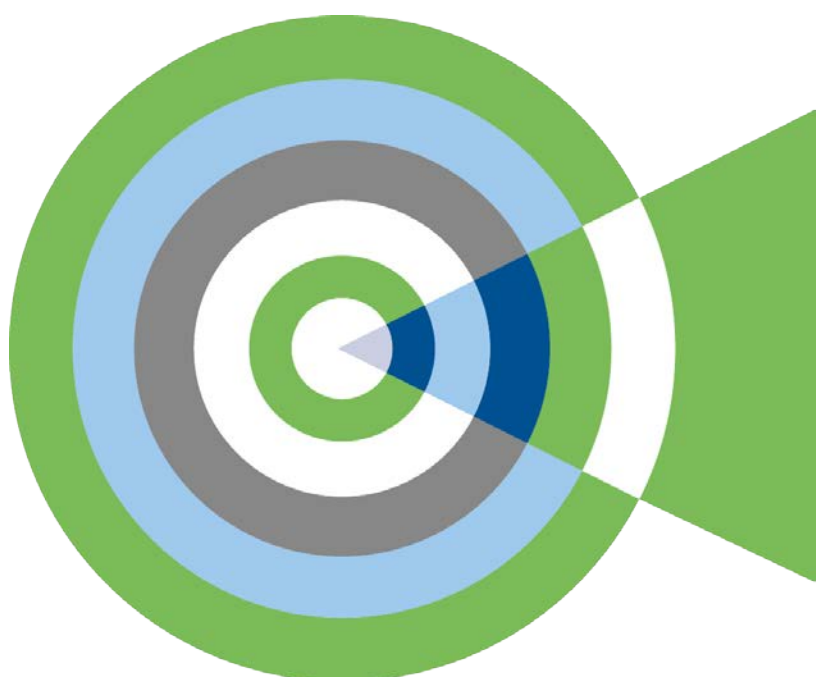


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# 1 – INTRODUCTION

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UHY is an international organisation providing accountancy, business management and consultancy services through financial business centres in over 90 countries throughout the world.

Business partners work together through the network to conduct transnational operations for clients as well as offering specialist knowledge and experience within their own national borders. Global specialists in various industry and market sectors are also available for consultation.

This detailed report providing key issues and information for investors considering business operations in the United Arab Emirates has been provided by the office of UHY representatives:

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A detailed firm profile for UHY's representation in the United Arab Emirates can be found in section 8.

Information in the following pages has been updated so that they are effective at the date shown, but inevitably they are both general and subject to change and should be used for guidance only. For specific matters, investors are strongly advised to obtain further information and take professional advice before making any decisions. This publication is current at November 2016.

We look forward to helping you do business in the United Arab Emirates.

## 2 – BUSINESS ENVIRONMENT

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The United Arab Emirates (the UAE), *Al Emarat Al Arabiyah Al Mutahidah* in Arabic, was established in 1971 and is a federation of seven emirates: Abu Dhabi, Dubai, Sharjah, Ras Al Khaimah, Umm Al Quwain, Ajman and Fujairah.

From the 1850s until the union of the individual emirates in 1971, the British colonial administration maintained influence in the region and each emirate entered into separate treaties with the British administration. The emirates were then collectively known as the Trucial States or Sheikdoms.

Each individual emirate was led by a sheikh who belonged to a particular tribe, which was frequently the most influential tribe in that area. The tribe often branched into several smaller tribes, and each also had their own leaders who would work closely with the sheikh in political and other matters. For example, the Al Bu Falah tribe from which the current President of the UAE, H H Sheikh Khalifa Bin Zayed Al Nahyanis descended, is part of the BaniYas tribe, which consisted of more than 12 tribes.

The UAE is now known as one of the Middle East's most dynamic countries. Positive planning and vibrant enterprises have developed the cities of the emirates to a level of luxury that can only be matched by the most glittering cities of the world.

Abundant wealth in natural resources such as oil, coupled with well-planned enterprise initiatives in the business community which are supported by the rulers, have resulted in flourishing industry, trade and service sectors.

The UAE's easy and tolerant lifestyle has also been a major factor in attracting overseas investment. Alcohol is permitted subject to certain rules and first-class leisure facilities have emerged and are still emerging. The attitude towards women is liberal and many women, both foreign and local, pursue successful careers in the emirates. Unlike some areas in the Middle East, women are free to drive and move around town unaccompanied.

Moreover, the UAE is a very clean country and contains facilities that modern businessmen or businesswomen and their families may require. Its standard of living is high. Accommodation is modern and spacious and most of the major international hotel chains are represented or have a presence here. There are 75 British Curriculum Schools and numerous Universities including a British University.

An important aspect of the UAE, easily noticeable to foreign visitors, is that it is a virtually crime-free country with one of the lowest crime rates in the world. This congenial socio-economic environment has led to the UAE being an attractive destination for expatriate workers with more than 200 different nationalities living and working in the UAE.

### ECONOMY

Key aspects of the UAE's economic growth are presented in the table on the next page.

TABLE 1

United Arab Emirates | Economic Forecasts | 2016-2020 Outlook

Overview	Actual	Q4/16	Q1/17	Q2/17	Q3/17	2020
<b>GDP Growth Rate</b>	3.90	2.4	2.3	2.3	2.3	4.3
<b>Unemployment Rate</b>	4.20	4.5	4.6	4.6	4.6	4.9
<b>Inflation Rate</b>	0.60	1.2	1.5	1.8	2.1	3.3
<b>Interest Rate</b>	1.25	1.75	2	2	2	5.25
<b>Balance of Trade (AED Million)</b>	328,300	102,000	236,000	236,000	236,000	580,000
<b>Government Debt to GDP</b>	15.68	21	19.8	19.8	19.8	22.32
<b>MARKETS</b>						
Currency	3.67	3.71	3.74	3.78	3.82	4.4
Stock Market	4281.60	4360	4320	4280	4230	3530
<b>GDP</b>						
GDP Growth Rate	3.90	2.4	2.3	2.3	2.3	4.3
GDP Annual Growth Rate	3.40	2.3	2.5	2.5	2.6	4.3
<b>GDP - USD Billion</b>	370.29	403	403	403	395	415
<b>GDP Constant Prices - AED Million</b>	1184655.70	1209188	1239501	1239814	1249814	1365597
<b>Gross Fixed Capital Formation - AED Million</b>	340110.84	339388	352240	35092	350796	398609
<b>GDP per capita - USD</b>	39543.71	39695	39801	39908	40014	29600
<b>GDP per capita USDPPP</b>	66102.19	67900	67900	67900	64895	80300
<b>LABOUR</b>						
Unemployment Rate	4.20	4.5	4.6	4.6	4.6	4.9
<b>Population - Million</b>	9.16	9.29	9.34	9.4	9.45	10.4
<b>PRICES</b>						
<b>Inflation Rate percent</b>	0.60	1.2	1.5	1.8	2.1	3.3
<b>Consumer Price Index CPI Index Points</b>	127.89	130	130	132	135	155
<b>Food Inflation - percent</b>	1.70	1.7	2.2	2.7	2.9	2.5
<b>Inflation Rate Mom – percent</b>	-0.30	0.4	0.2	0.3	0.2	0.2
<b>MONEY</b>						
<b>Interest Rate - percent</b>	1.25	1.75	2	2	2	5.25

	Actual	Q4/16	Q1/17	Q2/17	Q3/17	2020
Money Supply M0 - <b>AED Million</b>	77300.00	78803	80251	81717	83204	104742
Money Supply M1 - <b>AED Million</b>	472500.00	496000	499000	504142	545313	550000
Money Supply M2 - <b>AED Million</b>	1200200.00	1214394	1236955	1259415	1281886	1510000
Money Supply M3 - <b>AED Million</b>	1368600.00	1378461	1395430	1412947	1430885	1689650
Banks Balance Sheet - <b>AED Billion</b>	2444.00	2475	2521	2568	2615	3308
Deposit Interest Rate – <b>percent</b>	3.60	1.9	1.9	1.9	1.9	4
Loan Growth – <b>percent</b>	5.90	6.3	6	5.8	5.3	6
Loans To Private Sector - <b>AED Million</b>	708481.00	708000	710000	714560	718600	819000
Interbank Rate - <b>Percent</b>	1.32	1.3	1.3	1.3	1.5	2
Central Bank Balance Sheet - <b>AED Billion</b>	367.79	380	392	400	410	528
Foreign Exchange Reserves - <b>AED Billion</b>	301.60	315	328	328	340	567
<b>TRADE</b>						
Balance of Trade - <b>AED Million</b>	328300.00	102000	236000	236000	236000	580000
Exports - <b>AED Million</b>	1224300.00	1010000	1180000	118000	1180000	1680000
Imports - <b>AED Million</b>	896000.00	908000	944000	944000	944000	1100000
Current Account - <b>SYP Million</b>	79300.00	55200	63400	63400	63400	138900
Current Account to GDP - <b>percent</b>	5.80	4	4.7	4.7	4.7	7.28
Gold Reserves - <b>Tons</b>	7.46	7.5	7.5	7.8	8	12
Crude Oil Production - <b>BBL/D/1K</b>	3186.00	2820	2820	2820	3083	2920
Terrorism Index	1.05	0.78	0.72	0.67	0.7	1.9
Weapons Sales - <b>USD</b>	63.00	30.79	36.03	41.28	38	52
Foreign Direct Investment - <b>AED Million</b>	38200.00	30560	35560	35560	35560	56000
<b>GOVERNMENT</b>						
Government Debt to GDP - <b>Percent</b>	15.68	21	19.8	19.8	19.8	22.32
Government Budget - <b>Percent of GDP</b>	5.00	-1	-1	-1	-1.5	1.5

	Actual	Q4/16	Q1/17	Q2/17	Q3/17	2020
Government Spending - <b>AED Million</b>	156849.30	148300	152300	152300	153000	202292
Military Expenditure - <b>USD Million</b>	22755.10	22177	21936	21695	22043	26521
<b>BUSINESS</b>						
Manufacturing PMI	53.30	52.2	52.9	54.1	54.8	58
Changes in Inventories - <b>AED Million</b>	16027.55	5100	5500	5800	6000	17033
Competitiveness Index - <b>Points</b>	5.26	5.2	5.36	5.22	5.22	5.7
Competitiveness Rank	16.00	18	16	16	20.79	11
Ease of Doing Business	26.00	30	28	28	28	26
Corruption Index - <b>Points</b>	70.00	71	71	72	72	80
Corruption Rank	23.00	24	24	24	24	18
<b>CONSUMER</b>						
Consumer Confidence	109.00	100	102	103	101	113
Consumer Spending - <b>AED Million</b>	453623.00	406977	432381	432381	432381	508754
Private Sector Credit - <b>AED Million</b>	1075057.00	1089095	1075742	1085755	1098452	1370000
Consumer Credit - <b>AED</b> <b>Million</b>	137637.00	139547	140224	142224	145395	165395
Gasoline Prices - <b>USD/</b> <b>Liter</b>	0.45	0.46	0.48	0.5	0.53	0.9
<b>TAXES</b>						
Corporate Tax Rate - <b>percent</b>	55.00	55	55	55	55	55
Personal Income Tax Rate - <b>percent</b>	0.00	0	0	0	0	0
Social Security Rate - <b>Percent</b>	17.50	17.5	17.5	17.5	17.5	17.5
Social Security Rate For Companies - <b>Percent</b>	12.50	12.5	12.5	12.5	12.5	12.5
Social Security Rate For Employees - <b>Percent</b>	5.00	5	5	5	5	5
Sales Tax Rate - <b>Percent</b>	0.00	0	0	0	0	5

## LOCATION

The UAE is situated in south-west Asia, bordering the Gulf of Oman and the Persian Gulf, between Oman and Saudi Arabia. It is in a strategic location along southern approaches to the Strait of Hormuz, a vital transit point for the world's crude oil.

The UAE is strategically positioned close to the entrance of the Arabian Gulf, with extensive coastlines on its western and northern regions together with an eastern coastline bordering the Arabian Sea.

The climate of the UAE is generally hot and dry. The hottest months are July and August, when average maximum temperatures reach above 48°C (118°F) on the coastal plain. In the Al Hajar Mountains, temperatures are considerably cooler because of the higher altitude. Average minimum temperatures in January and February are between 10°C (50°F) and 14°C (57°F).

The central location of the UAE makes it convenient to speak to Singapore and the USA (or anywhere in between) during office working hours. UAE is GMT+4, while Singapore is GMT+8 and the USA (EST) is GMT-5 hours.

## TOURISM

Lying on the calm, blue waters of the Arabian Gulf and flanked by majestic desert, the UAE offers year-round sunshine and five-star luxury. The UAE has welcomed seafarers and traders to its shores for generations. Today, this tradition of courtesy and hospitality lives on. The UAE's streets are clean and safe, and travellers are charmed by its warmth and friendliness.

The UAE has something for all holidaymakers and is also rapidly emerging as an international conference, exhibition and incentive destination. It has superb sports, shopping, and dining and entertainment facilities.

## POPULATION

The population of the UAE was 5,536,000 at the end of 2012. Expatriates make up the majority of the population and are mainly drawn from the Indian subcontinent, Europe and neighbouring Arab countries. Most of the land in the UAE is sparsely populated and the population is centred mostly in the cities of Dubai, Abu Dhabi and Sharjah.

Population growth in the UAE has been strong over the last 18 years:

1960	92,612
1965	150,318
1970	235,434
1975	531,265
1980	1,016,789
1985	1,350,433
1990	1,811,458
1995	2,350,192
2000	3,050,128
2005	4,481,976
2010	8,329,453
2015	9,156,963
2016	9,266,971



## INFRASTRUCTURE

The UAE has been spending billions of dollars on infrastructure and is the biggest projects market in the region, accounting for 37% of total project value within the construction, oil and gas, petrochemicals, power and water and waste sectors. Many huge investments have been poured into real estate, tourism and leisure. These developments are particularly evident in the larger emirates of Abu Dhabi and Dubai.

Governments in the northern emirates are rapidly following suit, providing major incentives for developers of residential and commercial property. Money will be allocated to fund the construction of road networks, new housing communities, drainage networks and other projects, providing integrated solutions to some infrastructure issues in these areas.

One of the strategic goals of the National Transport Authority is to bolster the railway industry and achieve a safe and sustainable transport system. The Etihad Trains Company was set up by the Cabinet Decree No. 2 of 2010. The company will engage in transporting goods and passengers and invest in a countrywide rail network that will link all seven emirates.

## REAL ESTATE

Traditionally, only UAE nationals and nationals of the Gulf Cooperation Council (GCC)/Arabian Gulf Cooperation Council (AGCC) countries can own property in the UAE. However, from early 2004, Dubai opened its real estate ownership to expatriates, limiting this to developments in the 'free zone' or 'new Dubai' areas. This has been a major area of growth in the last five years.

Following Dubai, other emirates followed suit and passed laws whereby expatriates could own properties in free zone locations.

Due to the global financial crisis, the real estate sector in the UAE has been adversely affected. Prices have plummeted by 40–50% in some areas. Laws have been formulated to protect the interests of investors. The Real Estate Regulatory Agency has been established to monitor and regulate the sector. The Department of Lands and Properties issues title deeds for real property rights in accordance with the current records in the real property register.

## COMMUNICATIONS

The UAE's telecommunications sector is regulated by the UAE's Telecommunications Regulatory Authority (TRA) and is presently serviced by two telecommunications operators, Etisalat and du, both of which are majority owned by the government. Both providers have shown remarkable resilience in the difficult macro-economic climate.

Etisalat has been investing in communications infrastructure and providing, since its establishment in 1976, a full range of telecommunications service, including fixed-line telephony, fixed and wireless internet access, cable TV and mobile coverage in the UAE. The corporation operated a monopoly until du launched mobile services in 2007. However, Etisalat remains the UAE's biggest telecoms provider and is heavily expanding internationally. Etisalat is now the 16th largest telecommunications firm in the world and its international subscriber base is in the region of 100 million, with operations covering nearly two billion people across its 18 markets around the world.

## POWER

The power and water desalination industry in the UAE is characterised by a limited source of supply struggling to cater to the escalating demand for water fuelled by increasing population and improved standards of living.

The current challenges, in terms of a lack of supply, particularly affect the Federal Electricity and Water Authority (FEWA) in the northern emirates, although both Abu Dhabi and Dubai also face constraints. Substantial progress has been made in tackling these problems. Thus, for example, the Dubai Electricity and Water Authority (DEWA) and Abu Dhabi Water and Electricity Authority (ADWEA) secured financing for new projects, whilst Abu Dhabi both extended financial aid for new infrastructure and stepped up exports of electricity from its own power stations to Sharjah and the northern emirates in order to address the shortfall in supply. Recognising the importance of sustainable development, attention has also been paid to promoting public awareness about the need to reduce electricity and water consumption growth.

New sources of energy are planned in the form of solar plants and nuclear reactors. One of the most important development-related events in the country's history is the signing of an AED 75 billion (USD 20 billion) contract with a consortium of Korean firms to build four nuclear power stations by 2020. The move means that the UAE will be the first Arab nation to tap atomic power on a commercial scale.

## INDUSTRY

The discovery of oil ushered the UAE into the industrial age. This industrialisation process gathered momentum following the formation of the Federation. During the last two decades, with the government's increasing emphasis on diversification and with the basic building blocks such as capital and energy readily available, the manufacturing sector has made significant progress in the UAE.

Free zones have played an instrumental role in attracting manufacturing industries and today hundreds of factories covering a wide range of manufacturing activities are distributed throughout the country. Cement, building materials, aluminium, chemical fertilisers and foodstuffs top the list, followed by garments, furniture, paper and carton, plastics, fibre glass and processed metals.

## CURRENCY

The unit of currency in UAE is the UAE dirham, also referred to as the Arab Emirate dirham (AED) in international markets.

Each dirham is divided into units of 100 fils. Currency notes are issued in denominations of 5, 10, 20, 50, 100, 200, 500 and 1,000 dirhams. Coin denominations are 1, 5, 10, 25 and 50 fils and 1 dirham. However, coins with a denomination below 25 fils are rarely used.

The value of the dirham has been fixed to the US dollar since 1980 at the rate of 1 USD = AED 3.67.

## FINANCE AND BANKING

The UAE's banking and monetary system has made significant progress in recent years due to the Central Bank's (the regulator) increasingly strict control of financial institutions. Over the last ten years, the Central Bank has played an important role in supervising the banking industry and has contributed to improving the quality of services and performance of several banks.

The number of foreign bank representative offices in the UAE has risen steadily over the last couple of years, a trend ascribed to the flotation of several new companies and to the UAE's membership of the World Trade Organisation (WTO). A noteworthy development is the establishment of the Dubai International Financial Centre which is expected to attract a large number of financial intermediaries, including banks, set up under the Dubai International Financial Centre (DIFC) laws.

## STOCK EXCHANGES

The Dubai Financial Market (DFM) is operating as a secondary market for the trading of securities issued by public joint-stock companies, bonds issued by the federal government or any of the local governments and public institutions in the UAE, units of investments, local or foreign, which are accepted by the Market.

The Abu Dhabi Securities Market (ADSM) was set up at the end of 2000. Its provisions vest the Market as a legal entity of autonomous status, with independent finance and management, and give the exchange the necessary supervisory and executive powers to exercise its functions.

The Nasdaq Dubai (formerly called the Dubai International Financial Exchange or DIFX) is the international stock exchange between Western Europe and East Asia. Its standard is comparable to those of leading international exchanges in New York, London and Hong Kong.

## LOCAL TIME

The UAE is four hours ahead of GMT and there are no daylight saving time adjustments.

## RELIGION

The official religion of UAE is Islam. However, other religions are also respected. There are quite a few Christian churches in Dubai, two Hindu temples and a Sikh temple.

## CORPORATE STRUCTURES

Various legal structures are available for establishing a business in the UAE and are collectively addressed by various laws. The most prominent, and the one which may be of most interest to foreign entities, is the Federal Law No. 2 of 2015, – the 'Commercial Companies Law' and its bylaws.

Individual emirates, as well as the federal government, regulate economic activities. The authorities have sought to create an environment that is well-regulated without being unduly restrictive. As a result, the UAE offers businesses operating conditions that are among the most liberal and attractive in the Gulf region.

## EMIRATES OF THE UNITED ARAB EMIRATES (DAWLAT AL-IMĀRĀT AL-'ARABĪYAH AL-MUTTAḤĪDAH)



### EMIRATE OF ABU DHABI (ABŪ ḏABĪ)

Abu Dhabi is the biggest of the seven emirates and is the capital of the UAE.

It is one of the Arab world's largest producers of crude oil and its reserves are expected to last more than 200 years. The emirate constitutes about 80% of the UAE's land mass and had an estimated population of 2,784,000 in the middle of 2015.

Abu Dhabi commands a strategic location at the crossroads of key European, Asia Pacific, African and North American business hubs, providing greater access to many important markets and resources. It boasts an excellent and ever-expanding network of air and road links which connect the emirate with the rest of the nation and the world at large.

Abu Dhabi made key strides towards the implementation of its Plan Abu Dhabi 2030 which aims to diversify the emirate's economy away from oil while developing ambitious plans to become a genuinely sustainable world-class capital city. Urban growth challenges, brought about by demographic and population shifts, need to be addressed by developing a framework that will create sustainable communities for future generations.

The past few years have seen the Abu Dhabi emirate, which controls over 94% of the UAE's oil reserves and a similar percentage of the nation's gas wealth, taking the lead in setting ambitious economic diversification goals and fulfilling them in a steady and sustainable manner. The emirate's diversification policies demonstrate the vision of its leadership to achieve a secure energy future and a significant reduction in carbon emissions by diversifying away from fast-depleting conventional fossil energy sources. This has resulted in the creation of an entirely new economic sector in the country, the renewable or future energy sector, and today the emirate is emerging as an investment hot spot and important test bed for incubating new technologies in this vital sector.

This vision has been further translated into the development of many multi-billion projects such as the world's first zero-waste and zero-emission city, Masdar City, and later the country's landmark nuclear deal with South Korea, besides several solar power projects currently being developed across the emirate. Abu Dhabi has chosen a group of South Korean firms to build the country's first nuclear power stations. The USD 20 billion (AED 73.47 billion) award for four power stations to be built by 2020 will supply up to a quarter of the emirate's energy in ten years and will drastically cut the country's carbon footprint.

The past 30 years have been particularly successful for Abu Dhabi International Airport (ADAC) in terms of airline and infrastructure developments. Etihad Airways launched in 2003 and was named the national carrier for the UAE. Since 2011, the airport has achieved some significant milestones placing it among the world's leading airports in terms of airport development, customer services and partner relationships. In the coming five years, ADAC will be focusing on achieving further competitive milestones with the completion of the new Midfield Terminal Building (MTB), which is scheduled to open in 2017. The 700,000 square metre terminal building is a landmark project being undertaken in Abu Dhabi and the UAE and it will be able to handle 27–30 million passengers per year when it opens.

Etihad Rail is in line with the objective to further diversify the UAE economy as set by the UAE Vision 2021 and Abu Dhabi Economic Vision 2030. Etihad Rail was established in June 2009 under Federal Law no. 2, with a mandate to manage the development, construction and operation of the UAE's national freight and passenger railway network. The railway network will be built in phases to link the principal centres of population and industry of the UAE, as well as to form a vital part of the planned Gulf Cooperation Council (GCC) railway network linking the six countries of the GCC– the Kingdom of Bahrain, the State of Kuwait, Oman, Qatar, The Kingdom of Saudi Arabia and UAE.

### **EMIRATE OF DUBAI (DUBBAY)**

Dubai is the second largest emirate, with an estimated population of 2,658,528 in mid 2016.

Dubai has positioned itself as a regional business hub, an attractive tourism destination and a safe and great place to live. The development of state-of-the-art infrastructure has been one of the main reasons behind its success. Dubai has invested in the most recent technologies guided by international best practices to develop its infrastructure and promote competitiveness.

The economy of Dubai is one of the most unique and unusual in the world. As an *entrepôt* free port (*portofranco*), duties and taxes are not imposed on imported goods. Dubai has numerous free zones and has therefore attracted considerable foreign direct investment (FDI). The emirate has a network of industrial areas, business parks and highly successful, specialised free zones of international distinction, world class seaports, a major international airport and cargo village, a modern highway network, state-of-the-art telecommunications and reliable power and utility services, all of which deliver efficiency, flexibility, reliability, reasonable cost and capacity.

The focus on master-planning is also strong in Dubai, where the guiding policy document is the Dubai Strategic Plan 2015. The plan touches on urban planning; energy, electricity and water; roads and transportation and the environment. Sustainable development and a balanced view towards new infrastructure are at the core of the policy.

Dubai has recently attracted world attention through many innovative large construction projects. The city has become symbolic for its skyscrapers and high-rise buildings, such as the world's tallest, the *Burj Khalifa*, in addition to ambitious development projects including man-made islands, hotels and some of the largest shopping malls in the region and the world.

Tourism is an important part of the Dubai government's strategy to maintain the flow of foreign cash into the emirate. As of 2015, Dubai was the fourth most visited city of the world and attracted 14.3 million visitors in that year. Dubai is expected to accommodate over 15.27 million tourists this 2016.

Dubai International Airport, the hub for Emirates Airline, serves the city of Dubai and other emirates. The airport was the 15th busiest airport in the world for passenger traffic, handling 40.9 million passengers in 2009. The airport was also the second busiest airport in the world for international passenger traffic. In addition to being an important passenger traffic hub, the airport is the seventh busiest cargo airport in world, handling 1.927 million tonnes of cargo in 2009, a 5.6% increase compared to 2008. It was also the fourth busiest international freight traffic airport in world. Emirates Airline is the national airline of Dubai.

A USD 3.89 billion Dubai Metro project is operational. It currently consists of two lines (the Red and Green line) which run through the major financial and residential areas of the city. The metro system was partially opened on September 2009. A Blue and a Purple Line have also been planned. The Dubai Metro (Green and Blue Lines) will have 70km (43.5 miles) of track and 43 stations, 37 above ground and ten underground. The Dubai Metro is the first urban train network in the Arabian Peninsula. All the trains run without a driver and are based on automatic navigation.

On 2 November 2011, four cities had their bids for Expo 2020 lodged, with Dubai making a last-minute entry. The delegation from the *Bureau International des Expositions* who visited Dubai in February 2013 to examine the emirate's readiness for the largest exposition, was impressed by the infrastructure and level of national support. In May 2013, the Dubai Expo 2020 Master Plan was revealed showing the city's great chance to win. If the city's bid is successful, the event will bring huge economic benefits by generating activities worth billions of dirhams. According to a research from Oxford Economics, Dubai Expo 2020 could create over 270,000 jobs.

### **EMIRATE OF SHARJAH (ASH-SHĀRIQAH)**

Sharjah is the third largest emirate in the UAE, after Dubai and Abu Dhabi.

It is the cultural capital of the UAE and has attractive destinations for tourists. Sharjah covers approximately 2,600 square kilometres. In addition to Sharjah city, which lies on the shores of the Arabian Gulf, the emirate has three regions on the scenic east coast—Dibba Al Hisn, KhorFakkan and Kalba. Sharjah is a close neighbour to Dubai (it's only a 15-minute drive from the centre of Sharjah to Dubai International Airport).

Sharjah is among the top ten business cities in the Gulf region and the UAE's leading industrial and manufacturing capital, with 19 industrial subdivisions. Sharjah is home to approximately 40% of all industry based in the UAE, with goods being manufactured across the spectrum.

Industrial areas have been developed in specified locations and Sharjah has two world-class free zones—Al Hamriyah Free Zone and the Sharjah International Airport Free Zone. These free zones have become one-stop investment destinations, attractive due to their ability to encourage foreign investment by allowing 100% foreign ownership, being tax free and offering exemptions on customs duties.

Sharjah facilitates businesses through the establishment of free zones, with some zoned for factories and others for exhibitions and warehouses. With 48% of the UAE's total industrial revenue, Sharjah ranks first among the seven emirates in this sector.

Sharjah also enjoys a cost-effective advantage, with industrial investment costing 35% less than in other emirates. The government of Sharjah bears 70% of the real cost of energy consumption, water and electricity. With its specially modified legislation and lower costs, Sharjah aims to make conducting business within the emirate as streamlined and cost-effective as possible, building lasting relationships with its trade partners.

The lucrative economic policy makes the emirate attractive for industrial and commercial companies, and the last five years have seen extremely positive results from Sharjah-based companies. Sharjah has also forged strong economic relationships with over 125 countries around the world. Foreign trade statistics indicate that Sharjah's imports have dramatically increased during the last three years, while the number of trade licences issued within the emirate indicates an increase in domestic trade activities.

On the real estate front, Sharjah's properties remain reasonably priced and certain developments are progressing, such as Nujoom Islands, with their iconic, environmentally friendly properties in a beautiful waterfront setting on the coastline of the Sharjah emirate.

As a major logistics player, Sharjah continues to invest in its ports in the Gulf and on the east coast. Khor Fakkan, bordering the Indian Ocean, increased its capacity by 33% to handle four million twenty-foot equivalent units (TEU) in 2009, while it also expanded the size of its quays and increased the number of gantry cranes by a third.

### **FUJAIRAH (AL-FUGAYRAH)**

The Emirate of Fujairah gained recognition in 1952 and became a member of the Federation at its inception in 1971.

It is the only emirate located on the Gulf of Oman coast, away from the Hormuz Strait, and covers an area of 1,450 square kilometres. It is characterised by its mountains, which have different colours, its fertile valleys full of natural water springs, and its coastal belt of clean, golden sands extending over 90 km.

Due to its strategic position, with the UAE's only access to the Indian Ocean, Fujairah has a bustling, important multi-purpose port. In fact, Fujairah ranks as one of the top three bunkering locations in the world. Fujairah is a major bunkering port with large-scale shipping operations taking place every day. Shipping and ship-related services are thriving businesses of the city. Due to the business-friendly environment and ease of logistic support, ships trading from the Persian Gulf anchor here for provisions, bunkers, repair and technical support, and spares and stores before proceeding on long voyages. The city is geographically well-suited for such ship service activities.

The Fujairah Port is an important port for container liners and for the world's largest livestock shipping companies, which have set up their main holding station for sheep and cattle for the entire Arabian Peninsula here. The government's liberalised procedures and well-placed infrastructure provides excellent support for entrepreneurs to build, grow and diversify. The Department of Industries and Commerce provides every infrastructural facility for business in Fujairah to boom.

The Fujairah government prohibits foreigners from owning more than 49% of any business. However, the free zones have flourished, partly due to the relaxation of such a prohibition within the zones, as full foreign ownership is allowed there.

Fujairah's fertile soil has led to the establishment of a strong vegetable and animal husbandry industry. Exports of vegetables and flowers have become a lucrative business. Fishing has also been a key business in this region. So too has tourism, giving rise to the speedy development of leisure and hospitality services. Fujairah has become an important tourist destination in the UAE with its natural beauty, sandy beaches, historical attractions, mountains and oases.

### **EMIRATE OF AJMAN ('AJMĀN)**

The smallest of the seven emirates, the Emirate of Ajman is located on the coast of the Arabian Gulf in between the Emirate of Umm Al-Quwain and Sharjah.

Ajman city is the capital and the emirate's main administrative and business centre, encompassing the ruler's court, governmental departments, companies, banks and factories. Its sea port lies on the Arabian Gulf coast. Due to its strategic location at the crossroads between the emirates of the UAE, and to its economic achievements, including modern and state-of-art infrastructure, Ajman city has become an attractive hub for investments and capital, putting it in third place among the UAE emirates in terms of the number of industrial plants and facilities constructed there.

Historically, the economy of Ajman depended on fishing and trade. However, today Ajman has many diversified activities and has become an important industrial and commercial base. The growth in exports from local factories and the high industrial standards adopted, have given the industrial movement here a high degree of credibility. This has led to more capital being attracted here and the establishment of more economically developed projects which, in turn, have contributed to industrial development.



### **EMIRATE OF UMM AL QUWAIN (*UMMAL-QAYWAYN*)**

The Emirate of Umm Al Quwain, with its coastline stretching over 24km, is located on the Arabian Gulf coast of the UAE, between Sharjah to the south-west and Ras Al Khaimah to the north-east.

Its inland border lies about 32km from the main coastline. The total area of the emirate is 777 square kilometres.

Umm Al Quwain's economy is based on fishing, pearl diving, agriculture and the breeding of livestock. This has been further diversified and expanded to meet the development policy of the emirate. Expansion of creeks and wharves, the construction of Ahmed Bin Rashid Port and the establishment of a free trade zone, have all helped boost industrialisation here.

Fishing is still a major aspect in Umm Al Quwain. It is famous for its supply of grouper and oriental sole, and is a major exporter of sea foods throughout Europe and the Middle East. The Falaj Al Moalla includes the first poultry farm established in the UAE. This area is a large supplier of meat, poultry and dairy products to the local market.

### **EMIRATE OF RAS AL-KHAIMAH (*RĀS AL-KHAYMAH*)**

Ras Al Khaimah, the most northerly emirate on the UAE's west coast, has a coastline of about 64km on the Arabian Gulf, backed by a fertile hinterland, with a separate enclave in the heart of the Hajar Mountains to the south-east.

The city of Ras Al Khaimah is divided into two sections by Khor Ras Al Khaimah. Within the western section, known as Old Ras Al Khaimah, is the Ras Al Khaimah National Museum and a number of government departments. The eastern part, known as Al Nakheel, houses the ruler's office, several government departments and commercial companies. Both parts of the emirate share borders with the Sultanate of Oman.

During the past two decades, Ras Al Khaimah(RAK) has witnessed remarkable advancements, particularly in commerce and education. Connected to the other emirates by modern highways, this emirate has an efficient infrastructure, which includes hotels, hospitals, shopping centres and restaurants. Today, it is a dynamically developing emirate, with excellent scope for industrial and business growth.

The economy of RAK, based on the government's plans, will follow the Dubai model in its strategy for economic growth. The future plans for its economy lie in the real estate, infrastructure and tourism sectors. The plan largely focuses on developing the tourism sector to attract investment and having the necessary regulations to encourage and sustain economic growth.

In RAK, the private sector plays a leading role in the local economy, which is characterised by its success in business activities, particularly in the industrial field. The business-friendly policies adopted by RAK are ensuring a healthy increase in FDI and have helped in growing the emirate to become a top choice of destination for leisure and business.

Unlike other emirates in the UAE, RAK has negligible hydrocarbon deposits and has therefore sought diversification of its economy over the last few decades by opening up to foreign investors and industries.

## 3 – FOREIGN INVESTMENT

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The UAE offers international business entities a wide range of opportunities for varied activities and operations.

Activities include:

- Trade
- Transport and distribution
- Manufacturing and processing
- Regional offices.

### GOVERNMENT INITIATIVES AND INCENTIVES

The government has been proactive in ensuring the availability of infrastructure and services of the highest international standards, facilitating efficiency and quality.

Among the attractive benefits of doing business in the UAE are its:

- Free enterprise system
- Highly developed transport infrastructure
- State-of-the-art telecommunications
- Sophisticated financial and services sector
- Top international exhibition and conference venues
- High-quality office and residential accommodation
- Reliable power, utilities and allied services
- First-class hotels, hospitals, schools, shopping and marketing outlets
- Cosmopolitan lifestyle
- World-class airlines (Emirates Airlines and Etihad) connecting most of the major cities of the world with Dubai and Abu Dhabi.

International companies setting up in Dubai can obtain significant cost advantages not generally available internationally. The major factors for this are:

- No corporate taxes
- No income tax
- Regulated and least cumbersome foreign exchange control
- No trade barriers
- Low import duties (4% with many exemptions)
- Low labour costs
- Competitive real estate costs
- Competitive financing costs and high levels of liquidity
- No corporate profit or personal income taxes (except for oil companies and branches of foreign banks).

Under the federal constitution, and under the powers reserved by each individual emirate, 'free zones' have been set up each emirate. It is estimated that there are more than 20,000 companies operating out of the 30 various free zones.

Some of the advantages offered by the free zones are:

- 100% foreign owned ventures are possible

- A local sponsor or local partner is not required
- No corporate taxes for at least 15 years (renewable for an additional period of 15 years)
- No restrictions on the repatriation of capital and profits
- No personal income taxes
- No administration problems and easy, efficient services
- No currency convertibility restrictions
- Efficient communications infrastructure
- Option to lease land and develop it according to business needs.

## **BUSINESS ETIQUETTE**

Foreign investment and expatriate populations in the UAE have grown rapidly and business customs here are generally the same as in the West.

However, foreign businessmen/women should bear in mind a few points when doing business in the UAE:

- They should always be on time, although also prepared to accept delays or even postponements of meetings at short notice. Patience is a virtue and people are often expected to wait no matter how important they are. This is purely a matter of local custom and a much slower lifestyle
- Business meetings tend to be less formal. At an initial meeting there may be others in the room. Staff or other visitors may often interrupt the host. It should be noted that the purpose of a first meeting is often to arrange a further private meeting
- In any meeting or telephone conversation, a period of small talk is expected before the purpose of the meeting or call is discussed
- Business cards should be printed in both English and Arabic. All brochures and leaflets should be glossy, full of photographs and should also be printed in both English and Arabic
- Confidentiality should be respected since the UAE can be a very small community and word can get around very fast. It is therefore important that all business discussions are kept in strictest confidence. Breaches of confidence are not appreciated
- Oral agreements are binding and any negotiator must be careful not to commit verbally unless they intend to do. It should be remembered that bargaining is important. An Arab will take great pride in obtaining a good deal. This is not, however, an excuse to overcharge at the outset. There must be a reason for every price reduction so as to avoid suspicion of overpricing.
- Given the nature of Arab courtesy, a proposal is unlikely to be rejected outright at a meeting. An indication that a purchase may take place may be nothing more than polite interest in the product.

## 4 – SETTING UP A BUSINESS

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Various legal structures are available for establishing a business in the UAE, which are collectively addressed by various laws.

There are three main types of business entities possible in the UAE, as described below:

- Mainland companies – these are governed by the Federal Law No. 2 of 2015 concerning Commercial Companies. However, the application of this law is different for each emirate and may lead to some differences in its implementation and regulations
- Companies in the free zones – each free zone has its own laws and implementing regulations and/or rules. The main feature of this type of company is 100% expatriate ownership as opposed to maximum of 49% in mainland companies
- Offshore companies – this is the most recent type of business entity, which is available under the Offshore Company Regulations in the Emirate of Dubai, Emirate of Ajman and the Emirate of Ras Khaimah.

Individual emirates, as well as the federal government, regulate economic activities. The authorities have sought to create an environment that is well-regulated without being unduly restrictive. As a result, the UAE offers businesses operating conditions that are among the most liberal and attractive in the Gulf region.

### MAINLAND COMPANIES

Mainland companies are governed by the Federal Law No. 2 of 2015 concerning Commercial Companies.

This law stipulates that a total equity of not less than 51% should be held by a UAE national in any commercial company, except in the following cases:

- Where the law requires 100% local ownership
- Businesses set up in a free zone
- For activities open to 100% GCC ownership
- Where wholly owned GCC companies enter into partnership with UAE nationals
- In respect of foreign companies registering branches or a representative office (where a UAE national service agent is required)
- In professional companies where 100% foreign ownership is permitted (where a UAE national service agent is required).

All business activities are primarily covered by three categories of licence:

- Commercial licences cover all kinds of trading activities
- Professional licences cover professional services, other services, craftsmen and artisans
- Industrial licences are for establishing an industrial or manufacturing activity.

The Commercial Companies Law and its bylaws govern the operations of various types of business structures, which are classified into eight categories:

- General partnership companies
- Partnership-en–commendams
- Share partnership companies
- Joint venture companies

- Public shareholding companies
- Private shareholding companies
- Limited liability companies
- Foreign companies (branches and representative offices).

#### GENERAL PARTNERSHIP COMPANIES

The establishment of general partnership companies is limited to UAE nationals only.

#### PARTNERSHIP-EN-COMMENDAMS & SHARE PARTNERSHIP COMPANIES

The government does not at present encourage the establishment of partnership-en-commendams and share partnership companies.

#### JOINT VENTURE COMPANIES

A joint venture is a contractual agreement between a foreign party and a local party licensed to engage in the desired activity. The local equity participation in the joint venture must be at least 51%, but the profit and loss distribution can be prescribed otherwise. There is no need for the joint venture to be licensed or the agreement to be published. The foreign partner deals with third parties under the name of the local partner who (unless the agreement is publicised) bears all liability.

In practice, joint ventures are seen as offering a suitable structure for companies working together on specific projects.

#### PUBLIC & PRIVATE SHAREHOLDING COMPANIES

The Commercial Companies Law stipulates that companies engaging in banking, insurance or financial activities should be run as public shareholding companies. Foreign banks, insurance and financial companies, however, can establish a presence in the UAE by opening a branch or representative office.

Shareholding companies are suitable primarily for large projects or operations – the minimum capital required is AED 10 million (USD 2,725 million) for a public company, and AED 2 million (USD 545,000) for a private shareholding company. The chairman and majority of directors must be UAE nationals and there is less flexibility for profit distribution than is permissible in the case of limited liability companies.

#### LIMITED LIABILITY COMPANY

A limited liability company can be formed by a minimum of two and a maximum of 50 people whose liability is limited to their share in the company's capital. Such companies are recognised as offering a suitable structure for organisations interested in developing a long-term relationship in the local market.

The minimum capital requirements vary in each emirate and are contributed in cash or in-kind. While foreign equity in the company may not exceed 49%, profit and loss distribution can be prescribed otherwise. Responsibility for the management of a limited liability company can be vested with the foreign or national partner or a third party.

### FOREIGN COMPANIES (BRANCHES AND REPRESENTATIVE OFFICES)

The Commercial Companies Law covers the formation and regulation of branches and representative offices of foreign companies in the UAE and stipulates that they may be 100% foreign-owned, provided a local agent is appointed.

Only UAE nationals or companies 100% owned by UAE nationals, may be appointed as local agents (which should not be confused with the term commercial agent). Local agents, also often referred to as sponsors, are not involved in the operations of the company but mainly assist in obtaining visas, labour cards, etc. and are paid a lump sum and/or a percentage of the profits or turnover.

### PROFESSIONAL FIRMS (GOVERNED BY DUBAI LOCAL ORDER NO 63 OF 1991 ON SERVICE ESTABLISHMENTS)

In setting up a professional firm, 100% foreign-owned, sole proprietorships or civil companies are permitted. Such firms may engage in professional or artisan activities but the number of staff members that may be employed is limited. A UAE national must be appointed as a local service agent, but he/she has no direct involvement in the business and is paid a lump sum and/or percentage of profits or turnover. The role of the local service agent is mainly to assist in obtaining licences, visas, labour cards, etc.

### FREE TRADE ZONES OF THE UAE

Free trade zones (FTZ) in the UAE allow 100% foreign ownership and have nil taxes usually guaranteed for 15 or 50 years.

Companies outside a FTZ require a local sponsor and allow a maximum 49% foreign ownership.

Each FTZ has its own specific requirements regarding minimum office/warehouse space and permitted activities.

An independent free zone authority (FZA) governs each FTZ and is responsible for issuing FTZ operating licences and assisting companies with establishing their business. The procedures for establishing a FTZ business are usually very straightforward and can be completed in a short space of time, especially if there are no environmental issues involved.

Most of the FTZs in the UAE are 'general-purpose' free zones that cover trading, services, manufacturing and distribution. Some of the larger FTZs are built around seaports and airports. There are also FTZs in the UAE that cater to specific business sectors such as semiconductors manufacturing, films and creative arts, website and internet technologies, healthcare, biotechnology etc.

The activity to be carried out by the free zone entity to be set up is a primary factor in determining which free zone should be used. For example, the Dubai Airport Free Zone is intended for businesses that import and export goods, whereas Media City would be more suitable for media-related enterprises.

Different types of companies which can be established are the:

- Free zone company (FZCO/FZC)

- Free zone establishment (FZE)
- Free zone limited liability company (FZ LLC)
- Free zone branch.

Different types of licences which can be issued are the:

- Trading licence
- Industrial licence
- Service licence
- National industrial licence.

A list of all the FTZs is given below, with the major ones described in the section following.

#### ABU DHABI

- Abu Dhabi Airport Free Zone
- Abu Dhabi Ports Company (ADPC)
- Sadiyat Free Zone Authority
- Abu Dhabi Exhibition Centre
- Twofour54 (Two Four Fifty Four/54) Media and Production Free Zone
- Masdar City
- Khalifa Port and Industrial Zone.

#### DUBAI

- Jebel Ali Free Zone (JAFZ)
- Dubai Multi Commodities Centre (DMCC)
- Dubai South (formely called Dubai World Central)
- Dubai Airport Free Zone (DAFZ)
- Dubai Internet City (DIC)
- Dubai Media City (DMC)
- Dubai Gold and Diamond Park (DGDP)
- Dubai Cars & Automotive Zone
- Dubai Multi Commodities Centre (DMCC)
- Dubai Health Care City (DHCC)
- Dubai International Financial Centre (DIFC)
- Dubai Maritime City
- Dubai Logistics City
- Dubai Outsource Zone (DOZ)
- Dubai Techno Park (DTP)
- Dubai Silicon Oasis Authority (DSOA)
- Dubai Studio City (DSC)
- Dubai Textile City (DTC)
- Dubai Flower Centre (DFC)
- Dubai Carpet Free Zone
- Dubai Biotechnology & Research Park (DuBiotech)
- Dubai World Central
- Meydan Free Zone
- Dubai Design District
- Dubai Knowledge Village
- Economic World Zones



## SHARJAH

- Sharjah Airport Free Zone (SAIF Zone)
- Hamriyah Free Zone (HFZ).

## RAS AL KHAIMAH

- Ras Al Khaimah Free Trade Zone (RAKFTZ)
- Ras Al Khaimah Media Free Zone
- Ras Al Khaimah Investment Authority (RAKIA)
- Ras Al Khaimah Maritime City

## FUJAIRAH

- Fujairah Free Zone (FFZ)
- Fujairah Creative City.

## AJMAN

- Ajman Free Zone (AFZ).

## UMM AL QUWAIN

- Ahmed Bin Rashid Free Zone.

## GENERAL FREE ZONES

### THE JEBEL ALI FREE ZONE

In 1985, the government of Dubai founded the first free zone in the UAE, the Jebel Ali Free Zone (JAFZ) on the outskirts of Dubai (in an area known as Jebel Ali). This area is principally a designated location spanning approximately 100kmsq (38 miles sq) and lies about 50km (30 miles) from Dubai City.

New developments at the JAFZ and the surrounding region are designed to make it one of the world's most efficient sea-air hubs, complete with a six-lane highway to help keep goods custom-bound (helping to minimise processing time) as they are transported from port to cargo aircraft in just 20 minutes. The JAFZ is the world's only free zone located between one of the world's largest airports and a sea port.

The JAFZ has the Jebel Ali Port, the world's seventh largest container port on one side and the Jebel Ali International Airport, one of the world's largest cargo airports on the other side.

Because of its location, the JAFZ benefits from being an efficient regional distribution point with access to a huge network of people. Although the free zone is located in Dubai, companies established there are legally treated as free zone companies and are therefore subject to the free zone's laws and regulations as distinct from Dubai law.

A general trading licence allows the holder to import, distribute and store all items as per JAFZA rules and regulations:

- A trading licence allows the holder to import, export, distribute and store items specified on the licence. An industrial licence allows the holder to import raw materials, carry out the manufacture of specified products and export the finished product to any country.

- A service licence allows the holder to carry out the services specified in the licence within the free zone. The type of service must conform to the parent company's licence, issued by the Economic Department or Municipality of the relevant Emirate in the UAE.
- A national industrial licence is designed for manufacturing companies with AGCC ownership or a minimum 51% AGCC ownership. The added value to the product in the free zone must amount to a minimum of 40%. This licence allows the holder the same status as a local or AGCC-owned company inside the UAE.

## THE DUBAI MULTI COMMODITIES CENTRE

Established in 2002 by Royal Decree, Dubai Multi Commodities Centre (DMCC) is a strategic government initiative of the Government of Dubai designed to enhance trade flows through the United Arab Emirates by providing not only the very latest infrastructure, but also an optimal environment allowing their clients to fully benefit from both their regulated framework and convenient location. Officially recognised as the largest and fastest growing Free Zone in the United Arab Emirates, DMCC's aim is to galvanise their position in the international market as a commercial centre of excellence for companies choosing to operate from Dubai.

Located adjacent to Sheikh Zayed Highway, this main artery not only carries you to most of Dubai's key business centres, but also to Abu Dhabi in approximately 80 minutes. If you're travelling by plane, DMCC is located just 15 minutes from Al Maktoum International Airport and approximately 40 minutes from Dubai International Airport. For those taking Dubai's state-of-the-art Metro system, there are two stations located along the community at Dubai Marina and Jumeirah Lakes Towers.

Primarily known as a trading centre for a wide variety of commodities, the DMCC is also a community of over 87,500 people who both live and work in Jumeirah Lakes Towers. While the core area of trade is focused around the gold, diamond, agro, pearl, precious metals and tea industries, they also recognise the importance of catering for and supporting all their member companies, meaning that establishing your business with DMCC is just the beginning of the relationship.

Today, DMCC have registered over 12,700 international and regional companies. DMCC steady growth is testament to DMCC Free Zone being the Free Zone of choice for businesses and residents alike. They have been named 'Global Free Zone of the Year' 2016 by The Financial Times fDi Magazine, for the second year running. The DMCC Free Zone was recognised for its sustainable growth, strong customer service and its eco-system model which offer businesses everything they need to set up, whether a branch office or full operations, in one place.

## THE DUBAI SOUTH

Dubai South – the rebranded Dubai World Central – is an emerging 145 sq. km. master-planned city based on the happiness of the individual. It is The City of You, projected to sustain a population of approximately one million. As an economic platform, it is designed to support every conceivable kind of business and industry, creating 500,000 jobs.

Launched as a Government of Dubai project in 2006, Dubai South falls under the umbrella of Dubai Aviation City Corporation.

Identified as the emirate's flagship urban project, Dubai South is emerging as Dubai's preferred location in which to live, work and invest. It is centered on the vision of His Highness Sheikh Mohammed bin Rashid Al Maktoum, Vice President and Prime Minister of the UAE and Ruler of Dubai, and reflects the themes of Dubai Plan 2021:

- To become a city of happy, creative and empowered people
- To create an inclusive and cohesive society
- To build a smart and sustainable city
- Become a pivotal hub in the global economy

Host to the Al Maktoum International Airport (which will become the world's largest airport once completed) and key events such as World Expo 2020 and the Dubai Air Show, Dubai South represents the future face of the emirate.

A fully integrated city, Dubai South is well connected to the rest of the country via three arterial roads. RTA buses operate daily to Dubai South, and in the future, the city will be served by Dubai Metro and Etihad Rail.

#### THE DUBAI AIRPORT FREE ZONE

The Dubai Airport Free Zone (DAFZ) was formed in accordance with Law No. 2 of 1996 for the Establishment of a free zone in Dubai International Airport by the Ruler of Dubai, H.H. Sheikh Maktoum Bin Rashid Al Maktoum.

Complementing rather than competing with the Jebel Ali Free Zone, the DAFZ provides similar yet diverse incentives to both local and foreign investors because of its location in the Dubai Airport area. Companies or establishments set up in the DAFZ are legally regarded as free zone companies and subject to DAFZ law. The DAFZ is one of the fastest-growing free zones in the region and is currently home to over 1,300 companies from various industry sectors, including the aviation industry, pharmaceutical products, logistics and freight, jewellery, IT and mobile phone accessories.

The DAFZ is wholly owned by the government of Dubai and is one of the fastest-growing government projects in the country. It offers 100% foreign ownership and the company formation period is 10–30 days.

The need for visas depends on the size of the office space leased. However, no restriction for industrial/assembly units operating in pre-built warehouse and leased land is required for business activity.

Port facilities include Dubai Airport, Port Rashid and the Jebel Ali Port.

Companies operating in the DAFZ will be granted an industrial licence, trading licence or a service licence by the FZA. Companies have the option of renewing their licences for a period of either one or three years. More than one licence can be obtained.

If a company wishes to conduct business and sell its product within the UAE, it may do so by appointment of a UAE official distributor or any other company holding a valid trade licence. The DAFZ does not grant general trade licences to companies under any circumstances.

#### SHARJAH AIRPORT INTERNATIONAL FREE ZONE

The Sharjah Airport International Free Zone (SAIF-Zone) is a new symbol of quality and dedication to excellence, a concept steeped in more efficient operations and fewer complicated procedures.

Strategically placed at the crossroads of major trading routes between the east and west, Sharjah offers excellent global, sea, land and air transport links with access to a market of more than 2 billion consumers in states of the GCC and the Arab world, Iran, CIS countries, the Asian subcontinent, parts of Africa and the eastern Mediterranean.

Adjacent to Sharjah International Airport, and just a few minutes from Sharjah City and Port Khalid, the location of the SAIF-Zone is enhanced by its secondary seaport facility on the Gulf of Oman at Port KhorFakkan. The 120km road transfer can save up to 48 hours' shipping time, cutting freight and insurance costs for both importers and exporters.

The SAIF-Zone is an ideal hub for all types of business that require a fast, efficient and trouble-free working environment. The SAIF-Zone provides state-of-the-art facilities with fully serviced and furnished executive office suites with receptions, pre-built warehouses in two sizes with adjacent office space, service and lease land for unrestricted private development, a container parking area and temporary storage capability.

From a mere 55 companies in 1995, the year in which the zone started operating, there are now more than 3,900 companies doing business in the zone, making the SAIF-Zone the fastest-growing free zone in the region.

Sharjah is the industrial heartland of the UAE, accounting for more than 40% of the country's industrial GDP. Its geographic location has led to a unique integration of land, sea and air links. This offers unbeatable logistical, warehousing and distribution advantages. The only emirate with seaports on the Arabian Gulf and the Indian Ocean, Sharjah has carved a niche in the sea-air traffic sector, experiencing growth rates of more than 50% in the last few years. Speed, reliability and cost-effectiveness have been the cornerstones of Sharjah's industrial policy. A stable government, proactive policies, a solid industrial base and an attractive incentives package have drawn a very high proportion of foreign investments into Sharjah in recent years.

#### HAMRIYAH FREE ZONE

The Hamriyah Free Zone (HFZ) development was announced in the Emiri Decree No. (6), 12 November 1995.

The vision of the Hamriyah Free Zone Authority (HFZA) is to provide the international business investor with a unique investment opportunity in a free market environment. To be able to offer a strategic business advantage to the investor, the HFZA is currently developing first class services and facilities that will complement its 14 metre-deep water port.

As the free zone is designated a 'green zone', it is the intention of the HFZA to attract environmentally friendly industries. Land is allocated for heavy, light, service and commercial industries.

Almost any activity is permitted by the HFZ as long as the activity is environmentally friendly and in accordance with local rules. Though it is preferred, companies do not have to add value to their products. Investors can ship goods in and out of HFZ without necessarily adding any value at all.

#### AJMAN FREE ZONE

The Ajman Free Zone (AFZ), established in 1988, was granted autonomous status under the Amiri decree no.3 of 1996. The AFZ has been named as the sole regulatory agency for the free zone in the emirate. The formation of the FZA in 1996 has given a great impetus to industrial activity in the free zone, which has resulted in quadruple growth in its number of companies during the last year alone.

A massive multi-million dirhams development plan on an area of more than one million square metres is under progress at the free zone. On completion, it will be able to accommodate 600 companies. Strategically situated at the entrance of the Arabian Gulf, the AFZ is well-placed to serve the eastern and western markets. Ajman's proximity to Sharjah and Dubai provides easy accessibility to the two international airports and four ports. Ajman Port, serving more than 1,000 vessels a year, has emerged as an important maritime focal point today. It has 12 berths. A massive development plan for Ajman's ports, currently under progress, aims to enhance its facilities to world-class status.

#### RAS AL KHAIMAH FREE TRADE ZONE

The Ras Al Khaimah Free Trade Zone (RAKFTZ) has already developed into a world-class business hub with state-of-the-art infrastructure and hi-tech facilities for industrial growth and development in less than ten years of its inception. The free zone offers customised support services to its investors. It is one of the most cost-effective free zones in the region and most importantly, it offers an absolutely trouble-free, customer-friendly environment, which is very important for the success of any enterprise.

Through its marketing and awareness campaign, the RAKFTZ has created a name for itself around the world. It has registered more than 4,500 companies that originate from 106 countries worldwide. The RAKFTZ's customers come from markets in the Middle East, Europe, North America and Asia, as well as from elsewhere.

The Ras Al Khaimah Free Trade Zone Authority has created a system of four unique free zone parks to suit and serve every investor according to their requirements. The four parks concept includes the Business Park, Industrial Park, Technology Park and the Al Ghail Park, offering the offices, equipped warehouses and land facilities. Situated at different locations across the emirate of Ras Al Khaimah, each park caters to the specific business interests and investor activities:

- The RAKFTZ Business Park is located in the central business district of the city, close to the modern RAK Exhibition Centre, Hilton Hotel and Beach Club and the Al Manar Shopping and Entertainment Mall. It is a free zone facility which gives investors an opportunity to start a business with no hassle. Some of the key features of the RAK Business Park are the furnished, fully-functional and ready-to-use offices and flexi-offices (shared offices), and flexi-desks (shared desks) in various locations for investors' convenience. All of these are offered at highly cost-effective rates
- The RAKFTZ Industrial Park is located along the Ras Al Khaimah coastal road approximately 15km north of Ras Al Khaimah and immediately adjacent to Hulaylah Island, which is approximately 6km from Saqr Port. It is developed for the construction of heavy industries and warehousing and incorporates an abundant energy supply. Plot sizes are provided to suit individual client requirements and are fully serviced with water, electricity and telecommunications. The facilities include on-site employee accommodation, a customs office, an operation support services centre and other administrative and support centres located within the park
- The RAKFTZ Technology Park is located south of Ras Al Khaimah. The park is close to Dubai via the Emirates Road, which is also well known as centre of attraction for the business community and in close proximity to the Ras Al Khaimah International Airport. Covering an area of 100 hectares, it is located opposite 5-Star resorts with access to an 18-hole golf course (Al Hamra village and resort). It is sited in a rapidly expanding area devoted to light industries and automated manufacturing and capital-intensive quality lifestyle projects.
- The Al Ghayl Industrial Park covers an area of 400 hectares and caters for heavy industries that deal with the construction market, such as steel fabrication. It has a strategic location since it is close to Sharjah and Fujairah. The park is still under development and contains different sizes of plotto suit various company sizes.

Companies accepted for operation in the RAKFTZ will be granted any one of the following licences:

- Industrial licence
- General trading licence
- Commercial licence
- Consulting and service Licence
- Real estate licence.

#### **FUJAIRAH FREE ZONE**

The Fujairah Free Zone (FFZ), which was awarded an ISO 9002 certificate in 1999, offers businesses the geographical advantage of an east coast port as well as the benefits of partnership with the Fujairah Government. The FTZ has been growing at a rate of 20–22% annually and currently has more than 650 companies licensed by the zone, and more than 320 projects registered at the zone, involving investments of more than AED 332 million.

#### **AHMED BIN RASHID FREE ZONE (UMM AL QUIWAIN)**

The Ahmed Bin Rashid Free Zone was established in April 1998 and is 55km away from Dubai International Airport. The total size of the free zone is 118,000 square metres.

The free zone complex consists of 845m of quay wall with 400m capable of handling oceangoing vessels and 118,000m<sup>2</sup> of land reserved for light industrial development. Standard services of water, electricity, communications and labour supply are all available. In addition, the free zone provides comprehensive administrative and logistics support to tenants.

#### ABU DHABI AIRPORT FREE ZONE

The Abu Dhabi Airport Free Zone (ADAFZ) is being established by the Abu Dhabi Airports Company (ADAC). Its creation marks a milestone in Abu Dhabi's plans to establish itself as a dynamic business centre. The free zone will take advantage of Abu Dhabi International Airport's strategic geographical position at the crossroads between east and west, and the large-scale economic development of the emirate.

The ADAFZ's owner, ADAC, was incorporated in March 2006 to spearhead a major redevelopment of the emirate's aviation infrastructure. ADAC's creation was part of an ambitious restructuring initiative launched by the government of Abu Dhabi, aimed at delivering better services to support the emirate's long-term economic and tourism strategies and to help build a more vibrant economy that attracts and promotes private sector investment.

The creation of the ADAFZ is aligned with ADAC's objective of financing its airport development programme, generating non-aeronautical revenues and minimising government grants.

#### THEME FREE ZONES

Theme free zones are a vision of H.H. Sheikh Mohamed Bin Rashid Al Maktoum, the ruler of Dubai and Vice President of the UAE.

These theme free zones provide the same benefits as regular free zones, but have the distinction of being 'industry specific free zones'.

#### DUBAI INTERNET CITY

Dubai Internet City is the first complete information technology and telecommunications centre in the world to have been built inside a free trade zone. Dubai Internet City offers modern, ready-to-operate, fully serviced office space catering for the specific needs of today's new economy companies. These offices offer cutting edge technology and provide both wired and wireless networks.

Dubai Internet City is the biggest IT build in the Middle East and has the latest generation internet protocol telephony system in the world.

Sets of intellectual property and cyber regulations have been implemented to protect the integrity of e-business. A dedicated government agency has been created to ensure enforcement of these regulations.

Dubai Internet City has issued licences to a host of global information technology companies. Microsoft, Oracle and Hewlett-Packard have already identified long-term objectives here.

### DUBAI MEDIA CITY

Dubai Media City (DMC) is designed to be the region's media hub. DMC has been established by the Dubai Technology, E-Commerce and Media Free Zone Authority to provide the infrastructure and environment that will enable media-related enterprises to operate globally out of Dubai. Global entities such as CNN & CNBC have set up offices in the DMC.

### DUBAI GOLD AND DIAMOND PARK

Dubai has moved towards expanding its jewellery industry by building the Dubai Gold and Diamond Park (DGDP) at a cost of USD 40 million. The project, which is part of the government's policy to achieve economic balance and a diversification of income sources, is also designed to enhance the city's economic infrastructure.

Officially opened in May 2001, this project aims to satisfy increasing world demand for manufactured gold and diamonds, and provide all facilities under one roof in a secure, comfortable and business-friendly environment.

The park is part of the Jebel Ali Free Zone, giving companies the same benefits. The facilities include infrastructure, office and manufacturing units, 650 car parks and landscaping. It also has government centres that provide the necessary certification and approval of gold content and quality.

### KNOWLEDGE VILLAGE

Knowledge Village is a vibrant, connected learning community that will develop the region's talent pool and accelerate its move to the knowledge economy. It is set up to position the Dubai Technology and Media Free Zone as a centre of excellence for learning and innovation. This new education and training hub also complements the free zone's other two clusters – Dubai Internet City, as the IT hub, and Dubai Media City, as the media hub.

### DUBAI HEALTH CARE CITY

Dubai Health Care City (DHCC) has been launched to fill the gap between Europe and south-east Asia and establish a regional gateway for customers and patients to receive world-class healthcare and enjoy first class medical and wellbeing services. Dubai will offer significant business opportunities to local and international investors, regional businesses and the global healthcare industry by establishing the DHCC. It will create an integrated healthcare community providing a comprehensive medical treatment and prevention portfolio with an optimised process and patient/customer flow.

The purpose of the DHCC initiative is to provide the highest quality healthcare services to medical care and wellbeing seekers by creating a world-class cluster of healthcare professionals and service providers at the heart of Dubai. The DHCC aspires to provide state-of-the-art medical care services in selected disciplines relevant to patient needs in the region.



### DUBAI INTERNATIONAL FINANCIAL CENTRE

Dubai International Financial Centre (DIFC) is a capital market directly modelled on the City of London and Wall Street. This latest initiative from Dubai is expected to establish the emirate and the UAE as a crucial centre in global finance and as a regional centre of financial services between Singapore and Frankfurt. The DIFC is designed to be similar to facilities in London, New York, Singapore, Hong Kong and Tokyo.

### DUBAI MARITIME CITY

Dubai Maritime City is one of the business units within the Ports Customs and Free Zone Corporation, part of the government-owned organisation that developed the world's first man-made Palm Island, Jebel Ali Free Zone and the internationally renowned DP World. It incorporates the stability of public sector backing together with the energy, drive and ambition of a private sector enterprise. Dredging and rockworks commenced in August 2003.

Dubai Maritime City is located between Port Rashid and Dubai Dry Docks. This is a project of phenomenal proportions, creating a peninsula reclaimed from the sea covering over 2.16 million square meters with open sea access and a truly stunning location for maritime businesses. As it evolves, it will cluster together every amenity that the global maritime community will need to build, work, live and learn.

Dubai Maritime City is presently over 87% reclaimed.

### DUBAI OUTSOURCE ZONE

Dubai Outsource Zone (DOZ) provides a comprehensive infrastructure and environment for outsourcing and offshore companies to set up global or regional hubs servicing the worldwide market.

DOZ's offering includes 100% exemption from taxes, arguably the world's most reliable technology and communications infrastructure, easy access to talent, a one-stop-shop of support services and the best possible working environment.

Dubai Outsource Zone is the perfect base for companies that provide mid- to high-end IT and business processes outsourcing (BPO) services. Some of the key sectors covered are finance, accounting, IT, payroll processing, graphic design, engineering, biotech, R&D and design. It also serves as a centre for disaster recovery facilities for call centres located offshore elsewhere in the world. The zone caters to offshore requirements from Europe, the US, the Middle East, Asia and Africa.

Dubai Outsource Zone is an initiative of Dubai Internet City, the state-of-the-art global hub within Dubai that houses more than 700 of the world's ICT companies, including 'giants' such as Microsoft, Oracle, HP, IBM, Dell, Siemens, Canon, Logica, EDS, Sony Ericsson, Sun Microsystems, SAP and Cisco.

### DUBAI TECHNO PARK

Dubai Techno Park (DTP) is designed to attract foreign investment in research in oil and gas, desalination and environment management. It was launched in 2002 by the Ports, Customs and Free Zone Corp (PCFC).

It's a unique business zone that gives the advantage of Dubai's location while offering a common platform to three of the Middle East region's core industries – water desalination, oil and gas, and environmental research. Affiliated with the International Association of Science Parks (IASP), DTP offers high technology companies a uniquely supportive and like-minded community in which to work.

#### DUBAI SILICON OASIS AUTHORITY

Dubai Silicon Oasis Authority (DSOA), a 100%-owned entity of the government of Dubai and is a free zone, strategically placed on the Emirates road.

DSOA's urban master-planned community spans 7.2 square kilometres of state-of-the-art office towers, R&D and industrial zones, educational institutions, luxury apartments, villas, hotels, healthcare and a full range of lifestyle facilities which translate into a dynamic commercial and social environment.

Businesses can flourish with the unrivalled package of incentives, including 100% ownership, and high-end IT infrastructure that allows companies to begin operating immediately.

#### DUBAI STUDIO CITY

Designed to accelerate the growth of the broadcast, film, television and music production industries, Dubai Studio City (DSC) will be an ultra-modern facility integrating every component under one roof. Spread across 22 million square feet, it will include production, post-production, equipment rental, a business centre and satellite facilities among others.

It will also have residential areas, hotels, an entertainment centre, film schools and training institutes. This unique combination of world-class infrastructure, qualified professionals and a unique networking environment will make it the ideal location for creative people to unleash their imagination.

#### DUBAI'S INTERNATIONAL MEDIA PRODUCTION ZONE

Dubai's International Media Production Zone (IMPZ) seeks to create a unique cluster environment for media production companies from across the industry value chain, and from across the world, to interact and collaborate effectively. Catering exclusively to companies in the 3P industries – printing, publishing and packaging – the IMPZ is an initiative of the visionary Dubai government, under the patronage of parent company, Dubai Holding.

As a master developer, the IMPZ will provide an environment of growth by building key facilities, investing in infrastructure, and forming a unique free zone that incorporates industrial, commercial, and residential and community service projects under its mantle. The vast complex will be housed across a territory of over 43 million square feet of land, in the heart of commercial Dubai.

The IMPZ initiative is part of Dubai's vision to develop itself into a global media hub. As such, it will provide a pro-business environment, and sophisticated technology and community infrastructure to support and foster the growth of media production.

### DUBAI BIOTECHNOLOGY & RESEARCH PARK

The Dubai Biotechnology and Research Park (DuBiotech) is a science and business park dedicated to the biotechnology and pharmaceutical industry and is modelled on the free zone concept.

A member of Dubai Holding, DuBiotech will accommodate biotechnology industry and facilitate government-funded R&D. DuBiotech's world-class infrastructure includes facilities and services for incubators, R&D labs, biotech-related educational and research institutions, manufacturing facilities, as well as organisations in supporting and convergent industries.

### DUBAI CARPET FREE ZONE

The Carpet Free Zone will target the handmade carpet sector and it is proposed to be built in Deira-Dubai.

### INDUSTRIAL CITY OF ABU DHABI

The Industrial City of Abu Dhabi (ICAD) is located 30km from the centre of Abu Dhabi City and 25km from Abu Dhabi International Airport. It has shown very rapid recent growth with 355 major manufacturing companies employing more than 30,000 workers. The ICAD provides all basic services and facilities for a wide range of industrial activities.

### OFFSHORE COMPANIES

The UAE offers an opportunity for the establishment of an offshore entity in a jurisdiction that offers certain facilities not available in other areas.

Offshore companies are governed by the jurisdiction under which they are incorporated. However, in most cases they can enter into arrangements and contracts which can be made subject to the laws of other jurisdictions.

### BANKING FACILITIES

One of the most important aspects of managing an offshore company is personal or corporate banking facilities. UAE not only offers great banking support from local banks but also all leading international banks have a presence in the country.

### OFFSHORE CENTRES IN THE UAE

#### JEBEL ALI FREE ZONE

The Jebel Ali Free Zone (JAFZ) is located in the emirate of Dubai in the UAE and is 40km away from the Dubai International Airport. The JAFZ is run by the Jebel Ali Free Zone Authority (JAFZA).

The JAFZA introduced regulations in 2003 for the establishment of Jebel Ali Free Zone Offshore Companies. The international business community can now establish offshore entities at JAFZ in line with other international offshore jurisdictions.

JAFZ caters to the Dubai Port which ranks 13th in the world in terms of container traffic and is one of the world's largest and fastest growing free zones. JAFZA offers its customers world-class infrastructure supported by quality, value added services and incentives. It further provides community amenities, enhancing a dynamic and thriving business environment.

Features of JAFZA-registered offshore companies are:

- Establishment of limited liability companies
- No minimum capital requirement
- Requirement to have an approved registered agent either within the free zone or in the emirate of Dubai
- Minimum of one shareholder, no upper limit on maximum number of shareholders
- Minimum of two directors
- Appointment of one secretary is compulsory
- Bearer shares are not permitted
- No personal or corporate income tax
- Issue of shares of only one class permitted
- Requirement to have accounts audited on annual basis.

Offshore companies are allowed to:

- Have contacts with legal consultants, lawyers, accountants and auditors
- Have a bank account in the UAE
- Become shareholders in a new or existing FZE, FZCO or an LLC.
- Hold a shareholders and directors meeting within the UAE
- Hold a lease of property for use as a registered office or own real estate property approved by the authorities
- Carry out international trading.

Offshore companies are not allowed to:

- Carry out business with persons resident in the UAE
- Own an interest in real estate property situated in the UAE, other than a lease property referred to in the regulations or approved by the authorities
- Carry on a banking business
- Carry on business as an insurance or re-insurance company, insurance agents or insurance brokers
- Carry on any other business which may, by regulations be prohibited by the authorities.

#### RAS AL KHAIMAH INTERNATIONAL CORPORATE CENTRE

RAK International Corporate Centre (RAKICC) is a Corporate Registry operating in Ras Al Khaimah, United Arab Emirates.

RAK International Corporate Centre is the consolidation of two company registries in Ras Al Khaimah; namely RAK International Companies (formerly a part of RAK Free Trade Zone) and RAK Offshore (formerly a part of RAK Investment Authority). RAK International Corporate Centre (RAKICC) was formed as per the Decree No.12 of 2015 and as amended by Decree No.4 of 2016.

RAK International Corporate Centre is responsible for the registration and incorporation of International Business Companies, as well as providing a full suite of Registry services related to International Business Company activity. RAK International Corporate Centre is a modern, world class Company Registry operating in full compliance with international standards and best practices in the International Business Company formation industry.

RAK International Corporate Centre will be at the forefront of International Business Company formation services and continually develop our suite of products to meet the needs of our customers.

RAKICC is a highly regulated and compliant jurisdiction offering state of the art products with detailed attention to the Channel Partners/ Registered Agents. The IBCs incorporated with the Jurisdiction are mostly used for wealth management and assets protection, holding shares in local companies and companies established internationally, holding assets, real properties, open bank accounts at local and international banks.

Ras Al Khaimah offshore companies offer the following features:

- Conducting business as an international entity
- Foreign Ownership
- Dispute resolution for settlement of commercial disputes
- Open bank accounts locally and internationally
- Conducting business without corporate/personal taxes
- Protecting investments in other foreign countries
- Simpler transfer of assets and properties held in several countries
- Transfer of domiciliation or Continuation
- Companies can be formed with a minimum of one shareholder and there is no upper limit on the number of shareholders
- A minimum of one director and secretary is required and there is no restriction in one person assuming these offices or exercising the said responsibilities
- No minimum capital requirement
- Shareholders and directors are not required to be personally present before the authorities for incorporating the company
- Requirement to have an approved registered agent either within the free zone or outside the free zone but within the UAE

Ras Al Khaimah offshore companies are allowed to:

- Have contacts with legal consultants, lawyers, accountants and auditors
- Have a bank account in the UAE
- Hold assets in areas of the Zone designated by RAK ICC
- Hold shareholders and directors meeting within the UAE.

Ras Al Khaimah offshore companies are not allowed to:

- Carry on business with persons in the Zone unless expressly authorised to do so by RAK ICC
- Carry on any other business which may, by regulations made by RAK ICC, be prohibited by RAK ICC
- Carry on banking business in the UAE or the Zone
- Carry on business as an insurance or reinsurance company, insurance agent or insurance broker in the UAE or the Zone.

## 5 – LABOUR

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Administered by the Federal Ministry of Labour and Social Affairs, the labour law in the UAE – the UAE Law No. 8 of 1980, as amended by Law No. 12 of 1986 (the Labour Law)– is loosely based on the International Labour Organisation's model.

The law governs most aspects of employer/employee relations such as:

- Hours of work
- Holiday leave
- Termination rights
- Medical benefits
- Repatriation.

The Labour Law is protective of employees in general and overrides conflicting contractual provisions agreed under another jurisdiction, unless they are beneficial to the employee.

Trade unions do not exist. However, there have been recent talks to legalise such associations to protect the working community. These talks are, however, still at a preliminary stage. In the case of disputes between employers and employees, or over the interpretation of the Labour Law, the Ministry of Labour and Social Affairs will initially act as an adjudicator. If a party wishes to appeal any decision made, it can take its case to court. Strikes and lockouts are forbidden.

Normal maximum working hours are eight hours per day or 48 hours per week. However, these hours may be increased to nine daily for people working in the retail trade, hotels, restaurants and other such establishments. Similarly, daily working hours may be reduced for difficult or dangerous jobs. Many businesses work on a two-shift system (for example, 8am–1pm and 4pm–7pm). As in all Islamic countries, Friday is the weekly day of rest.

In practice, commercial and professional firms work 40–45 hours a week and government ministries around 35. The weekend for government workers is now Friday & Saturday. During the Muslim holy month of Ramadan, normal working hours are reduced by two hours per day.

### VISAS

All foreign nationals must obtain valid entry visas to enter the UAE with the exception of nationals of GCC countries. Foreign nationals may enter the UAE under transit visas, visit visas or resident visas. No quota system is imposed on immigration into the UAE.

Transit visas are valid for up to 14 days. A visit visa is valid for 30 days or 90 days.

Foreign nationals wishing to take up employment in the UAE must obtain employment visas, which are issued by the Ministry of Labour, and residence visas which are issued by the Department of Immigration. Employment visas are valid for three years and are renewable for additional three-year periods. Residence visas are granted to dependents of foreign nationals who have employment visas and who satisfy certain income and status conditions.

## 6 – TAXATION

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There is no federal tax legislation in the UAE, with each emirate having its own tax law.

The following taxes are not applicable in the UAE:

- Personal income tax
- Capital gains tax
- Value added tax – although this is being introduced in 2018
- Withholding tax
- Corporate tax.

Legislation is currently in force in the Emirates of Abu Dhabi, Dubai and Sharjah which establishes a general corporate taxation regime:

- Abu Dhabi Income Tax Decree of 1965 (and its amendments)
- Sharjah Income Tax Decree of 1968 (and amendments)
- Dubai Income Tax Decree of 1969 (and amendments).

In practice however, only oil, gas and petrochemical companies and branch offices of foreign banks are required to pay taxes.

There are some forms of indirect taxation in the UAE on individuals and companies in the form of municipality fees, transfer fees on property and housing fees. These are levied by the respective authorities.

## 7 – ACCOUNTING & REPORTING

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The regulatory authority since 1980 has been the UAE Central Bank.

Some 46 commercial banks operate in the UAE, with a total of around 367 branches, of which about 25 are foreign banks with around 200 branches combined. Federal law restricts foreign banks to no more than eight branches each.

For medium- or long-term industrial finance, local companies can approach the Emirates Industrial Bank, set up by the UAE government with an initial capital of AED 500 million. Its main objective is to help develop the private sector. However, a trend is appearing where most banks participate in large syndicated lending to infrastructure projects and other large ventures in the region.

Banking credit facilities (funded and non-funded) are typically structured for working capital requirements of businesses. Long-term financing is available but on a very selective basis or else on a largely collateralised basis. Leasing and hire purchase are available from local finance companies specialising in this business. Factoring has been recently introduced in the UAE though only a few institutions have been offering this service.

Import and export financing can be arranged through commercial banks. The banks often require margins. Such margins and the facilities offered by the banks will mainly depend on their relationships with their customers.



## 8 – UHY SAXENA FIRMS IN THE UAE

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The United Arab Emirates (UAE) is the ideal base for carrying out business in the Middle East region. Strategically located midway between the Far East and Europe, and between the former Soviet Union and Africa, the UAE is at the hub of a dynamic and fast-growing trading environment in the Arabian Gulf.

Nevertheless, even within a world-class trading centre, setting up a business necessarily entails addressing a large number of complex procedures and regulations. Understanding and navigating your business through such complex issues is the key to success.

This booklet has therefore been specifically designed to cater for the needs of people intending to establish and carry out business in the UAE and provides a first step guide to the country and its business landscape.

Inevitably, the information contained in the following pages is both general and subject to change and should be used for guidance only. For specific matters, investors are strongly advised to obtain further information and take professional advice before making any decisions.

UHY Saxena was established in 1992 and initially focused on servicing the accounting and auditing needs of its clients. The firm has since then diversified to corporate formations in the UAE free zone, mainland companies and offshore location, in addition to providing vast range of consultancy services, both in the UAE and internationally.

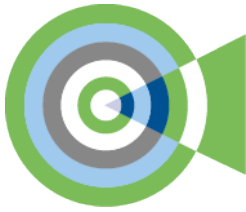
The firm has a team of qualified professionals on its panel supported by well-experienced and trained staff. The core team of the firm has a rich, collective experience of and their diverse skills set spanning across functional domains enable the firm to deliver value added solutions for clients.

To complement the in-house skill sets of the firm it has also established strong associations with many individual and corporate specialists in various fields to meet clients' specialist needs. Such associations cover:

- International tax
- Private banking
- International accounting practices
- Legal advisory
- Trust service
- Executive search
- Information technology.

Since inception, the firm's clientele has grown to include more than 1000 companies covering wide areas of business and trade. They include government, private and international clients both corporate and individuals. The firm has a simple mission: *To add value to the business we serve.*

Initially operating from its main office in Dubai, the firm has office in Jumeirah Lake Towers, Jebel Ali Free Zone and Hamriyah Free Zone.



## LET US HELP YOU ACHIEVE FURTHER BUSINESS SUCCESS

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