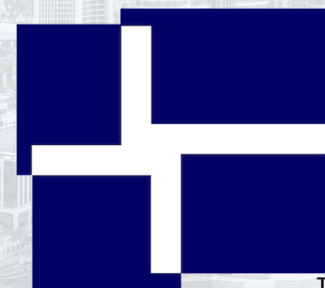




This guide has been prepared by the Zetland Fiduciary Group Limited and is intended for the information of clients or prospective clients. As such, it is designed to provide general information. The information set out is not, nor is it intended to be, exhaustive. Such information does not purport to be and is not legal, tax or other professional advice. Our aim has been to provide a broad overview. We will be pleased to offer more comprehensive and specific professional advice to individual clients depending on the situation.

GUIDE TO DOING BUSINESS IN THE UAE



**Zetland
Fiduciary
Group
Limited**



THE UAE AS A GLOBAL BUSINESS HUB

The United Arab Emirates is a federation of seven emirates: Abu Dhabi (capital city), Ajman, Dubai, Fujairah, Ras al Khaimah, Sharjah and Umm al-Quwain. Heralded as the Middle East's business hub, the UAE lies along the eastern coast of the Arabian Peninsula and shares borders with Saudi Arabia and Oman. The country's unique geographic position offers UAE-based businesses access to markets in the Middle East, Africa, Central Asia and Europe.

Background

The UAE was officially formed on December 2, 1971 when the six emirates of Abu Dhabi, Ajman, Dubai, Fujairah, Sharjah and Umm al-Quwain were unified under the leadership of the late Sheikh Zayed bin Sultan Al Nahyan, who is known as the father of the nation. The seventh emirate, Ras al Khaimah, joined the federation in February 1972.

Since its unification, the UAE has maintained a constitutional federation of seven emirates with five core federal authorities: The Supreme Council; the President and Vice-President; the Cabinet; the Federal National Policy; and the Federal Judiciary.

The UAE has the 18th freest economy in the world as of the 2020 Index of Economic Freedom published by The Heritage Foundation. Its Foreign Direct Investment inflow reached USD 13.8 billion between 2018 and 2019, representing a 32% growth. During the same period, its FDI stock reached USD 154 billion. In 2019, the UAE became the largest FDI recipient in the Middle East.

Arabic is the official language of the UAE but English is widely spoken, supporting the country's position as a global business centre and tourist destination. Expatriates from over 150 countries make up 85% of the UAE's population. The UAE has a high GDP per capita on par with leading West European countries.

Legal & Business

The legal framework of the UAE encompasses two systems: The Federal Judiciary and the local judicial departments. The Federal Judiciary is governed by the Federal Supreme Court as the highest judicial authority in the country. The Ministry of Justice presides over the courts and prosecution departments of the UAE at a federal level. In addition, the Ministry of Justice holds the authority to appoint judges and license lawyers, experts and legal translators.

The local judicial departments oversee the local governments of the emirates. The Abu Dhabi Judicial Department in Abu Dhabi, the Dubai Courts in Dubai and RAK Courts in Ras Al Khaimah independently manage their judicial departments. They have jurisdiction over matters that are outside the authority of the Federal Judiciary in accordance with the Constitution.

The UAE follows a dual legal system of civil and Islamic Sharia laws. This system has been expanded to include common law, which is being practiced in the Dubai International Financial Centre (DIFC) Courts.

The UAE implements regulations that are generally beneficial for businesses; it has also adapted civil laws that meet the changing needs of local and international businesses. The UAE ranks 16th on the World Bank's Ease of Doing Business Index, which compared business regulations in 190 economies.

Economy

The UAE is the second largest economy in the Middle East, a position sustained by its liberal trade policies, world-class metropolitan infrastructure, stable political climate and robust banking system.

It is home to the world's 7th largest oil reserves, which is equivalent to 97.8 billion barrels. Its oil and gas sector accounts for 30% of its GDP. The UAE is a Member of



the World Trade Organization, the Organization of the Petroleum Exporting Countries (OPEC) and the Gas Exporting Countries Forum (GECF).

Over the years, the UAE has diversified its economy, and it now generates approximately 70% of its GDP from non-oil and gas sectors, including trade, logistics, banking and financial services, high-tech industries, construction, tourism, real estate and manufacturing.

In 2017, the UAE Strategy for the Fourth Industrial Revolution was launched, as the country aims to accelerate the growth of its digital economy and bolster its position as a global hub for the Fourth Industrial Revolution.

The following year, the UAE initiated the Emirates Blockchain Strategy 2021 and the Dubai Blockchain Strategy. The UAE plans to leverage blockchain technology and move 50% of government transactions into the blockchain platform by 2021.

Finance & Investment

Due to a resilient banking sector and strong financial reserves, the UAE remains a safe and attractive investment hub. Standard & Poor's has given Abu Dhabi a rating of AA, indicating its very strong capacity to fulfil its financial commitments in the long term.

A separate report by the Sovereign Wealth Fund Institute indicated that Abu Dhabi Investment Authority is the largest sovereign wealth fund in the Middle East and the fifth largest in the world with USD 792 billion (over AED 2 trillion).

As of 2018, the UAE Central Bank had total assets worth AED 417.7 billion (USD 113.5 billion) and its foreign assets reached AED 362.55 billion (USD 98.7 billion).

In recent years, the UAE witnessed healthy growth in banking profitability, recording a 13.9% growth in net profit among its top 10 banks. Furthermore, the UAE's commercial and Islamic banks generated a net income amounting to around AED 15 billion (USD 4 billion) during the first half of 2019, according to data released by the Statistics Centre – Abu Dhabi.

Tourism

The UAE has established itself as a world-class tourist destination, with its globally renowned attractions, high-profile events, diverse accommodation options, economic and political stability and a religiously and culturally tolerant population.

The UAE's travel and tourism sector contributes about 11.1% to its GDP and supports over 611,000 jobs.

In 2019, Dubai welcomed 16.73 million overnight visitors and it ranked third in the world for international tourism spending. Business travel has also become a major income generator for Dubai, with meetings, incentives, conferences and exhibitions (MICE) adding over AED 20 billion (USD 5.4 billion) to the emirate's economy in 2019.

By 2025, Abu Dhabi and Dubai intend to attract 28.5 million tourists. The UAE hospitality market is forecasted to reach a value of USD 7.6 billion (AED 27.9 billion) by 2022.

ESTABLISHING COMPANIES IN THE UAE

The UAE allows three types of company setup: mainland, free zone and offshore.

Mainland company setup allows businesses to trade inside and outside the UAE without any restrictions. Also known as an onshore company, a mainland company offers the following advantages:

- Freedom to choose premises anywhere in the mainland.
- Access to over 3,000 business activities.
- Unlimited number of visas.
- Ability to bid on government contracts and tenders.

The Department of Economic Development is tasked with licencing mainland companies.

According to the UAE Commercial Companies Law, a mainland company must have a local partner or a local service agent. The local partner can be a legal entity or a natural person and will hold 51% of the shares, while the foreign investor will hold 49%. This is the common practice but purely on a transactional basis, as the local partner can transfer the ownership and liability to the foreign investor, subject to a sponsor fee.

The other types of mainland companies – sole establishment, civil company, branch office and representative office – require a local service agent to complete the legal formalities.

Free zone company setup allows foreign investors to have 100% ownership of their company and to repatriate 100% of their capital and profits to their home country. Free zone companies can trade within their free zone jurisdiction and internationally, but not within the mainland or outside their free zone.

Free zone companies also enjoy the following benefits:

- 0% corporate and income tax.
- No customs duties levied on imports and exports.
- No paid upfront share capital.
- Minimum auditing or bookkeeping requirements.
- Residence visas are provided under the company, with additional visas given to employees and dependents.
- Physical office may not be required, but this is dependent on the free zone area.

The UAE has more than 50 free zones that are managed by their respective authorities and have their own unique requirements. Free zone areas are generally designed to provide business support to specific industries. For example, Dubai Media City hosts companies such as BBC, CNN and Thomson Reuters.

Offshore company setup involves establishing a typically non-operational company for holding assets or as a special purpose vehicle. It allows 100% ownership of shares by a non-UAE resident and follows common law jurisdictions. An offshore company offers the following advantages:

- Asset protection.
- 0% income tax.
- No share capital requirement.
- No limit on capital and profit exports.
- Annual audit is not required.
- Easy invoicing process for transactions and trade activities conducted outside the UAE.
- Popular for holding structure with bank account outside the UAE.
- Used for raising capital.



Company Names

The UAE's company name registration process requires names to adhere to certain protocols, such as:

- The business name should reflect the company's primary activity.
- The name should not be reserved, protected or copyrighted by another business.
- It should not include names of locations, such as UAE, Emirates, Dubai and other cities, districts and UAE airport codes.
- Offensive, obscene or indecent words should not be included, even if it is a person's name.
- The business name should not include the name of God or any of His divine attributes, either in English or Arabic.
- Names of global political, religious or sectarian groups (e.g. FBI, Vatican and UN) must also not be included.
- The name should not fully or partially contain words already used by global or local brands and government projects.

Shareholders

According to the UAE Federal Law 2 of 2015 concerning Commercial Companies, the following company structures offer limited liability:

- **Limited liability company (LLC)** – A minimum of 2 and a maximum of 50 shareholders can form an LLC. The shares of an LLC cannot be offered to the public.
- **Public joint stock company (PJSC)** – Five or more people can form a PJSC. Although the shares of a PJSC can be offered to the public, the shareholders must hold between 30% to 70% of the shares before offering the remaining shares to the public.
- **Private joint stock company** – A minimum of 2 and a maximum of 200 shareholders can form a private joint stock company. Similar to an LLC, the shares of a private joint stock company cannot be offered to the public.

The most common legal entity structure in the UAE is LLC. Shareholders of an LLC do not hold share certificates, but instead own a percentage of the LLC's capital. The share certificates are not transferable.

Free zones also allow incorporation of LLCs, such as:

- **Free zone limited liability company (FZ-LLC)** – A minimum of one shareholder is required. The maximum number of shareholders allowed is generally 5, but this depends on the free zone.
- **Free zone establishment (FZE)** – An FZE allows single shareholder limited liability.

Directors

The board structure of a company in the UAE depends on its legal form.

- **LLCs with up to 7 partners** can have a single "company manager," which can be one of the partners or a third party. LLCs can have several company managers, and the partners (shareholders) can also form a management board.
- **LLCs that have 7 or more partners** require a supervisory board that oversees the managers or management board. At least 3 of the LLC's partners must be part of the supervisory board.
- **PJSCs must have a board of directors**, with a minimum of 3 and a maximum of 11 board members. The board must include executive, non-executive and independent directors.

The UAE does not impose any age restrictions for directors of both LLCs and PJSCs. However, in a PJSC, the chairman and the majority of its board members must be UAE nationals. The UAE also requires local public shareholding companies to have at least 20% female representation on their management board. If no female member has been nominated, the company must disclose its reasons, as well as the rate of female representation on its board of directors in its annual governance report.



Registered Address

A physical address is required for a business to operate in the UAE. The premises and location of the business must meet the requirements of the Department of Economic Development of the emirate where it will be registered, as well as the land planning regulations of the local municipalities.

Businesses must also submit their office and warehouse rental agreements, and some emirates require these to be attested. In Dubai, the agreement must be registered with Ejari, an online platform launched by the Real Estate Regulatory Agency (RERA) for recording rental or lease contracts.

In certain free zones, businesses are not required to have an office space. However, a physical address is still mandatory for opening a bank account. Many free zones offer flexi-desk options, which can satisfy this requirement.

Share Capital

The UAE Commercial Companies Law does not stipulate a minimum capital requirement for LLCs. It is however, mandated that the capital of an LLC must be sufficient to cover its activities. The average share capital is around AED 100,000 to AED 300,000, but it is not required to be deposited or paid upfront. These regulations also apply to a free zone company if it is an LLC.

On the other hand, a public joint stock company is required to have a minimum share capital of AED 30 million (USD 8.1 million), while a private joint stock company must have a share capital worth at least AED 5 million (USD 1.3 million).

Administration

The UAE Commercial Companies Law has issued a set of general duties and liabilities applicable to all managers, directors and commercial companies (including LLCs and joint stock companies). These general duties and obligations include the following:

- Complying with all state legislation and laws, the provisions of the Memorandum of Association (MOA) and the Articles of Association (AOA), the terms of their management and/or employment contracts and resolutions issued by the general assembly.
- Registering the MOA and AOA of their company, including all amendments, in the commercial register.
- Preserving the rights of their company and acting for its benefit with caution, in accordance with the company's objectives and the powers granted to them.
- Avoiding fraudulent acts and any management, participation or involvement in any business or activity that is in competition with the company.
- Preparing the annual budget, an annual report about their company's activities and a financial report and have these audited by the company's auditor before presenting them to the general assembly. A copy of these documents, as well as the company's books, must be provided if requested by the shareholder(s).
- Arranging a general assembly meeting at least once within the company's fiscal year and in accordance with the Companies' Law.
- Registering the company's dissolution in the commercial register with the relevant authority and announcing the dissolution in two daily local newspapers.

Another set of specific obligations and duties may apply to managers and directors of certain companies depending on the nature and legal form of their company. On the other hand, the chairmen and directors of joint stock companies are governed by a different set of specific obligations and duties.

Branch Office

Foreign companies can establish a branch office in the UAE to conduct professional or service-based activities, but not trading activities. Each emirate has its own licencing regulations for branch offices; these are managed by their respective Department of Economic Development agencies.

Branch offices are considered as individual businesses and can therefore execute contracts and conduct business activities, as stipulated in their licence. Branch offices do not have a separate legal identity and are regarded as the same entities as their



parent companies. Parent companies are, therefore, accountable for the debts of a branch.

Representative Office

Foreign companies can also set up a representative office in the UAE if they only aim to perform marketing and promotional activities for their business. Representative offices are considered as extensions of existing businesses and are not authorised to conduct any income-generating activities.

Audit and Accountancy

LLCs and joint stock companies in the UAE must appoint one or more auditors. Incorporated companies are mandated to file their audited financial statements with the Ministry of Economy, or the relevant authority, to renew their trade licence.

Listed companies must file their financial statements quarterly and annually in both English and Arabic with the Securities and Commodities Authority (SCA).

Banks and branches of foreign banks are further required to file their audited annual financial statements and regulatory returns with the Central Bank of the UAE. These also need to be published in a local newspaper.

The Central Bank of the UAE and SCA mandate the use of International Financial Reporting Standards, while most companies follow generally accepted accounting principles (GAAP).

Although there is no specific language requirement for maintaining books and accounts, most companies do so in English. Generally, businesses are expected to maintain their records for at least 5 to 7 years.

TAXATION IN THE UAE

Corporate Tax

The UAE does not impose a corporate tax on businesses, with the exemption of oil and gas companies and foreign banks.

Excise Tax

Excise tax is applied only on goods that are considered harmful to human health or the environment. These include carbonated drinks, energy drinks, tobacco and tobacco products, electronic smoking devices and liquids used in such devices.

Value Added Tax

In 2018, the UAE introduced a Value Added Tax (VAT) scheme with a low rate of 5%. VAT is applied on the use or consumption of goods and services at each point of sale.

Businesses that have taxable supplies and imports exceeding AED 375,000 (USD 102,000) per annum must register for VAT. On the other hand, VAT registration is optional for businesses that have taxable goods and imports exceeding AED 187,500 (USD 51,000) per annum.

Businesses collect tax from consumers on behalf of the government. A refund is given to businesses for the tax they have paid to their suppliers.

Salaries Tax

The UAE currently does not impose tax on personal income.

Profits Tax

There is no withholding tax or capital gains tax in the UAE.

Tax Treaties

The UAE has concluded 115 Double Taxation Agreements (DTA) to prevent double taxation on public and private companies operating in the country and to make cross-border trade and investment easier.

List of the UAE's Double Taxation Agreements:

Albania	Georgia	Palestine
Algeria	Greece	Panama
Andorra	Guinea	Paraguay
Angola	Hong Kong	Philippines
Antigua and Barbuda	Hungary	Poland
Argentina	India	Portugal
Armenia	Indonesia	Romania
Azerbaijan	Iraq	Russia*
Azerbaijan	Ireland	Rwanda
Bangladesh	Italy	Saint Kitts and Nevis
Barbados	Japan	Saudi Arabia
Belarus	Jersey	Senegal
Belgium	Jordan	Serbia
Benin	Kazakhstan	Seychelles
Bermuda	Kenya	Singapore
Bosnia and Herzegovina	Kosovo	Slovak
Brazil	Kyrgyzstan	Slovenia
Brunei	Latvia	South Africa
Bulgaria	Lebanon	South Korea
Burundi	Libya	Spain
Cameroon	Liechtenstein	Sri Lanka
Canada	Lithuania	Sudan
China	Luxembourg	Switzerland
Colombia	Macedonia	Syria
Comoro Islands	Malaysia	Tajikistan

Costa Rica	Maldives	Thailand
Croatia	Mali	Tunisia
Cyprus	Malta	Turkey
Czech Republic	Mauritania	Turkmenistan
Ecuador	Mauritius	Uganda
Egypt	Mexico	Ukraine
Equatorial Guinea	Moldova	United Kingdom
Estonia	Montenegro	Uruguay
Ethiopia	Morocco	Uzbekistan
Fiji	Mozambique	Venezuela
Finland	Netherlands	Vietnam
France	New Zealand	Yemen
Gambia	Nigeria	
Germany	Pakistan	

*Only for companies owned by the UAE government.

Banking

The UAE has around 50 banks providing financial and banking services to around 10 million people.

The two largest banks in the country are First Abu Dhabi Bank and Emirates NBD. There is also a significant presence of foreign banks, including Citibank N.A., Hongkong and Shanghai Banking Corporation (HSBC) and Standard Chartered Bank.

Commercial banks, investment banks and Islamic banks are regulated by the Central Bank of the UAE.

Islamic banks

Islamic banks adhere to Sharia laws on banking, as well as the stipulations provided in the Federal Law No. 6 of 1985 regarding Islamic banks, financial institutions and investment companies. Islamic banks are allowed to conduct all or part of banking, commercial, financial and investment services and operations.

Bank Account Opening

Opening a bank account in the UAE is a straightforward process with minimal requirements.

UAE citizens must submit a copy of their family book, a salary letter or a letter of No Objection from their employer.

Expatriate residents in the UAE must submit a copy of their passport, residence visa and Emirates ID, as well as a salary letter or letter of No Objection from their employer or sponsor.

Both citizens and residents are allowed to open a joint account with a legitimate resident of the UAE, but procedures and requirements may differ for each bank.

The UAE requires the use of an International Bank Account Number (IBAN) to facilitate all electronic payments and receipts inside and outside of the country. Credit card payments can be exempted.

Corporate Bank Account

To open a corporate bank account, the following documents are required:

- A copy of the trade licence, share certificates, certificate of incorporation, company memorandum and articles of association.
- Copies of the passports of all partners in the company.
- A corporate account opening form.
- A board of directors' resolution authorising the bank account opening and signatories to the account.

Additional documents, such as contracts, invoices and business plans, may be required by certain banks.



RESOURCES

The following websites have additional information on doing business in the UAE:

The Official Portal of the UAE Government

<https://u.ae/en/information-and-services/business/business-regulations>

Central Bank of the UAE

<https://www.centralbank.ae/en>

Ministry of Economy

<https://www.economy.gov.ae/english/Pages/default.aspx>

Ministry of Finance

<https://www.mof.gov.ae/en/Pages/default.aspx>

Securities and Commodities Authority

<https://www.sca.gov.ae/en/home.aspx>

Dubai Chamber of Commerce and Industry

<https://www.dubaichamber.com/>

Fujairah Chamber of Commerce & Industry

<http://www.fujcci.ae/>

Dubai Trade

<http://www.dubaitrade.ae/en/>

Abu Dhabi Department of Economic Development

<https://aded.gov.ae/>

Ajman Department of Economic Development

<https://www.ajmanded.ae/en/>

Dubai Department of Economic Development

<https://dubaided.gov.ae/default/en>

Ras Al Khaimah Department of Economic Development

<http://www.ded.rak.ae/en/pages/default.aspx>

Sharjah Economic Development Department

<https://www.sedd.ae/web/sedd/home>

Umm Al Quwain Economic Development Department

<http://www.ded.uaq.ae/en/home.html>



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Zetland Guides and Info Sheets available on request:

Asset Protection; Belize Companies & Trusts; Belize International Foundations; [Doing Business in China](#); Foundations; [Hong Kong Companies](#); Hong Kong Trusts; Hong Kong Visas; Offshore Operations; Seychelles; Mauritius; [Singapore Business Structures](#); Singapore Residency; Trusts; Wills and Probate in Hong Kong; Offshore RMB and info sheet on Hong Kong company ongoing obligations.