

Setting up and doing business
in the UAE and an Introduction
to Free Zones in the UAE

Raymond Younan

2 August 2009

Setting up and doing business in the United Arab Emirates (UAE)



- Legal System
- What is the legal system (civil law, common law or a mixture of both)?

The United Arab Emirates (UAE) is a civil law jurisdiction.

Foreign Investment

- Are there any restrictions on foreign investment (including authorisation required by central or local government)?
 - A foreign company can establish a presence in the UAE by setting up a branch or forming a company
 - In each case, the branch or company must obtain a licence from the federal and/or municipal authorities to carry on its proposed activities
- Are there any exchange control or currency regulations?
 - There are no currency exchange controls and no restrictions on the remittance of funds except for restrictions on transactions involving Israeli parties or currency

What grants or incentives are available to investors? Are any of these aimed specifically at foreign investors?

- n The UAE has established various free zones, each of which is governed by the relevant free zone authority
- n Free zones attempt to distinguish themselves by appealing to a particular type of business, by offering an environment attractive to those businesses in terms of infrastructure, location and other factors such as guaranteed tax holiday

Business vehicles



What is the most common form of business vehicle used by foreign companies to conduct business in your jurisdiction?

n The most common form of business vehicle used by foreign companies is the limited liability company (LLC)



- **Foreign shareholders.** A LLC must have no fewer than two and no more than 50 shareholders. UAE nationals or companies wholly owned by UAE nationals must own at least 51% of an LLC's shares at all times, unless the LLC is 100% owned by GCC nationals

Introduction to Free zones in the UAE

- A free zone can be described as a portion of clearly defined and isolated land or settling, with a special tax, customs and imports regime, usually involving a status of extra-territoriality (The World Federation of Free Zones)
- UAE Free Zones: Exemption for FZ entities from the Commercial Companies Law (Federal Law No. 8 of 1984)

Why set up in a FZ?

- 100% foreign ownership
- No need to have a local agent or sponsor
- No restrictions on repatriation and transfer of capital, profits and wages outside the FZ
- Simpler to set up by dealing with an FZ Authority – “one-stop-shop”
- Tax exemptions to FZ entities and employees from taxes relating to operations within the FZ

Activities: Types of Licences

- General Trading Licence
- Trading Licence
- Industrial Licence
- Service Licence
- National Industrial Licence

Activities: continued

- Several types of activities free zones e.g. Jebel Ali Free Zone, Dubai Airport Free Zone
- Specialised free zones e.g. Dubai Technology and Media FZ, DIFC, Dubai HealthCare City, Dubai Multi Commodities Centre
- Licence to operate within the free zone
- Employees of FZs may reside and travel elsewhere in the UAE
- From a FZ entity goods may be imported to 'mainland' UAE by a licensed distributor who will pay customs duties

Types of FZ entities

- Free zone establishment (FZE)
- Free zone limited liability company (FZ-LLC)
- A branch of a foreign company
- Offshore company

Setting up in a FZ

- FZ Authority's prescribed application form with particulars completed
- Business plan outlining activities to be conducted in the FZ
- Memorandum of association (for a FZ-LLC) in the prescribed form
- Certificate of incorporation (for a branch application)
- Good standing letter from the registrar of companies in the country of incorporation (for a branch application)

Setting up in a FZ-continued

- Board resolutions for establishment
- Bank statements and bank reference letter
- Payment of share capital into a designated bank account (for a FZE and FZ-LLC)
- A minimum share capital is usually prescribed for a FZE and FZ-LLC by the FZ Authority
- Detailed description of projects and activities, if an industrial licence is requested
- Details of the premises to be taken on lease or ownership basis

Dubai Free zones

- Dubai International Financial Centre (DIFC)
- Jebel Ali FZ (JAFZA)
- Dubai Technology & Media FZ (TECOM)
- Dubai HealthCare City (DHCC)



Jebel Ali Free Zone (JAFZA)

- Established in 1985
- Built around the largest man made port in the world
- Minimum share capital:

FZE: AED 1,000,000

FZ-LLC: AED 500,000

(2-5 Shareholders)

Suitable for:

any kind of business,
profession, or industry

Dubai International Financial Centre (DIFC)

- Established in 2004
- An onshore capital market
- Key feature: it has its own laws and regulations and a clear regulatory framework

Primary sectors of focus:

- Banking Services
- Capital markets
- Asset management & fund registration
- Reinsurance and captive insurance
- Islamic finance
- Ancillary services
- Business processing operations

Dubai Technology and Media Free Zone

Dubai Media City Suitable for:

- Publishing
- Broadcasting
- Film
- Media & marketing services
 - Information agencies
 - Music & entertainment
 - New media & media
 - support services
 - Service providers
 - Consultancy

Knowledge Village Suitable for:

- e-Learning companies
 - Education institutions
 - Research & development
 - Corporate training institutions
 - Web based and e-commerce
 - Innovation organisations
 - Science & technology institutions
 - Certificate & testing organisation
 - Schools & colleges

Dubai Technology and Media Free Zone-continued

Dubai Outsource Zone
Suitable for:

Infrastructure for outsourcing
companies

Dubai Internet City
Suitable for:

- Software development
- Business services
- Web based and e-commerce
- Consultancy
- Sales and marketing
- Back office

Dubai HealthCare City (DHCC)

- Established in November 2002
- Centre for all medical services



Suitable for:

All medical services –

- health care delivery
- education
- research & development

Free Zones in the Emirates outside of Dubai

- Ras Al - Khaimah Free Trade Zone
- Hamriyah Free Zone
- Sharjah Airport International Free Zone
- Fujairah Free Zone
- Ajman Free Zone
- The other free zone is Umm Al Quwain

Ras Al- Khaimah Free Trade Zone

- Ras Al - Khaimah Free Trade Zone
- Investors can either register a new company in the form of:
 - FZE
 - FZ-LLC
 - a branch office of their existing or parent company based within the UAE or abroad

Non-Resident Offshore Companies

- Jafza, under Jebel Ali Free Zone Offshore Companies Regulations 2003, allows the formation of Offshore Companies by individuals or corporate bodies, as a non-resident company, having a corporate legal entity
- RAK Offshore Free Trade Zone Authority, is the free zone authority that registers offshore companies in the free zone under the RAK Investment Registry

Recent developments

- Abu Dhabi opens new media free zone
- Administrative matters
- Applicability of UAE laws and regulations
- Public registers?

