

# Doing Business in the United Arab Emirates





## FIDFINVEST Middle East

Fidfinvest Middle East is a consultancy firm based in Dubai (U.A.E.). The company is a legal entity of the Fidfinvest Group. Fidfinvest Middle East offers extensive services in the following areas:

- Company foundations in the U.A.E. (all legal forms)
- International tax consultancy
- Administration, investments, accounting
- Relocation & hospitality
- Networking

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## Why the United Arab Emirates?

The United Arab Emirates, which has been recognised as the leading emporium of the Middle East for many years, has developed into an international business centre of global significance over the past years. In the 1990s of the 20th century, the United Arab Emirates aggressively expanded its trading activities over the borders of the member states of Arab Gulf Cooperation Council (AGCC) – These include the United Arab Emirates, Saudi Arabia, Kuwait, Bahrain, Qatar and Oman – as well as Iran. Today, the country offers international companies an ideal gateway to develop their business throughout the whole Middle East, India, East Africa, the Eastern Mediterranean, Commonwealth of Independent States (CIS) and Central Asia.

International companies are increasingly recognising that the expanded business horizons of this region cover many of the most interesting markets emerging for the future. 1.4 billion people live in the region, of which a large part have entered the international consumer market for the first time in the 21st century. While oil has been an extremely important factor in the development of the United Arab Emirates since the late 1960s, today the oil-free sector contributes 90% to the gross domestic product (GDP) and is gaining increasingly in significance. The processing industry, tourism and services are becoming increasingly important, thus helping to form a balanced and widely diversified economy. However, trade is, as it has been for generations, the heart of the business world in the United Arab Emirates.

This long tradition of trade, which has provided the country with its reputation as a “trading nation” within the Middle East, remains an important aspect for foreign countries, which look for opportunities in this region today. This is reflected not only in a regulated environment, which is open and liberal, but also in the familiarity of the local business community with international trade requirements and in the cosmopolitan lifestyle of the country.

As the regional business foundation stone, the United Arab Emirates are located between the Far East and Europe on the East-West trade routes and between the former Soviet Union and Africa on the North-South axis. Its international airports in Dubai and Abu Dhabi, whose passenger numbers are among the top in global comparison, combine the United Arab Emirates with more than 130 air destinations through 86 airlines and the harbour authorities, the operator of Port Rashid and Jebel Ali Port, is unrivalled in the region in terms of the routes and efficiency.





The United Arab Emirates is a politically stable country and open for business with all the world's countries (except Israel). There are no taxes on profit or income. There is a highly developed finance and services sector. Its communication facilities are excellent and the cost structure for businesses in the United Arab Emirates is extremely competitive.

Apart from its appeal as a regional company location, the United Arab Emirates also offer foreign companies excellent opportunities to found production and sales companies. In the various Free Zones, companies can develop their own projects. This means they are additionally able to benefit from the best investment conditions, from a multitude of facilities, including relief from import taxes.

It is not surprising that the Emirates have recorded a massive influx of investors over the past years as a result of these advantages and benefits. The number of investors in the Jebel Ali Free Zone alone was less than 300 in 1990 and has increased to more than 2400 in 2006.

Apart from the economic advantages of the United Arab Emirates as a company location, international business people can be sure that the city will offer a fantastic quality of life for them and their families. The United Arab Emirates are tolerant, open and virtually crime-free. The lifestyle is international. There are luxurious residential and office complexes, good opportunities for education, health facilities and shopping opportunities. Provisions are made for sport and leisure activities and the international first-class hotels offer a multitude of culinary delights, entertainment and a thrilling night life.





## Basic Considerations about Founding a Company in the United Arab Emirates

### 1. Development of a company structure

Before creating a business vision, it is necessary to determine what legal form of company you prefer and require. Will you be managing a small company alone? Or do you have a partner? Is there a large organisation with a nominated manager or a board of directors who manages business? Is it a public trading company? What is your percentage of the company? You have to ask yourself these and other questions in order to determine the basic structure of your company and your role within this structure.

### 2. Licensing

The basic requirement for all business activities in the United Arab Emirates is to operate under a relevant trade license. Trade licenses are outlined below in the following three main categories:

- Commercial licenses – covers all types of trade activities
- Professional licenses – covers academic professions, services, craftsmen and artisans
- Industrial licenses – for the foundation of industrial or production businesses

These licenses are issued by the Office of Economic Development (DED – Dubai Economic Department) in any emirate, except for the licenses for hotels and other tourist-related business areas, which are issued by the Office for Tourism and Trade. In addition, some licenses in certain business fields require the authorisation of certain ministries and other authorities, for example banks and financial institutes by the Central Bank of the United Arab Emirates, insurance companies and their relevant agents by the Ministry of Economy and Commerce, production companies by the Ministry of Finance and Industry, media companies by the Ministry of Information and Culture and pharmaceutical and medical products by the Health Ministry. Detailed procedures apply for oil and gas production as well as related industries. Initially, the authorities will only issue a partial license for the name and business activity of the company.





When the location of the company is determined, the premises are leased and the regional DED office has carried out an inspection, the full license will be issued.

### 3. Lease of Office Premises

Leasing office premises in the Emirates is very simple. The premises for a new company should be leased before you receive the company license from the regional DED office and after the name and field of activity for the company have been authorised. In addition, the premises should be leased under the company name and not under the name of the business partner or owner. Companies, which build their own business premises, should also have done this before the license has been issued by the DED, as the DED must inspect the premises before authorising the license.

### 4. Registration

All types of company and company structures must be registered in the commercial register of the Office for Trade licenses and commercial registration of the DED, as soon as the complete trade license has been issued and before the business activities have been started. In addition, all industrial and commercial companies must be registered at the Dubai Chamber of Commerce and Industry (DCCI).

### 5. Immigration and Work Requirements

Different to many jurisdictions, companies in the United Arab Emirates must fulfil certain requirements from the immigration authorities as well as the Ministry of Social Affairs and Employment if they want to employ staff in the United Arab Emirates or if they want to submit visa applications in the names of their employees or other persons.





The following provides you with details of these requirements. First Steps to Founding a Company in the United Arab Emirates:

- Business registration at the immigration authorities:

#### Immigration Card

If a company wants to employ personnel, the company must be registered by submitting a file to the immigration authorities (as well as the Ministry of Social Affairs and Employment) as soon as the company receives its trade license. Without taking this step, personnel cannot be employed. If the company is registered, it receives an Immigration Card.

- Business registration at the Ministry of Social Affairs and Employment:

#### Labour Card

All companies, which employ personnel and want to submit visa applications in the name of its employees, must be registered at the Ministry, by submitting a file for the company. If a member of staff is employed, then the company must firstly obtain authorisation from the Ministry before being able to apply for the employee's visa if it is required. These applications cannot be submitted before the first registration at the Ministry. If the company has been registered at the Ministry, a Labour Card is issued for every further employee.

- Agent Cards: Immigration & Employment

All companies must nominate an agent, who deals with the immigration and labour authorities in their name as employees are not authorised to negotiate with the immigration and labour authorities in the name of the company without having obtained an agent card from the appropriate authorities beforehand. Such agents are employed by the company itself. Agent cards can be renewed each year.





- Transit Visa Cards

All companies are advised to apply for a transit visa card. With a transit visa card, a company can obtain two week transit visas for customers and other contacts who are travelling to Dubai. When a company submits a complete application, the immigration authorities determine a date, on which they will inspect the applicant's premises. When this inspection has been carried out and the inspectors give their approval, then the transit visa card will be issued. A transit visa card is valid for one year and can be renewed each year.

## Types of Company in the United Arab Emirates (Legal Forms)

### 1. Onshore Companies

- Limited Liability Company (LLC)
- Professional license (PL)

Capital:	To be defined
Domicile:	In principle, arbitrary (not Free Zone)
Personnel / Visas:	Yes, possible
Owner of LLC:	51% held by "Local Sponsor"
Owner of PL:	0 % held by "Local Sponsor"
Costs:	On request (annual and recurrent)

### 2. Free Zone Company

- Limited Liability Company (LLC)

Capital:	To be defined
Domicile:	Solely in Free Zones like Dubai Internet City, Dubai Media City or Dubai Knowledge City
Owner of LLC:	0% held by "Local Sponsor"
Costs:	On request (annual and recurrent)





### 3. Offshore Company

- Limited (Ltd.)
- Limited Liability Company (LLC)

Capital:	To be defined
Domicile:	Jebel Ali Free Zone
Personnel / Visas:	Only with office leases in the JAFZA
Owner of Ltd.:	0% held by "Local Sponsor"
Owner of LLC:	0% held by "Local Sponsor"
Costs:	On request (annual and recurrent)

### General Information about Offshore Companies

#### Purpose:

- Relocation of productive economic operations into tax oases
- Foreign companies can benefit from specific double tax agreements in individual cases and reduce the entire tax price by interpositioning a foreign company in international business relationships.

#### Advantages:

- Confidentiality of business relationships and anonymity of business circle
- Can practice any type of activity as long as it does not infringe the Jebel Ali Free Zone Authority Offshore Companies Regulations 2006
- Can open bank accounts in the UAE





## Regulations:

- No original share capital or proof of capital
- No office premises must be leased. But you are obligated to maintain an appropriate contact address through the office of a Registered Agent
- The Jebel Ali Free Zone Authority will only issue visas for employees if the offshore company leases offices in the Jebel Ali Free Zone
- Employees are not compulsory
- Can be founded by natural or corporate bodies
- Following minimum contents of statutes: the transfer of shares, at least 1x annual P&L, financial statement and audit (the Registered Agent supplies the charter and corporate statute. Any deviations require their approval)
- At least 2 directors and 1 recording clerk (director and recording clerk can be the same person)
- If at a later point in time, the company wants to practice commercial activities in the UAE, then an appropriate commercial license must be applied for

## Disadvantages:

- Not possible to acquire property (except both Palms, Jumeirah Islands, properties from Nakheel or properties authorised by the Jebel Ali Free Zone Authority)
- Only allowed commercially required relations with UAE-domiciled service providers (lawyers, auditors, management companies)

## Not allowed:

- Banking and financial concerns
- Insurance companies





## General Information about Free Zone Companies

Free Zones are special areas within the UAE, in which the Federal and Emirate laws are only employed if no independent legal regulations are adopted.

All subsidiary forms in the sectors of trade, services or production are allowed to actively participate in the business (imports and exports).

In principle, the license issued by the Free Zone is limited to the area of the appropriate Free Zone. If the business purpose only contains the provision of services, this can be used outside a Free Zone as well.

## Different Subsidiary Foundations:

- Foundation of Subsidiary
- Foundation of Free Zone Establishment (FZE)  
(only one-man Co.)
- Foundation of Free Zone Company (FZCO)  
(Co.)
- Foundation of Free Zone Limited Liability Company (FZ-LLC)  
(can be founded by one or any number of companies)

There are several Free Zones within the United Arab Emirates. The following list shows a few Free Zones

- Jebel Ali Free Zone:  
Industrial, trade and service licenses  
(Service licenses are only issued to companies already registered in Dubai)
- Dubai Airport Free Zone:  
Industrial, trade and service licenses





- Dubai Technology, E-Commerce & Media Free Zone (Dubai Internet City, Media, City, Knowledge Village)  
Foundation of UAE LLC, at least 2 and no more than 50 shareholders
- Sharja Airport International Free Zone  
Industrial, trade and service licenses
- Hamriyah Free Zone  
Industrial, trade and service licenses
- Ajmann Free Zone  
Industrial, trade and service licenses
- Fujarah Free Zone  
Industrial, trade and service licenses
- Ras Al Kaimah Free Zone  
Industrial, trade and service licenses
- Ahmed Bin Rashid Free Zone  
Industrial, trade and service licenses





## General Information about Onshore Companies

Onshore companies are founded if you would like to practice official business in Dubai. The onshore companies can be domiciled anywhere in Dubai (apart from in the JAFZA or the Free Zone). These companies can practice business activities throughout Dubai and are free of purpose.

For the business form, it is imperative to commission a so-called Local Sponsor. This Local Sponsor is the contact person for you in Dubai. This Local Sponsor can be changed at any time. With an LLC, the Local Sponsor holds 51% of the shares on a trust basis. With a "Professional license", he acts solely as an agent and, of course, does not hold any shares.

The onshore companies are very flexible because they are not limited in any way in their business activities.

When employing staff, it is easier to obtain visas than it is in a Free Zone Company.

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