



# Strategic Planning for Doing Business in the United Arab Emirates

Russi J. Patel, FCA



# **Strategic Planning For Doing Business in the United Arab Emirates**

## **A Presentation**

**By**

**Russi J. Patel, FCA**

From the very beginning, the seven Emirates have retained their special development strategies and have modernized along distinctly different lines in a way that has strengthened the Federation as a whole. The private sector is now a major driving force in the economy. Challenges ahead include providing work for a growing number of young UAE nationals, defining an appropriate policy for long-term resident expatriates and finding a balance between traditional values and demands of modern industrial life. The UAE has entered the millennium as one of the Middle East's most dynamic countries and is rapidly becoming a model of what successful planning and vibrant enterprise can achieve and it has every reason to be proud of its achievements and confident about the future.

**Dubai: March 23, 2009**

## Foreword



The Emirate of Dubai has succeeded in establishing itself as an outstanding venue for doing business in the region thanks to its ambitious economic policy and its strategic location as a gateway to large multimillion consumer bases in the world's emerging economies. As the proactive representative of the Dubai business community, Dubai Chamber of Commerce & Industry has always been keen to promote Dubai as the most dynamic and ideal place to develop a successful business.

Having established 21 industry specific business groups, 33 nationality specific business councils, and 72 trade centers, Dubai Chamber serves over 100,000 members and plays a crucial role in highlighting Dubai as an international business and services hub.

As part of its strategic mission, Dubai Chamber continuously works on promoting Dubai and its economic development process through various publications including the Chamber's annual Commercial and Industrial Directories, informative brochures and economic bulletins.

I welcome this revised edition of Strategic Planning for Doing Business in the United Arab Emirates by Russi J. Patel which again focuses on how to do business in the UAE and its 23 free zones including the 15 Dubai free zones. I believe this publication will be handy for UAE businessmen, exporters, importers and entrepreneurs as well as foreign investors planning to establish new commercial activities in the Emirates.

**Eng Hamad Buamim**

Director General

Dubai Chamber of Commerce & Industry

## Profile



**Mr. Russi J. Patel, FCA**

Mr. Russi J. Patel, Fellow Member of the Institute of Chartered Accountants of India, is the Managing Partner of BDO Patel & Al Saleh and the Founder Partner of BDO Patel & Co., one of the leading professional firms established in the Gulf region for over 40 years. The firm is a member of BDO International, currently the world's fifth largest international accounting organisation and Mr. Patel is a member of its Council. Mr. Patel is also qualified and licensed to practice public accountancy in the United States and is a certified member of the Institute of Financial Consultants. He is also a recognized member of the Institute of Management Accountants, the Offshore Institute and the International Tax Planning Association. He is the Founder Member and Chairman for more than one period of office of the Dubai Chapter of the Institute of Chartered Accountants of India and has been recently appointed as member of the Representative Committee of the Auditors group constituted under the auspices of Dubai Chamber of Commerce & Industry. He was awarded the BDO Medal in October 1993 in recognition of his continuous commitment and significant contribution to the further development and promotion of BDO around the world and specifically in the Middle East region.

**BDO Patel & Al Saleh**

Chartered Accountants

PO Box 1961, Dubai, UAE  
Telephone: 04 222 2869 Telefax: 04 227 0151  
Email: [bdopatel@emirates.net.ae](mailto:bdopatel@emirates.net.ae)  
[www.bdo.ae](http://www.bdo.ae)

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**Note:**

This presentation has been compiled, with reference to available information and the provisions of relevant laws and decrees currently in force, as a guide to give the reader a broad overview of the investment and business opportunities in the UAE. It must however be emphasized that there may be several other aspects which may have a significant impact on decisions of the concerned investors and it would be advisable to seek appropriate professional help and guidance when deemed necessary.

# **Strategic Planning For Doing Business in the United Arab Emirates**

## **Part I**

### **An Overview:**

In recent years, the globalization of economies is gathering momentum as more and more countries are striving to promote economic efficiency through liberalization, deregulation of the national markets and substantial reduction of all trade tariffs and barriers. As a consequence, the business laws have become and continue to become, increasingly similar in rather dissimilar economic conditions.

This emphasis on economic freedom and liberalization of trade has seen the international body, The World Trade Organization (WTO) being empowered to intervene in trade disputes between economic partners and also has the capability to wield influence in national policies.

However, the impact of WTO and its policies of global liberalization has been minimal in this region with the exception of some benefits accruing to the UAE from increased trade due to its geographical position between Europe and Far East.

While considerable progress has been made under WTO in substantially reducing tariffs and quotas, there are still enormous barriers to trade in the form of discriminatory regulations, and it is these that need to be dismantled. In this context, it may be worth noting that the UAE has one of the lowest tariff rates in the world, and virtually no discriminatory regulations for imports.

One of the earlier developments in the gulf region was the establishment of Arab Gulf Co-operation Council (AGCC) comprising Saudi Arabia, Kuwait, Bahrain, Qatar, Oman, and UAE, which was founded on the set of economic principles including a commitment to an eventual common market. Among its economic objectives are the free movements of goods, services, capital and labour between member states, a common customs code and in the long term, a common currency.

The decision of AGCC countries to unify their customs tariffs is of relevance for free trade agreements with other major trading blocks, the European Union (EU) being the most important amongst them. Earlier, the tariff rates were not uniform and in certain cases were as high as 20% in some AGCC countries which afford protection to domestic manufacturing. However, in a significant development, AGCC countries have finally agreed to Unified Customs Regulation Law and Single Customs Tariff, which would usher in a new economic era for their countries.

A further impetus towards common economic policies is the process of economic diversification. The provision of the first class industrial facilities and business support services, the reduction of red tape and streamlining of administrative procedures have been some of the key elements in AGCC Governments' strategy to attract business in the non oil sector.

The UAE's economy has grown considerably since the country was created by seven Gulf Emirates in 1971. It is a fact that some of the emirates of the UAE are blessed with massive reserves of oil and gas, but these alone have not been the means to ensure stability, security, peace, progress and prosperity achieved by the UAE over an incredibly short span of time. The country's massive oil wealth has been used to finance development projects and the Government is continuing its ongoing economic diversification drive to guard the economy against unpredictable oil exports earnings, attain substantial growth and ensure jobs for its citizens.

For 38 years as Ruler of Abu Dhabi and 33 years as President of the United Arab Emirates, His Highness Sheikh Zayed bin Sultan Al Nahyan, provided leadership with a vision and foresight that has ensured development at a rapid growth rate. His sad demise is a great loss to the nation. However, he has left behind responsible cadre of leaders who have all the capabilities to carry on along the path set for the nation by him, taking the UAE to greater heights of glory.

At the business enterprise level, sound economic policies are being contemplated to regularize and formalize the legislation covering commercial transactions. The UAE is likely to be in the forefront to establish probably the most comprehensive system of legal protection for business in the Gulf region. Intellectual property protection laws covering trademarks, copyright and patents have already been adopted and enforced, and rules governing company ownership and company structure are expected to be liberalized to promote investments in the fast growing private sector. Overall business opportunities are also expected to expand significantly, particularly in view of the political stability and the economic progress in the region.

Tourism is undoubtedly the most promising avenue for diversification since it is totally independent of fortunes of the oil market and the opening up of this sector in a traditional location shows the seriousness of the Government in diversifying the economy for the overall benefit of the country.

The UAE Government's increasing emphasis on diversification and provision of the basic components such as capital and energy has seen the manufacturing sector making significant progress. The developments in the financial services sector have also fostered a properly regulated business environment in which economic development with diversification has continued unabated. The requirement by the Central Bank to prepare financial results in accordance with the International Accounting Standards is having far-reaching implications for the financial markets in the country on account of the increased financial transparency and consistency & integration with the global financial institutions.

With the intention of channeling the savings of investors in a way beneficial to the national economy and to ensure financial and economic stability, the UAE Government has established fully regulated stock exchanges in the country. The first stock exchange that commenced operations in the Emirate of Dubai in 2000 has been followed by second stock exchange in the Emirate of Abu Dhabi. These stock exchanges have made the local capital market more transparent, increased confidence and security, and has also improved the information available to banks lending to listed companies.

Standing at the crossroad of the world's busiest trading routes, the Emirate of Dubai has created a city that ranks as the commercial and tourist heart of the Gulf region. Dubai's dramatic growth in a span of less than four decades owes much to the exceptional vision and wisdom of its Rulers, who could perceive things much ahead of time and plan accordingly. When Late Ruler His Highness Sheikh Rashid bin Saeed Al Maktoum began his frenzied drive in the early 70s to build world class economic infrastructure, viz. airport, ports, road network, communications, power plants, desalination plants followed by a Free Zone and on top of all a 39 storey World Trade Centre, it did raise some initial doubts and reservations but the ultimate results have convincingly proved the long term benefits of these well-planned investments.

Sheikh Rashid's dream, after him, is being carried forward by his worthy successors with greater zeal and there is no doubt that Dubai, with its strategic location and world class logistics facilities and communication network, is in the most favorable position to ultimately emerge as the region's most important trading, redistribution, manufacturing and technological hub and a world famous tourism and convention Centre.

A strategic plan to build a fully diversified and prosperous economy in the Emirate of Dubai has been drawn up by the Department of Economic Development, which is now well known for its "open to business" concept.

Capitalizing on its prime location and state-of-the-art infrastructure, Dubai has become the leading exhibition centre in the Middle East. Dubai makes an ideal location for all types of trade fairs and meetings and attracts visitors and exhibitors year-round from all over the world. The city combines the state-of-the-art facilities and services of one of the world's major international business centers with all the attractions of a top tourist destination and the Government has spared no cost in ensuring that the best infrastructure and facilities are available. Organizers and delegates alike can count on effective and successful business events staged in a luxurious environment offering an outstanding range of recreational possibilities.

To supplement the investment in the business sector, the Dubai Government has also fully supported the projects undertaken by several public limited companies to construct state-of-the-art residential, office and tourism related facilities which are not only made available to the UAE Nationals and AGCC citizens but also to foreign citizens.

In a landmark development, the Government of Dubai and some of the other Emirates have made a marked departure, from their strict land ownership policy followed up to now, by allowing freehold ownership of residential properties, with a facility of availing residence visa in accordance with the applicable regulations.

A mega project 'Dubailand' has also been undertaken by the Government of Dubai with a mandate to develop an initial critical mass of entertainment projects in order to attract 15 million tourists to Dubai by the year 2010. Dubailand is a tourism, entertainment and leisure destination and is divided into six zones. The project is considered unique in combining different entertainment, leisure, sports and other tourism attractions.

The Government of Dubai unveiled, yet another major development project 'Business Bay' which intends to create a new commercial and business district that will encourage leading firms to house their local, regional and international headquarters there. Business Bay will feature facilities such as towers for offices and accommodation, gardens and fascinating canals to add to the magnificence of the project.

In order to catalyze the growth of the industrial development in the UAE and to transform the country into an industrial hub attracting entrepreneurs, manufacturers, producers and investors from all around the world, 'Dubai Industrial City' (DIC), an industrial zone clustering manufacturing facilities in high value added sectors from the UAE, GCC and Far East regions, is planned across 560 million square feet of prime land in Dubai. The city will concentrate on six manufacturing sectors - Machinery & Mechanical equipment, Transport Equipment, Base Metals, Chemicals, Food and Beverage and Mineral Products. Dubai Industrial City will have a structured approach towards catalyzing industrial activity by setting up a dedicated industrial growth fund, Dubai Logistics Park (DLP), international engineering university (to be established in

partnership with one of the leading globally-branded schools), and a commercial area.

Activities in Dubai Industrial City will be governed under world-class international quality standards which will be set in partnership with leading global agencies. Dubai Industrial Academy (DIA) an independent technical training centre offering world-class training programmes in the fields of engineering and manufacturing, oil and gas, petrochemical, construction, industrial science, and other industrial sectors and consultancy services will be established within the premises of Dubai Industrial City.

Another milestone in the field of business and industry is the establishment of the 'Dubai Investments Park' (DIP), a state-of-the-art, centrally managed, high-tech, environmentally clean, master-planned development, cost competitive, offering both pre-serviced sites and facilities for a wide variety of usage or purposes such as manufacturing, office, housing, academic, research, distribution and logistics. Located at the southern area of Dubai close to Jebel Ali Free Zone and Port, DIP is aimed to integrate a new township whereby people can live, work, recreate and shop at one location.

Dubai World Central (DWC) is one of the most strategically important commercial infrastructure developments ever launched in the region. DWC, the 140-square kilometre urban aviation project centred around the world's largest international airport, is designed to support Dubai's aviation, tourism, commercial and logistics requirements until 2050, comprises of six specialized clustered zones: Al Maktoum International Airport, Dubai Logistics City (DLC), DWC Commercial City, DWC Residential City, DWC Aviation City and DWC Golf City.

The Al Maktoum International Airport is the first multi-dimensional project of its kind which will include not just an airport but also several smaller cities that will cater to the financial, industrial, service and tourism needs connected to the aviation industry and feature aviation, logistics, commercial, residential, educational, recreational, technology and environmental facilities.

Dubai Logistics City (DLC), which is the world's first truly integrated multi-modal logistics platform is central to Dubai's business proposition as a global and regional hub for integrated supply chain management and multi-modal transport.

DWC Aviation City will host end-to-end manufacturing, maintenance, research, training and other facilities leading the region in aviation services to cater to the growing aviation demands of the region and the world at large.

The other major developments in Dubai include the Dubai Metro, which is a driverless, fully automated metro network currently under construction in the United Arab Emirates city of Dubai. The network will have two third

rail collection system powered lines that will both run underground in the city center and on elevated viaducts elsewhere on double tracks. The Dubai Metro system will be operated by the Dubai Road and Transport Authority and will be the longest fully automated rail system in the world.

In the final analysis, it is clear that the UAE economy is on a sound footing and has the capability to adjust to different market situations. The gulf region is a growing and attractive market in the world for investment and business and the UAE would be the prime choice for foreign investors. This is a fact well known to the millions who have made the federation their home or who visit the country. Hundreds of thousands of others make this discovery every year.

In conclusion the UAE, which has been often projected as the Arab world's most enduring example in unity, is perhaps one of the very few countries in the developing world that has managed to achieve such a unique balance between openness and tolerance in business and social affairs with due respect for traditions and the lasting values of an earlier era.

## **Part II**

### **About UAE:**

#### **Geographical location:**

The UAE lies on the eastern coast of the Arabian Peninsula in the south western corner of the Arabian Gulf. It is bounded to the north-west by the Arabian Gulf, to the East and south-east by the Sultanate of Oman and to the west and south-west by Saudi Arabia, and part of its Eastern boundaries lie on the Gulf of Oman. The total area of the UAE is around 77,700 square kilometres, excluding the small dependent islands.

#### **Government:**

The UAE is a Federal Sovereign State which consists of seven Emirates namely: Abu Dhabi, Dubai, Sharjah, Ajman, Umm Al Quwain, Fujairah and Ras Al Khaimah. This Federation was established on 2nd December 1971 with six Emirates. The Emirate of Ras Al Khaimah joined the Federation on the 10th of February 1972. Abu Dhabi is the capital of the UAE. The highest federal authority in the UAE is the Supreme Council of the UAE comprising of the Rulers of the seven Emirates. Both the President and Vice President are elected by the Supreme Council from its members. The Federal Government also includes a Council of Ministers (Cabinet), a Federal National Council (FNC) and an independent judiciary presided over by the Federal Supreme Court. The FNC, which consists of representatives of each Emirate, is the Legislative Council with executive authority to discuss and draft all Federal laws and then refer them to the Supreme Council for enactment. In addition to the Federal Government structure, each Emirate has its own local Government arrangement which differs in size and scope.

#### **Population and language:**

In addition to its native population, the UAE is inhabited by a fairly large expatriate community including Arab nationals as well as Asians, Iranians, Europeans, etc. The official language of the UAE is Arabic according to the constitution of the country, while English is widely spoken especially in business and trade fields. Expatriates also use their mother tongues but not at official level.

#### **Climate:**

The UAE lies in the arid tropical zone. Its climate is characterized by a high temperature and humidity in summer and a moderate winter accompanied by irregular rainfall, the annual average of which rarely exceeds between 5-10 inches.

## **Currency and Banking:**

The unit of currency in the UAE is the UAE Dirham (Dh.) or the Arab Emirate Dirham (AED) as it is termed in international markets. Many local and international banks are represented in the UAE. International financial transfers are relatively simple and there are no exchange controls. Opening a bank account is also relatively easy. There are also various money exchange centers operating in the UAE.

## **Communications:**

Postal service: The Emirates Postal Corporation (Emirates Post) operates postal services in the UAE. However, in the UAE, a mail is not delivered directly to the addressee, but is delivered to post office boxes instead. It is therefore essential, for any business setting up in the UAE, to obtain a post office box at the earliest opportunity.

Couriers: All the major courier services operate fast and efficient services in the UAE and are used by many businesses for the delivery of letters and packages within the UAE and overseas.

Telecommunication: The Emirates Telecommunications Corporation (Etisalat) operates telecommunications in the UAE. All local telephone calls and faxes within the UAE are free except for those made from public phone booths. Etisalat offers all the services that a modern business may need including mobile phones, paging services and internet.

## **Part III**

### **Investment And Business Opportunities:**

There are many options open to international companies seeking to establish business with the UAE. Apart from forming a trading relationship through commercial agencies, for many companies there are distinct advantages in having an on-the-spot presence. This makes it easier to research market prospects, make contacts, liaise with customers and see through the details of any transactions and orders secured. Having a presence is also important in the context of the commercial culture of the Middle East. Businessmen in the region prefer to deal with someone they know and trust and personal relationship is generally more important in doing business in the Arab world than they are in Europe or America. Another regional factor that adds to the importance of having a physical presence is that the buying patterns of some countries served by the UAE are unpredictable, creating a need for first class market intelligence and information.

In the analysis of the opportunities for investment in trade, industry and services, Dubai in particular requires attention due to the following:

- Dubai's strategic geographical location gives businesses access to a wide market covering the member states of the AGCC and other countries in the Arab world, Iran, the Asian sub-continent and parts of Africa, the Eastern Mediterranean and the Commonwealth of Independent States (CIS).
- Liberal commercial regulations and the Government's support to business have encouraged an increasing number of international firms to choose Dubai or its Free Trade Zones as the base for their regional headquarters and for industrial and trading operations.
- Dubai presents international businesses with a wide range of opportunities for different activities and operations. The incentives include:
  - Free enterprise system;
  - No personal or withholding taxes on income or capital, corporate tax limited to foreign banks and foreign oil companies;
  - No foreign exchange controls and a stable, freely convertible currency;
  - Sophisticated Services sector – major international hotels, banks, accountancy and legal firms advertising agencies, consultants etc;
  - High quality office and residential accommodation;
  - State of the art infrastructure and facilities;
  - Major regional conference and exhibition venue;

- Air links to over 160 destinations worldwide via 107 airlines with potential for substantial growth in near future;
  - Time zone bridge between the Far East and Europe, with efficient local and global telecommunications;
  - Leading centre for tourism and leisure activities in the Middle East;
  - Cosmopolitan lifestyle, tolerant, virtually crime-free environment
- Dubai's superb location and infrastructure makes it ideally suited for the role of a key centre in the global transport and distribution system, particularly when you consider that the Dubai Ports Authority, combining Port Rashid and Jebel Ali Port, ranks among the world's top ten in terms of berths and top twenty in terms of container throughput.
- International interest in Dubai has been heightened by the potential of the conferences and exhibition business which has witnessed a boom in recent years. With growing confidence in the region, tourism in Dubai is also on the rise and the Department of Tourism and Commerce Marketing is vigorously pursuing an investment and tourism promotion drive through its network of offices in various key locations in the world.

Thus, Dubai economy enjoys a competitive combination of cost, market and environmental advantages that create an ideal and attractive investment climate for local and expatriate businesses alike. In fact, these advantages not only rank Dubai as the Arabian Gulf's leading multi-purpose business center and regional hub city, but they place it at the forefront of the globe's dynamic and emerging market economies.

Referring to the operating technicalities, the basic requirement for all business activity in Dubai is to secure one of the following three categories of licenses:

- Commercial licenses covering all kinds of trading activity;
- Industrial licenses for establishing industrial or manufacturing activity;
- Professional licenses covering professions, services, craftsmen and artisans;

These licenses are issued by the Dubai Department of Economic Development with the exception of licenses for hotels and other tourism related businesses which are issued by the Department of Tourism and Commerce marketing. However, licenses for some categories of business require prior approval from certain ministries and other authorities: for example,

- Banks, financial institutions and financial service providers the Central Bank of the UAE;
- Insurance companies and related agencies - from the Ministry of Economy and Commerce;
- Manufacturing companies - from Ministry of Finance and Industry; Pharmaceutical and medical products - from the Ministry of Health;

Printing, publishing, advertising and related activities - from the Ministry of Information;

- Building contractors and engineering consultants - from the Municipal Authority and
- Travel agents and the air transport operators - from the Civil Aviation Department.

More detailed procedures apply to businesses engaged in oil or gas production and related industries.

In general, all commercial and industrial businesses in Dubai should be registered with the Dubai Chamber of Commerce and Industry.

### **Direct trade:**

International companies wishing to trade directly with the UAE by supplying goods and services from abroad should appoint a commercial agent who is already established in the market. The agent must be a UAE National, or a Company wholly owned by UAE Nationals. The foreign principal and the agent in the UAE are required to enter into a commercial agency agreement specifying the products and the territories to be covered by the contract. They should also comply with the relevant provisions of the Federal Commercial Agency Law and the procedures and conditions prescribed therein. It should be noted that a commercial agent cannot carry out activities in the UAE unless its name is entered in the Commercial Agency Register maintained at the Ministry of Economy and Commerce.

### **Taxation:**

With regard to direct taxation, there are decrees covering corporate tax but their enforcement has been limited to foreign banks and foreign oil companies only. To date, there have been no personal taxation or withholding tax provisions in the UAE and there are no indications of a change in this policy in the foreseeable future.

Indirect taxes/charges are levied by the Government and local authorities on annual rents and for certain services including immigration, labour and related services, licensing of business activities, medical facilities, hotel and entertainment activities.

### **Customs Duties:**

AGCC countries have implemented Unified Customs Regulation Law and Single Customs Tariff. The customs union is based on the principle of a single entry point, upon which customs duty on imported goods are collected. This makes the operations very smooth and double duties are not required to be paid when moving goods from one AGCC country to another AGCC country. Also, it is not required to customs clear the goods at every point of entry into another AGCC country.

The UAE Department of Ports and Customs has also modified its tariff structure with effect from January 1, 2003, in accordance with Single Customs Tariff agreed by AGCC Countries. Accordingly, the customs duty, at the rate of 5% of the CIF value of the goods, is charged on all the goods and commodities originating from sources outside AGCC countries on the basis of its delivery at the UAE port of destination.

However, there is no change in relation to tariff rate applicable on import of tobacco products and alcoholic beverages which are subject to duty at higher rates. Goods listed for duty exemption, as per unified customs tariff agreed by the AGCC countries, are exempted from customs duty. Exemption of customs duty by virtue of Unified Customs Regulation Law also applies to imports of: diplomatic and consular missions, international organizations and their heads and members; military and internal security forces; personal effects and used household items; accompanied passenger baggage and gifts; charitable societies' requirements and returned goods. Industrial inputs required directly for manufacturing process, imported by industrial firms and approved by the concerned authority, are exempt from customs duty as agreed by the AGCC Financial and Economic Cooperation Committee.

### **Value Added Tax (VAT)**

Members of the GCC are currently planning to sign free trade agreements amongst themselves and with major trading partners around the world, in order to strengthen their respective economies.

Subsequently, acting on behalf of the GCC, the International Monetary Fund (IMF) has conducted an extensive study alongside with Dubai Customs, into the world's best systems of indirect taxation, identifying those most appropriate to the needs of the GCC region. This study strongly recommended implementation of VAT.

However, replacing import tariffs with VAT will involve creation of huge infrastructure, and it may not happen unless all member states of the GCC adopt the system hence it is envisaged that VAT may not be introduced until 2010.

## **Part IV**

### **Establishment Of Business Entities In The UAE:**

One of the important aspects of doing business in the UAE is the legal structure. In the past, each Emirate followed its own procedures governing the operations of foreign business interests and most foreign individuals and companies operated in one of three ways: with a local sponsor, through a partnership with a UAE National or company, or through private / public shareholding companies incorporated by Ruler's decree.

Since 1984, steps have been taken to introduce a codified companies law applicable throughout the UAE. Federal Law No. 8 of 1984, as amended by Federal Law No.13 of 1988 – the “Commercial Companies Law” – and its by-laws have been issued.

With regard to ownership requirements, a minimum of fifty-one per cent participation by UAE National(s) is mandatory for all UAE – established companies except:

- Companies set up in the various Free Zones;
- Foreign companies registering branches or representative offices in the UAE; and
- Civil/ Professional companies where 100% foreign ownership is permitted subject to their complying with the relevant local laws and regulations;
- Offshore Companies set up under the Jebel Ali Free Zone Offshore Companies Regulations 2003;
- International Companies (Offshore Companies) set up under the Ras Al Khaimah Free Zone Regulations 2006;
- Offshore Companies set up under the Ras Al Khaimah Investment Authority Free Zone Regulations 2006

The Commercial Companies Law also defines several categories of legal entities which can be established in the UAE. It sets out the requirements for companies in terms of shareholders, directors, minimum capital levels and incorporation procedures. It further lays down provisions governing conversions, merger and dissolution of companies.

Some of the important legal entities, permitted to be registered under the Commercial Companies Law, are broadly characterized as under:

#### **1. General Partnerships**

General Partnerships are constituted between two or more partners who are jointly and severally liable for all liabilities of the partnership. All the partners have to be UAE Nationals only.

## **2. Joint Venture Companies**

A Joint Venture Company is formed under a contractual agreement between two or more partners for sharing profits/losses of one or more commercial businesses undertaken by one of the partners in his own name.

The joint venture contract, which may be written or oral, regulates the relationship between the partners and need not be disclosed to third parties. The contract is also not required to be notarized or registered. Third parties have recourse only against the partner with whom they have dealt with. However, if the existence of the joint venture is disclosed to third parties, the partners will become jointly liable to such third parties. In practice, joint ventures are seen as offering a suitable structure for foreign companies who wish to set up specific projects on short term basis.

## **3. Public and Private Joint Stock Companies**

Public Joint Stock Companies require at least ten shareholders and a minimum capital of Dirhams 10 million (US\$ 2.725 million) and may be suitable primarily for large projects or operations. The chairman and a majority of shareholders and directors of such companies must be UAE Nationals.

Private Joint Stock Companies requires a minimum of three shareholders and a minimum capital of Dirhams 2 million (US\$ 0.545 million). Shares of such companies cannot be offered for public subscription. With the exception of these provisions, all other provisions in the Commercial Companies Law applicable to Public Joint Stock Companies are also applicable to Private Joint Stock Companies.

The Law further stipulates that companies engaging in banking, insurance, or financial activities should be run as Public Joint Stock Companies. However, foreign banks, insurance and financial companies can establish a presence in UAE by opening a Branch or Representative Office.

## **4. Limited Liability Companies (LLC)**

A Limited Liability Company can be formed by a minimum of two and a maximum of fifty shareholders whose liability is limited to their shares in the company's capital. At least 51% of the share capital of the company should be owned by UAE National(s). Such companies are recognized as offering a suitable structure for foreign individuals or organizations interested in developing a long term relationship with the local business community.

The Commercial Companies Law provides for minimum capital requirement of Dirhams 150,000 (about US\$41,000)

In Dubai, the minimum capital required (to be contributed in cash or in kind) for the LLC engaged in business activity is currently Dirhams 300,000 (about US\$ 82,000).

Although the maximum foreign equity participation in a Limited Liability Company is 49%, profits can be distributed in different proportions as agreed by the promoters/shareholders of the company.

With the approval of the UAE National Shareholder(s), the entire business operations of the company may be entrusted to the foreign shareholder(s). The foreign shareholder(s) can, therefore, claim management fees or a higher share of profit in case such shareholder(s) provides exclusive management and/or any special services or facilities to the company.

Although the rules and regulations for establishing the Limited Liability Companies are generally similar in all the seven Emirates of UAE, the requirement of minimum capital and costs involved for registering the company may vary from one Emirate to the other.

## **5. Branches and Representative Offices of Foreign Companies**

The Commercial Companies Law also 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 UAE National Agent is appointed in accordance with provisions of the Law.

A branch office, on registration, carries on business under the name and form of the parent company. The branch office does not have a separate legal identity of its own but is considered as part of its parent company. The main difference between a branch office and a representative office is that a branch office may exercise freely the activities for which it is licensed whereas a representative office may practice only promotional business for the products and services provided by the parent company. Unlike a branch office, a representative office cannot conduct business operation or market its products directly.

The registration procedures for a branch or a representative office of a foreign company are more elaborate as compared to the incorporation of a Limited Liability Company. As stated above, one of the important requirements for a branch or representative office license is the appointment of a "Service Agent", who will be a UAE National.

The parent company will be solely and fully responsible for providing the capital and management for the operations in UAE and for all the financial liabilities towards third parties which may arise as a result

of their conducting the licensed activities. The Service Agent's responsibility will be limited to providing his experience and expertise of the local procedures and practice in relation to the establishment and conducting of the licensed activities. For his services, the Service Agent will be paid an annual fee to be mutually agreed with him.

## **6. Civil/ Professional Companies**

Under the local laws of the various Emirates, foreign nationals are permitted to open Civil/ Professional Companies in their own name or in partnership with UAE Nationals or foreign nationals to practice a vocation or a profession such as legal consultancy, medical services, accountancy, engineering consultancy and other similar activities. Such establishments can, as per current regulations, be 100% foreign owned and do not require a UAE National as a partner. However, it may be noted that for carrying out certain specific professional activities, it is necessary to comply with the related laws and regulations which include obtaining prior approvals from the concerned Government and Local Authorities and appointing a UAE National as a Partner or Service Agent.

## **PART V**

### **UAE FREE ZONES:**

The ushering in of Free Zones has transformed the economic scenario of the UAE in a short span of 24 years, bringing about tremendous change in the industrial scene of this young nation. The pioneer in this field in the UAE is Jebel Ali Free Zone, which was started in Dubai on 9th February, 1985. This was totally a new concept to the Middle East. When the Dubai Government issued a Decree establishing the Jebel Ali Free Zone Authority (JAFZA), the announcement received little attention. The idea of a “Free Zone” was relatively new amongst the business circle. Even those who were aware of the concept were doubtful whether it would work in the traditional environment of the Gulf. However, 24 years have passed since then and the Free Zone concept is now thriving in the UAE.

Jebel Ali Free Zone being the first Free Zone in the country has created the benchmark for regulations and incentives. Its rapid growth has also provided a powerful economic inspiration to the other Emirates, which have set up their own Free Zones to attract investment. Success of any viable Free Zone largely depends on quality of service and facilities it offers and the UAE is a brilliant example of this hypothesis. With the number of Free Zones increasing, their impact on the UAE economy has deepened. Proximity amongst the Free Zones has not been a deterrent to their development.

The Free Zones are normally used for doing business in the Free Zone or Overseas. The Free Zone regulations normally provide benefits like:

- 100% foreign ownership;
- No personal income taxes and no corporate taxes for 25-50 years depending on the Free Zone, a concession that is renewable;
- 100% repatriation of capital and profits;
- No currency restrictions;
- Full exemption of import duties on goods used in re-export trade and for industrial purposes;
- 'One-stop-shop' administration services for license approvals and visa matters;
- No restrictions on hiring of 100% expatriate workers
- Modern efficient communications;
- 24-hour security services

In case the entity based in the Free Zone 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 license.

## **Establishment of businesses in Free Zones**

The licensing and other administrative procedures for establishing businesses in Free Zones in other Emirates are more or less similar. However, the capital requirement and the structure for the companies that can be set up in each Free Zone is dependent on the laws and regulations formulated by the respective Free Zone Authority. The type of documentation, costs and time required for registration of any business entity also depends upon its proposed activity and structure, and the prescribed regulations of each Free Zone.

A company in the Free Zone can be established either as (a) Branch of a foreign company including a company registered in the UAE or (b) Free Zone Establishment (FZE) or (c) Free Zone Company (FZC). Given below is a brief summary of the relevant procedural formalities:

### **a) Branch of a Foreign Company**

There is no minimum capital requirement for establishing a branch of a foreign company. The licensing procedures require submission, to the Free Zone Authority, of the parent company's incorporation and related documents, board resolutions and other specified details. Licenses are issued upon verification of these documents and after payment of the agreed rental and license fees. If required by the company, the Free Zone Authority can sponsor employees on its behalf. The provision of a bank guarantee and payment of visa charges is a pre-condition to such sponsorship of employees.

### **b) Free Zone Establishment (FZE)**

A separate legal entity called the Free Zone Establishment (FZE) with limited liability can be formed with its Head Quarters in the Free Zone. All Free Zone Establishments are regulated solely by the Free Zone Authority and can only have a single shareholder and at least one Director, who must be a resident of the UAE. After acceptance of the application and other required information and documents, permission will be granted by the authorities and all relevant details will be recorded in the Free Zone Establishment register and a Certificate of Formation will be issued accordingly. The FZE will be able to conduct its business as permitted in the license.

### **c) Free Zone Company (FZC)**

The Free Zone Company (FZC) will be a private Company, and therefore, no invitation can be made to the public to subscribe for its shares. The FZC shall have a minimum of two and maximum of five shareholders.

The FZC shall have a Board of Directors consisting of not less than three persons (at least two directors and one secretary) although the

offices of Director and Secretary can be held jointly by a single person.

At least two of the Directors and the Secretary must be resident of the UAE. The FZC must comply with the conditions stated in its license and also the implementing regulations of the Free Zone Authority.

All the above entities are required to comply with the prevailing regulations of the respective Free Zones covering registration formalities, minimum capital requirements, management and other related matters. These entities can operate in the various Free Zones under one or more of four different categories of licenses namely, Trading, Industrial, Services and National Industrial License. Each license is categorized by the nature of the permitted activity. Some limitations in the licensing of activities would, however, be applicable in certain Free Zones covering specific areas of operations e.g. The Dubai Technology and Media Free Zone, DUCAMZ, DIFC, Gold and Diamond Park, Dubai Healthcare City, Dubai Maritime City etc.

- A Trading License allows the holder to import, export, sell, distribute, and store all the items specified on the license. Sales in the UAE, however, must be carried out through a distributor or agent.
- An Industrial License allows the holder to import raw materials, carry out the manufacture of specified products and export the finished products to any country. Products manufactured can be sold in the UAE through a distributor or agent
- A Service License allows the holder to carry out the services specified in the license within the Free Zone subject to compliance with the regulations specified in that behalf.
- The National Industrial License is designed for manufacturing companies which are registered either within or outside the UAE. The ownership or shareholding must be at least 51 per cent AGCC (Arabian Gulf Cooperation Council – Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates). The value added to the product in the Free Zone must amount to a minimum of 40 per cent of the sale value. This license allows its holder the same status as local or AGCC companies inside the UAE. A National Industrial License allows the holder to import raw materials, carry out the manufacture of specified products and export the finished products to any country. The activity must conform to the National Industrial Production Certificate, issued by the Ministry of Finance & Industry on behalf of the Company. Companies holding a National Industrial License qualify for customs duty exemptions on their products imported into the AGCC states.

**The UAE Free Zones are listed hereunder:**

1. Jebel Ali Free Zone, Dubai
2. Dubai Airport Free Zone (DAFZA)
3. Dubai Cars & Automotive Zone (DUCAMZ)
4. Dubai Textile City (DTC)
5. Gold & Diamond Park, Dubai
6. Dubai Technology and Media Free Zone
  - Dubai Internet City
  - Dubai Outsource Zone
  - Dubai Media City
  - International Media Production Zone (IMPZ)
  - Dubai Studio City
  - Dubai Knowledge Village
  - Dubai International Academic City
  - Dubai Biotechnology & Research Park (DuBiotech)
7. Mohammed Bin Rashid Free Zone (Techno Park), Dubai
8. Dubai International Financial Centre
9. Dubai Silicon Oasis
10. Dubai Multi Commodities Centre (DMCC)
11. Dubai Healthcare City (DHCC)
12. Dubai Aid and Humanitarian City (DAHC)
13. Dubai Logistics City
14. Dubai Maritime City (DMC)
15. Dubai Flower Centre
16. Sharjah Airport International Free Zone (SAIF Zone)
17. Hamriyah Free Zone, Sharjah
18. Ajman Free Zone
19. Ras Al Khaimah Free Trade Zone
20. Ras Al Khaimah Investment Authority (RAKIA)
21. Twofour54, Abu Dhabi
22. Fujairah Free Zone
23. Ahmed Bin Rashid Free Zone, Umm Al Quwain

The highlights of the above Free Zones are covered hereunder:

**1. Jebel Ali Free Zone, Dubai (JAFZ)**

Situated midway between east and west, and convenient stopping off point for global trade traffic, the Jebel Ali Free Zone with its excellent facilities and incentives has grown and developed through years of experience to take its place amongst the world's leading Free Zones.

As a port-based Free Zone, supported by a superb infrastructure, the Jebel Ali Free Zone has easy access to all world class cargo handling facilities and quality services, and it is easy to see why so many multinational giants have chosen the Free Zone as their distribution centre.

JAFZA, has also moved into the next level of diversification with the launch of South Zone, an ambitious project committed to developing specific industry sectors through eight different clusters which are Dubai Distribution Centre, Digital Valley, Construction Square, Pharma-Med Park, Chemical & Plastic Field, Paper Pack Zone, Fragrance & Beauty Park and Food & Beverage Park. Each cluster will enjoy the freedom and liberalized licensing for which JAFZA is known for, while at the same time adhering to quality standards set by JAFZA.

New regulations have been introduced by the Jebel Ali Free Zone Authority for registering and governing Offshore Companies. A summary of the relevant regulations is given at the end of this part.

## **2. Dubai Airport Free Zone (DAFZA)**

Established in 1996, Dubai Airport Free Zone Authority (DAFZA) is airport-oriented free zone in Dubai, and it is located within the boundary of Dubai International Airport. DAFZA is built around a high quality infrastructure providing excellent cargo and logistics facilities and provides all the benefits of the Free Zone to the entities established in DAFZA.

## **3. Dubai Cars & Automotive Zone (DUCAMZ)**

DUCAMZ was established with the objective of re-exporting used cars to the Asian and African Region where the demand exists and continues to grow. The location has easy access to all airport and seaports in the Region and from here, the automobiles are reloaded onto feeder vessels, or on to trucks which travel throughout the region on a modern network of highways, linking all the neighboring countries in the Middle East and beyond.

Jebel Ali Free Zone Authority is charged with the supervision of DUCAMZ. Its responsibilities include providing companies with all assistance required including: licensing, administration services, customs and clearing etc, if they wish to operate within the Free Zone. Procedural matters have been kept simple. DUCAMZ offers all the Free Zone benefits similar to JAFZA.

## **4. Dubai Textile City (DTC)**

DTC located in Awir is a joint venture between Texmas (Textile Merchants Group) and Dubai Ports & Customs and currently Jebel Ali Free Zone is charged with the supervision of DTC. DTC is a free zone dedicated to textile trading business that is equipped with some of the most innovative facilities. The benefits being offered to DTC members include exemption from having customs duties to Dubai Customs for unlimited period.

In addition to usual investment incentives, the added advantages of operating in DTC include:

- Option to sublease the premises
- Option to transfer goods to the city without attracting customs duty

DTC is set to revolutionize the textile trade in the UAE in the coming years and make Dubai a textile hub of the region.

## **5. Gold and Diamond Park, Dubai**

The Gold & Diamond Park is a part of the Jebel Ali Free Zone, whereby all tenants can benefit from the facilities offered by the free zone authority.

Tenants can form their own companies having 100% ownership and also have easy access to obtain visas for owners and employees alike. The Park offers full Free Zone facilities and benefits as of JAFZA along-with other facilities that include:

- Assistance for tenants in all government related issues.
- Manufacturing workshops, retail units and offices that can be leased for either one or three years
- No restriction on the sale of goods in the local markets.
- Hallmarking provided by the Dubai Municipality's regular pickup services for all gold manufactured and sold from the Gold & Diamond Park.
- Excellent retail center facilities and atmosphere, serving tourists 5-star beach and shoppers
- Shuttle transport between the Gold & Diamond Park and hotels

## **6. Dubai Technology and Media Free Zone (TECOM)**

The Dubai Technology and Media Free Zone is a tax-free commercial zone set up by the Dubai Government to promote the development of the knowledge-based economy.

The Free Zone has been established to support and develop three separate clusters, one for the ICT sector, another for the media sector and a third for diverse companies that create and disseminate knowledge including education and training institutions.

The Free Zone offers the similar business incentives that other free zone offer thereby assisting the growth of Companies and providing a competitive environment for opening or relocating a business by effortless registration and licensing procedures, with no custom duties and land lease for up to 50 years to set up their own facilities. There is a single-window facility for obtaining all government approvals and services including trade licenses, visas, work permits and telecommunication services.

The Free Zone was established in the year 2000 and the first brand was Dubai Internet City, launched, in October 2000. Dubai Media City was officially launched in January 2001 followed by Knowledge Village in October 2003, now International Media Production Zone (IMPZ), Dubai Studio City, Dubai International Academic City and Dubai Biotechnology & Research Park (DuBiotech) are also a part of TECOM.

### **Dubai Internet City**

Dubai Internet City (DIC) provides a knowledge economy ecosystem designed to support the business development of Information and

Communications Technology (ICT) companies, DIC is now the Middle East's biggest ICT infrastructure built inside a free trade zone.

DIC is a strategic base for companies targeting emerging markets in a vast region extending from the Middle East to the Indian subcontinent, and Africa to the CIS countries.

Within a short span of time, a dynamic international community of ICT companies has established itself in Dubai Internet City. The ICT cluster in Dubai Internet City is comprised of companies from various sectors like software development, business services, web based e-Commerce, consultancy, education & training, sales & marketing and back office operations. DIC provides a scalable state-of-the-art technology platform for companies looking to provide cost effective remote services such as call centre operation.

### **Dubai Outsource Zone**

Dubai Outsource Zone (DOZ), a free zone dedicated to the outsourcing industry will provide a comprehensive infrastructure and environment for outsourcing companies to set up global or regional hubs servicing the worldwide market. DOZ provides the perfect base for companies wishing to provide mid- to high-end IT and Business Process Outsourcing (BPO) services. Some of the key sectors targeted include finance, accounting, IT, payroll processing, healthcare, insurance, engineering, biotech, multimedia, logistics, tourism, real estate, energy, R&D and design. DOZ also serves as a centre for disaster recovery facilities for call centres located elsewhere in the world. The Zone offers facilities both to captive BPO operations (i.e. the companies who have their own offshore BPO facilities) and to third-party BPO service providers, from various countries including Europe, the US, Middle East, Asia and Africa.

### **Dubai Media City**

Strategically located in Dubai at the crossroads of the Middle East, Africa and South Asia, Dubai Media City (DMC) is rapidly emerging as a global media hub. DMC provides an advanced infrastructure and supportive environment for media-related businesses to operate globally out of Dubai.

DMC is a place where every kind of media business, specifically; media and marketing services, printing and publishing, music, film, news media, leisure and entertainment, broadcasting and information agencies can operate with collective synergy and individual freedom.

DMC has also set up Media Business Centres to promote talent and entrepreneurship in the region. These unique facilities are targeted

at freelancers and independent media professionals. Freelancers find the Centres an ideal base for gaining visibility and building relationships with the media industry.

### **International Media Production Zone (IMPZ)**

Launched by the Dubai Media City, International Media Production Zone (IMPZ) is the first dedicated zone in the region for media-related production activities. From CD producers to media equipment companies, IMPZ provides a production infrastructure and environment for all sectors of the media and entertainment industry from across the world, to interact and collaborate effectively. Situated on the Emirates Road, in close proximity to the Jebel Ali port and the recently announced Jebel Ali Airport City, IMPZ's ideal location will considerably ease imports, exports and logistics operations. The IMPZ's initiative is part of Dubai's vision to develop itself into a global media hub. Catering exclusively to companies in the – Graphic art, Publishing and Packaging industries. Companies joining IMPZ can avail of the similar benefits of other free zones.

### **Dubai Studio City (DSC)**

DMC's latest initiative is Dubai Studio City, which will seek to foster the growth of the broadcast and film production industry in the region. With all the elements of the filmed entertainment industry under one roof, support services such as marketing and ancillary services are also available. To be built within the Dubailand complex, Dubai Studio City will offer a complete technical and community infrastructure for the film, TV and music production industry. DSC aims to build a large cluster of companies from across the industry value-chain. These include production companies, support service providers offering production and post-production facilities, animation studios and services like dubbing, makeup, costume designing, stage designing and building, casting, telnet agencies as well as tele-cine and lab facilities.

Being one of TECOM Free Zones members, DSC also provides the common benefits of the free zones along-with the incentives offered by TECOM.

### **Dubai Knowledge Village (DKV)**

Dubai Knowledge Village was set up to position the Dubai Technology and Media Free Zone as a global and regional 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 and Dubai Media City.

DKV is an ambitious initiative aimed at building a vibrant connected learning community that will develop the region's knowledge

workforce and catalyze new economy growth and provide a complete environment and infrastructure for a variety of organizations to create and disseminate knowledge.

The Knowledge Village houses diverse knowledge-focused organizations which include a Media Academy, an Innovation Centre, e-Learning institutions, institutions that provide graduate and post-graduate education, research and development organizations, a multimedia library, corporate training institutions, scientific and technology institutes, certification and testing organizations and incubators.

An entire zone dedicated to corporate schools aims to promote the concept of 'learning for life' and provide opportunities for professionals and students in the region to gain training in various disciplines.

Productive interactions and linkages between various elements of Knowledge Village will have many positive spin-offs for the region's new economy. Synergies harnessed in the learning community will help bridge the gap between potential and achievement in the region and enhance the climate for talent, innovation and entrepreneurship.

### **Dubai International Academic City (DIAC)**

A global academic destination that will provide all institutions housed in it with opportunities for communication, experience-sharing and cooperation to utilize latest technologies and processes. Dubai International Academic City (DIAC) will group leading universities and colleges from regions like Australia, India, Pakistan, Iran, Russia, Belgium, UK and Ireland operating out of DIAC. Students and faculty at DAC will be able to study, work and lead a full-fledged life within the campus.

Dubai International Academic City (DIAC) located in the Dubai Academic City is the world's only Free Zone dedicated to higher education. DIAC partners also enjoy special privileges of TECOM Free Zone and effortless visa issuance procedures for students, faculty and staff and other facilities like restaurants, cinema, gym and sports grounds, etc.

### **Dubai Biotechnology & Research Park (DuBiotech)**

As the Middle East's first and foremost Science and Business Park dedicated to Global Life Science, DuBiotech is a hub fostering collaborations and innovation through its commitment to Life Science research, education and industry nationally and internationally.

Companies incorporated by TECOM and operational within the DuBiotech community are offered similar commercial benefits of the free zone.

DuBiotech provides a custom solution tailored to suit the needs of businesses of any size; from start ups to small and medium sized enterprises or multinational corporations by providing with Executive Offices, Showroom

locations, Retail space, Laboratory space to conduct R&D in a cost efficient manner, Pre-built Units for storage & distribution, Light manufacturing for the pharmaceutical and biotechnology industries, waste management and effluent treatment including disposal of chemical, biological and hazardous materials and other business support services.

## **7. Mohammed Bin Rashid Free Zone (Techno Park), Dubai**

Being a member of Economic Zones World (EZW), Mohammed Bin Rashid Technology Park has been designed and developed after years of extensive research, and is situated to the west of JAFZA in Dubai.

The Techno Park aims to enhance the development of the knowledge based economy, providing a wide range of opportunities for local & international technology companies and serve as the region's premier technology hub with as a window for leading companies to adapt, develop and launch technical products and services for the Middle East, Africa and Central Asia utilizing qualified local resources through sustainable capital-based development at the same time as boosting Dubai's competitive advantage. As a special economic zone, Techno Park also offers benefits like other free zones.

The Techno Park focuses on attracting consultancy firms, venture capital groups, manufacturing & industrial companies, high tech services firms, Companies focusing on water resource management, biosaline products & technology, pollution management, recycling, solar and wind technology, biotech products, agrotech and material science, pharmaceuticals, medical devices & equipment, R&D & product development, laboratories, training institutes, oil and gas, etc.

DIT (Dubai Institute of Technology) is an independent institution established by Techno Park. It aims to become a world-class centre for research, technological development and innovation, leading the region towards becoming a knowledge-based society.

## **8. Dubai International Financial Centre**

With a vision to position Dubai as a universally recognized hub for institutional finance and as the regional gateway for capital and investment, Dubai International Financial Centre (DIFC) has been established. Its remit is to create a regional capital market, offering investors and issuers of capital world-class regulations and standards. Its hallmarks are integrity, transparency and efficiency.

The DIFC is a financial free zone geared to create a unique financial services cluster economy in a pro-business environment dedicated to institutional finance. Financial Service activities within the DIFC are governed by the Dubai Financial Services Authority (DFSA).

DIFC initially focuses on Wholesale Institutional Banking including Asset Management, Islamic Finance, (Re) Insurance, Back Office Operations and the establishment of a Regional Financial Exchange to foster a cross border efficient and liquid capital market. In addition, DIFC also looks onto the other sectors of institutional finance and can be said to be the best regional location for the international business units of commercial banks, investment banks, wholesale financial institutions and fund management firms. DIFC also hosts to service providers critical to the development of the regional financial sector such as credit rating agencies, professional service firms, law firms and information service providers.

The DIFC offers its participants a highly attractive investment environment and unlike 'offshore' tax havens, DIFC is a full fledged 'onshore' capital market.

Dubai International Financial Exchange (DIFX) is a world-class stock exchange that opened in the DIFC during September 2005. It is the main gateway for international investors to tap opportunities in the emerging markets of the AGCC and the rest of the Middle East and North Africa, as well as South Africa, Turkey, Central Asia and the Indian sub-continent. It will offer them increased market visibility, unprecedented access to regional and global capital and the ability to sustain fair valuation.

The DIFX intends to become the platform of choice in its region for a range of products viz. Equities, Bonds, Funds, Islamic Products, Index Products and Derivatives.

Institutions establishing in the DIFC can potentially gain from benefits like internationally accepted laws and regulatory processes, a world-class, independent, regulatory agency working alongside other financial regulatory agencies located in major global jurisdictions, a wholly transparent operating environment, an international stock exchange with primary and secondary listings of debt and equity instruments, availability of skilled professionals, a modern and efficient transport, communications and internet infrastructure, one - stop shop service for visas, work permits and other related requirements; in addition to the common benefits provided by the free zones.

## **9. Dubai Silicon Oasis**

Dubai Silicon Oasis (DSO) is established with a vision to make it one of the world's leading centres of advanced electronic innovation, design and development. DSO, a 100% owned entity by the Government of Dubai is a free zone, strategically placed on the Emirates road. DSO is committed to create the world's most integrated microelectronics technology park to provide end-to-end

shared turnkey facilities for the semi-conductor industry. This emerging community is provided with the infrastructure and services to ensure fast-track start-up, minimizing time to market to produce the most cost-effective business operating environment possible.

The benefits of setting up in DSO include subsidized office costs, latest Electronic Design Automation (EDA) tools and server farm, research library, specialized labs on-site, high end IT infrastructure, on site IT support, Intellectual Property protection and legal support, fast track business establishment and business support facilities, single window set up, 100% foreign ownership, 100% repatriation of capital, zero personal tax, zero corporate tax and efficient transport and distribution facilities.

DSO offers a luxurious campus lifestyle that is best described as a 'city within a city'. Residents of DSO can choose from a variety of exceptional villas and apartments for both lease and freehold purchase.

## **10. Dubai Multi Commodities Centre**

Launched in 2002, the Dubai Multi Commodities Centre (DMCC) is a strategic initiative of the Dubai Government created to establish a metals and commodity market place in Dubai. It provides industry-specific market infrastructure on freehold or leasehold option and a full range of facilities for the gold & precious metals, diamonds & coloured stones and commodities industries.

To facilitate the trade of gold and commodities, the Dubai Gold & Commodities Exchange (DGCX) has been launched. It is a joint venture between the DMCC, Multi Commodities Exchange of India Ltd (MCX) and Financial Technologies (India) Limited (FTIL). The transactions on the DGCX will take place on a state-of the-art electronic trading platform which will be deployed by FTIL.

DMCC has also launched the Dubai Diamond Exchange (DDE) which will be the first diamond bourse within the Arab region, serving a broader region of growing trade flows beyond the Middle East. Facilitating the trade of rough and polished diamonds, Dubai is set to join leading international diamond centres. The Centre will accommodate every facet of the business - manufacturing, trade, education, certification and technology.

To establish Dubai as a commodities trading and value-adding centre of global significance, DMCC has also introduced industry-specific products and services such as the Dubai Commodity Receipt (DCR) and the Dubai Tea Trading Centre (DTTC).

### **Jumeirah Lake Towers (JLT)**

Situated adjacent to Sheikh Zayed Road, JLT has been planned as a community where people can live and work with equal comfort and tranquility. The DMCC Authority (DMCCA) will be the licensing authority for businesses operating in the Jumeirah Lakes Towers. Businesses, therefore, will benefit from a free zone status, making JLT the first mixed-use Free Zone Freehold development in Dubai.

### **11. Dubai Healthcare City**

Dubai Healthcare City (DHCC) is a pioneering project that is poised to fill the gap that exists within the healthcare industry in the region between Europe and South East Asia. DHCC aims at transforming Dubai into a hub of world-class health care in the region. The project, which will be completed by 2010, will include a campus comprising a 300-bed university hospital, medical college, nursing school, centre for life science research, up to 40 clinics and hospitals, and specialized laboratories, a health resort and spa, a sports medicine department, a five-star hotel and shopping mall, and a centre integrating eastern medicine and alternative health programmes.

Dubai plans to offer significant business opportunities to local and international investors, regional businesses and the global healthcare industry by establishing DHCC.

### **12. Dubai Aid and Humanitarian City (DAHC)**

An independent free zone authority created by the Government of Dubai through the merger of Dubai Aid City (DAC) and Dubai Humanitarian City (DHC). International Humanitarian City (IHC) consolidates Dubai as an essential link in the humanitarian value chain. IHC is a global humanitarian and aid hub that brings together humanitarian non-profit organisations and commercial entities (Manufacturers and suppliers of aid related goods e.g. shelters, medical equipment, food items, vehicles, etc. and service providers e.g. logistics, security, maintenance, consulting, etc.) giving them the opportunity to operate from a highly strategic location in a free zone environment that is adapted to their particular industry, while benefiting from attractive incentives and an array of value-added services.

### **13. Dubai Logistics City (DLC)**

Dubai Logistics City (DLC) is the world's first truly integrated logistics platform with all transport modes, logistics and value added services, including light manufacturing and assembly, in a single customs bonded and Free Zone environment.

Located adjacent to the Jebel Ali port, DLC is a major component of the urban aviation project of Dubai World Central (DWC) which includes Al Maktoum International Airport, set to become world's biggest international airport. DLC will deliver a business-friendly, free zone platform, offering state-of-the-art infrastructure and services operated by highly experienced logistics professionals.

With the huge number of global business firms setting at the Free Zones day by day, DLC will play an important role in handling the Middle East's logistics requirement for the next 40-50 years. DLC delivers all the advantages of Dubai free zones.

#### **14. Dubai Maritime City (DMC)**

Dubai Maritime City (DMC) is the world's most comprehensive maritime complex located on a man-made peninsula between Port Rashid & the Dubai Dry Docks, and surrounded by the waters of the Arabian Gulf. It will provide a unique world-class environment for the global maritime community. By offering outstanding infrastructure, services and regulations, DMC will create a unique specialized environment that will promote the networking and integration of leasing maritime companies in one destination.

With an educated multicultural work force, abundant financial incentives, an efficient corporate infrastructure, and excellent unrestricted, open sea access, Dubai has developed to become one of the world's top centres for maritime commerce.

Dubai's economic strength, diversity, growing population, and tourism benefits Dubai's existing maritime businesses and serves to attract more international clients. DMC offers free zone district benefits.

DMC will cater to a diverse international maritime clientele and will focus on national, regional and international companies and institutions involved in maritime related business in various areas, including - marine services, management, product marketing, research and education, recreation, ship design and manufacturing.

#### **15. Dubai Flower Centre**

Strategically located at Dubai International Airport, 'Dubai Flower Centre' is a new hub of growth for the floriculture industry in the 21st century. With the explosive growth in global trade of flowers and perishables like fruits, vegetables and fresh meat or fish, there is an increasing demand for innovative logistics and commercial solutions to enable the industry to reduce transit times, improve quality and grow profits - Dubai Flower Centre has been designed to meet these needs. DFC can be described as a one-stop shop for local and international buyers, traders and exporters that offers several

benefits including, a business-friendly free-zone environment, resources and facilities to enable cost effective value-addition, superior infrastructure, facilities and support to enable efficient commercial transactions, computerized tracking system.

## **16. Sharjah Airport International Free Zone**

Equipped with the state-of-the-art facilities, Sharjah Airport International Free Zone (SAIF-Zone) has been designed to cater to both local and international investors and offers the tools to cope with the rapidly changing business environment in the region. Easily accessible to seaports on the Indian Ocean (Port Khor Fakkan) and the Arabian Gulf (Port Khalid), SAIF-Zone is built adjacent to the Sharjah International Airport and is looking to become a major distribution centre for the European market and the Far East market as well as catering to the growing demand from the CIS and Africa.

In addition to usual investment incentives, the added advantages of operating in SAIF-Zone include:

- Back up services provided by the Sharjah Chamber of Commerce and Industry and the Sharjah Expo
- Global and regional communications with excellent air, land and sea links, the Companies can utilize the port facilities on both East and the West coasts of the UAE. Access to the port of Khor Fakkan on the East Coast offers an opportunity to save sailing time by two days and reduce freight and insurance costs for both importers and exporters.
- There is also priority and special handling for SAIF-Zone goods at any Sharjah port and a simplified customs procedure has been provided.
- The cost-effective administrative, recruitment and services policy adopted by SAIF-Zone greatly facilitate a quick start-up and efficient operation of the business.
- Annual lease, renewable.

## **17. Hamriyah Free Zone, Sharjah**

Located 15 kilometers north of Sharjah city and based around Hamriyah Port in Sharjah, this Free Zone derives its strength from its strategic location which not only provides deep water access but also, being on the UAE's highway network, links all the seven Emirates and provides connections to neighboring Gulf States.

It offers purpose built office accommodation, warehousing and factory units and an international business centre having space for executive office suites with state-of-the-art conferencing and internet facilities.

In addition to usual investment incentives the special advantages offered by Hamriyah Free Zone include:

- Access to the Arabian Gulf and the Indian Ocean through the three ports of Sharjah situated on east and west coasts linked by modern multilane highway network;
- Customs privileges for goods destined for Hamriyah Free Zone;
- Availability of E-Offices.

With a highly flexible and dynamic management, Hamriyah Free Zone is all set to develop into a leading industrial base of the UAE.

## **18. Ajman Free Zone**

Ajman's strategic location at the entrance of Arabian Gulf and proximity to Sharjah and Dubai enables it to access two international airports and five seaports lending it an unbeatable edge. With these sea and air connections and hi-tech road network which connect Ajman to Oman, Qatar, Bahrain, Saudi Arabia, Iran, Kuwait and beyond, Ajman Free Zone is effectively positioning itself as an ideal redistribution centre for regional markets.

Ajman Free Zone offers the usual advantages found in the other free zones and also provides a carefully developed "special cost advantage package" which includes E-offices, cheap rents and energy supply, economic wage structure, access to vast workforce, exceptionally low port handling charges, 20 years lease contract renewable for another 20 years and total exemption from customs duty on goods used in re-export trade and for industrial purposes.

## **19. Ras Al Khaimah Free Trade Zone**

Ras Al Khaimah is the northern most of the UAE's seven Emirates and therefore closer to main shipping lane traversing the Strait of Hormuz and closer to CIS and Iranian markets which are the Zone's main targets.

The RAK Free Zone is unique in that it comprises three different parks specializing in different functions. This diversification of the free zone parks, both functionally and geographically, is advantageous to the Free Zone's tenants since each business entity chooses where it wishes to invest based upon the type of activity in which it is involved:

### **The Business Park**

Centrally located, this is the vibrant heart of the business district. The World Trade & Business Innovation Centre is ideally located within Ras Al Khaimah Free Trade Zone and situated between both the Industrial and the Technology Parks.

Offices are equipped with state of the art communication links and the Free Zone Authority provides all utilities and cleaning services.

It also provides local and international marketing knowledge, support and information services to assist with investor's business development. Added advantages are the RAK Exhibition Centre, five star hotel and a premier shopping and entertainment complex.

### **The Industrial Park**

The Industrial Park is situated approximately 15 kilometers north of Ras Al Khaimah and very close to Saqr Port. To honor the environmental obligations, the Industrial Park is surrounded by a protected and native stand of mangrove trees providing an ecologically friendly environment in which to operate. Different plot sizes are provided to suit individual client requirements and are fully serviced with water, electricity and telecommunications. On-site employee accommodation also can be provided. There is an administrative and service support centre located within the Park.

### **The Technology Park**

The Technology Park is located in a rapidly expanding area devoted to automated manufacturing and capital intensive quality lifestyle projects. This Park offers easy access to the city centre, RAK International Airport and Saqr Port, with other areas of business activity easily and quickly accessible by road. A premier five star hotel is situated just across the highway, with a lagoon and a golf course under development.

The Free Zone has a number of advantages including providing of different lease contracts to suit its investors, quick registration process, world class services at low costs and amenities for a quality stress-free style in the city.

New regulations have been introduced by the Ras Al Khaimah Free Zone Authority for registering and governing Offshore Companies. A summary of the relevant regulations is given at the end of this part.

## **20. Ras Al Khaimah Investment Authority (RAKIA)**

Pursuing the goal of making Ras Al Khaimah a regional hub for industrial manufacturing, service sector & Tourism, RAKIA has planned to provide a vehicle for the investors to be able to setup sustainable business in an effective way, through the implementation of simplified processes.

Industries registered in RAKIA are diverse and strategic and are in the areas of glass & table ware, cement, DVD media factory, renewable energy, pharmaceuticals, consumable hygienic products, vehicle assembly, industrial products, building materials, steel fabrication, plastics & chemicals, hotels & hospitality business, health & education, tourism industry and many more.

**The investors at RAKIA shall enjoy the following facilities:**

- Availability of land at very attractive & negotiable rates.
- Liberal labour laws. No restriction on manpower recruitment from any country.
- Easy access to regional markets like Oman, Iran, Saudi Arabia, Qatar and other GCC countries, proximity to Dubai (80 km) and Sharjah (55 km), modern international airport connecting important destinations.
- Industrial projects with very high investment levels may be exempted from having a local partner, even if the project is not situated in the Free Zone.
- Availability of flexi-desk & executive offices, warehouses, support from Federal Electricity and Water Authority (FEWA), vacuum at STP installation, etc.

New regulations have been introduced by the Ras Al Khaimah Investment Authority for registering and governing Offshore Companies. A summary of the relevant regulations is given at the end of this part.

**21. Twofour 54, Abu Dhabi**

Twofour54's mission statement asserts that it is committed to establishing the Emirate of Abu Dhabi as a centre of excellence for media content creation where all types of media related businesses including film, television, broadcasting, music, digital media, advertisement and publicity, publishing and art; along-with Companies looking to carry out manufacturing of products and materials used in the preparation, packaging, production or distribution of advertising materials, etc.

Twofour54 is to be built around four pillars namely tadreeb, ibtikar, intaj and tawasol:

- **Twofour 54 tadreeb** is to serve as the region's premier vocational training academy to develop skills, up-skill and re-skill media professionals and individuals who wish to pursue their career in the media industry.
- **Twofour 54 ibtikar** provides support, seed funding and professional advice for new UAE originated content and creative businesses by comprising an in-house venture capital fund to promote and assist in the development of businesses eligible to operate within the free zone.
- **Twofour 54 intaj** provides state-of-the-art content production and post-production facilities servicing multiple media platforms.
- **Twofour 54 tawasol** exists to assist in the relocation and establishment of content organizations and their staff in Twofour54.

## **22. Fujairah Free Zone**

Located on the East Coast of United Arab Emirates outside the straits of Hormuz, Fujairah Free Zone in the Emirate of Fujairah offers all benefits offered by other Free Zones. It also offers simplified licensing procedures and simple and efficient customs facilities besides attractive land rates, highly competitive tariffs for energy and other utilities and prompt administrative services.

A Business Club specially meets the basic needs of the Investors. It includes a Conference room, Auditorium and furnished Trading Offices. As a part of the ongoing development programme of the Fujairah Free Zone Authority, a purpose-designed conference centre has been constructed to serve both local organizations and visiting events to Fujairah. The centre has been designed to include the most modern specifications of room layout, technical equipment and services and offers a flexibility so as to accommodate a wide range of meetings and presentations.

## **23. Ahmed Bin Rashid Free Zone, Umm Al Quwain**

The Ahmed Bin Rashid Free Zone in Umm Al Quwain is beginning to carve out a niche for itself in the Free Zone market. The area is attracting day by day more investors in setting up their businesses there.

The Zone which is reserved for light industrial development is located within the port complex itself, thus facilitating easy cargo movement both by sea and over land. The port facilities operate on the Free Port concept, which has now been extended to include manufacture and assembly.

The Free Zone offers the investors a comprehensive warehousing service, which includes receiving, accounting and subsequent distribution on the manufacturer's behalf, with control of all movements in or out remaining with the owners.

### **Upcoming Free Zones:**

There are several more Free Zones coming up in the UAE which are listed here under:

1. Dubai Carpet Free Zone
2. Dubai Auto Parts City
3. Heavy Equipment & Trucks Free Zone, Dubai
4. Dubai Design Center
5. Dubai Energy City
6. Abu Dhabi Airport Free Zone (ADAFZ)
7. Masdar City Free Zone, Abu Dhabi

## Part VI

### Offshore Companies In The UAE:

Offshore companies in the UAE are registered under the following jurisdictions:

- Jebel Ali Free Zone Offshore Companies
- Ras Al Khaimah Free Zone International Companies (Offshore Companies)
- Ras Al Khaimah Investment Authority (RAKIA) Offshore Companies

Such companies are required to have a registered agent approved by the respective Free Zone Authority. The offshore companies do not require an office space and the office address of the registered agent is used as the registered office address of the offshore companies. No UAE resident visas are granted for the employees/directors. A bank account can be opened with some of the banks in the UAE. Such companies are also allowed to own Freehold properties in designated areas of the UAE but not allowed to carry on any business within the UAE.

A Comparative analysis of key features of the Offshore Companies in the UAE is given below:

Sr. No.	Particulars	Jebel Ali Free Zone Authority (JAFZA)	Ras Al Khaimah Free Zone (RAK FTZ)	Ras Al Khaimah Investment Authority (RAKIA)
1.	Regulatory Act	Jebel Ali Free Zone Offshore Companies Regulations 2003	Ras Al Khaimah Free Trade Zone Authority International Companies Regulations 2006	Ras Al Khaimah Investment Authority International Business Companies (RAK OFFSHORE) Regulations 2006
2.	Minimum number of Shareholders	One (Individual or Non-Individual)	One (Individual or Non-Individual)	One (Individual or Non-Individual)
3.	Minimum number of Directors	Two	One	One
4.	Corporate Director in Offshore Company	No	Yes	Yes
5.	Secretary required	Yes	No	Yes
6.	Face value per share	1 (Multi Currency)	AED 1,000	1 (Multi Currency)
7.	Share capital in foreign currency	Yes	No	Yes
8.	Minimum number of Shares	One	One	One

<b>Sr. No.</b>	<b>Particulars</b>	<b>Jebel Ali Free Zone Authority (JAFZA)</b>	<b>Ras Al Khaimah Free Zone (RAK FTZ)</b>	<b>Ras Al Khaimah Investment Authority (RAKIA)</b>
9.	Class of Shares	Fully paid single class of shares	Fully paid, different classes of shares and bearer shares allowed	Fully paid and different class of shares
10.	Appointment of Registered Agent	Yes	Yes	Yes
11.	Time Duration (for Registration)	7 – 8 working days	3 working days	2 - 3 working days
12.	Books of Account	Required to be maintained	Required to be maintained	Required to be maintained
13.	Audit of Accounts	Required	Not Compulsory	Not Compulsory
14.	Taxation	No corporate or personal tax, No capital gain tax	No corporate or personal tax, No capital gain tax	No corporate or personal tax, No capital gain tax
15.	Applicable law in the event of death or dispute between shareholders	UAE	Can be prescribed in the Memorandum and Articles of Association	UAE

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Bolivia	Israel	Romania
Botswana	Italy	Russia
Brazil	Jamaica	Saudi Arabia
British Virgin Islands	Japan	Senegal
Bulgaria	Jersey	Serbia
Cambodia	Jordan	Seychelles
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Dominican Republic	Mexico	Tunisia
Ecuador	Morocco	Turkey
Egypt	Mozambique	Turkmenistan
El Salvador	Namibia	Ukraine
Estonia	Netherlands	United Arab Emirates
Fiji	Netherlands Antilles &	United Kingdom
Finland	Aruba	United States Of America
France	New Zealand	Uruguay
Germany	Nigeria	Vanuatu
Georgia	Norway	Venezuela
Gibraltar	Oman	Vietnam
Greece	Pakistan	Zambia
Guatemala	Panama	Zimbabwe

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