



# DOING BUSINESS IN UNITED ARAB EMIRATES

A BDO Roadmap

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**BDO**

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# INTRODUCTION TO THE UNITED ARAB EMIRATES (UAE)

The United Arab Emirates (UAE) is a federation of seven states — Abu Dhabi, Dubai, Sharjah, Ras Al Khaimah, Ajman, Umm Al Quwain and Fujairah. The federal system of the UAE combines traditional and modern elements of leadership and government and has been responsible for giving the country a distinct national identity and political stability. Every emirate has a voice in the country's civil administration, in both the supreme council and the cabinet. Critical decisions, such as approving the federal budget and choosing the President and Prime Minister, are usually reached by consensus. Individual Emirates reserve considerable power and autonomy in running their economies and social systems.

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 a brief period. The country's massive oil wealth has been used to finance huge infrastructure development projects. The Government continues its ongoing economic diversification drive to guard the economy against unpredictable oil exports earnings, attain substantial growth and ensure jobs for its citizens. The UAE's dramatic growth in a span of five decades owes much to the exceptional vision and wisdom of its Rulers.

## KEY HIGHLIGHTS

- ▶ Capital City: Abu Dhabi
- ▶ Seven Emirates: Abu Dhabi, Dubai, Sharjah, Ras Al-Khaimah, Ajman, Umm al-Quwain and Fujairah
- ▶ Population: 9.9 Million 88.5%, UAE Nationals: 11.5%
- ▶ Size: 83,600 square kilometers
- ▶ GDP: USD 421 Billion
- ▶ Main Language: Arabic, English
- ▶ Currency: United Arab Emirates Dirham (abbreviated as AED) (pegged to the United States Dollar (USD), the ratio is 1 USD = 3.675 AED)
- ▶ Time Zone: GMT +4
- ▶ Typical office hours: 9 am to 6 pm (Working days Sunday to Thursday)
- ▶ Value Added Tax (VAT): 5%
- ▶ Dialing code: +971



# WHY TO INVEST IN THE UAE

The UAE presents a favourable business environment. Excellent infrastructural facilities coupled with professional expertise and personalised services give the UAE an edge over other countries.

The UAE's strategic location between Asia, Europe and Africa, makes it an attractive hub for nations and businesses requiring ease of outreach and access to key world markets.

## EASE OF DOING BUSINESS

The UAE continued to keep its lead in the World Bank's Ease of Doing Business ranking 2020 amongst the Middle East and Arab region with 16th position in the global ranking of 190 countries.

UAE also ranks in the various indices as follows:

- ▶ 1st globally in 'getting electricity'
- ▶ 3rd globally in 'dealing with construction permits'
- ▶ 9th globally in 'enforcing contracts'
- ▶ 10th globally in 'registering property'

## SKILLFUL TALENT AND LABOR

The UAE has a talent and labor force considered one of the

most skillful in the world. Foreign migrant workers make up nearly 90 per cent of the population in the UAE's seven emirates, making it one of the most ethnically and culturally diverse countries in the world.

The policies to accommodate and regulate labourers are very supportive to local and foreign workers. Recruitment of a workforce from any country of the world is seamless as access to human resources is made very easy.

## OPEN ECONOMY

The UAE encourages private sector growth and competition and enforces regulations that prohibit monopoly. It has strong ties with key regional and international trade associations. The UAE:

- ▶ Is a member of the World Trade Organization (WTO) since 1996
- ▶ Is a member of the Greater Arab Free-Trade Area (GAFTA) in which all GCC countries participate
- ▶ Concluded Free Trade Agreements with Singapore and the European Free Trade Association (EFTA) is cooperating with the GCC countries to conclude the Free Trade Agreements with the EU, Japan, China,

India, Pakistan, Turkey, Australia, South Korea and Southern Common Market (MERCOSUR)

## POLITICAL STABILITY

The UAE has long-term political stability, with open diplomatic policy worldwide. The UAE has more than 100 dynamic diplomatic missions abroad and about 200 foreign diplomatic missions in the country. The UAE is a member of Gulf Cooperation Council (GCC), Arab League and the UN and it agencies the 3rd most peaceful country in the region according to the Global Peace Index 2020, compiled by Institute for Economics and Peace, a New York think tank.



### **SOCIAL STABILITY**

The UAE is a safe place to live and invest. Tolerance and respect for diverse cultures are innate to the UAE. The UAE is ranked 1st in the Arab region in the general index of the World Happiness Report 2020. The UAE:

- ▶ Has a minister of tolerance and launched a year of tolerance and a national programme for tolerance
- ▶ Has adopted effective anti-discrimination and antihatred regulations. Hosted the Human Fraternity Meeting with the aim to enhance dialogue on the co-existence of humans globally

### **GOVERNMENT INITIATIVES AND INCENTIVES**

The UAE has been proactive in ensuring the availability of infrastructure and services of the highest international standards, facilitating efficiency and quality. Among the attractive benefits of doing business in the UAE are its:

- ▶ Cosmopolitan lifestyle
- ▶ Highly developed transport infrastructure
- ▶ Low labour costs
- ▶ Competitive real estate costs
- ▶ State-of-the-art telecommunications

- ▶ Sophisticated financial and services sector
- ▶ Top international exhibition and conference venues
- ▶ Reliable power, utilities and allied services
- ▶ First-class hotels, hospitals, schools, shopping, marketing outlets, high quality office and residential accommodation
- ▶ World-class airlines (Emirates Airlines and Etihad) connecting most of the major cities of the world with Dubai and Abu Dhabi
- ▶ Regulated and least cumbersome foreign exchange controls
- ▶ No trade barriers
- ▶ Competitive financing costs and high levels of liquidity

### **ECONOMY IN THE PAST AND PRESENT**

The UAE is now known as one of the Middle East's most dynamic countries. Positive planning and vibrant enterprises have developed a first-class infrastructure and metropolitan lifestyle fully on par with that in the world's leading nations. Abundant wealth in natural resources such as oil, coupled with well-planned enterprise initiatives in

the business community have resulted in flourishing industry, trade and service sectors.

Before discovering oil in the 1950s, the region's economy was driven mainly by farming, date palm cultivation, fishing, pearling and seafaring.

Since the discovery of oil, the economy has been influenced mainly by the following sectors:

- ▶ Extractive Industries (including Crude Oil and Natural Gas)
  - ▶ Wholesale and Retail Trade
  - ▶ Financial and Insurance Activities
  - ▶ Construction and Construction and Real Estate Activities
  - ▶ Transformative Industries
  - ▶ Transport and Storage
  - ▶ Electricity, Gas and Water
  - ▶ Information and Communications
  - ▶ Professional, Scientific and Technical Activities
  - ▶ Accommodation and Food Services Activities
  - ▶ Administrative and Support Services Activities
-

## DUBAI EXPO 2020

Expo 2020 is said to be the largest event taking place in the UAE. It will be the world's largest meeting place and will offer many opportunities such as networking and promoting international relationships. Expo 2020 will consist of individual pavilions where countries will be displaying their national cultures and technological inventions.

Participating in an Expo allows countries the access to



network with international business, contribute to economic growth, as well as share knowledge and expertise alike. Expos provide a unique and international stage to engage in cultural diplomacy and interact with the host country, participants, tourists, and investors.

Expo 2020 Dubai will strive to protect and preserve the environment for future generations by sharing sustainable solutions and practices that are accessible and adapted globally, thus promoting sustainability. Additionally, there is a long-term plan for the Expo site once Dubai Expo 2020 is complete.

Expo 2020 was initially scheduled for 20 October 2020 to 10 April 2021. Due to the COVID-19 pandemic, Expo 2020 has been postponed and expected to open its doors on 1 October 2021 and run through 31 March 2022. Despite being delayed, organizers will keep the name Expo 2020 for marketing and branding purposes.

## MARKET OVERVIEW

The UAE will remain an attractive place of business. The postponement of Expo 2020 Dubai increasingly looks like a boon that will allow Dubai to ride a wave of post-

COVID-19 enthusiasm for new business opportunities augmented rather than diminished by the pandemic.

The signing of the Abraham Accords in September 2020, and the normalisation of relations between the UAE and Israel, the region's two leading players in technology, introduces the potential of previously unexplored opportunities in areas such as technology, tourism, security, healthcare, water and food security, and adds a new dimension to the UAE market.

The COVID-19 pandemic had a seismic effect on the UAE economy, with initial estimates showing that GDP contracted by 7.7% in 2020. However, despite this shock, the UAE's commendable handling of the pandemic and fiscal and monetary stimulus plans has seen recovery ensue in certain sectors.

The UAE's Purchasing Managers' Index (PMI) shows that business activity has stabilised in Q3 and Q4 2020.

According to data from Oxford Economics, the UAE's GDP is forecast to expand by 1.1% in 2021 and by 4.0% in 2022. During this period, Abu Dhabi and Dubai are expected to record growth rates of 1.6% and 5.4% in 2021.

# ESTABLISHING A BUSINESS IN THE UAE

Investors interested in establishing a business in the UAE generally have two options:

- 1) Establishing a business in the Mainland
- 2) Establishing a business in one of the Free Zones

## **ESTABLISHING A BUSINESS IN THE MAINLAND**

An entity can be registered in the Mainland as Limited Liability Company (LLC), Branch of Foreign Company, Public and Private Joint-stock companies and Sole Establishment/partnership Firm under the UAE Commercial Companies Law 2015 ("the Companies Law").

### **Limited Liability Company (LLC)**

A LLC 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. In the case of LLC, at least 51% of the Company's share capital should be owned by UAE National(s). Although the maximum foreign equity participation in an LLC is 49%, profits can be distributed in different proportions as agreed by the promoters/shareholders of the Company.

Although the rules and regulations for establishing LLC are

generally similar in all the seven Emirates of the UAE, the requirement of minimum capital and costs involved for registering the Company may vary from one Emirate to the other. The type of documentation, costs, and time required for registration of the Company will depend upon the business' proposed structure and location.

### **Branches 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 part of its parent company.

### **Civil/Professional Companies**

Under the local laws of the various Emirates, foreign nationals are permitted to open Civil/Professional Companies in their 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. As per current regulations, such establishments can 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, including obtaining prior approvals from the concerned Government and Local Authorities and appointing a UAE National as a Partner or Service Agent.

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

A Public Joint Stock Company, similar to a Public Limited Company, requires AED 10,000,000 as minimum share capital and ten founders minimum, and they will be responsible for the incorporation of the Company. Shares of a Public Joint Stock Company should be offered to the public, and subscription notices are to be published in any two local dailies. A Public Joint Stock Company is to have between 3 to 15 directors and is elected for three-year terms. The majority of the board of directors, including the Chairman, should be UAE Nationals.

A Private Joint Stock Company requires AED 2,000,000 as

## AMENDMENTS TO COMMERCIAL COMPANIES LAW – KEY POINTS

On 2/01/2021, new amendments to the Commercial Companies Law came into force, amending certain provisions of the Law. There have been relaxations made on the requirements for a UAE National Partner for a Limited Liability Company conducting non-strategic activities as defined by the Cabinet; further, the UAE National requirement as a local service agent for Branch of Foreign Companies has also been removed.

Further details regarding the above amendments are expected by the 2nd quarter of 2021.

minimum share capital and three founders minimum. All the regulations applicable to a Public Joint Stock Company equally apply to a Private Joint Stock Company also except the fact that the shares of a Private Joint Stock Company cannot be offered to the public. Generally, such joint-stock companies are primarily suitable for large projects or operations like banking, insurance, or financial activities.

## ESTABLISHING A BUSINESS IN THE FREE ZONE

The Free Zones are special economic clusters located across the UAE and operate under self-regulated legal regimes. There are currently over 45 free zones across the UAE, of which some of the Free Zones are specific business/industry oriented zones, including regulated Financial Free Zones.

The Free Zones usually provide benefits like:

- ▶ 100% foreign ownership
- ▶ No personal income taxes and no corporate taxes for 25-50 years, a renewable concession
- ▶ 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

An entity can be established in the Free Zone either as (a) Free Zone LLC (b) Branch (local or of a foreign Company). Given below is a summary of the relevant procedural formalities:

### Free Zone – Limited Liability Company (FZ- LLC)

An FZ LLC can be incorporated by a single natural person or corporate shareholder and a maximum of 50 shareholders (depending on the free zone). The FZ-LLC shall have a Director, Manager & a Secretary.

The offices of Director, Manager and Secretary can be held jointly by a single person. Certain free zones require the Manager of the Company to be a UAE resident visa holder.

### Branch of a Local/Foreign Company

The branch office does not have a separate legal identity of its own but is considered part of its parent company. There is no capital requirement for establishing a branch of a

local/ foreign company. It is necessary to have one Manager to look after the day to day affairs. 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. Certain free zones need the Manager of the Branch to be a UAE resident visa holder.

### Types of licenses in a Free Zone

All above entities can operate in the various Free Zones under one or more different categories of licenses as stated below:

Commercial – Allows conducting import/ export and trading of goods.

Industrial – Allows manufacturing of goods and set-up of plants for production facilities.

Services – Allows providing consultancy and other service activities.



## BUSINESS OF FREE ZONE ENTITY IN UAE

Under the UAE Agencies Law, a free zone entity is not permitted to sell its products or services directly to the local UAE market. However, it can do so legally through a locally appointed agent or a distributor (who has a license issued by the Department of Economic Development). UAE Customs duty is payable when the goods are released to the local market. However, potential customers may visit the free zone licensee's premises to view goods or seek a consultancy service, and free zone entities can directly purchase services and products, from and within the UAE, without an agent.

## OFFSHORE COMPANIES IN THE UAE

Such companies are allowed to carry on general trading and consultancy services overseas, act as investment and holding companies, and own Freehold properties in designated areas of the UAE but not allowed to carry on any business with the persons/companies' residents of the UAE. Such companies are required to have a registered agent approved by the respective Free Zone Authority. The offshore companies do not require 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.

Offshore companies in the UAE can be registered under the following jurisdictions:

- ▶ Jebel Ali Free Zone Offshore Companies
- ▶ Ras Al Khaimah International Corporate Centre
- ▶ Ajman Free Zone Offshore Companies

## FREELANCE PERMITS

These are licenses issued by few free zones to sole practitioner natural persons for specialities of craft in media, education and information technology. The permits are issued to natural persons without a need to set up a limited liability company. Visas are granted to the sole practitioner and their dependents.

## FOUNDATIONS

A foundation is an independent legal entity and is derived from civil law jurisdictions, as opposed to a trust which is a common law concept. It also has no members or shareholders but is self-owned. The foundation's founder bestows assets to the foundation and, owing to its separate legal status, will hold those in its name and separately from the founder's personal wealth. Those assets are then managed by the foundation council (equivalent to a board of directors for a company) according to the foundation's charter and by-laws (reflecting the founder's intentions) in support of a cause or a purpose for the benefit of beneficiaries.

In the UAE, a foundation can be registered in the Dubai

International Financial Centre (DIFC), Abu Dhabi Global Markets (ADGM) and Ras Al Khaimah International Corporate Centre (RAKICC).

## OUR COMMENTS

As mentioned above, there are various options for establishing a business in the UAE, and the choice of structure/location will depend on various factors such as:

- ▶ Nature of activity
- ▶ Area of operation
- ▶ Requirement of infrastructure and facilities (Office size, number of visas, etc.)
- ▶ Location preference (if any)

# EMPLOYMENT LAW IN THE UAE

Administered by the Federal Ministry of Labour and Social Affairs, the Labour Law in the UAE – the UAE Law No. 8 of 1980, as amended by Law No. 12 of 1986 (the Labour Law) accompanied by a range of Ministerial Decrees and Resolutions.

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

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

Regular maximum working hours are eight hours per day or 48 hours per week. However, the working hours may be increased to nine hours for people working in the retail trade, hotels, restaurants and other such establishments. Similarly, daily working hours may be reduced for difficult or dangerous jobs. As in all Islamic countries, Friday is the weekly day of rest. In practice, commercial and professional firms work 40–45 hours a week and government ministries



around 35. The weekend for government workers is now Friday & Saturday. During the Muslim holy month of Ramadan, regular working hours are reduced by two hours per day.

In the case of disputes between employers and employees or over the interpretation of the Labour Law, the Ministry of Labour and Social Affairs will initially act as an adjudicator. If a party wishes to appeal any decision made, it can take its case to court. Strikes and lockouts are forbidden.

Two financial free zones, Abu Dhabi Global Market (ADGM) and Dubai International Financial Centre (DIFC) have entirely distinct legal systems (based on the common law) and their own employment legislation (replacing the UAE Labour Law) — specifically the ADGM Employment Regulations and DIFC Employment Law. The other free zones are broadly covered by the provisions of the UAE Labour Law. However, in some cases, the rules and regulations governing these zones contain provisions on employment that differ to some extent from the Labour Law. The main areas of difference relate to the employment of foreign and UAE nationals, payment of wages, health and safety, and termination of a contract.

# VISAS IN THE UAE

The UAE requires all foreign nationals to obtain valid entry visas to enter the UAE except for GCC nationals.

Below are the visa categories a foreigner can apply for while planning a visit to the UAE:

## TRANSIT VISAS

These are issued to foreigners who have to transit through the UAE. These types of visas are issued for 48 or 96 hours.

## TOURIST VISAS

These are issued for tourism purposes or any other purpose which is shorter than 90 days and does not require you to take up employment and long-term residence in the UAE. Certain nationalities are allowed free visa on arrival.

## RESIDENCE VISAS FOR FOREIGNERS

**Student Visa** – Foreigners who have been accepted by an institution of higher education in the UAE can apply for a student visa through the university/college.

**Work Visa** – Foreigners (18+ of age) whom a UAE firm has employed are eligible for employment visas that are

generally valid for 2-3 years and processed by the employers once an employee accepts the job offer.

**Dependent Visa** – Foreigners on work visas are eligible to apply for visas for their immediate dependents such as spouses, children and house help such as maid, driver, etc. The validity of the visas depends on the category of the dependent visa.

## LONG-TERM RESIDENCE VISAS (INVESTOR VISA)

These are issued for a period of 5-10 years and does not require a sponsor. However, you must invest a substantial investment in the UAE to qualify for this visa.

## RETIREMENT VISA FOR UAE RESIDENTS

In September 2018, the UAE Cabinet approved a law to provide retired residents over the age of 55 a long-term visa for a period of 5 years. The visa may be renewed if the eligibility criteria is met:

For a retiree to be eligible for a 5-year renewable retirement visa, he must fulfill one of the following criteria:

- ▶ Invest in a property worth AED 2 million

- ▶ Have financial savings of no less than AED 1 million
- ▶ Have an active income of no less than AED 20,000 per month.



# BUSINESS FACILITIES IN THE UAE

There are various options based on the nature of the business and its needs to set up its presence in the UAE. Some of the options available for an investor in the mainland and in most of the free zone is as below:

## **BUSINESS CENTERS - FOR FREE ZONE AND MAINLAND BUSINESSES**

They provide serviced office & dedicated desk facilities. Business centers give entrepreneurs everything needed to run their business straight away – desks, phone and internet access, reception cover, etc. – in return for a monthly fee that usually makes up part of the rent.

## **FREE ZONE OFFICES**

Companies that set up their companies within a Free Zone are usually allowed an office space according to the jurisdiction and the legal procedures each Free Zone follows. There are several space options Free Zones introduce to suit small startups as well as large companies.

## **MAINLAND OFFICES**

For mainland businesses, those not located within a free zone, there are many more options available. To set up an

onshore or 'mainland' company in the UAE, you are required to either own or lease an office or an office building (in case of large corporations) within the UAE. There is a minimum office space requirement of onshore companies, which is set according to the business activity and the number of employees in the company.

## **WAREHOUSES - FOR FREE ZONE AND MAINLAND BUSINESSES**

Pre-built warehouses for high-quality storage and light manufacturing activities. These warehouses are thermally insulated purpose-built units available on a rental basis and are fitted with office space.

## **PLOTS OF LAND - FOR FREE ZONE AND MAINLAND BUSINESSES**

Land of various sizes for short and long-term lease is available for companies wanting to construct their own facilities. Each land site ranges from 2,000sqm to larger areas, based on the specific requirements of individual customers.





# TAXATION IN THE UAE

## TAXATION ON INDIVIDUALS

There is no personal income tax, no Social Security Tax for expatriates or payroll tax in the UAE. There are no tax-related filing obligations for Individuals in the UAE.

## TAXATION ON COMPANIES

There are decrees covering corporate taxes in the UAE, but their enforcement has been limited to foreign banks and foreign oil companies only, and there is no corporate tax for other companies registered in the UAE. Further, companies registered in the Free Zone are exempted from tax for 25-50 years as a concession that is renewable.

There is no withholding tax in the UAE, and there are no restrictions or limitations in transferring funds into or outside the UAE. There are no pre-set limits for the distribution of profits in the UAE. There is no capital gains tax in the UAE.

There are no tax-related filing obligations for companies registered in the UAE.

## VALUE ADDED TAX (VAT)

The UAE introduced VAT with effect from 1 January 2018 at

a standard-rate of 5%. Businesses established in the UAE are mandatorily required to register for VAT if the taxable supplies in the last 12 months or in the next 30 days exceed AED 375,000. Taxable supplies for computing the liability to be registered includes the following:

- ▶ Standard rated supplies
- ▶ Zero-rated supplies
- ▶ Deemed supplies
- ▶ Imported goods and services

There are a limited number of exempt supplies in the UAE, which are as follows:

- ▶ Financial services specified in the Executive Regulation
- ▶ The sale or lease of residential building than first supply
- ▶ Bare land.
- ▶ Local passenger transport.

## EXCISE TAX

Excise tax is applicable on specified products in the UAE.

Importers, manufacturers, stockpilars and warehouse keepers of Excisable goods are liable to pay Excise Tax. The products taxable under Excise Tax are

- ▶ Carbonated drinks
- ▶ Energy drinks
- ▶ Sweetened drinks
- ▶ Tobacco and tobacco products

Electronic smoking devices/ tools and liquids used in these devices/ tools

Carbonated drinks and Sweetened drinks are subject to an Excise tax of 50%, and all the other excisable products are subject to 100% Excise tax.

## CUSTOMS DUTY

Custom duties in the UAE are applied at a flat rate of 5% on CIF (cost, insurance and freight) except on Tobacco and alcohol products, which are subject to a higher rate of custom duties (currently at 50% on alcohol and 100% on tobacco, also refer to the above note on excise tax) this includes imports from a free zone into the UAE Mainland.

A few exemptions are applied to the above, such as goods

imported by foreigners or by UAE Nationals residing abroad for personal and household use, goods in transit, goods imported for military and state security use, and goods imported for charitable purposes by charity associations. In such cases, there is a need to fulfil certain conditions to be allowed the exemption from customs duties.

The UAE, through the Gulf Corporation Council (GCC), has signed numerous free trade agreements, including the Greater Arab Free Trade Area Agreement (GAFTA), to reduce and remove tariffs.

It should be noted that VAT at 5% is also payable on most imported goods. The VAT is charged on the duty inclusive value.

### **ECONOMIC SUBSTANCE REGULATIONS**

UAE introduced Economic Substance Regulations for financial years commencing on or after 1 January 2019. Under the Regulations, a UAE entity which is engaged in "Relevant Activities" is required to meet certain tests to demonstrate that it has sufficient resources in the UAE to support the business. If the tests are not met, or if the entity fails to meet the ESR reporting requirements, it may

be liable to penalties ranging from AED 50,000 to AED 400,000 and the potential suspension, revocation or non-renewal of its license.

The Relevant Activities are:

Banking	Headquarter
Insurance	Shipping
Investment fund management	Holding company
Lease finance	Intellectual property
Distribution and service centers	

### **COUNTRY BY COUNTRY REPORTING (CbCR)**

Country by Country Reporting (CbCR) was introduced with effect from financial reporting years commencing from 1 January 2019. The rules affect entities in the UAE, which are a part of multinational groups, with consolidated group turnover exceeding AED 3.15 billion (USD 855 million/ EUR 750 million) in the preceding financial year.

Entities falling within the scope of CbCR are required to

submit a notification to the MoF before the end of their group financial year. If the entity is the ultimate parent entity for the group it will also be required to file a CbCR report within 12 months of the end of the group financial reporting year.

### **DOUBLE TAXATION AND BILATERAL AGREEMENTS.**

To expand its partnerships internationally, the Ministry is working on increasing its Double Taxation Agreements (DTA) and Bilateral Investments Treaties (BIT) network. Currently, the government has concluded 193 DTAs and BITs. The purpose of the agreements is to exempt or reducing taxes on investment and profits and to protecting those investments from non-commercial risks to ensure that profits can be transferred in a free convertible currency.

# ACCOUNTING AND AUDIT

## MAINLAND

The UAE Commercial Companies Law, No. 2 of 2015 ("CCL"), requires all companies to apply international accounting standards and practices when preparing their accounts. The UAE has adopted IFRS Standards and the IFRS for SME's Standard.

As per the CCL, the Joint Stock Companies and Limited liability Companies should:

- ▶ Maintain accounting records which accurately reveal at any time the financial position of the Company
- ▶ Maintain accounting books in its head office for a period of at least 5 (five) years from the end of the financial year of the Company. The Company can also keep an electronic copy of the original documents and records kept and filed with the relevant authorities
- ▶ Prepare & maintain annual financial accounts, including the balance sheet and the profit and loss account and have them audited by one or more auditors every year

- ▶ Apply the International Accounting Standards and Practices upon preparing its periodical and annual accounts to give a clear and accurate view of the profits and losses of the Company

### Financial year of the Company

- ▶ Every Company shall have a financial year as determined in its Articles of Association, provided that the first financial year of the Company shall not exceed 18 (eighteen) months, but at least 6 (six) months, to be calculated from the date of registration of the Company in the Commercial Register with the competent authority
- ▶ The subsequent financial years shall consist of consecutive periods, each of 12 months commencing directly upon the expiry of the preceding financial year

### FREE ZONE

- ▶ The requirements of the free zone authorities are similar to that of the above laid out by the CCL, although certain financial free zones such as DIFC &

ADGM do not mandatorily require the financials of SME's and non-regulated entities to be audited

- ▶ The filing requirements differ as well, although generally are required to be submitted to the free zone authorities within 3-6 months of the end of the financial year. The mode of submission is either hard copy or electronically



# BANKING IN THE UAE

The UAE has 23 local banks and 26 foreign banks. These financial institutions, through their branch networks and affiliate service centres, cater to the financial needs of the UAE population of approximately 9.9 million. Besides conventional banking, UAE also offers Islamic banking which has seen a tremendous growth in the recent years. The Central Bank of the UAE is the banking regulatory authority in the country and its main responsibility is formulation and implementation of banking, credit and monetary policies. Additionally, the Dubai Financial Services Authority ('DFSA') is the regulatory authority for entities including banks, investment banks, asset managers established in the free-zone, Dubai International Financial Centre ('DIFC').

All banks offer Automated Teller Machine ('ATM') facilities which operate on a central 'Switch' system. A customer of a particular bank can, therefore, use any other bank's ATM for conducting banking transactions.

## ACCOUNT TYPES

The most common account types offered by UAE banks are as follows:

Foreign currency accounts can be held by residents

domestically and abroad. Accounts in domestic currency (AED) can be held in domestic banks' overseas affiliates and are freely convertible into foreign currency.

Non-resident bank accounts denominated in domestic currency (AED) are permitted in the UAE, as are accounts in foreign currencies belonging to non-resident banks and financial, industrial and trade companies. Non-resident accounts in domestic currency (AED) are freely convertible into foreign currency.

Type	Feature
Savings accounts	Payment and transfers – Most
Liquid assets Current accounts	Cheques for day-to-day payments (overdraft facilities available depending on the credit standing)
Time deposits	Steady returns with comparatively higher interest rates, wide range of currencies and tenors

## ACCESS TO LOCAL FINANCING

Granting credit facilities to a customer varies according to the customer's credit standing, as well as the credit appetite of banks. A number of factors are considered by a bank prior to the granting of the credit facilities, including the following:

- ▶ Nature of the business activity
- ▶ Legal status of the establishment
- ▶ Establishment's business history in the UAE
- ▶ Financial position and future prospects of the establishment; and
- ▶ Management





# INTELLECTUAL PROPERTY RIGHTS

The Ministry of Economy is the competent authority in charge of registering and regulating all matters relating to intellectual property rights. The below are the details of the three intellectual property rights that can be registered:

## TRADEMARKS

A trademark is any distinguished form of names, words, signatures, letters, figures, graphics, logos, titles, hallmarks, seals, pictures, patterns, announcements, packs or any other marks or group of marks, if they were used or intended to be used either to distinguish goods, products or services from whatever sources, or to indicate that certain services, goods or products belong to the owner of the trademark, because of their provision, manufacturing, selection or trading.

## COPYRIGHTS

An intellectual work is any original work in the areas of literature, arts or science, whatever its description, form of expression, significance or purpose. The following intellectual works are protected under copyrights law:

- ▶ Books, booklets, articles and other literature

- ▶ Computer software and applications, databases and similar works
- ▶ Lectures, speeches, sermons
- ▶ Plays, musicals, pantomimes, musicals accompanied by dialogues and musicals which are not accompanied by dialogue
- ▶ Audio and video works or audio-visual works
- ▶ Architectural works, plans and drawings
- ▶ Drawings, paintings, sculptures, etchings, lithography, screen printing, reliefs and intaglio prints and other similar works of fine art
- ▶ Photographic work and the likes
- ▶ Works of applied art and plastic art
- ▶ Charts, maps, plans, 3-D modelling for geographical and topographical applications and architectural designs etc.
- ▶ Derivative works, subject to the protection afforded to the work(s) upon which they are based.

## PATENTS

Patent protection in the UAE is granted for any new invention resulting from an innovative idea or innovative improvement of an invention in all fields of technology, provided that such an idea or innovative improvement has a scientific basis and is applicable. The invention shall be deemed industrially applicable in its broadest term if used or utilised in such fields as agriculture, fisheries, handicrafts and services. Examples of patents that are not protected include:

- ▶ Researches, plant and animal species, and biological methods for production of animal and plant excluding microbiological methods and their products
- ▶ Diagnostic methods, treatments and surgical operations needed for humans and animals
- ▶ Scientific and mathematical principles, discoveries and methods
- ▶ Guidelines, rules or methods followed to conduct business, perform mental activities or play games
- ▶ Invention that may lead to violation of public order or morals

# GOVERNMENT CONTRIBUTIONS TO VARIOUS INDUSTRIES

## INCENTIVES FOR RENEWABLE ENERGY

The United Arab Emirates (UAE) has one of the highest solar exposure rates globally, giving it tremendous renewable energy development potential. However, a push toward economic diversification to avoid sharp commodity downturns associated with an oil-based economy has led to new incentives and the advent of the latest in renewable energy technologies.

Some of the incentives provided by the UAE are below:

**Solar:** The UAE is the largest and fastest-growing solar market in the GCC. The country boasts an attractive investment landscape; Dubai and Abu Dhabi have conducted auctions that awarded more than 2 GW of solar projects in the last couple of years. Solar technologies could, under IRENA projections, account for 89 per cent of renewable energy jobs in the region by 2030.

**Electric Vehicles:** The geographical structure of the seven emirates results in modest distances between most destinations. There is also a strong appetite from the government to support reduced emissions and promote innovation, such as autonomous vehicles.

**Nuclear:** To promote nuclear power development, the UAE

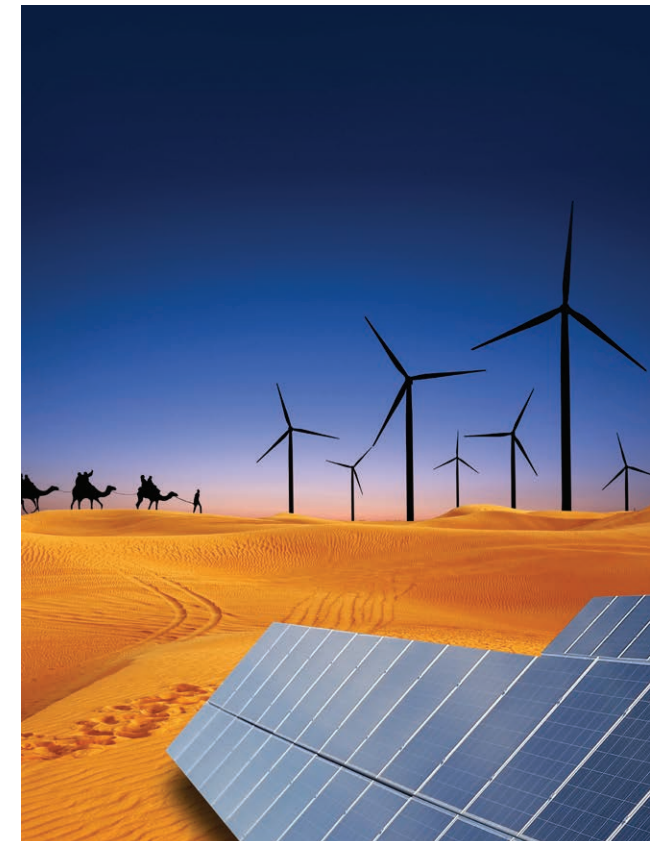
Government has offered joint-venture arrangements to investors to construct and operate nuclear power plants. The structures will be 60 per cent owned by the government and 40 per cent owned by partners.

## INCENTIVES FOR AGRICULTURE SECTOR

The Abu Dhabi government approved a series of incentive packages totaling up to Dh1 billion for local and international Agriculture Technology, AgTech, companies to build and grow a presence in Abu Dhabi.

## INCENTIVES FOR HEALTHCARE SECTOR

Providing world-class healthcare is one of the six pillars of the UAE National Agenda in line with Vision 2021. Today, the country is home to multiple medical universities across the emirates, providing local and international students access to education, including medicine, dentistry, pharmacy, and nursing. Furthermore, as per the Dubai Health Authority (DHA) Strategy 2016–2021, a government directive supports Dubai's aims to attract, retain, and develop the healthcare workforce, with a goal of providing access to world-class medical, educational opportunities.



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