

Doing Business in the United Arab Emirates

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1. FACTS



The UAE is a **constitutional federation** of Seven (7) emirates; it is a geographical bridge between the Far East, Europe and Africa.

Area

83,880 km²



9.346 million (2013)ⁱ



(+971) International Code

Abu Dhabi (02), Dubai (04), Sharjah (06)



GMT +4



Arabic: The official language.

English: Widely spoken especially in Business.



United Arab Dirham (AED)

1 US\$ = AED 3.675



{May – October} between 30 and 46 degree Celsius (86 and 115 degree Fahrenheit). Humidity on the coast can exceed 85%

{November – April} between 16 to 28 degree Celsius (60 and 83 degree Fahrenheit)



The UAE federation was established in the 2nd of December 1971

President

H.H. Sheikh Khalifa Bin Zayed Al Nahyan

V-President

H.H. Sheikh Mohammed Bin Rashid Al Maktoum

Crown Prince of Abu Dhabi & Deputy Supreme Commander of Armed Forces

H.H. Sheikh Mohammed Bin Zayed Al Nahyan

Why Do Business in UAE?

- Political** Politically stable country.
- Economic** Growing and Diverse Economy in addition to an Open and Free Economic System. Presently, there is **no direct tax** on corporate profits or personal income; **Customs duties are low** with many applicable exemptions. Some taxes, including VAT, may be introduced in 2018-2019. Financial and monetary stability (Dirham rate stable against Dollar) and a well developed banking system with extensive provision credit and financial facilities for corporations. Dubai dominates the cargo and re-exports markets.
- Social** Quality Lifestyle and Culture of Excellence: Dubai has become one of the world's most preferred expatriate locations. Although it is recognized as the fastest growing city in the world, it is also one of the safest. Over 200 nationalities contributing to the city's unique culture and community, it is one of the most vibrant global destinations.
- Technological** The UAE has a World-class Infrastructure, transportation, telecommunications, energy and industrial network with a global exposure to international business practices and technologies. JAFZA port in Dubai is one of the most modern and busiest ports in the world. All Ministries and government Departments provide online e-services.
- 
- Environment** Numerous initiatives are represented in several projects in the field of renewable energy, like the *Mohammed bin Rashid Al Maktoum Solar Park*, which is a part of the Dubai Integrated Energy Strategy 2030, also *Masdar City*, in the desert near Abu Dhabi is a model of urban environmental sustainability.
- Legal** Legal Framework - Investment laws, regulations and incentives are continuously improving to encourage further foreign investment.

EXPO 2020 ‘Connecting Minds, Creating the Future’

UAE has launched a successful bid for Expo 2020 in Dubai. The win is unprecedented in the region. A meeting point for the global community to share innovations and make progress on issues such as the global economy, sustainable development and improved quality of life. The Expo 2020 will be a platform for connectivity to help pioneer new partnerships for growth and sustainability for the future



إكسبو 2020 EXPO 2020
دبي، الإمارات العربية المتحدة
DUBAI, UNITED ARAB EMIRATES

ECONOMIC VISION 2030

It is a long-term roadmap for economic progress for the Emirate joining stakeholders from the public & private sectors with extensive expert support from internationally renowned institutions, with explicit targets to guide the evolution of the Abu Dhabi economy towards:

1. Building a sustainable economy.
2. Ensure a balanced social and regional economic development approach that brings benefits to all.ⁱⁱ



ETIHAD RAIL

The Etihad Rail network is being developed in line with the Abu Dhabi Economic Vision 2030 and UAE Vision 2021.

With second phase already started, the 1,200-km Etihad Rail line will link major industrial zones, cities and ports, connecting all the emirates of the UAE, as well as to form a vital part of the planned GCC railway network linking the six countries of the GCC: Bahrain, Kuwait, Oman, Qatar, KSA and UAE.

Scheduled to finish on 2018, the federal rail network is estimated to cost around Dh40 billion (for the core national mixed-traffic network).



2. Investment and Business Opportunities

All businesses, whether industrial, commercial, professional, trading or services, must be licensed to operate in the UAE. Licensing procedures vary from Emirate to Emirate and within different free trade zones; relevant details are available from the individual chambers of commerce in each emirate and the Free Zones. ARCA can assist in this regard upon request.



The Federal Law No.2 for the year 2015 for *Commercial Companies and the Trade Agencies Law* form the primary federal legislative framework controlling commercial activities in the UAE.

2.1 Business Opportunities inside UAE

There are several categories of business organization, which can be established in the UAE. Limited Liability Company (LLC) is the most common form of business entity in UAE. A Limited Liability Company can be formed by a minimum of 2 Partners and a maximum of 50 Shareholders (or a UAE citizen on his own), whose liability is limited to their shares in the business's capital. In LLC the foreign partners have 49% of legal ownership while the national partner holds 51% of the shares. It is mandatory to have a local partner in an LLC holding no less than 51% shareholding. Exceptions may apply in certain activities.

However, LLC formation allows companies to come up with flexible, differential profit sharing arrangements with local partner. This permits the foreign investor a great edge as 51% legal equity is with local partner

2.2 Free Zones

The country attracts trade due to Free Zones located throughout the Emirates which offer lucrative incentives attracting investment.

So far, each free zone has its own specific requirements regarding minimum office or warehouse space, visa restrictions and permitted activities.

The major advantages in setting up in a FTZ include:

- 100% foreign ownership of the enterprise
- 100% import and export tax exemptions
- 100% repatriation of capital and profits

- No personal income taxes
- No corporate taxes for 15 years, renewable for an additional 15 years
- Assistance with labour recruitment and additional support services, such as sponsorship and housing.

Investors can either register a new company in the form of a free zone establishment (FZE) or a free zone company (FZCO) or simply establish a branch or representative office of their existing or parent company based within the UAE or abroad. An FZE is a limited liability entity governed by the rules and regulations of the free trade zone in which it is established.

There are over 50 Free zones in UAE. Some of the most sought after Free Zones are:



Jafza is one of the largest Free Zones in the world, with the world's largest man-made port. It connects with the rest of the world through a strategic location that offers the best sea, air, land and rail connectivity.



DMCC has a prime location in JLT (Dubai), enhances commodity trade flows through the emirate by providing a fit-for-purpose regulatory framework, modern infrastructure, freehold property, innovative products and cost-efficient, value-added services.



RAK is one of the fastest growing Free Zones in UAE located in Ras-Al-Khaimah emirate and has promotion centers in Dubai and Abu Dhabi.



DIFC is an independent jurisdiction under the UAE Constitution, with its own civil and commercial laws distinct from those of the wider UAE. The financial services regulator is the Dubai Financial Services Authority (DFSA).



DAFZA is ranked 1st globally by the Foreign Direct Investment Magazine's Global Free Zones & Awards 2012/2013. Adjacent to the busiest international airport in the region, Dubai Airport Free Zone is a unique place for electronics, engineering, logistics & cargo, aviation and pharmaceutical firms.



Ajman Free Zone was established in 1988, leading to massive industrial development in Ajman by attracting a great number of companies to benefit from the investment privileges, thereby strengthening industry and trade and the financial sector in the UAE.



Twofour54 Abu Dhabi is a tax-free media and entertainment zone that offers 100% company ownership with no restrictions on capital movements, 0% import tariffs, 30% cash rebate on international film and TV production spend, 100% exemption from personal income tax and corporate taxes, with no security deposit for employee visa and no minimum share capital requirements. Twofour54 also offer Freelance Licensing for individuals to work on freelance basis as sole proprietor within the twofour54 media zone.



Located in close proximity to Abu Dhabi International Airport, Masdar City is widely recognized as one of the world's most exciting eco-developments. Home to Masdar Institute of Science and Technology and the International Renewable Energy Agency (IRENA), it is also a Free Zone offering a best-in-class service for companies focused on renewable energy and clean technology.



Abu Dhabi Airport Business City owns, operates, develops and manages business/logistics parks and business centers – known as Free Zones - around Abu Dhabi airports. These Free Zones provide comprehensive warehousing and fully serviced office solutions to a broad spectrum of business sectors, along with number of other significant and very unique advantages.



Part of Abu Dhabi Vision 2030 and with its enormous size, Kizad is set to become one of the world's foremost industrial zones. Kizad is a hub for manufacturing, logistics and trade, offering competitive lease prices and some of the lowest utility costs in the world all under a tax-free umbrella with great importing & exporting advantages.

2.3 Offshore Companies

Going offshore is the most modern popular way of managing business as it offers excellent tax-efficient strategies for entrepreneurs. Some of the important benefits are confidentiality, freedom of operations and ease of running business.

As a “tax-free” business territory, UAE is one of the well-known jurisdictions in the world for incorporating offshore companies. An offshore company can be incorporated in UAE only with the help of an agent.

There are three offshore jurisdictions in UAE:

1. JAFZA Offshore
2. RAK Offshore
3. Ajman Offshore

As per Offshore Rules & Regulations, **no work whatever can be done with or inside UAE**, no office, no Visas or residences are allowed for offshore Companies as the word means as everything is offshore, not in UAE at all. ARCA is a registered Agent

You may always reach us [here](#) for more Business setup details.

3. FINANCE AND INVESTMENT

3.1 Banking and Finance



Central Bank of The U.A.E.

The Central Bank of the UAE regulates the banking and monetary systems operating or wishing to operate in the country. It is authorized to issue licenses and regulations for banks and other financial institutions.

There are 2 types of banks in UAE; Locally Incorporated Banks and Branches of Foreign Banks. UAE Banks offer online banking and international banking facilities which include Personal Banking, Loans, Investments and Private Banking services and many more.



3.2 Stock Exchange



DIFX is the international stock exchange between Western Europe and East Asia. It is unique in the region because its standards are comparable to those of leading international exchanges in New York, London and Hong Kong.

The DIFX enables regional and international investors to share in the rapidly growing wealth of its region.



DFM is operating as a secondary market for trading of securities issued by public joint-stock companies, bonds issued by the Federal Government or any of the Local Governments and public institutions in the country, units of investment funds and any other financial instruments.



Nasdaq Dubai is the international financial exchange in the Middle East. It allows companies to benefit from a unique investor pool that combines regional and international wealth, making it a globally unique platform for companies to raise money and for investors to find exciting opportunities.

The exchange's broad investor base sets it apart from others. As well as investors in the UAE and the region, those in the US, Europe, Asia and elsewhere can easily trade its securities. This gives its listed companies instant recognition and visibility around the world, supported by the international Nasdaq brand name.



ADX was established on 15 November 2000 by Local Law No. (3) of 2000, the provisions of which vest the Market with a legal entity of autonomous status, independent finance and management, and give ADX the necessary supervisory and executive powers to exercise its functions.

4. EXHIBITIONS & EVENT MANAGEMENT



Dubai World Trade Centre Brings together global enterprises, ideas and people, creating the ideal platform to accelerate trade. This division creates unique trade and

consumer shows, delivering some of the mega blockbusters in the regional calendar – an ideal forum for global exhibitors to connect with local and international trade partners and showcase their products and services to the regional audience.

Dubai was named as the top MENA Meetings, Incentives, Conventions and Exhibitions (MICE) Destination, according to the 5th Middle East meetings Industry Research Report.



ADNEC is Abu Dhabi's premier events venue and one of the region's leading conference and events facilities.

Located in the heart of the UAE capital, ADNEC offers unparalleled events space across 133,000 square meters of world-class, fully-flexible design. Also benefitting from easy access to and from Abu Dhabi International Airport, ADNEC offers a wide range of accommodation options all within a ten minute drive.



5. EMPLOYMENT REGULATIONS AND SOCIAL SECURITY

5.1 Labour Law and WPS



The Labour Law governs most aspects of employer/employee relations, such as hours of work, leave, termination rights, medical benefits and repatriation. It protects of employees in general and overrides conflicting contractual provisions agreed under another jurisdiction, unless they are beneficial to the employee.

A new method for the settlement of wages was introduced in 2009 and is mandatory for all UAE companies under the *Wages Protection System (WPS)* of the Ministry of Labour.

This system does not apply to all employees at all Free Zones, so far. However, some of the Free Zones have already started using WPS method.

WPS is an electronic salary transfer system that allows employers to pay workers' wages via banks, bureaux de change and approved financial institutions. The system developed by the Central Bank, allows the Ministry of Labour to create a database that records wage payments in the private sector to guarantee the timely and full payment of wages.



5.2 Visas

There are several types of visas for visitors to Dubai:

- **Transit visa** is a transit visa is a four-day (96 hours) visa.
- **Entry service permit** is a 14-day stay permit.
- **Visit visa** is for 60 days and is renewable for a total stay of up to 90 days.
- **Employment visa** allows a foreign national to work in a company in the UAE.



5.3 Working Hours

The week commences on **Sunday** and extends through **Thursday**.

Friday and Saturday are the official weekend when Government offices shut down.

Private sector and government office hours vary between businesses, cities and government departments but can broadly be summarized as:

- Government: 8.00am to 2.00pm, while some are from 7.30 am to 3.00pm.
- Private sector: The normal maximum working hours are eight hours per day or 48 hours per week. These hours may be increased to nine hours daily for those in the retail trade, hotels, restaurants and other such establishments.

During the Muslim holy month of Ramadan, normal working hours are reduced by two hours per day.

5.4 Public Holidays for 2016ⁱⁱⁱ

January 1	New Year's Day
May 5	Israa and Miraj Night
June 6	Ramadan expected to begin**
July 6	Eid Al Fitr*
September 10	Arafat Day*
September 11	Eid Al Adha*
October 2	Hijri New Year* (Islamic New Year)
November 30	Martyr's Day
December 2	UAE National Day
December 11	Prophet Mohammed's Birthday

In every completed year of service after the first, employees are entitled to 30 days annual paid leave.

** Please remember Islamic holidays' exact dates are subject to moon sighting and may differ from date given*

***Ramadan is the holy month of fasting from Sunrise to sundown, it is illegal to eat, drink or smoke in public during daylight hours of this month.*

5.5 Insurance

Dubai Health Insurance Law No. 11 of 2013 came into effect on 1st of January 2014; the provisions of health insurance cover became mandatory for:

- Companies with more than 1,000 employees, from 31 October 2014;
- Companies with 100-999 employees, from 31 July 2015; and
- Companies with less than 100 employees, from 30 June 2016.

The rollout phase also provides that dependents of sponsors, including domestic workers, must also be covered for the basic health coverage by 30 June 2016.

6. TAXATION

The UAE provides an advantageous environment in which to do business, including the following:

Currently there is no VAT or general sales tax, although the introduction of VAT is expected in 2018/2019.



individual tax
withholding taxes
tax on capital gains
provision for group tax
tax on dividends
other income



6.1 Corporate and Income Tax

There is no corporate tax for most companies in the UAE, but income tax is levied on the profits of oil and gas exploration companies and certain petrochemical companies under specific government concession agreements, currently at 50% in Dubai and 55% in Abu Dhabi. As per the Minister of Finance, tax on companies may be imposed in 2018/2019.

Branches of foreign banks are taxed at rates agreed with the ruler of the emirate in which they operate, currently 20%.

6.2 Tax Treaties

The UAE has signed **Avoidance of Double Taxation Agreements** with **47 countries**.

The Ministry of Finance in UAE issues the following Certificates:

➤ **TAX Residence Certificate for companies & Personal**

This is a certificate issued to avoid double taxation per agreements signed by the UAE.

➤ **Value Added Tax Certificate**

This is a certificate issued for institutions or individuals to exempt them from value added tax in various countries, regardless of the existence of an agreement.

6.3 Other Taxes

- Municipal taxes are imposed on hotel services and property rentals.
- Annual rental income of residential and commercial tenants is taxed at 5% and 10% respectively in Dubai & some other Emirates.
- Customs duties are imposed by individual emirates, generally at a rate of 5%, with some exemptions.

7. AUDITING & ACCOUNTING

Auditing, Accounting and Filing Requirements:

All companies are required to keep proper financial records and appoint auditors. Federal Law no. 18 of 1993 specifies the books and records that are required to be maintained by traders.

A company may select any date as its accounting year-end. Companies registered in accordance with the Companies Law generally have their accounting year-end specified in the memorandum or articles of association.

Generally, accounting records can be maintained in English or Arabic, or both. All correspondence pertaining to the entries recorded in the books of accounts must be kept and maintained in a systematic manner to facilitate audit verification process.

8. TOURISM & HOSPITALITY

Tourism is an integral part of the UAE economy. The United Arab Emirates is a holidaymaker's paradise. With pristine beaches, cool blue water and a gleaming skyline, the UAE is quickly named as a favourite destination by vacationers from around the world.

Attractions in UAE:

- Burj Khalifa
- Burj Al Arab
- Dubai World Cup Meydan
- Gitex
- Gold Souq
- Jumeirah Beach
- Desert Safari
- Sheikh Zayed Mosque
- Ferrari world
- Emirates Palace
- Yas Marina Circuit
- Yas Waterworld
- Qasr Al Hosn
- Eastern Mangrove Lagoon National Park



Future Attraction:



- **Dubai Opera House.** The country's first opera house will be the centerpiece of The Opera District in Downtown Dubai. Due to open in 2016.



- **The Louvre Abu Dhabi** is designed to house the aesthetic expressions of different civilizations and cultures, from the most ancient to the most contemporary. The US\$ 650 million state of art museum is scheduled to open during 2016.



- **Guggenheim Abu Dhabi**, scheduled to open in 2017, will be the largest of the Guggenheim museums. Architect Frank Gehry is designing the building. The museum collection is planned to reflect Islamic and middle-eastern culture.



- **The Museum of the Future** is a AED500 million project in Dubai that'll actively produce futuristic inventions and support the UAE's mission to be a global innovation destination. With its motto "See the future, create the future", the iconic museum is scheduled to open in 2017.



- **Smart Palm Stations^{iv}** provide free WIFI to public and charging points for smartphones, with screens and loudspeakers to announce weather warnings. There are about 100 Smart Palm already available in Dubai markets, beaches and parks and the number is to be increased as part of the municipality's plan to make Dubai a smart city.

Up-to-date advice and general assistance on UAE matters can be obtained from Al Rubaie & Partners Chartered Accountants (ARCA)

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Disclaimer:

*** This guide has been prepared by Al Rubaie & Partners Chartered Accountants (ARCA). It is designed to provide information on a number of subjects important to those considering investing or doing business in the United Arab Emirates (UAE).

*** Doing Business in the UAE has been designed for the information of readers. Whilst every effort has been made to ensure accuracy, information contained in this guide may not be comprehensive and recipients should not act upon it without seeking professional advice. Facts and figures as presented are correct at the time of writing.

References:

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