

# **Doing Business in UAE**

**2010**



## Contents

1. Introduction.....	2
2. Business environment.....	3
3. Foreign investment.....	16
4. Setting up a Business.....	19
5. Labour .....	40
6. Taxation.....	42
7. Accounting & reporting.....	43
8. UHY firms in the UAE .....	44
9. UHY offices worldwide .....	45

# 1. Introduction

UHY is an international organisation providing accountancy, business management and consultancy services through financial business centres in over 75 countries throughout the world. Business partners work together through the network to conduct transnational operations for clients as well as offering specialist knowledge and experience within their own national borders. Global specialists in various industry and market sectors are also available for consultation.

This detailed report providing key issues and information for investors considering business operations in UAE has been provided by the office of UHY representatives:

## **UHY Saxena**

406, Atrium Centre, Khalid Bin Walid Street

PO Box 23271, Dubai, UAE

Tel: +971 4 3517007

Website: [www.uhyuae.com](http://www.uhyuae.com)

Email: [mail@uhyuae.com](mailto:mail@uhyuae.com)

The firm also has offices in the Jebel Ali Free Zone, Sharjah and Abu Dhabi.

You are welcome to contact David Burns for any inquiries you may have.

Information in the following pages has been updated so that they are effective at the date shown, but inevitably they are both general and subject to change and should be used for guidance only. For specific matters, investors are strongly advised to obtain further information and take professional advice before making any decisions. This publication is current at February 2010.

We look forward to helping you to do business in the UAE.

UHY Saxena is a member of UHY, an international association of independent accounting and consultancy firms, whose organising body is Urbach Hacker Young International Limited, a UK company. Each member of UHY is a separate and independent firm. Services described herein are provided by UHY Saxena and not by Urbach Hacker Young International Limited or any other member of UHY. Neither Urbach Hacker Young International Limited nor any member of UHY has any liability for services provided by other members.

## **2. Business environment**

The United Arab Emirates (the UAE), known as Al Emarat Al Arabiyah Al Mutahidah in Arabic, was established in 1971 and is a federation of seven Emirates: Abu Dhabi, Dubai, Sharjah, Ras Al Khaimah, Umm Al Quwain, Ajman and Fujairah.

From the mid 18th century, until the union of the individual Emirates in 1971 the British colonial administration maintained influence in the region, and each Emirate entered into separate treaties with the British administration. The Emirates were then collectively known as the Trucial States or Sheikdoms.

Each individual Emirate was led by a Sheikh who belonged to a particular tribe, which was frequently the most influential tribe in that area. The tribe often branched into several smaller tribes, and each also had their own leaders who would work closely with the Sheikh in political and other matters. For example, the Al Bu Falah tribe from which the current President of the UAE, H.H. Sheikh Khalifa Bin Zayed Al Nahyan, has descended is part of the Bani Yas tribe, which consisted of more than 12 tribes.

The UAE has now excelled as one of the Middle East's most dynamic countries. Positive planning and vibrant enterprises have developed the cities of the Emirates to a level of luxury that can only be matched by the most glittering cities of the world.

Abundant wealth in natural resources like oil, coupled with well-planned enterprising initiatives of the business community and supported by the Rulers, have resulted in flourishing industry, trade and service sectors. UAE's easy and tolerant lifestyle has also been a major factor in attracting overseas investment. Alcohol is permitted subject to certain rules, and first-class leisure facilities have emerged and are still emerging. The attitude towards women is fairly liberal and many women, both foreign and local, pursue successful careers in the Emirates. Unlike some areas in the Middle East, women are free to drive and move around town unaccompanied.

Moreover, the UAE offers infrastructural facilities that modern businessmen or businesswomen and their families may require. Its standard of living is relatively high. Accommodation is modern and spacious and most of the major international hotel chains are represented or have a presence here.

An important aspect of the UAE, which is readily noticeable to foreign visitors, is that it is virtually a crime-free country with one of the lowest crime rates in the world. This congenial socio-economic environment has led to the UAE being an attractive destination for expatriate workers with more than 200 different nationalities living and working in the UAE.

## Economic Data of UAE

### Annual Data and Forecast

	2005a	2006a	2007a	2008a	2009b	2010c	2011c
<b>GDP</b>							
Nominal GDP (US\$ m)	137,993	175,222	206,406	254,394	225,119	251,537	287,098
Nominal GDP (Dh. M)	506,780	643,503	758,026	934,262	826,862	923,894	1,054,511
Real GDP growth (%)	16.8	14.9	6.0	7.4	-3.5	3.4	4.8
<b>Origin of GDP (% real change)</b>							
Agriculture	-12.9	-4.8	-0.8	0.2	2.0	1.0	2.02
Industry	29.5	20.2	6.9	9.7	-6.1	4.2	5.3
Services	1.9	7.0	4.6	3.4	1.7	1.8	3.9
<b>Population and Income</b>							
Population (m)	4.6b	4.9b	5.3b	5.6b	5.4	5.5	5.7
GDP per Head (US\$ at PPP)	29,174b	32,411b	32,988b	33,893b	34,351	35,243	36,204
<b>Fiscal Indicators (% of GDP)</b>							
Consolidated government revenue	28.4	31.2	29.7b	32.6b	23.9	25.8	23.3
Consolidated government expenditure	20.6	19.9	19.4b	19.0b	24.3	23.9	22.9
Consolidated government balance	7.8	11.3	10.3b	13.6	-0.4	1.9	0.3
Net public dept	32.3b	37.6	42.3b	40.7b	50.4	44.8	38.8
<b>Prices and financial indicators</b>							
Exchange rate Dh: US\$ (end-period)	3.67	3.67	3.67	3.67	3.67a	3.67	3.67
Exchange rate Dh: Euro (end-period)	4.33	4.85	5.36	5.11	5.42a	5.09	5.18
Consumer Prices (av: %)	12.5b	13.5b	11.1b	15.8b	1.5	4.0	6.1
Stock of money M1 (%change)	29.2	14.9	51.4	14.6	4.0	13.0	18.0
Stock of money M2 (% change)	30.5	23.2	41.7	19.2	3.7	13.3	15.9
Lending interest rate (av;%)	7.2	7.9	8.0	7.8b	5.8	5.6	5.0
<b>Current account (US\$ m)</b>							
Trade balance	42,762	57,500	46,540	62,949	30,410	41,253	44,905
Goods: exports fob	117,287	145,586	178,631	239,213	174,946	194,461	210,370
Goods: imports fob	-74,525	-88,086	-132,091	-176,264	144,536	-153,209	-165,465
Services balance	-14,525	-18,030	-25,962	-33,827	-26,294	-27,261	-29,531
Income balance	2,886	5,745	8,372	3,803	4,727	5,426	5,979
Current transfers balance	-3,389	-8,747	-9,287	-10,618	-8,133	-8,077	-8,326
Current-account balance	27,684	36,468	19,663	22,307	710	11,341	13,027
<b>External debt (US\$ m)</b>							
Debt stock	56,090b	78,569b	110,107b	134,656b	129,304	129,440	129,916
Debt service paid	2,952b	5,432b	9,146b	8,634b	21,269	17,509	15,711
Principal repayments	1,100b	1,800b	3,800b	4,500b	15,000	12,000	9,800
Interest	1,852b	3,632b	5,346b	4,134b	6,269	5,509	5,911
<b>International reserves (US\$ m)</b>							
Total International Reserves	21,010	27,617	77,239	31,695	39,595	42,595	46,595

a. Actual.

b. Economist Intelligence Unit estimates

c. Economist Intelligence Unit forecasts.

Source: IMF, International Financial Statistics.

## Emirates of the United Arab Emirates

(Arabic transliteration Dawlat al-Imārāt al-'Arabīyah al-Mutta'idah)



### Emirate of Abu Dhabi (Arabic transliteration - Abū zabī)

Abu Dhabi is the capital and the biggest of the seven Emirates of UAE. It is one of the Arab world's biggest producers of crude oil and its reserves are expected to last more than 200 years. As such, it is unlikely to witness any fiscal worries for a long time. The Emirate constitutes about 80% of the UAE's land mass and had a population of approximately 1,848,000 at end of 2008.

Abu Dhabi is the headquarters for the President of the State, the Cabinet and most of the ministries. Also located here are Federal institutions, foreign embassies, Zayed port, Abu Dhabi airport, most of the oil companies, establishments and commercial markets.

The Eastern Region, with its capital Al-Ain City, is very fertile and rich in greenery with plenty of farms and public parks. It is also rich in ground water with numerous artesian wells.

The Western Region, with its capital Beda-Zayed, has a wide stretch of cultivated forests to combat the desert climate. The forest grown area is about 100,000 hectares, and has about 20 million green trees. Some onshore oil fields are located in this region. The biggest oil refinery in the country is located in this region at Al-Ruwais City.

### Emirate of Dubai (Arabic transliteration - Dubbay)

Dubai is the second largest Emirate, with a population of approximately 1.9 million as of 2008. It is the leading industrial, commercial and trading centre of the Middle East, and is strategically positioned to service a market of more than one billion people. The domestic market is buoyant and prosperous and it has not been affected by world recession. In addition, because of its position midway between the trading blocks of Europe and the Far East, and its strategic location on the UAE coast, it is perfectly placed for the transport and distribution of goods to service these markets.

Dubai, although rich in oil, has made great efforts to reduce its economic dependence on oil revenues. A deliberately low level of business and market regulations has been adopted to encourage overseas investment in the non-oil commercial sector. As a result, Dubai's non-oil economy has achieved a rate of growth rivalling that of any economy in the world.

Dubai enjoys a strategic location and serves as the biggest re-exporting centre in the Middle East. Most re-exported goods go to nearby Gulf States, the Indian subcontinent, Africa and the CIS countries. Much of the growth in this business is due to the successful operation of Dubai's two main ports, Port Rashid and Jebel Ali. Whilst the two ports continue to maintain their separate identities, they were combined under an overall administrative body, the Dubai Ports Authority, in 1991.



The Emirate features a network of industrial areas, business parks and highly successful, specialized free zones of international distinction, world class seaports, a major international airport and cargo village, a modern highway network, state-of-the-art telecommunications and reliable power and utilities all of which deliver efficiency, flexibility, reliability, reasonable cost and size. Complementing its world class infrastructure is a sophisticated service sector that features leading regional and international freight forwarders, shipping companies, insurers plus major international hotels, banks and financial service firms, lawyers, accounting firms, consultants, advertising agencies, top international exhibition and conference facilities, high quality office and residential accommodation, first class hospitals, schools, shopping centres and recreational facilities.

### **Emirate of Sharjah (Arabic transliteration - Ash-Shāriqah)**



Sharjah is the third largest Emirate in the UAE, after Dubai and Abu Dhabi, with a population of 1,064,000 as of end 2008. It is the cultural capital of the UAE and has attractive destinations for tourists.

The Emirate of Sharjah extends along the coast of the Arabian Gulf over 16km and inland for more than 80km. The three other ports of Sharjah lying on the Gulf of Oman are Kalba, Khor Fakkan and Dibba.

It was here that the British set up their military base and the Trucial Coast's first international airport was established in 1932. The development of oil reserves in the UAE and more recent gas revenues have sustained Sharjah's modern development. But it is perhaps the people, a lively trading tradition and other cultural factors which have created and maintained the unique character of the Sharjah Emirate.

Sharjah's International Airport has become increasingly busy because of the large number of visitors from CIS countries and booming cargo movement.

The Al-Dhaid region of the Emirate is important for agriculture. It grows more than 100,000 tonnes of vegetables and fruits including strawberries.

### **Emirate of Fujairah (Arabic transliteration - al-fugayrah)**

The Emirate of Fujairah gained recognition in 1952 and became a member of the Federation at its inception in 1971 and its population is around 130,000. It is the only Emirate located on the Gulf of Oman coast, away from the Hormuz Strait, covering an area of 1,450 sq km. It is characterised by its mountains that have different colours, its fertile valleys full of natural water springs, and its coastal belt with its clean, golden sands extending over 90 km.

Fujairah's fertile soil has led to the establishment of a flourishing vegetable and animal husbandry industry. Exports of vegetables and flowers have become a lucrative business. Fishing has also been a focal business in this region. So too has tourism, giving rise to speedy development of leisure and hospitality services.

### **Emirate of Ajman (Arabic transliteration - 'ajmān)**

The smallest of the seven Emirates, Ajman had an estimated population of 2, 80,000 at the end of 2008 and is located on the coast of the Arabian Gulf in between the Emirate of Umm Al-Quwain and Sharjah.

The economy of Ajman in the past depended on fishing and trade. However, today Ajman has many diversified activities and has become an important industrial and commercial base. The growth in exports from local factories of the Emirate, and the high industrial standards adopted, has given the industrial movement here a high degree of credibility. This has led to more capital being attracted and the establishment of more economically developed projects which, in turn, have contributed to industrial development.

### **Emirate of Umm Al Quwain (Arabic transliteration - umm al-qaywayn)**

The Emirate of Umm Al Quwain, with its coastline stretching over 24 km, is located on the Arabian Gulf coast of the UAE, between Sharjah to the south-west, and Ras al-Khaimah to the north-east. Its inland border lies about 32 km from the main coastline. The emirate had population around 62,000 at the end of 2008 (making it the least populous emirate in the federation) and has an area of 777 square kilometres.

It has traditionally been known for fishing and agriculture and fishing is still the main activity. It is also an important centre for date cultivation and is one of the UAE's biggest poultry output contributors.

### **Emirate of Ras Al-Khaimah (Arabic transliteration - rās al-Khaymah)**

Ras Al Khaimah, the most northerly Emirate on the UAE's west coast, has a coastline of about 64 km on the Arabian Gulf, backed by a fertile hinterland, with a separate enclave in the heart of the Hajar Mountains to the south-east.

The city of Ras Al Khaimah is divided into two sections by Khor Ras Al Khaimah. In the western section, known as Old Ras Al Khaimah, is the Ras Al Khaimah National Museum and a number of government departments. The eastern part, known as Al Nakheel, houses the Ruler's office, several government departments and commercial companies. Both parts of the Emirate share borders with the Sultanate of Oman. The total area of the Emirate is 168 sq km and it had a population of 280,000 at the end of 2008.

During the past two decades, Ras Al Khaimah has witnessed remarkable advancements, particularly in commerce and education. Connected to the other Emirates by modern highways, this Emirate has an efficient infrastructure, including hotels, hospitals, shopping centres and restaurants. Today it is a dynamically developing Emirate, with excellent scope for industrial and business growth.

### **Geographical location**

The United Arab Emirates is situated in Southwest Asia, bordering the Gulf of Oman and the Persian Gulf, between Oman and Saudi Arabia; it is in a strategic location along southern approaches to the Strait of Hormuz, a vital transit point for world crude oil.

The UAE is strategically positioned close to the entrance of the Arabian Gulf, with extensive coastlines on its western and northern regions together with an eastern coastline bordering the Arabian Sea.

The climate of the UAE generally is hot and dry. The hottest months are July and August, when average maximum temperatures reach above 48° C (118° F) on the coastal plain. In the Al Hajar Mountains, temperatures are considerably cooler, a result of increased altitude. Average minimum temperatures in January and February are between 10°C (50°F) and 14°C (57°F).

The strategic location of UAE makes it convenient to speak to Singapore and US (any anywhere in between) during the office working hours itself. UAE is GMT + 4, while Singapore is GMT +8 and US (EST) is GMT-5 hours.

### **Tourism**

Lying on the calm, blue waters of the Arabian Gulf and flanked by majestic desert, the UAE offers year-round sunshine and five-star luxury. The UAE has welcomed seafarers and traders to its shores for generations. Today, this tradition of courtesy and hospitality lives on. The UAE's streets are clean and safe, and travellers are charmed by its warmth and friendliness.

The UAE has something for all holidaymakers and is also rapidly emerging as an international conference, exhibition and incentive destination. It has superb sports, shopping, and dining and entertainment facilities.

### **Population**

The population of the UAE was 5.6 million at the end of 2008. Expatriates make up the majority of the population and are mainly drawn from the Indian subcontinent, Europe and neighbouring Arab countries. Most of the land in the UAE is sparsely populated, as the population tends to be centred mostly in the cities of Dubai, Abu Dhabi and Sharjah.

Population growth in the UAE has been strong over the last 18 years:

<b>Growth</b>	
<b>Year</b>	<b>Population</b>
1963	95,000
1968	180,226
1975	557,887
1980	1,042,099
1985	1,379,303
1995	2,411,041
1999	2,938,000
2003	4,041,000
2009	5,671,112



### **Infrastructure**

The UAE has been spending billions of dollars on infrastructure and is the biggest projects market in the region, accounting for 37 per cent of total project value within the construction, oil and gas, petrochemicals, power and water and waste sectors. Many huge investments have been poured into real estate, tourism and leisure. These developments are particularly evident in the larger emirates of Abu Dhabi and Dubai.

Governments in the northern emirates are rapidly following suit, providing major incentives for developers of residential and commercial property. The allocation will be used to fund the construction of road networks, new housing communities, drainage networks and other projects, providing integrated solutions to some infrastructure deficits in these areas.

### **Real estate**

Traditionally only UAE nationals and nationals of the GCC countries can own property in the UAE. Since early 2004, Dubai opened its real estate ownership to expatriates limiting it to the developments done in the “Free Zone” or the “new Dubai” areas. This was a major area of growth for the Emirate in the last 5 years, following Dubai, other emirates followed suit and passed laws whereby expatriates could own properties in the free zone marked locations. Due to the global financial crisis, Real Estate sector in UAE has been affected adversely. The prices have plummeted by 40 – 50% in some of the areas. Laws have been formulated to protect the interests of investors. Real Estate Regulatory Agency has been established to monitor and regulate the sector. The Department of Lands and Properties issues title deeds of Real Property Rights in accordance with the current records in the Real Property Register.

### **Communications**

The UAE has entered the 21st century with a sophisticated telecommunications sector, providing its citizens with a highly efficient and cost-effective communications network. Emirates Telecommunications Corporation (ETISALAT), one of the largest and most successful companies in the Middle East, controls the telecommunications business.

Etisalat services include Internet access, ATM LAN & WAN networks, e-commerce services, prepaid phone cards, mobile phone services, cable television and local telecommunications. The mobile network is based on the GSM standards.

The UAE is presently serviced by two telecommunications operators, Etisalat and du. Etisalat operated a monopoly until du launched mobile services in February 2007. However, Etisalat, with over 80 per cent of the market, remains the UAE's biggest telecom provider and is expanding dramatically internationally and is now the sixteenth largest telecommunications firm in the world. Du is targeting a 30 per cent market share by 2010. All telecommunication is controlled and monitored by TRA (Telecommunications Regulatory Authority).

### **Industry**

The discovery of oil ushered the UAE into the industrial age. This industrialisation process gathered momentum following the formation of the Federation. During the last two decades, with the Government's increasing emphasis on diversification and basic building blocks such as capital and energy readily available, the manufacturing sector has made significant progress in the UAE.

Free zones have played an instrumental role in attracting manufacturing industries and today hundreds of factories covering a wide range of manufacturing are distributed throughout the country. Cement, building materials, aluminium, chemical fertilisers and foodstuffs industries top the list, followed by garments, furniture, paper and carton, plastics, fibreglass and processed metals.

### **Currency**

The unit of currency in UAE is the UAE Dirham (Dh.), also referred to as the Arab Emirate Dirham (AED) in international markets. Each Dirham is divided into units of 100 fils. Currency notes are issued in denominations of 5, 10, 20, 50, 100, 200, 500 and 1,000 Dirhams. Coin denominations are 1, 5, 10, 25 and 50 fils and 1 Dirham. However, coins with a denomination below 25 fils are rarely used.

The value of the Dirham has been fixed to the US dollar since 1980 at the rate of 1 USD = Dh. 3.67. The UAE government has established a new committee, which proposes to study the possibility of scrapping the dirham's peg to the US Dollar and the reasons for maintain the peg. The monetary officials have stated they are not dropping the dollar peg as of now.

### **Finance and banking**

The UAE's banking and monetary system has made significant progress in recent years due to the Central Bank's (the regulator) increasingly strict control of financial institutions. Over the last 10 years the Central Bank has played an important role in supervising the banking industry and has contributed to improving the quality of services and performance of several banks.

The number of foreign bank representative offices in the UAE has risen steadily over the last couple of years, a trend ascribed to the flotation of several new companies and to the UAE's membership of the WTO. A noteworthy development is the establishment of the Dubai International Financial Centre which is expected to attract a large number of financial intermediaries, including banks, set up under the DIFC laws.

### **Stock exchanges**

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, local or foreign, which are accepted by the Market. The Market commenced operations on 26th March 2000.

DFM is set up as a Public Joint Stock Company in the UAE with paid up capital of AED 8 Billion allocated over 8 Billion shares, with a par value of AED 1 per share, and the twenty percent (20%) of DFM shares be offered for public subscription. This IPO, the first of its kind in the region, was highly oversubscribed and generated more than AED 201 billion.

Dubai Financial Market (DFM), which is the local stock exchange opened in March 2000. Trading is screen based like NASDAQ and not an open outcry system like the NYSE. The DFM has about 33 stocks consisting of 33 equity, 6 debt instruments and 15 mutual funds which are traded and had a market capitalization of AED294 billion (US\$ 80 billion) approximately. In recent years the numbers of stocks which have listed have gone up and, with the economic well being expected to continue, more and more are likely to get listed.

The Abu Dhabi Securities Market (ADSM) was set up in end 2000 following the launch of DFM. The ADSM also operates on a screen based trading system. There are 55 stocks which are traded on the ADSM and the exchange had a market capitalization of AED 399 billion (US\$ 109 billion).

A major development on the capital market sector has been the setting up of the Dubai International Financial Exchange (DIFX). DIFX is a pioneering effort by the Dubai government to set up an international exchange on the lines of LSE and NYSE in terms of transparency and regulatory environment. The exchange is regulated by its own independent charter and is not under the general UAE laws jurisdiction.

#### **Local time**

UAE is four hours ahead of GMT and there are no daylight saving time adjustments.

#### **Religion**

The official religion of UAE is Islam. However, other religions are also respected. There are quite a few Christian churches, two Hindu temples and a Sikh temple.

#### **Corporate structures**

The business environment in the UAE is dynamic and commercially accessible. It is one of the most open and freely competitive markets in the world, guided mainly by quality of service, value propositions and business intelligence. To make business trips more fruitful, visiting business people are advised to collect information from sources of commercial intelligence, including Embassy lists, the Chambers of Commerce, official gazettes and tender lists, and relevant Consultancy entities before their visit.

### 3. Foreign investment

The UAE offers international business entities a wide range of opportunities for varied activities and operations, including:

- (a) Trade
- (b) Transport and distribution
- (c) Manufacturing and processing
- (d) Regional offices.

#### **Government initiatives and incentives**

The government has been proactive in ensuring availability of infrastructure and service quality that match the highest international standards, facilitating efficiency and quality. Among the attractive benefits are:

- (a) Free enterprise system
- (b) Highly developed transport infrastructure
- (c) State-of-the-art telecommunications
- (d) Sophisticated financial and services sector
- (e) Top international exhibition and conference venues
- (f) High quality office and residential accommodation
- (g) Reliable power, utilities and allied services
- (h) First-class hotels, hospitals, schools, shopping and marketing outlets
- (i) Cosmopolitan lifestyle
- (j) World class airlines (Emirates Airlines and now Eithad) connecting most of the major cities of world with Dubai and Abu Dhabi.

International companies setting up in Dubai can obtain significant cost advantages not generally available internationally. The major factors are:

- (a) No foreign exchange controls
- (b) No trade barriers or quotas
- (c) Competitive import duties (4% with many exemptions)
- (d) Competitive labour costs – labour force is multi-lingual and skilled
- (e) Competitive energy costs
- (f) Competitive real estate costs
- (g) Competitive financing costs and high levels of liquidity
- (h) No corporate profit or personal income taxes (except for oil companies and branches of foreign banks).

Under the federal constitution, and under the powers reserved by each individual Emirate, “free zones” have been set up each Emirate. It is

estimated that there are more than 20,000 companies operating out of 30 various free zones.

Some of the advantages offered by the Free Zones are:

- (a) 100% foreign owned ventures are possible
- (b) Local sponsor or a local partner not required
- (c) No corporate taxes for at least 15 years (renewable for an additional period of 15 years)
- (d) No restrictions on the repatriation of capital and profits
- (e) No personal income taxes
- (f) No administration problems and easy, efficient services
- (g) No currency convertibility restrictions
- (h) Efficient communication infrastructure
- (i) Option to lease land and develop it according to one's needs.

### **Business etiquette**

Although foreign investment and expatriate populations in Dubai have grown rapidly, business customs here are generally the same as in the West. However, the foreign businessman should bear in mind a few points when doing business in Dubai:

- (a) Always be on time. However, be prepared to accept delays or even postponements of meetings at short notice. Patience is a virtue and everyone is expected to wait no matter how important they are. This is purely a matter of local custom and a much slower lifestyle.
- (b) Business meetings tend to be less formal. At an initial meeting there may be others in the room. Staff or other visitors may often interrupt the host. It should be noted that the purpose of such a meeting is to arrange a further private meeting.
- (c) In any meeting or telephone conversation, a period of small talk is expected before the purpose of the meeting or call is discussed.
- (d) Business cards should be printed in both English and Arabic. All brochures and leaflets should be glossy, full of photographs and should also lie printed in both English and Arabic.
- (e) Respect confidentiality, as Dubai is small community and word can get around very fast. It is therefore important that all business discussions are kept in strictest confidence. Breaches of confidence are not appreciated.
- (f) Oral agreements are binding and so the negotiator must be careful not to commit. It should be remembered that bargaining is important. An Arab will take great pride in obtaining a good deal. This is not, however, an excuse to overcharge at the outset. There must be a reason for every price reduction so as to



## 4. Setting up a Business

Various legal structures are available for establishing a business in the UAE. They are collectively addressed by various laws. There are three main types of business set ups possible in UAE:

- The first is the mainland companies, governed by the federal Commercial Companies, 1984. However, the implementing regulations for each Emirate are different and may lead to some differences in implementation of law and its regulations.
- The second types are the companies in the free zone. Each free zone has its own laws and implementing regulations and /or rules. The main feature of this type of company is 100% expatriate ownership as opposed to maximum of 49% in mainland companies.
- The third type of company set up and the most recent offering is the offshore companies under the Offshore Company Regulations in the Emirate of Dubai and the Emirate of Ras-al-khaimah.

### **Mainland companies**

Mainland companies are governed by the Federal Law No. 8 of 1984, as amended by Federal Law No. 13 of 1988 - the 'Commercial Companies Law' and its by-laws. This law stipulates that a total equity of not less than 51% should be held by a UAE national in any commercial company, except in the following:

- Where the law requires 100% local ownership
- Businesses set up in the Free Zone
- In activities open to 100% AGCC ownership
- Where wholly owned AGCC companies enter into partnership with UAE nationals
- In respect of foreign companies registering branches or a representative office (UAE national service agent is required)
- In professional companies where 100% foreign ownership is permitted (UAE national service agent is required).

Individual Emirates as well as the Federal Government regulate economic activities. The authorities have sought to create an environment that is well regulated without being unduly restrictive. As a result, the UAE offers businesses the operating conditions that are among the most liberal and attractive in the Gulf region.

**All business activities are primarily covered by three categories of licence:**

- Commercial licence covering all kinds of trading activities
- Professional licence covering professional services, other services, craftsmen and artisans
- Industrial licence for establishing an industrial or manufacturing activity.

The Commercial Companies Law and its by-laws govern the operations of various types of business structures, which are classified into eight categories:

- General Partnership Company
- Partnership-en-commendams
- Share Partnership Company
- Joint Venture Company
- Public Shareholding Company
- Private Shareholding Company
- Limited Liability Company
- Foreign Companies (Branches and Representative offices).

**General Partnership Company**

The establishment of General Partnership companies is limited to UAE nationals only.

**Partnership-en-commendams & Share Partnership Company**

The Dubai government does not at present encourage the establishment of partnership-en-commendams and share partnership companies.

**Joint Venture Company**

A joint venture is a contractual agreement between a foreign party and a local party licensed to engage in the desired activity. The local equity participation in the joint venture must be at least 51%, but the profit and loss distribution can be prescribed otherwise. There is no need for the joint venture to be licensed or the agreement to be published. The foreign partner deals with third parties under the name of the local partner who (unless the agreement is publicised) bears all liability.

In practice, joint ventures are seen as offering a suitable structure for companies working together on specific projects.

**Public & Private Shareholding Companies**

The Commercial Companies Law stipulates that companies engaging in banking, insurance or financial activities should be run as public shareholding companies. Foreign banks, insurance and financial

companies, however, can establish a presence in Dubai by opening a branch or representative office.

Shareholding companies are suitable primarily for large projects or operations - the minimum capital required is Dh. 10 million (\$2,725 million USD) for a public company, and Dh. 2 million (\$545,000 USD) for a private shareholding company. The chairman and majority of directors must be UAE nationals and there is less flexibility of profit distribution than is permissible in the case of Limited Liability Companies.

### **Limited Liability Company**

A limited liability company can be formed by a minimum of two, and a maximum of 50, people whose liability is limited to their share in the company's capital. Such companies are recognised as offering a suitable structure for organisations interested in developing a long-term relationship in the local market.

The minimum capital requirements vary in each Emirate and are contributed in cash or kind. While foreign equity in the company may not exceed 49%, profit and loss distribution can be prescribed otherwise. Responsibility for the management of a limited liability company can be vested with the foreign or national partner or a third party.

### **Foreign Companies (branches and representative offices)**

The Commercial Companies Law 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 local agent is appointed.

Only UAE nationals or companies 100% owned by UAE nationals, may be appointed as local agents (which should not be confused with the term commercial agent). Local agents - also often referred to as sponsors - are not involved in the operations of the company but mainly assist in obtaining visas, labour cards, etc and are paid a lump sum and/or a percentage of profits or turnover.

### **Professional Firms (governed by Dubai Local Order No 63 of 1991 on Service Establishments)**

In setting up a professional firm, 100% foreign owned, sole proprietorships or civil companies are permitted. Such firms may engage in professional or artisan activities but the number of staff members that may be employed is limited. A UAE national must be appointed as local service agent, but he has no direct involvement in the business and is paid a lump sum and/or

percentage of profits or turnover. The role of the local service agent is to assist mainly in obtaining licences, visas, labour cards, etc.

### **Free trade zones of the UAE**

Free zones in the UAE allow 100% foreign ownership and have nil taxes usually guaranteed for 15 or 50 years. Each free zone has its own specific requirements regarding minimum office/warehouse space and permitted activities. Companies outside the free zones require a local sponsor and allow maximum 49% foreign ownership.

Different types of companies which can be established are:

- Free Zone Company (FZCO/FZC)
- Free Zone Establishment (FZE)
- Free Zone Branch.

Different types of licences which can be issued are:

- Trading Licence
- Industrial Licence
- Service Licence
- National Industrial Licence.

Listings of all free zones are given below. The major free zones are explained in a later section:

### **Abu Dhabi**

- Abu Dhabi Airport Free Zone
- Abu Dhabi Ports Company (ADPC)
- Sadiyat Free Zone Authority
- Abu Dhabi Exhibition Centre
- Twofour54 (Two Four Fifty Four / 54) Media and Production Free Zone.

### **Dubai**

- Jebel Ali Free Zone (JAFZ)
- Dubai Airport Free Zone (DAFZ)
- Dubai Internet City (DIC)
- Dubai Media City (DMC)
- Dubai Gold and Diamond Park (DGDP)
- Dubai Cars & Automotive Zone
- Dubai Multi Commodities Centre (DMCC)
- Dubai Health Care City (DHCC)
- Dubai International Financial Centre (DIFC)
- Dubai Maritime City
- Dubai Logistics City

- Dubai Outsource Zone (DOZ)
- Dubai Techno Park (DTP)
- Dubai Silicon Oasis Authority (DSOA)
- Dubai Studio City (DSC)
- Dubai Textile City (DTC)
- Dubai Flower Centre (DFC)
- Dubai Carpet Free Zone.

#### **Sharjah**

- Sharjah Airport Free Zone (SAIF Zone)
- Hamriyah Free Zone (HFZ).

#### **Ras Al Khaimah**

- Ras Al Khaimah Free Trade Zone (RAKFTZ)
- Ras Al Khaimah Media Free Zone
- Ras Al Khaimah Investment Authority (RAKIA).

#### **Fujairah**

- Fujairah Free Zone (FFZ)
- Fujairah Creative City.

#### **Ajman**

- Ajman Free Zone (AFZ)

#### **Umm Al Quwain**

- Ahmed Bin Rashid Free Zone

#### **General Free Zones**

##### **The Jebel Ali Free Zone (JAFZ)**

In 1985 the Government of Dubai founded the first Free Zone in the UAE, the Jebel Ali Free Zone on the outskirts of Dubai in an area known as Jebel Ali. The Free Zone is principally a designated location spanning approximately 100 sq km (38 sq miles) and is about 50 km (30 miles) from Dubai City.

The new developments at the Jebel Ali Free Zone and the surrounding region are designed to make JAFZA world's one of the most efficient sea-air hubs, complete with a 6-lane highway that will help keep goods custom-bound (helping to minimize processing time) as they are transported from port to cargo aircraft in just 20 minutes. Jebel Ali Free Zone is the world's only free zone located between one of the world's largest airports and a sea port. The Jebel Ali Free Zone has Jebel Ali Port,

world's 7th largest container port on one side and the Jebel Ali International Airport, one of the world's largest cargo airports on the other side.

Because of its location, it benefits from being an efficient regional distribution point with access to a huge network of people. Although the Free Zone is located in Dubai, companies established there are legally treated as free zone companies and are therefore subject to the Free Zone's laws and regulations as distinct from Dubai law.



#### **Value Added Services**

JAFZA provides a number of value-added support services through which customers can enhance their businesses. These services include:

- **Advice on Future Expansion & Investment:** JAFZA assists its customers in selecting the desirable site or location for their investment venture, as well as in determining operational requirements
- **Business Matching:** Companies can avail the opportunities of exploring joint ventures and other mutual business opportunities by participating in frequent events organized by JAFZA in the local and international market
- **Business Delegations:** JAFZA organizes events and extends invitations to its customers to join them on business trips to other countries, enabling them to gain market entries and to their field of activity
- **Advising customers through JAFZA's consulting offices** on relevant issues related to setting up a business
- **At the heart of JAFZA's customer-centric approach** are its world-class technology tools – Dubai Trade Portal and JAFZA Link - that allow clients freedom to focus on their core businesses
- **DubaiTrade.ae Portal** the innovative portal of Dubai World consolidates all the services of myDPA, eMirsal, e-ATA and myJAFZA sites within a single bilingual (Arabic-English) portal. DubaiTrade.ae is an indispensable tool for the trade and

A general trading license allows the holder to import, distribute and store all items as per JAFZA rules and regulations. A trading license allows the holder to import, export, distribute and store items specified on the license. An industrial license allows the holder to import raw materials, carry out the manufacture of specified products and export the finished product to any country. A service license allows the holder to carry out the services specified in the license within the Free Zone. The type of service must conform to the parent company's license, issued by the Economic Department or Municipality of the relevant Emirate in the UAE. A national industrial license is designed for manufacturing companies with an ownership or a minimum 51% AGCC (Arabian Gulf Co-operation Council). The value added to the product in the Free Zone must amount to a minimum of 40%. This license allows the holder the same status as a local or AGCC owned companies inside the UAE.

#### **The Dubai Airport Free Zone (DAFZ)**

The Dubai Airport Free Zone (DAFZ) was formed in accordance with Law No. 2 of 1996 for the Establishment of a Free Zone in Dubai International Airport by the Ruler of Dubai, HH Sheikh Maktoum Bin Rashid Al Maktoum.

Complementing rather than competing against the Jebel Ali Free Zone, the DAFZ provides similar yet diverse incentives to both local and foreign investors because of its location in the Dubai Airport area. Companies or establishments set up in the DAFZ are also legally regarded as free zone companies and subject to DAFZ law. Dubai Airport Free Zone is one of the fastest growing free zones in the region and is currently home to over 1300 companies from various industry sectors, including aviation industry, pharmaceutical products, logistics & freight, jewellery, IT and mobile phones accessories.

DAFZA is wholly owned by the government of Dubai and is one of the fastest growing government projects in the country. It offers 100% foreign ownership. The company formation period is 10-30 days.

#### **Visas**

Depends on the size of the office space leased. However, no restriction for industrial / assembly units operating in pre-built warehouse and leased land is required for the activity.

### **Port facilities**

Dubai Airport, Port Rashid, Jebel Ali Port.

### **Types for Trade License**

Dubai Airport Free Zone will be granted an Industrial License, Trading License or a Service License by the Free Zone Authority. Companies have the option of renewing their licenses for a period of either one or three years. More than one license can be obtained. If such company 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. DAFZ does not grant General Trade Licenses to companies under any circumstances.

### **Sharjah Airport International Free Zone (SAIF-Zone)**

SAIF-Zone is a new symbol of quality and dedication to excellence - a concept steeped in more efficient operations and fewer complicated procedures.

Strategically placed at the crossroads of major trading routes between east and west, Sharjah offers excellent global, sea, land and air transport links with access to a market of more than 2 billion consumers covering member states of GCC and the Arab world, Iran, CIS countries, the Asian subcontinent, parts of Africa, and the Eastern Mediterranean.

Adjacent to Sharjah International Airport, and just a few minutes from Sharjah City and Port Khalid, the location of SAIF-Zone is enhanced by its secondary seaport facility located on the Gulf of Oman at Port Khor Fakkan. The 120km road transfer can save up to 48 hours' shipping time, cutting freight and insurance costs for both importers and exporters. With a modern highway connecting both coasts with SAIF-Zone, companies have access to the unmatched logistical advantage known as 'The Sharjah Link'.

SAIF-Zone is an ideal hub for all types of business that require fast, efficient and a trouble-free working environment. SAIF-Zone provides state-of-the-art facilities with fully serviced and furnished executive office suites with reception, pre-built warehouses in two sizes with adjacent office space, service and lease land for unrestricted private development, container parking area and temporary storage capability.

From a mere 55 companies in 1995, the year in which the zone started operating, there are now more than 3,900 companies doing business in the zone, making the SAIF-Zone the fastest-growing Free Zone in the region.

Sharjah is the industrial heartland of the UAE, accounting for more than 40% of the country's industrial GDP. Its geographic location has led to a unique integration of land, sea and air links. This in turn offers unbeatable logistical, warehousing and distribution advantages. The only emirate with seaports on the Arabian Gulf and the Indian Ocean, Sharjah has carved a niche in the sea-air traffic sector, experiencing growth rates of more than 50% in the last few years. Speed, reliability and cost-effectiveness have been the cornerstones of Sharjah's industrial policy. A stable government, proactive policies, solid industrial base and an attractive incentives package have drawn a very high proportion of foreign investments into Sharjah in recent years.

### **Hamriyah Free Zone (HFZ)**

The Free Zone development was announced in the Amiri Decree No. (6), dated 12th November 1995.

The vision of the Hamriyah Free Zone Authority (HFZA) is to provide the international business investor with a unique investment opportunity in a free market environment. To be able to offer a strategic business advantage to the investor, the HFZA is currently developing first class services and facilities that will complement its 14 m deep water port.

As the Free Zone is designated a 'Green Zone', it is the intention of the HFZA to attract environmentally friendly industries. Land is allocated for heavy, light, service and commercial industries.

### **Activities Allowed by the Free Zone**

Almost any activity is permitted by HFZ as long as the activity is environmentally friendly and in accordance with local rules. Though it is preferred, companies do not have to add value to their products. Investors can ship goods in and out of HFZ without necessarily adding any value at all.

### **Ajman Free Zone (AFZ)**

Ajman Free Zone, established in 1988, was granted autonomous status under the Amiri decree no.3 of 1996. Ajman Free Zone Authority has been named as the sole regulatory agency for the Free Zone in the Emirate. The formation of the Free Zone Authority in 1996 has given great impetus to industrial activity in the Free Zone, which has resulted in quadruple growth in its number of companies during the last year alone.

A massive multi-million Dirhams development plan, on an area of more than a million square metres, is under progress at the Free Zone. On completion will be able to accommodate 600 companies. Strategically

situated at the entrance of the Arabian Gulf, Ajman Free Zone is well placed to serve the eastern and western markets. Ajman's proximity to Sharjah and Dubai provides easy accessibility to the two international airports and four ports. Ajman Port, serving more than 1,000 vessels a year, has emerged as an important maritime focal point today. It has 12 berths. A massive development plan for Ajman ports, currently under progress, aims to enhance its facilities to world class status.

### **Ras Al Khaimah Free Trade Zone (RAKFTZ)**

Ras Al khaimah Free Trade Zone (RAKFTZ) has already developed into a world-class business hub with state-of-the-art infrastructure and hi-tech facilities for industrial growth and development in less than ten years of its inception. The Free Zone, offers customized support services to its investors. It is one of the most cost-effective free zones in the region and most importantly, it offers an absolutely trouble-free, customer-friendly environment, which is very important for the success of any enterprise.

RAK FTZ through its marketing and awareness campaign has created a name for itself known around the world. It has registered more than 4500 companies that originate from 106 countries worldwide. RAK FTZ's customers are coming from different markets in Middle East , Europe, North America & Asia just to mention a few.

Ras Al Khaimah Free Trade Zone Authority has created a system of four unique Free Zone Parks that will suit and serve every investor according to their requirements. The Four Parks concept includes the Business Park, Industrial Park, and Technology Park & Al Ghail Park, offering the offices, equipped warehouses & Land facilities. Situated at different locations across the Emirate of Ras Al Khaimah, each Park caters to the specific business interests and activities of the RAK FTZ investors.

### **RAK Free Trade Zone Facilities & Services:**

#### **The RAK Free Trade Zone Business Park**

The Business Park is located in the central business district of the city, close to the modern RAK Exhibition Centre, Hilton Hotel & Beach Club and Al Manar Shopping & Entertainment Mall.

The RAK Business Centre is a free zone facility which gives investors an opportunity to start a business with no hassles. Some of the key features of the RAK Business Centre are the furnished, fully-functional and ready-to-use offices, flexi-offices (shared office) & flexi-desks (shared desk) in

various locations rendered in consistence with the investors' convenience. All of these are offered at highly cost-effective rates.

#### **The RAK Free Trade Zone Industrial Park**

Located along the Ras Al Khaimah coastal road approximately 15 km north of Ras Al Khaimah and immediately adjacent to Hulaylah Island, which is approximately 6 km from Saqr Port. It is developed for construction of Heavy Industries & Warehousing and incorporates abundant energy supply.

Plot sizes are provided to suit individual client requirements and are fully serviced with water, electricity and telecommunications. The facilities include on-site employee accommodation, Custom Office, Operation Supportive Services Centre & other administrative and service support centre located within the Park.

#### **The RAK Free Trade Zone Technology Park**

Located at South of Ras Al Khaimah, The Technology Park close proximity to Dubai via the Emirates Road, which is also well known as center of attraction for the business community and in close proximity to the Ras Al Khaimah International Airport.

Covering an area of 100 hectares, it is located opposite 5 Star resorts with an 18-hole golf course (Al Hamra village & resort). It is sited in a rapidly expanding area devoted to Light Industries & automated manufacturing and capital intensive quality lifestyle projects.

#### **Al Ghayl industrial park**

Covers an area of 400 hectares and it catered for the heavy industries that deal with the construction market such as steel fabrication. It has a strategic location since it is close to Sharjah & Fujairah.

The park is still under development and contains different size of plots that suit various companies' size.

#### **Types of Trade Licenses Available**

The companies accepted for operation in Ras Al Khaimah Free Trade Zone will be granted any one of the following licenses: Industrial License, General Trading License, Commercial License, Consulting & Service License and Real Estate License.

#### **Fujairah Free Zone (FFZ)**

Fujairah Free Zone (FFZ), which was awarded an ISO 9002 certificate in 1999, offers businesses the geographical advantage of an east coast port as

well as the benefits of partnership with the Fujairah Government. FTZ has been growing at a rate of 20–22% annually and currently has more than 650 companies licensed by the zone, and more than 320 projects registered at the zone, involving an investment of more than Dh 332 million.

#### **Ahmed Bin Rashid Free Zone (Umm Al Quiwain)**

Ahmed Bin Rashid Free Zone was established in April 1998 and 55 Kms away from Dubai International Airport. The total size of the free zone is 118,000 sq. mtrs.

The Free Zone complex consists of 845m of quay wall with 400m capable of handling ocean-going vessels, and 118,000m<sup>2</sup> of land reserved for light Industrial Development. Standard services of water, electricity, communications, and labour accommodation are all available. In addition, the Free Zone provides a comprehensive administrative and logistic support to the tenant.

#### **Abu Dhabi Airport Free Zone (ADAFZ)**

The Abu Dhabi Airport Free Zone (ADAFZ) is being established by Abu Dhabi Airports Company (ADAC). Its creation marks a milestone in Abu Dhabi's plans to establish itself as a dynamic business centre. The free zone will take advantage of Abu Dhabi International Airport's strategic geographical position on the crossroads between east and west, and the large-scale economic development of the Emirate.

ADAFZ owner, ADAC, was incorporated in March 2006 to spearhead a major redevelopment of the Emirate's aviation infrastructure. ADAC's creation was part of an ambitious restructuring initiative launched by the Government of Abu Dhabi, aimed at delivering better services to support the Emirate's long-term economic and tourism strategies and to help build a more vibrant economy that attracts and promotes private sector investment.

The creation of Abu Dhabi Airport Free Zone (ADAFZ) is aligned with ADAC's objective of financing its Airport development programme, generating non-aeronautical revenues, and minimizing Government grants.

#### **Themed Free Zones**

These Theme Free Zones are a vision of H.H. Sheikh Mohamed Bin Rashid Al Maktoum, the Ruler of Dubai and Vice President of the UAE. This Theme Free Zone or Industry specific free zone provide the same benefits as regular free zones enumerated in the above section. The distinction being that these are "Industry specific free zone".

### **Dubai Internet City**

Dubai Internet City is the first complete information technology and telecommunications centre in the world to have been built inside a free trade zone. Dubai Internet City offers modern, ready-to-operate, fully serviced office space catering for the specific needs of today's new economy companies. These offices offer cutting edge technology and provide both wired and wireless networks.



Dubai Internet City is the biggest IT build in the Middle East, and has the latest generation internet protocol telephony system in the world.

Sets of intellectual property and cyber regulations have been implemented to protect the integrity of e-business. A dedicated government agency has been created to ensure enforcement of these regulations.

Dubai Internet City has issued licences to a host of global information technology companies. Microsoft, Oracle and Hewlett-Packard have already identified long-term objectives here.

### **Dubai Media City (DMC)**

Dubai Media City (DMC) is designed to be the region's media hub. DMC has been established by the Dubai Technology, E-Commerce and Media Free Zone Authority to provide the infrastructure and environment that will enable media-related enterprises to operate globally out of Dubai. Global entities such as CNN & CNBC have set up offices in DMC.

### **Dubai Gold and Diamond Park (DGDP)**

Dubai has moved towards expanding its jewellery industry by building the Gold and Diamond Park in Dubai at a cost of \$40 million. The project, which is part of the government's policy to achieve economic balance and a diversification of income sources, is also designed to enhance the city's economic infrastructure.

Officially opened in May 2001, this project aims to satisfy increasing world demand for manufactured gold and diamond, and provide all facilities

under one roof in a secure, comfortable and business-friendly environment.

The park is part of the Jebel Ali Free Zone, giving companies the same benefits. The facilities include infrastructure, office and manufacturing units, 650 car parks and landscaping. It also has government centres that provide necessary certification and approval of gold content and quality.

### **Knowledge Village (KV)**

Knowledge Village is a vibrant, connected learning community that will develop the region's talent pool and accelerate its move to the knowledge economy. It is set up to position the Dubai Technology and Media Free Zone as a 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, as the IT hub, and Dubai Media City, as the media hub.

### **Dubai Multi Commodities Centre (DMCC)**

Dubai Multi Commodities Centre offers a world-class hub for gold, diamond and commodities trade. It has been created as a strategic goal of the Dubai Government to establish a commodity marketplace in Dubai and was launched in April 2002.



DMCC offers a unique opportunity for participants in a wide range of metals and commodities industries. It provides facilities that bring together gold, diamond and trade in other selected commodities. The centre aims to attract key players throughout the value chain of each of these industry sectors, together with relevant support industries such as finance, logistics and insurance.

### **The Dubai Health Care City (DHCC)**

The Dubai Health Care City (DHCC) has been launched to fill the gap between Europe and South East Asia and establish a regional gateway for customers and patients to receive world-class healthcare and enjoy first class medical and wellness services. Dubai will offer significant business opportunities to local and international investors, regional businesses and

the global healthcare industry by establishing DHCC. It will create an integrated healthcare community providing comprehensive medical treatment and prevention portfolio with an optimised process and patient/customer flow.

The purpose of DHCC initiative is to provide the highest quality healthcare services to medical care and wellness seekers from the region by creating a world-class cluster of healthcare professionals and service providers at the heart of Dubai. DHCC aspires to provide state-of-the-art medical care services in selected disciplines relevant to patient needs in the region.

### **Dubai International Financial Center (DIFC)**

Dubai International Financial Centre (DIFC) is a capital market directly modelled on the City of London and Wall Street. This latest initiative from Dubai is expected to establish the Emirate and the UAE as a crucial centre in global finance and as a regional centre of financial services between Singapore and Frankfurt. The DIFC is designed to be similar to facilities in London, New York, Singapore, Hong Kong and Tokyo.



### **Dubai Maritime City**

Dubai Maritime City is one of the business units within the Ports Customs and Free zone Corporation, part of the government owned organisation that developed the world's first man-made Palm Island, Jebel Ali Free Zone and the internationally renowned DP World. It incorporates the stability of public sector backing together with the energy, drive and ambition of a private sector enterprise. Dredging and rockworks commenced in August 2003.

This is a project of phenomenal proportions, creating a peninsula reclaimed from the sea covering over 2.16 million square meters with open

sea access and a truly stunning location for maritime businesses. As it evolves, it will cluster together every amenity that the global maritime community will need to build, work, live and learn.

Dubai Maritime City is presently over 87% reclaimed.

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

Dubai Logistics City 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. It is part of the Dubai World Central with the upcoming Dubai World Central International Airport and adjacent to the Jebel Ali Port and Free Zone.

### **Dubai Outsource Zone (DOZ)**

Dubai Outsource Zone provides a comprehensive infrastructure and environment for outsourcing and offshore companies to set up global or regional hubs servicing the worldwide market.

DOZ's offering includes 100% exemption from taxes, arguably the world's most reliable technology and communications infrastructure, easy access to talent, a one-stop-shop of support services and the best possible working environment.

Dubai Outsource Zone is the perfect base for companies that provide mid-to high-end IT and business processes outsourcing (BPO) services. Some of the key sectors covered are finance, accounting, IT, payroll processing, graphic design, engineering, biotech, R&D and design. It also serves as a centre for disaster recovery facilities for call centres located offshore elsewhere in the world. The Zone caters to offshore requirements from Europe, the US, the Middle East, Asia and Africa.

Dubai Outsource Zone is an initiative of Dubai Internet City, the state-of-the-art global hub within Dubai that houses more than 700 of the world's ICT companies, including the 'giants' such as Microsoft, Oracle, HP, IBM, Dell, Siemens, Canon, Logical, EDS, Sony Ericsson, Sun Microsystems, SAP and Cisco.

### **Dubai Techno Park (DTP)**

The Techno Park is designed to attract foreign investment in research in oil and gas, desalination and environment management. It was launched in the year 2002 by the Ports, Customs and Free Zone Corp (PCFC). Its a unique business zone that gives the advantage if Dubai's location while offering a common platform to three of the Middle East region's core

industries – Water Desalination, Oil & Gas, and Environmental Research. Affiliated with the International Association of Science Parks (IASP), Techno Park offers high technology companies a uniquely supportive and like-minded community in which to work.

#### **Dubai Silicon Oasis Authority (DSOA)**

Dubai Silicon Oasis Authority, a 100% owned entity by the Government of Dubai is a free zone, strategically placed on the Emirates road.

DSOA's urban master-planned community spans 7.2 square kilometres of state of the art office towers, R&D and industrial zones, educational institutions, luxury apartments, villas, hotels, healthcare and a full range of lifestyle facilities which translate into a dynamic commercial and social environment.

Businesses can flourish under the unrivalled package of incentives, including 100% ownership, and high end IT infrastructure that allows companies to begin operating immediately.

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

Designed to accelerate the growth of the broadcast, film, television and music production industries, Dubai Studio City will be an ultra-modern facility integrating every component under one roof. Spread across 22 million sq.ft. it will include production, post-production, equipment rental, business centre and satellite facilities among others.

It will also have residential areas, hotels, an entertainment centre, film schools and training institutes. This unique combination of world-class infrastructure, qualified professionals and unique networking environment will make it the ideal location for creative people to unleash their imagination.

#### **Dubai's International Media Production Zone (IMPZ)**

Dubai's International Media Production Zone seeks to create a unique cluster environment for media production companies from across the industry value chain, and from across the world, to interact and collaborate effectively. Catering exclusively to companies in the 3P industries – Printing, Publishing and Packaging – IMPZ is an initiative of the visionary Dubai government, under the patronage of parent company, Dubai Holding.

As a master developer, IMPZ will provide an environment of growth by building key facilities, investing in infrastructure, and forming a unique free zone that incorporates industrial, commercial, and residential and

community service projects under its mantle. The vast complex will be housed on a territory of over 43 million square feet of land, in the heart of commercial Dubai.

The IMPZ initiative is part of Dubai's vision to develop itself into a global media hub. As such, it will provide a pro-business environment, sophisticated technology and community infrastructure to support and foster the growth of media production.

### **Dubai Biotechnology & Research Park**

The Dubai Biotechnology and Research Park (DuBiotech) is a science and business park dedicated to the biotechnology and pharmaceutical industry and is modelled on the free zone concept.

A member of Dubai Holding, DuBiotech will accommodate a biotechnology industry and facilitate government funded R&D. DuBiotech's world-class infrastructure includes facilities and services for incubators, R&D labs, biotech-related educational and research institutions, manufacturing as well as organizations from supporting and convergent industries.

### **Dubai Carpet Free Zone**

The Carpet Free Zone will target the handmade carpet sector that is proposed to be built in Deira-Dubai.

### **Industrial City of Abu Dhabi**

ICAD is located 30 kilometres from the centre of Abu Dhabi City and 25 kilometres from Abu Dhabi International Airport. It has shown very rapid recent growth with 355 major manufacturing companies employing more than 30,000 workers. The City provides all basic services and facilities for a wide range of industrial activities.

### **Offshore companies**

The United Arab Emirates offers an opportunity for the establishment of an offshore entity in a jurisdiction that offers certain facilities not available in other areas.

Offshore companies are governed by the jurisdiction under which they are incorporated. However in most cases they can enter into arrangements and contracts which can be made subject to the laws of other jurisdictions.

### **Banking Facilities**

One of the most important aspects of managing an offshore company is personal or corporate banking facilities. UAE not only offers great banking

support from local banks but also all leading international banks have their presence here.

## **Offshore Centres in UAE**

### **Jebel Ali Free Zone**

Jebel Ali Free Zone (JAFZ) is located in the emirate of Dubai in the United Arab Emirates which is 40 Kms away from the Dubai International Airport. The Jebel Ali Free Zone is run by the Jebel Ali Free Zone Authority (JAFZA).

The Jebel Ali Free Zone Authority introduced regulations in 2003 for the establishment of Jebel Ali Free Zone Offshore Companies. The international business community can now establish offshore entities at JAFZ in line with other international offshore jurisdictions.

JAFZ caters to the Dubai Port which ranks 13th in the world in terms of container traffic and is one of the world's largest and fastest growing free zones. JAFZA offers its customers world – class infrastructure supported with quality, value added services and incentives. It further provides community amenities, enhancing a dynamic and thriving business environment.

Features of JAFZA registered offshore companies are:

- Limited Liability Company
- No minimum capital requirement
- Requirement to have an approved registered agent either within the Free Zone or in the Emirate of Dubai
- Minimum one shareholder, no upper limit on maximum number of shareholders
- Minimum two directors
- Appointment of one secretary and manager is compulsory
- Bearer shares not permitted
- No personal or corporate income tax
- Issue of shares of only one class permitted
- Requirement to have accounts audited on annual basis.

Offshore companies are allowed to:

- Have contacts with legal consultants, lawyers, accountants and auditors
- Have bank account in UAE
- Become shareholders in a new or existing FZE, FZCO or an LLC.
- Hold shareholders and directors meeting within UAE
- Hold lease of property for use as a registered office or own real estate property approved by the authorities
- Carry out International Trading.

Offshore companies are not allowed to:

- Carry on business with persons resident in UAE
- Own an interest in real estate property situated in UAE, other than a lease property referred to in the regulations or approved by the authorities
- Carry on a banking business
- Carry on business as an insurance or re-insurance company, insurance agents or insurance brokers
- Carry on any other business which may, by regulations be prohibited by the authorities.

### **Ras Al Khaimah Free Zone**

Ras Al Khaimah began an ambitious phase of development including investments in infrastructure improvement, tourism, shopping, and efforts to attract industrial and commercial enterprises. Among the most important of these endeavors was the establishment of the Ras Al Khaimah Free Trade Zone.

As the most northern emirate in the UAE, Ras Al Khaimah offers swift and easy access to neighboring countries throughout the Gulf and beyond. It is the closest emirate to the main shipping lane traversing the Straits of Hormuz and to all of the northern markets such as Iran, Pakistan, India, CIS countries and China.

The geographic location and proximity of Saqr Port positions Ras Al Khaimah Free Trade Zone as the port for all northern markets.

Ras – Al Khaimah Offshore companies offer the following features:

- Companies will have a limited liability status
- Companies can be formed with a minimum of one shareholder and there is no upper limit on the number of shareholders
- Minimum of one director and secretary is required and there is no restriction in one person assuming these offices or exercising the said capacities

- No minimum capital requirement
- Bearer shares are permitted. However, the bearer shareholding is permitted with a restriction that it shall be held by the registered agent acting as a nominee on behalf of the beneficial shareholder. The beneficial shareholders details and any change thereof would require to be furnished to the RAKFTZ
- Shareholders and directors are not required to be personally present before the authorities for incorporating the company
- Requirement to have an approved registered agent either within the Free Zone or outside the Free Zone but within UAE
- International trade is allowed
- Can hold properties and investments anywhere in the UAE and elsewhere
- No personal or corporate income tax.

Ras – Al Khaimah Offshore Company are allowed to:

- Have contacts with legal consultants, lawyers, accountants and auditors
- Have bank account in UAE
- Hold shareholders and directors meeting within UAE.

Ras – Al Khaimah Offshore Company not allowed to:

- Carry on business with persons in the UAE
- Carry on a banking business
- Carry on business as an insurance or re-insurance company, insurance agents or insurance brokers
- Carry on any other business which may, by regulations be prohibited by the authorities.

## 5. Labour

Administered by the Federal Ministry of Labour and Social Affairs, labour law in the UAE is loosely based on the International Labour Organisation's model, UAE Law No. 8 of 1980, as amended by Law No. 12 of 1986 (the Labour Law).

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

Trade unions do not exist. However, there have been recent talks to legalise such associations to protect the working community. These talks are, however, still in a preliminary stage. In the case of a dispute between employer and employee, or over interpretation of the Labour Law, the Ministry of Labour and Social Affairs will initially act as adjudicator. If a party wishes to appeal any such decision, it can take its case to court. Strikes and lockouts are forbidden.

The normal maximum working hours are eight hours per day or 48 hours per week. However, these hours may be increased to nine daily 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. Many businesses work on a two-shift system (for example, 8am - 1pm and 4pm - 7pm). As in all Muslim countries, Friday is the weekly day of rest.

In practice, commercial and professional firms work 40-45 hours a week and government ministries about 35. The weekend for government workers is now Friday & Saturday. During the Muslim holy month of Ramadan, normal working hours is reduced by two hours per day.

### **Guiding principles**

All foreign nationals must obtain valid entry visas to enter the UAE with the exception of nationals of GCC countries. Foreign nationals may enter the UAE under transit visas, visit visas or resident visas. No quota system is imposed on immigration into the UAE.

Transit visas are valid for up to 14 days. A short term visit visa is valid for 30 days. A long term visit visa is also available for 90 days.

Foreign nationals wishing to take up employment in the UAE must obtain employment visas, which are issued by the Ministry of Labour, and residence visas which are issued by the Department of Immigration. Employment visas are valid for three years and are renewable for additional three-year periods.

Residence visas are granted to dependents of foreign nationals who have employment visas and who satisfy certain income and status conditions.

## 6. Taxation

There is no federal tax legislation in the UAE; instead each Emirate has its own tax law.

The following taxes are not applicable in the UAE:

- Personal income tax
- Capital gain tax
- Value-added tax
- Withholding tax
- Corporate tax

There are currently legislations in force in the Emirates of Abu Dhabi, Dubai and Sharjah establishing a general corporate taxation regime - the Abu Dhabi income tax decree of 1965 (and its amendments), Sharjah Income Tax Decree of 1968 (and amendments) and Dubai income tax decree of 1969 (and amendments).

In practice however, only oil, gas and petrochemical companies and branch offices of foreign banks are required to pay taxes. There are other forms of indirect taxation on individuals and corporates in the form of municipality fees, transfer fee on property and housing fee, levied by the respective authorities.

## **7. Accounting & reporting**

The regulatory authority since 1980 has been the UAE Central Bank. Some 46 commercial banks operate in the UAE, with a total of around 367 branches, of which about 25 are foreign banks with about 200 branches. Federal law restricts foreign banks to no more than eight branches each.

For medium-term or long-term industrial finance, local companies can approach the Emirates Industrial Bank, set up by the UAE government with an initial capital of Dh 500 million. Its main objective is to help develop the private sector. However, a trend is being seen where most banks are participating in large syndicated lending to infrastructure projects and other large ventures in the region.

Banking credit facilities (funded and non-funded) are typically structured for working capital requirements of businesses. Long term financing is available but on a very selective basis or else on a largely collateralised basis. Leasing and hire purchase are available from local finance companies specialising in this business. Factoring has been recently introduced in the UAE though only a few institutions have been offering this service.

Import and export financing can be arranged through commercial banks. The banks often require margins. Such margins and the facilities offered by the banks will mainly depend on their relationships with their customers.

## 8. UHY firms in the UAE

**UHY Saxena** was established in 1992 and initially focused on servicing the accounting and auditing needs of its clients. The firm has since then diversified to corporate formations in the UAE free zone, mainland companies and offshore location, in addition to providing vast range of consultancy services, both in the United Arab Emirates and internationally.

The firm has a team of qualified professionals on its panel supported by well-experienced and trained staff. The core team of the firm has a rich, collective experience and their diverse skill set spanning across functional domains enable the firm to deliver value added solutions for clients.

To complement the in-house skill sets of the firm it has also established strong associations with many individual and corporate specialists in various fields to meet clients' specialist needs. Such associations cover:

- International tax
- Private banking
- International accounting practices
- Legal advisory
- Trust service
- Executive search
- Information technology.

Since inception, the firm's clientele has grown to include more than 1000 companies covering wide areas of business and trade. They include government, private and international clients both corporate and individuals. The firm has a simple mission: *'To add value to the business we serve'*.

### **Dubai office**

406 Atrium Centre Building  
Khalid Bin Waleed Street  
PO Box 23271  
Dubai  
United Arab Emirates  
Tel: +971 4 3517007  
Fax: +971 4 3517157  
Email: [mail@uhyuae.com](mailto:mail@uhyuae.com)

### **Jebel Ali Free Zone office**

LOB 15 – 514



PO Box 17870  
Jebel Ali Free Zone  
United Arab Emirates  
Tel: +971 4 8814199  
Fax: +971 4 8816025  
Email: [jebelali@uhyuae.com](mailto:jebelali@uhyuae.com)

**Sharjah Office**

Al Reem Plaza, Office No. 408  
PO Box 70828  
Sharjah  
United Arab Emirates  
Tel: +971 6 5745500  
Fax: +971 6 5749939  
Email: [uhysjh@uhyuae.com](mailto:uhysjh@uhyuae.com)

**Abu Dhabi**

216, Emirates Towers, Hamdan Street  
PO Box 33763  
Abu Dhabi  
United Arab Emirates  
Tel: +971 2 4124140  
Fax: +971 2 4124111  
Email: [uhyauh@uhyuae.com](mailto:uhyauh@uhyuae.com)

## 9. UHY offices worldwide

For contact details of UHY offices worldwide, or for details on how to contact the UHY executive office, please visit [www.uhy.com](http://www.uhy.com)