

**DOING BUSINESS**

**IN UAE**

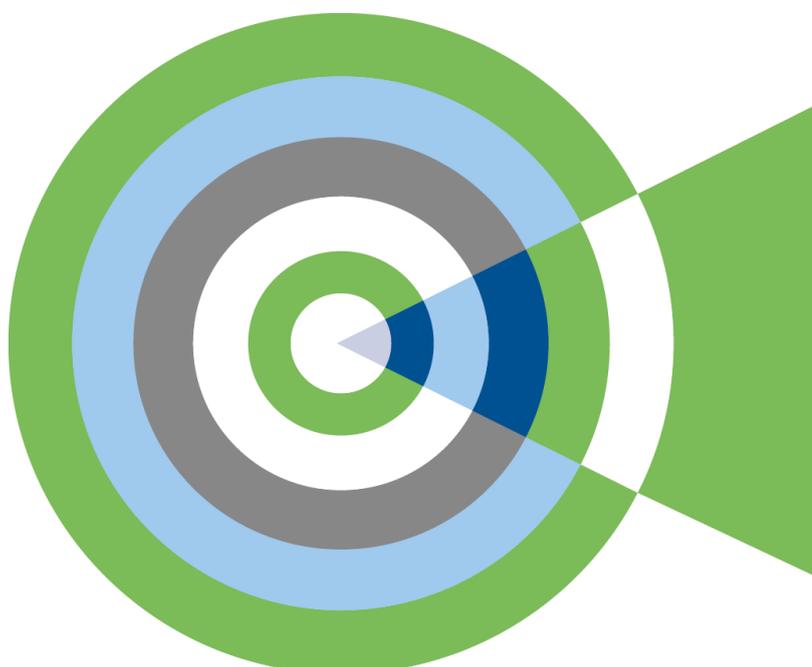


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# 1 – INTRODUCTION

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UHY is an international organisation providing accountancy, business management and consultancy services through financial business centres in around 100 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:

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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 July 2021.

We look forward to helping you do business in UAE.

## 2 – BUSINESS ENVIRONMENT

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### BACKGROUND

On December 2nd 1971, the United Arab Emirates (UAE) was promulgated as an independent, sovereign and federal state. The UAE comprises 7 emirates - Abu Dhabi, Dubai, Sharjah, Ras Al Khaimah, Ajman, Umm al Quwain and Fujairah.

### GEOGRAPHY

The UAE is located in the South East of the Arab Peninsula and covers an area that looks like a triangle. Its shores are considered as the Southern and South Eastern edges of the Arabian Gulf and part of the Western shore of the Gulf of Oman. It is at a strategic location along the northern approaches to the Strait of Hormuz, a vital transit point for world crude oil. It shares a 19 km (12 mi) border with Qatar on the northwest, a 530 km (330 mi) border with Saudi Arabia on the west, south and southeast, and a 450 km (280 mi) border with Oman on the southeast and northeast. The total area of the UAE is approximately 82,880 square kilometres (32,300 square miles) with the largest emirate, Abu Dhabi, accounting for 87 percent of the UAE's total area (72,732 km<sup>2</sup> (28,082 sq mi)). The smallest emirate, Ajman, encompasses only 259 km<sup>2</sup> (100 sq mi).

### CLIMATE

The climate of the UAE generally is very hot and sunny during the day but at night it becomes very cold. The hottest months are July and August, when average maximum temperatures reach above 50°C on the coastal plain. In the Western Hajar Mountains, temperatures are considerably cooler, a result of increased altitude. Average minimum temperatures in January and February are between 10°C & 14°C.

### POLITICAL SYSTEM

The political structure of the UAE is built around the Constitution of the country. Article 45 of the Constitution provides for five federal authorities:

- The Federal Supreme Council
- The President and the Vice President of the UAE
- The Cabinet or the Council of Ministers
- The Federal National Council
- The Federal Judiciary

The Federal Supreme Council is the highest constitutional, legislative and executive authority in the UAE that draws up general policies and approves various federal legislations. The current President of the UAE is H. H. Sheikh Khalifa bin Zayed Al Nahyan who is also the Ruler of Abu Dhabi. In the UAE, the post of the President is a constitutional one.

### JUDICIAL SYSTEM

The UAE federal constitution provides the legal framework for the federation and is the basis of all legislation promulgated at the federal and emirate level. The UAE's judicial system differs significantly across the UAE. While five emirates submit to a federal court system, Dubai and Ras Al Khaimah have their own independent court systems. Abu Dhabi is unique, in that it submits to federal courts while retaining its own parallel independent court system.

All courts in the country excluding juries, are presided over by a single judge or a panel of three judges and follow the same rules of civil procedure and evidence. Moreover, few free zones have their own judicial systems, as well as their own rules of civil procedure.

In accordance with the constitution, the federal government has exclusive jurisdiction in various substantive matters, including foreign policy, defence and security. Legislation passed at the federal level holds primacy over the local laws of each emirate. The local government of each emirate is, however, permitted under Article 122 of the constitution, to regulate all local matters which are not subject to federal legislation or matters which are not expressly reserved in the constitution to the federal government (examples of such federal matters being foreign affairs, defence and health). As such, the governments of each individual emirate retain substantial powers to regulate commercial activities, issue trade licences and effect the incorporation of corporate entities to the extent that such activity is not regulated under federal legislation.

### **THE ECONOMY**

The UAE's GDP amounted to US\$ 421,142M in the year 2019, recording a growth of 1.70%. Extractive industries like oil & gas contributed almost 30% at constant prices in 2018 while other top contributing sectors include Wholesale & Retail Trade (11.6%), Construction, Manufacturing, Transport (8.5 %), Information & Communication (5.9%) and Financial & Insurance Activities.

As per the latest government statistics, total number of registered trademarks amounted to 21543 while the number of private joint stock companies are around 162 and total SME establishments in the emirate of Dubai are 151875. The UAE is globally recognised for its tax friendly policies and robust socio-economic infrastructure that paves the way for the following business sectors to gain momentum in a dynamic economy:

- Trading
- Healthcare
- Real Estate
- Information Technology
- E-commerce business
- Construction

### **POPULATION**

In 2021, UAE's population is estimated to be around 9.99 million according to United Nations reports. Statistics on the Dubai Government's official website states Dubai's population in 2020 stood at 3.38 million. The UAE boasts of a local population that is tolerant and committed towards their age-old customs and traditions while simultaneously matching pace with global business trends. Residents of the UAE are known to enjoy a decent living provided by an advanced educational system, solid infrastructure and state-of-the-art healthcare services.

### **CURRENCY**

The Emirati Dirham is the official currency of the UAE, abbreviated officially as AED.

### **INTERNATIONAL TIME**

UAE follows the Gulf Standard Time (GST).

## 3 – FOREIGN INVESTMENT

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### ECONOMIC ENVIRONMENT OF THE UAE

Since the last 50 years of its inception, the UAE has been successful in building a vibrant economy on the strength of its discovery of oil. Further the country powered through to envision a future where it can boast of a diversified economy as sectors like tourism, construction, hospitality, real estate, logistics & manufacturing grew by leaps and bounds. Between the 70s to 80s, the UAE had set their sight on expanding industries like logistics, trade and shipping and to this end, the country successfully established the Dubai International Airport, Jebel Ali ports and Port Rashid. From a trading standpoint Dubai cemented its position as the most important regional export hub and became the third largest export centre in the world after Hong Kong and Singapore. The World Bank's 'Doing Business 2020 Report' ranked UAE among the top 20 countries in the world when it came to ease of doing business.

### UAE'S PRO FDI ENVIRONMENT

Over the years, the UAE economy has transitioned from a hydrocarbon dependent economy to a diversified economy. Today, UAE's economic environment is defined by its modern business infrastructure, favourable tax regime and a robust banking ecosystem. In the Middle East and North Africa (MENA) region, UAE has cemented its position as a destination of choice for Foreign Direct Investment (FDI) owing to its stable infrastructure – both economically and politically. A 2021 report ranking countries based on Foreign Direct Investment Confidence Index showcased that UAE had jumped four places to the 15<sup>th</sup> position globally.

Typically, FDI in the UAE is mainly in sectors such as:

- wholesale and retail trade
- real estate activities
- financial services and insurance
- manufacturing
- mining and quarry exploitation

In addition to the above-mentioned factors, the visa regime of the UAE has been pivotal in contributing towards creating a pro FDI environment. The introduction of long-term Residency visas and Citizenship visa in the UAE is expected to increase foreign investment inflow in the coming years. With Dubai gearing up to host the World Expo in Q4 2021 it is likely that the pace of FDI inflow into the country may accelerate as businesses looking to expand will consider leveraging the myriad initiatives and opportunities available in the UAE.

Assessing the UAE's Covid and post Covid business landscape it could be ascertained that the country exhibited high levels of commitment in demonstrating to the world that it is capable of opening up for business while keeping the number of Covid cases low backed by stringent health and safety protocols. Despite being faced by a global pandemic the UAE successfully retained its status quo as the preferred destination of choice for foreign investors from all.

## FOREIGN OWNERSHIP LAW

The UAE President His Highness Sheikh Khalifa bin Zayed Al Nahyan has issued a new decree (“Decree”) amending the Federal Law No 2 of 2015 on Commercial Companies (“Companies Law”). The Decree has cancelled and superseded the Decree Law No 19 of 2018 on Foreign Direct Investment as the 51% UAE national ownership participation is no longer a requirement under the Companies Law. The amended law came into effect on June 1<sup>st</sup> 2021 allowing 100% foreign ownership of companies in the UAE.

However, the Department of Economic Development in most of the emirates shall retain the right to determine the level of UAE national ownership participation in a business or company with certain activities.

## VISAS FOR FOREIGN INVESTORS IN THE UAE

As per the UN World Urbanization Prospects, Dubai's population is estimated at 2,921,376 for 2021. Approximately 88.52% of the UAE's population is made up of global expatriates while 11.48% comprises Emirati citizens. The UAE champions values of tolerance, harmony and consistent evolution that make it a global destination of choice for expats from all around the world. Fuelled by its stable political and economic climate and driven by high levels of investor confidence, the UAE catapulted to the 15<sup>th</sup> position on a global foreign direct investment confidence index.

Below are key details about the wide array of resident visas available in the UAE

### UAE RESIDENT VISA THROUGH EMPLOYMENT (UAE EMPLOYMENT VISA)

Foreign nationals who want to live in the UAE on a long-term basis must have an employer willing to hire them and initiate the process to procure employment visa and work permit.

*Eligibility for a UAE Employment Visa* - Expats above the age of 18 can work in the UAE provided they meet the standards set by the Ministry of Human Resources and Emiratisation (MoHRE). There is no maximum age for who can be employed in the UAE, however, for employees above the age of 65, the company pays a higher fee.

The UAE's Ministry of Human Resources and Emiratisation (MoHRE) issues work permits which need to be applied for by the employer. Under Article 1 of Ministerial Decree No.766 of 2015, an employee whose employment was terminated because his/her contract expired (whether limited or non-limited) can get a new work permit when he wishes to join new employment. One of the unique considerations of working in the UAE is that work permits must be sponsored by an entity that is locally licensed and incorporated in the UAE.

### REMOTE WORK VISA

With an aim to attract global talent, the UAE cabinet approved the self-sponsored Remote Work Visa scheme to enable employees from all over the world to live and work remotely from the UAE. The one-year visa allows foreigners to enter the UAE under self-sponsorship and work in line with terms and conditions issued with the visa. A significant step, considered the first of its kind in the region, this visa scheme provides the opportunity for entrepreneurs and talented professionals to innovate within the UAE's safe and attractive business environment, with easy access to state-of-the-art technology and utilities.

### **MULTIPLE ENTRY TOURIST VISA**

A new multiple entry tourist visa can now be issued for all nationalities. The five-year visa enables tourists to enter multiple times on self-sponsorship and remain in the country for 90 days on each visit, which can further be extended for another 90 days.

### **UAE INVESTOR VISA OR PARTNER VISA/BUSINESS VISA**

The UAE has an evolving economy and a world-class business infrastructure that attracts people from all over the world to initiate business. For investors with entrepreneurial inclinations UAE offers the Investor visa/ Partner Visa / Business Visa. People who intend to start a business in UAE are required to apply for the UAE investor visa. The process of obtaining the investor visa varies from one emirate to the other.

### **UAE INVESTOR VISA FOR PUBLIC INVESTMENTS OF AT LEAST AED 10 MILLION**

Individuals looking to get a 10-year UAE visa through investment are required to invest at least AED 10 million in the public sector in the country. The investments could include:

- Making a deposit in an investment fund
- Setting up a new company in the UAE, whose capital is at least AED 10 million
- Becoming a partner in an existing company, provided that your shares are not less than AED 10 million

Additionally, the invested money must not be loaned and the investment must be for at least three years.

### **UAE RESIDENT VISA THROUGH PROPERTY INVESTMENT IN THE UAE**

Foreign investors can receive a long-term visa for the UAE by investing in a property which has a gross value of at least AED 5 million. It is important to note that the money invested cannot be loaned from someone, and has to be maintained for at least three years.

### **UAE RESIDENT VISA THROUGH FAMILY SPONSORSHIP**

Both, employers and employees with a valid UAE residence visa can sponsor residence visas for their families. Unlike before, employees can sponsor their families regardless of their job titles if they earn a minimum salary of AED 4,000 or AED 3,000 plus accommodation.

Eligibility for residence visa requires clearing the medical fitness examination that all new entrants to the UAE (above the age of 18) must undergo. Expatriate residents, both employers and employees, may sponsor their families in the UAE provided they have a valid residency permit.

### **UAE RETIREMENT VISA**

In 2018 the Retire in Dubai program was announced and in September 2020 the UAE government launched the Retirement Visa which offers resident expatriates and foreigners over 55 years of age the opportunity to stay in the emirate. The Retirement Visa is one among a series of reforms that aims to expand the opportunities for foreigners to obtain and maintain a residence visa in the UAE.

For expatriates and foreigners to be eligible for the Retirement Visa, the applicant must meet few of the following criteria:

- Applicants must be at least 55 years old and must keep a valid health insurance that covers the United Arab Emirates. A valid UAE approved insurance is required to obtain the retirement visa.
- Monthly income of AED 20,000 from pension or previous employer; or
- Have three (3) year fixed deposit of not less than AED 1 million; or
- Ownership of real estate in Dubai with a value of at least AED 2 million or

Combination of three (3) year fixed deposit saving and unmortgaged property valued at least AED 2 million

## 4 – SETTING UP A BUSINESS

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In order for a foreign investor to do business in UAE, company can be established either in Mainland or Free Zones. Each of the seven emirates consist of Mainland as well as Free Zones jurisdiction.

### TYPES OF LICENSES IN UNITED ARAB EMIRATES

#### COMMERCIAL LICENSE

Commercial License in UAE is issued for companies involved in purchase and sale of goods or trading (General Trading or Specific Trading) or involved in any sort of commercial trade activity, related to goods, commodities and services including import and export. The Commercial License allows companies to conduct trade in the UAE or even outside of the UAE. In acquiring Commercial license, a foreign investor can choose from various options to select the type of Company as well as business activities that can be selected under one license.

#### PROFESSIONAL LICENSE

Professional license is issued to individuals or companies who wish to practice any profession in which he/she relies on talent and intellectual abilities. If the ownership of the company rests with more than one person, the business entity shall be registered as a Civil Company. Unlike other trade licenses, a professional license holder can do business in particular types of industries like - Carpentry, Artisanry, Consultancy services, Audit services, Legal services, Beauty saloons, etc. come in Dubai as well as the UAE.

#### INDUSTRIAL LICENSE

Industrial License is issued to individuals or companies dealing with manufacturing, assembling or processing activities in the UAE. As per the UAE Industries (Development & Regulations) Act 1951, it is mandatory to acquire an industrial license before starting the business operations respective to the industry. It is also mandatory for the company to have a physical office in the UAE to issue an Industrial License.

## MAINLAND COMPANY

A mainland Company is a legal entity which can operate inside and outside the country without any restriction. A Company's license is issued by Department of Economic Development (also known as "DED") of a particular emirate. Each emirate has its own "DED". Mainland Companies are governed under Federal Law No. 2 of 2015 on Commercial Companies. A Mainland Company is authorized to trade in the UAE local market as well as outside the UAE. Earlier as per Federal Law No. 2 of 2015, a UAE National who shall hold 51% shares in the Company was required to incorporate a Mainland Company while the Foreign investor held the remaining 49% of the shares. However, on 1<sup>st</sup> December 2020, the Government of United Arab Emirates removed the mandatory requirement of UAE National holding 51% shares and allowed eligible foreign investors to own the UAE Company with 100% shares.

## TYPES OF COMPANIES

There are different types of Companies which can be incorporated in Mainland. Listed below are few types of companies which are typically popular among foreign nationals:

### 1. SOLE PROPRIETORSHIP

A Sole Proprietorship or sole establishment is a business owned by an individual. A Company or Corporate body cannot own a sole proprietorship and it cannot have more than one shareholder. GCC Nationals can incorporate any type of sole proprietorship - industrial, commercial, professional, or consultancies. A foreign national can setup a Company only with professional license, he/she will own 100% shares of the business, control its activities, and shall bear all the profits and liabilities alone. The liabilities shall be unlimited. All professional activities are eligible for a sole establishment/sole proprietorship. As a foreign national, it is mandatory to have a Local Service Agent (UAE National/UAE National owned corporate entity) to register the Company. However, the UAE National/UAE National owned corporate entity do not hold any stake in the business. Their services are restricted to visas, -license, and other administrative work. The cost for setting up the Sole proprietorship or sole establishment is low as compared to other type of Companies.

### 2. CIVIL COMPANY

A Civil Company is a business partnership between two or more individuals to provide professional services through skilled professionals like doctors, lawyers, engineers, accountants, or consultants. Thus, professionals looking to setup a company in the UAE can definitely consider a Civil Company. It allows 100% ownership and offers access to the local market but entails unlimited liability like sole establishment. It is important to note that even if a civil company allows for 100% foreign ownership, working with a Local Service Agent in the country is still a prerequisite to legally trade from the mainland.

### **3. LIMITED LIABILITY COMPANY**

A Limited Liability Company is one of the most common and widely used legal entities by foreign nationals in United Arab Emirates. It can be formed with minimum two shareholders wherein one needs to be a UAE National holding 51% shares. Each shareholder is liable to the extent of his or her share in the Company's capital. However, a side agreement or a nominee agreement is prepared with the UAE National to hold 51% shares on behalf of the foreign national. This provides effective total control to manage the Company and enjoy all profits. For certain activities and eligible foreign nationals, mandatory requirement of UAE National has been removed through the amendment made in Federal Law on 1<sup>st</sup> December 2020. For certain activities like Air transport and air cargo, Pharmacy, Legal Consultancy etc. the Department of Economic Development (DED) requires initial or special approval from different government bodies.

### **4. SIMPLE LIMITED PARTNERSHIP**

Simple Limited Partnership is formed between a minimum of two partners that is one general partner and one limited partner. The general partners are liable for the liabilities of the company to the extent of all their personal and business assets; the limited partners are liable for a share of company liabilities equal to their share of the company capital.

### **5. PARTNERSHIP COMPANY**

A single business where two or more people share the ownership is the Partnership Company. Each partner contributes to every aspect of the business and the company must be administered unless a contract assigns administration to one partner or to another party.

### **6. BRANCH OF A FOREIGN COMPANY**

In case a foreign company wants to have 100% ownership, one of the ways is to incorporate its branch in UAE. Branch of a foreign Company is permitted to have 100% ownership of Parent Company as it is treated as an extension of the foreign Company and the Foreign Company shall be liable for its activities. Branch Company is permitted to carry out professional activities and some commercial and industrial activities. An approval from the Ministry of Economy is required to practice Commercial and Industrial Activities in the UAE. The company may legally conduct the approved activity in its license anywhere in the UAE, including free zones. As per the 2020 amendment in Federal Law No. 2 of 2015, mandatory provision of UAE National to be involved for incorporating branch of Foreign Company has been removed.

## **FREEZONES**

Free Zones in UAE are a designated area that have special tax, customs and import regimes. Each Free Zone has its own rules and regulations based on which Company is established and governed in that particular Free Zone area. These areas are created to attract foreign investors through easier setting up, labour, immigration procedures. Each of the seven emirates in the UAE have various free zones. Broadly there are more than 45 Free Zones operating in the UAE. Each Free Zone is designed to cater for a specific business category and only offers licenses to companies within those categories. The highlight of establishing an entity in Free Zones is that there are no foreign ownership restrictions and companies are governed by the respective Free Zone Authority, which is responsible for issuing operating licenses and regulating the activities of companies within the Free Zone. Setting up a business in a free zone is relatively easier compared to setting up a business in the Mainland. Free Zone Authorities require minimum paperwork and shorter timelines in setting up a business. The primary benefits of setting up the Company in a free zone is as follows:

- 100% foreign ownership
- 100% repatriation of capital and profits
- 100% import and export tax exemption
- 100% exemption from income and corporate taxes
- Ease in setting up of the Company
- Readily available workspaces

The limitations of a Free zone company are that trading directly with local UAE market is not allowed. For a Free zone company to trade in local UAE market, it must go through a locally appointed distributor and in this case customs Duty of 5% is also applicable for the local business.

## **TYPES OF COMPANIES**

There are three types of Companies which can be incorporated in a free zone.

- Free Zone Entity (FZE)
- Free Zone Corporation (FZC)
- Branch of a local Company or a foreign Company

The only difference between FZE and FZC is that the FZE company has only one shareholder which could be an individual or a company whereas FZC has 2 or more shareholders. Unlike mainland license, there is no mandatory sharing of any percentages in between the shareholders, and they can select the shares according to their wish. Hence, it is obvious that a FZE company's owner will have the 100% hold of its share whereas the share can be distributed equally or as per the wish of the multiple shareholders for a FZC company.

## **FINANCIAL FREE ZONES**

Financial Free Zones are free zones engaged in financial activities. Financial Free Zones in UAE are established as per Federal Law No. 8 of 2004. In UAE, there are currently two Financial Free Zones:

- Abu Dhabi Global Market (ADGM)
- Dubai International Financial Centre (DIFC)

Established companies operating within a Financial Free Zone must comply with all UAE laws that apply outside the Financial Free Zones, except for civil and commercial laws, which are subject to the laws of the Financial Free Zones authority in question.

Financial activities within Financial Free Zones include:

- banking and finance
- insurance and reinsurance
- financial markets

Support activities within Financial Free Zones include:

- fiscal and monetary intermediation services
- providing services and consultations
- providing services to individuals or companies
- providing goods for companies, institutions and individuals within the financial free zones

Companies inside a financial free-zone cannot deal in UAE currency and cannot take deposits from UAE markets. Financial intermediaries authorized to trade in UAE financial markets are only allowed to operate in a financial free zones market after obtaining approval from the Securities and Commodities Authority (SCA). Companies operating within a financial free-zone should not break any international treaty signed by the UAE.

Below is the list of emirate wise Free Zones which a foreigner can select to incorporate its business:

SERIAL NO.	LIST OF FREE ZONES
<b>ABU DHABI</b>	
1	Abu Dhabi Airport Free Zone (ADAFZ)
2	Abu Dhabi Global Market (ADGM)
3	ADPC-Khalifa port and Industrial Zone (KPIZ)
4	Industrial City of Abu Dhabi
5	Higher Corporation for Specialized Economic Zones
6	Masdar City Free Zone
7	Twofour54 Free Zone
<b>DUBAI</b>	
1	Dubai Academic City
2	Dubai Airport Free Zone
3	Dubai Biotechnology and Research Park (DUBiotech)
4	Dubai Car and Automotive City Free Zone (DUCAMZ)
5	Dubai Design District
6	Dubai Gold and Diamond Park
7	Dubai Healthcare City
8	Dubai Industrial City (DIC)
9	Dubai International Academic City
10	Dubai International Financial Centre (DIFC)
11	Dubai Internet City (DIC)
12	Dubai Knowledge Village
13	Dubai logistics City
14	Dubai Media City
15	Dubai Multi Commodities Centre (DMCC)
16	Dubai Outsource Zone
17	Dubai Silicon Oasis
18	Dubai Studio City
19	Dubai Techno Park

20	Dubai Technology and Media Free Zone
21	International Media Production Zone
22	Jebel Ali Free Zone (JAFZA)
23	Dubai South
24	Dubai Science Park
25	International Free Zone Authority (IFZA)
26	Trakhees
<b>SHARJAH</b>	
1	Hamriyah Free Zone Authority (HFZA)
2	Sharjah Airport International Free Zone (SAIF Zone)
3	U.S.A. Regional Trade Center (USARTC) Free Zone
4	Sharjah Publishing City Free Zone
5	Sharjah Media City Free Zone (SHAMS)
6	Sharjah Publishing City Free Zone (SPC Free Zone)
7	Sharjah Research Technology and Innovation Park (SRTIP)
<b>AJMAN</b>	
1	Ajman Free Zone Authority (AFZA)
2	Ajman Media City Free Zone
<b>RAS AL KHAIMAH</b>	
1	Ras Al Khaimah Economic Zone (RAKEZ)
2	Ras Al Khaimah Investment Authority (RAKIA)
3	RAK Maritime City Free Zone Authority
4	Ras Al Khaimah Media Free Zone
<b>FUJAIRAH</b>	
1	Fujairah Free Zone
2	Fujairah Creative City
<b>UMM AL QUWAIN</b>	
1	Umm Al Quwain Free Trade Zone

### **FREELANCE PERMIT**

Apart from a common Company structure, Freelance permit has been gaining lot of popularity in the UAE. Various free zones of Dubai, Abu Dhabi, Ras Al Khaimah, Ajman and Fujairah are providing freelance permits for individuals. These permits are focused on specialized individuals in the media, technology, art, and entertainment sector to offer their services on a consultancy basis and work as an independent contractor. The Permit is issued as a sole practitioner and enables an individual to conduct his/her business on his/her birth name as opposed to a brand name. Permit is renewed yearly and the permit holder can get a visa for three years. The freelancer permit is ideal for those who are on their spouse's or parent's visa and only require a license to operate as a freelancer. It is also ideal for those who are looking to start their own work in a cost-effective manner. There are several benefits of having a freelance permit and visa in UAE one of which is that it allows the flexibility to work for multiple companies. Currently, the Dubai Media City, Dubai Knowledge Park, Dubai Internet City, Ras Al Khaimah Free Zone Authority, Abu Dhabi DED, Ajman Free Zone, Fujairah Creative zone, Twofou54, etc., offer Freelance Permit to individuals. Freelancer permits are issued for activities in the fields of Education, Tech, Media including Content Creation and Copywriting.

## 5 – LABOUR

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### APPLICABLE LAW

Federal Law No. 8 of 1980 (Labour Law) governs the labour rights of employees in the Private sector. Ministry of Human Resources and Emiratization (MOHRE) also known as Ministry of Labour is responsible for overseeing the employer-employee relations and maintaining labour rights for the private sector. The provisions of Labour Law do not apply to following categories:

- employees and workers of the federal government and the local governmental departments;
- employees and workers in public entities and institutions, whether federal or local, and employees and workers appointed for governmental, federal and local projects;
- members of armed forces, police and security;
- domestic servants in private households and similar occupations;
- workers in farms or pastures with the exception of persons working in agricultural institutions processing the products thereof or the persons permanently operating or repairing mechanical machines required for agriculture.

### TYPES OF EMPLOYMENT CONTRACT

Under the Labour Law, there are two types of employment contracts, limited contract and unlimited contract.

#### LIMITED CONTRACT

Limited Contract specifies the starting date and end date of the employment period. It is terminated automatically at the end of the term unless terminated earlier by either party. The term of the Contract is generally two (2) or three (3) years depending on the jurisdiction where the Company is incorporated. These contracts are generally adopted when an employer needs to engage employees for specific projects or specific duration. The limited Contract may be renewed with the consent of both the parties.

#### TERMINATION BY EMPLOYER OR EMPLOYEE

If an employer terminates the contract before the expiry of the term, an employee is entitled to an early termination compensation of a minimum three (3) months' remuneration, including salary and allowances, or the remainder of the term of the contract if the period remaining is less than three (3) months. If an employee wishes to terminate the contract before the expiry of the term, he will be liable to pay the employer early termination compensation of half of three (3) months' remuneration, including salary and allowances, or half of the remuneration for the residual term of the contract if it is less than three (3) months.

#### UNLIMITED CONTRACT

An unlimited Contract is open-ended, more flexible and widely used contract in UAE. It can be terminated with mutual consent or by giving a notice of one (1) to three (3) months. The term of the Contract is generally two (2) or three (3) years depending on which jurisdiction Company is incorporated. It is used for employees who are intended to be permanent and are not hired for specific project work or specific duration.

## GRATUITY

At the time of termination or resignation, an employee is entitled to receive gratuity subject to Labour Law.

- If an employee has served for less than one (1) year, he is not entitled to any gratuity pay.
- If an employee has served more than one (1) year but less than five (5) years, he is entitled to full gratuity pay based on twenty-one (21) days' salaries for each year of work.
- If an employee has served more than five (5) years, he is entitled to full gratuity pay based on thirty (30) days' salaries for each year of work.

## GRATUITY

In case where employer terminates:

- If an employee has served for less than one (1) year, he is not entitled to any gratuity pay.
- If an employee has served more than one (1) year but less than five (5) years, he is entitled to twenty-one (21) calendar days' basic salary for each year of the first five years of work.
- If an employee has served more than five (5) years, he is entitled to thirty (30) calendar days' basic salary for each additional year, provided the entire compensation does not exceed two years' pay.

In case where employee resigns:

- If an employee resigns before completing one (1) year of service, he is not entitled to any gratuity pay.
- If an employee has served between one (1) and three (3) years, he is entitled to one third (1/3) of twenty-one (21) days' basic salary as gratuity pay.
- If an employee has served between three (3) and five (5) years, he is entitled to two-thirds (2/3) of twenty-one (21) days' basic salary as gratuity pay.
- If an employee has served more than five (5) years, he is entitled to full twenty-one (21) days' basic salary as gratuity pay.

## WORKING HOURS

For private sectors, the normal working hours are eight (8) hours per day or forty-eight (48) hours per week whereas for government entities it is seven (7) hours per day. The working hours may be increased for businesses, hotels and cafes to nine (9) hours subject to approval from MOHRE. Construction and industrial workers are not permitted to work during the hottest hours of the day during the summer. Any firm found to have staff working during the designated break time would be fined Dh5,000 per worker up to a maximum of Dh50,000. During the holy month of Ramadan normal working hours are reduced by two (2) hours per day.

If the nature of job demands working beyond normal working hours, an employee shall be entitled for a pay equal to normal working hours plus twenty-five (25) percent as remuneration and may increase to fifty (50) percent if overtime is done between 9 pm and 4 am.

### **LEAVES AND PUBLIC HOLIDAYS**

Employees are entitled for paid leave during public holidays. Employees are entitled to an annual leave as below:

- Completed six (6) months of Service but not one (1) year then Two (2) days per month;
- Completed one (1) year of service then thirty (30) days.

For the annual leave, the employee must receive his basic salary in addition to a housing allowance if such an allowance is stipulated in the contract. If an employee is requested to work during his total annual leave or a part of it and the leave is not carried forward to the next year, the employer must pay him his regular salary, in addition to a leave allowance, which is equal to his basic wage only.

Apart from Annual Leave, employees are entitled to a sick leave of not more than ninety (90) days per year subject to conditions stipulated in the law. Employees are entitled to receive full pay for the first fifteen (15) days, half pay for the next thirty (30) days and no pay for the rest forty-five (45) days. Employees are not entitled to any paid sick leave during the probation period.

A female employee is entitled to forty-five (45) days of full pay for maternity leave provided she has served for at least one (1) year. Maternity leave is paid with half pay if one (1) year of service is yet to be completed. In addition, after delivery, the female employee is entitled to two additional breaks each day, with each break not exceeding half an hour for nursing her child. The woman is entitled to such breaks for eighteen (18) months following the date of delivery and is entitled to full pay.

### **WAGES PROTECTION SYSTEM (WPS)**

Wages Protection System (WPS) is an electronic salary transfer system that allows companies to pay employees' wages/salaries via banks, bureaux de change, and financial institutions. The system, developed by the Central Bank of the UAE, 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 agreed-upon wages to employees.

## 6 – TAXATION

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### TAXES ON CORPORATE INCOME

UAE levies corporate tax on oil companies and foreign banks. The UAE has not yet applied corporate tax on other industries. There are emirate-specific banking tax decrees, whereby corporate income tax on branches of foreign banks at 20% has been made applicable.

### TRANSFER PRICING AND COUNTRY-BY-COUNTRY REPORTING

UAE has not implemented Transfer Pricing regulations and procedures. However, country-by-country (CbC) reporting legislation was made applicable from 2019 to MNE groups, where the consolidated income (consolidated group revenue) is at least AED 3.15 billion in the financial year immediately preceding the reporting period.

### ECONOMIC SUBSTANCE REGULATIONS (ESR)

Economic Substance Regulations (ESR), introduced in April 2019 and amended on 01 September 2020, requires certain ‘juridical’ persons and unincorporated partnerships carrying on a relevant activity in the UAE to demonstrate economic substance in the UAE, relative to the activities they undertake. ESR is applicable to all UAE Licensees that undertake one or more of the “Relevant Activities” listed below: **Relevant activities:** *Banking, Insurance, Investment Fund Management, Lease-Finance, Headquarters, Shipping, Holding Company, Intellectual Property (IP), Distribution and Service Centre.*

The Regulations apply to financial periods commencing on, or after, January 1, 2019 and compliance requirements include Notification filing and Report filing, as may be applicable.

### VAT

UAE introduced VAT on 1 January 2018 with the standard VAT rate of 5%. The same applies to most goods and services, unless a 0% rate VAT or an exemption from VAT is applied.

VAT at 0% applies to export of goods and services, international transportation, supply of crude oil/natural gas, on the first supply of residential real estate, and healthcare and education sectors, whereas a VAT exemption applies to certain financial services, as well as to certain supply of residential real estate not covered under zero rating. Further, transactions in bare land and local passenger transport are also exempt. Special treatment has been accorded to free zones which are designated.

Mandatory VAT registration threshold for UAE businesses is 375,000 AED, and the voluntary registration threshold is AED 187,500.

## **CUSTOMS DUTIES AND FREE TRADE ZONES**

Typically, a customs duty of 5% is imposed on the cost, insurance, and freight (CIF) value of imports. Other rates may apply to certain specific goods (e.g., tobacco), amongst certain other exemptions and reliefs. UAE is part of the GCC Customs Union and typically, no customs duties are levied on trade between the GCC member states.

The UAE has more than 45 Free Trade Zones (FTZs) and business parks and businesses established in FTZs are generally eligible for (renewable) 15 to 50 year tax holidays.

## **EXCISE TAXES**

The UAE has implemented excise taxes and the applicable tax rates are as follows:

- 100% on tobacco and tobacco products, electronic smoking devices and tools, liquids used in electronic smoking devices and tools, and energy drinks.
- 50% on carbonated drinks and sweetened drinks.

Compliances under excise taxes typically include declarations and excise tax returns.

## **MUNICIPAL TAX**

Most Emirates impose a municipality tax on properties and property rentals.

## **STAMP TAXES**

Currently, there are no separate stamp taxes levied in the UAE.

## **PAYROLL TAX**

Currently, there is no payroll tax/ withholding obligation for employers (as there is no personal income tax).

## **SOCIAL SECURITY**

For employees who are UAE nationals, social security contributions are typically calculated at a rate of 17.5% of the employee's total (gross) remuneration. Social security contribution percentages may vary emirate wise. The employer is responsible for withholding and remitting the employee social security contributions. Contribution percentages for other GCC nationals (i.e., nationals of other GCC nations) are generally in line with the contribution percentages for UAE nationals.

There are end-of-service-benefit under the UAE labour law for non-GCC national employees, subject to fulfilment of certain tenure-related criterion.

## **HOTEL TAXES AND LEVIES**

Most Emirates impose hotel levies, which apply on the value of hotel room rental, services and entertainment. These levies are imposed and administered differently by each emirate.

Additionally, a Tourism Dirham fee is also levied in certain emirates in the UAE.

**ADMINISTERING AUTHORITY**

THE FEDERAL TAX AUTHORITY (FTA) IS RESPONSIBLE FOR ADMINISTERING AND MONITORING OF FEDERAL TAXES (E.G., VAT) AND THE APPLICATION OF TAX LAWS.

FTA governs the general tax compliance obligations, the procedure for tax audits, appeals, assessments or decisions, the disclosure of errors, administrative penalties, as well as fees for services provided by the FTA.

## 7 – ACCOUNTING & REPORTING

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The accounting and auditing requirements depend on the jurisdiction in which an entity operates. Federal Law no 2 of 2015 on Commercial Companies prescribes the accounting and auditing requirements for commercial companies operating in the UAE mainland. Entities operating within specific free zones are subject to regulations established by the respective Free Zone Authorities. Generally, joint stock and limited liability companies are required to appoint an auditor and to file their audited financial statements with the Ministry of Economy or relevant authority as part of the process to renew their trade licences. Deadlines for submission of audited financial statements and enforcement of compliance vary depending on the regulating authority.

All auditors must be registered with the Ministry of Economy and should comply with the Federal Law no 12 of 2014 (On Regulation of the Audit Profession) and only registered auditors may sign audit reports. All major international network firms have a presence in the UAE. There is currently no regulatory body for the audit profession and practicing members are subject to oversight by professional external professional bodies to which they are members. However, of late the Ministry of Economy has started implementing measures to regulate the profession, notably the recent requirement for registered auditors to achieve minimum continuing professional development (CPD) hours in a calendar year. Financial services regulatory bodies such as the Dubai Financial Services Authority (DFSA) and the Financial Services Regulatory Authority (FSRA) – Abu Dhabi have their own system for registration and approval of audit principals. These regulations also incorporate the criteria for appointment and removal of audit firms by regulated entities. All audit firms registered with DFSA and FSRA are subject to regulatory oversight by these bodies including regular quality inspections.

Listed companies are mandated to comply with the reporting requirements of the Securities and Commodities Authority (SCA). These requirements include preparation and filing of annual financial statements and interim financial statements and publishing these financial statements on their website. These financial statements should be prepared in both English and Arabic. The UAE Central Bank prescribes the reporting requirements for banks, exchange houses, and branches of foreign banks operating in the UAE. Limited liability companies are required to prepare and submit audited financial statements before a general assembly within 4 months from the end of the company's financial year. Other regulatory bodies such as the Insurance Authority and Free Zone Authorities have their own financial reporting requirements for entities operating within their jurisdictions.

The law is not specific on the language in which financial records should be maintained. However, English and Arabic are most commonly used for the preparation and maintenance of accounting records.

Banks are significant stakeholders who require audited financial statements as part of the lending process and monitoring compliance with covenants. Although there are no formal restrictions on the appointment of auditors, banks have their own internal processes for rating the audit firms and will not accept financial statements audited by audit firms that are not on their empanelment list. In some instances, the banks will specifically include the minimum empanelment rating for the audit firm as part of the lending conditions in the loan agreement. As a result, listed and larger companies are generally audited by Big 4 audit firms. Entities regulated by the DFSA or FSRA will only be audited by firms registered with these regulatory bodies.

Listed companies are required to prepare their financial statements in accordance with International Financial Reporting Standards (IFRS) as mandated by SCA and the UAE Central Bank. Federal Law no 2 of 2015 on Commercial Companies requires companies to prepare financial statements in accordance with international accounting standards and practices and IFRS has been adopted as the appropriate Generally Accepted Accounting Practice (GAAP). Entities registered and operating within the Dubai International Financial Centre (DIFC) and the Abu Dhabi Global Markets (ADGM) are specifically required to prepare their financial statements in accordance with IFRS.

The UAE is listed by the International Federation of Accountants (IFAC) as one of the countries that have implemented the IFRS for SME standard. Companies wishing to prepare combined financial statements for entities under common control have found IFRS for SME useful as combined financial statements are not permitted under full IFRS. However, currently there is no specific criteria in place to define entities that qualify for adoption of the standard, except for the DFSA and the ADGM which have developed their own criteria for its regulated entities.

## 8 – UHY REPRESENTATION IN UAE

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### CONTACT DETAILS

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### CONTACTS

Liaison contact: James Mathew  
Position: CEO & Managing Partner  
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### SOCIAL MEDIA CONNECTIONS

- Facebook: <https://www.facebook.com/uhy.james.7>
- LinkedIn: <https://www.linkedin.com/company/uhyjames/>

Year established: 2005

Number of partners: 6

Total staff: 70

### ABOUT US

Committed to your growth story

### OTHER IN-COUNTRY OFFICE LOCATIONS AND CONTACTS

Branch Offices (3) – Abu Dhabi, Sharjah, Fujairah

### BRIEF DESCRIPTION OF FIRM

UHY James (incorporating UHY James Chartered Accountants and UHY James Management Consulting) is one among the leading audit, advisory and consulting practices in the UAE. Headquartered in Dubai, with branch offices in Abu Dhabi, Sharjah and Fujairah the firm has a team of over 80 adroit professionals from the field of audit, advisory, finance and tax striking a perfect balance between local intricacies and exposure to the global market. The key differentiator about UHY James is the team's ability to leverage their industry knowledge and regional insight in the best interests of their clients.

Driven by the motto "committed to your growth story" UHY James walks the extra mile to deliver services par excellence. The firm's foundation is rooted in values of professionalism, integrity and innovation that enable the team to match pace with evolving industry and business trends. The firm is one among 17 auditors regulated by the Dubai Financial Services Authority (DFSA) in DIFC and is also regulated by the Financial Services Regulatory Authority (FSRA) in Abu Dhabi Global Market (ADGM).

CEO & Managing Partner of UHY James - James Mathew - is a seasoned finance professional backed by almost 30 years of experience and profound expertise on the workings of diverse industries. A professional with sharp business acumen and a passion for precision, James Mathew's reputation for sustaining excellent client relationships usually precedes him wherever he goes! His leadership style focuses on integrity while helping organizations drive strategic growth.

## **SERVICE AREAS**

- AUDIT & ASSURANCE
- INTERNAL AUDIT & RISK CONSULTING
- CORPORATE FINANCE
- TECHNOLOGY & CYBERSECURITY
- STRATEGY & TRANSFORMATION
- RERA AUDITS
- TAX ADVISORY
- ACCOUNTING & BOOK -KEEPING
- COMPANY INCORPORATION
- INTELLECTUAL PROPERTY-TRADEMARK (TM)

## **PRINCIPAL OPERATING SECTORS**

- Hospitality, Travel & Tourism
- Retail & FMCG
- Transport & Logistics
- Insurance
- Real Estate
- Technology
- Precious Metals & Stones
- Banking & Financial Services
- Healthcare
- Manufacturing
- Education
- Public Sector

## **CURRENT PRINCIPAL CLIENTS**

Regulated Auditors of: Dubai Financial Services Authority (DFSA) and Abu Dhabi Global Market (ADGM)

## **OTHER COUNTRIES IN UHY CURRENTLY WORKING WITH, OR HAVE WORKED WITH IN THE PAST**

The firm has actively worked with most UHY member firms across the globe.



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## LET US HELP YOU ACHIEVE FURTHER BUSINESS SUCCESS

To find out how UHY can assist your business, contact any of our member firms. You can visit us online at [www.uhy.com](http://www.uhy.com) to find contact details for all of our offices, or email us at [info@uhy.com](mailto:info@uhy.com) for further information.

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