

# DOING BUSINESS

## UNITED ARAB EMIRATES



25<sup>th</sup> day of November 2014

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# EVOLVING LEGAL ENVIRONMENT



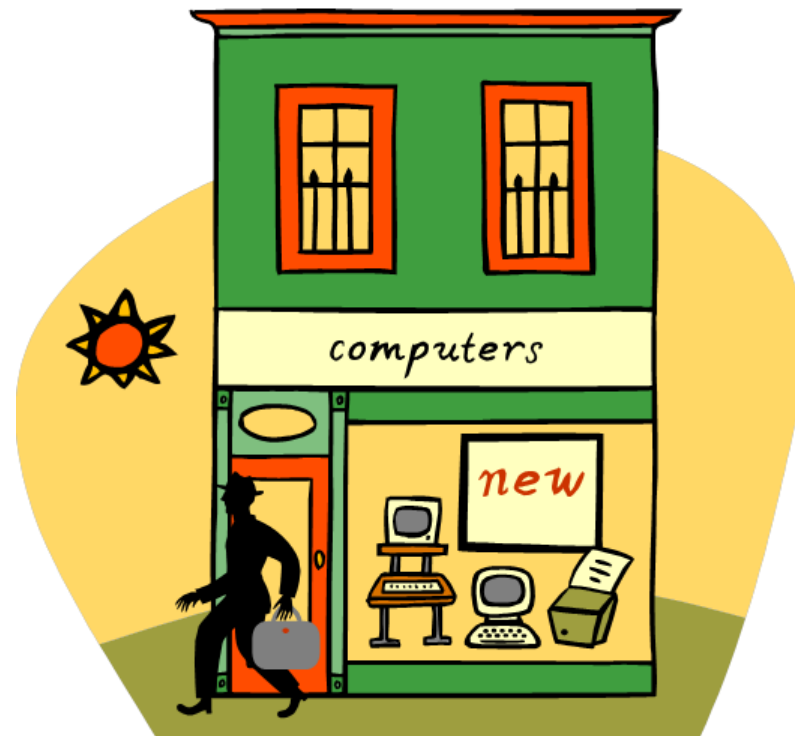
# FOREIGN OWNERSHIP

100% foreign ownership is currently still restricted to Free Zones

A new Law has been drafted but not approved. It is expected to be addressed in the latter part of 2012. Key components:

- New law is aimed at larger foreign involvement and to attract new industry into the Free Zones.
- Can operate from the Free Zones into the domestic market
- Allows specific (TBA) activities for 100% foreign ownership in the domestic market
- Changes already made to Labour Law, introduction of WPS & Emirates ID

# SETTING UP



## SETTING UP

- The steps in settlement are similar in Arabic countries
- Attested degrees for professionals must be translated into Arabic
- All legalized corporate documents must be legally translated to Arabic
- Legalization is required via the embassy in the home country
- Attestation by Ministry of Foreign Affairs in country of origin

# DOING BUSINESS IN AN EMIRATE

Choices :

- Limited Liability Company
- Foreign Branch Office
- Sole proprietorship (Professional license)
- Agency / Distribution

# DOING BUSINESS IN AN EMIRATE

## **Partnership characteristics :**

- Must associate with a local partner
- Partner's level of participation will depend on chosen legal form



# REGULATORY AUTHORITIES

Regulatory bodies govern the approval process **prior** to issuance of license. Pre approval's process is dependent upon the industry.

UAE Require regulatory approval for:

- Industrial Companies (Municipalities – various)
- Educational Institutions (Education Ministries and bodies)
- Healthcare entities (Health Ministries)
- Tourism Companies (Tourist department UAE)
- Engineering Consultancy / Architects (Municipalities))

# BUSINESS TYPES



**OWNERSHIP**

# LIMITED LIABILITY COMPANY

## Characteristics:

- Minimum capital: 300,000 AED in Dubai (USD 80,632 ) / 150,000 AED in other Emirates
- Local partner: 51%
- Foreign interest: 49%
- Side agreement / profit share

## 100 % Foreign Ownership

Law not completed or approved to date.

# TYPES OF LICENSES

The basic requirement to conduct business activity in the UAE is to obtain one of the following three categories of licenses:

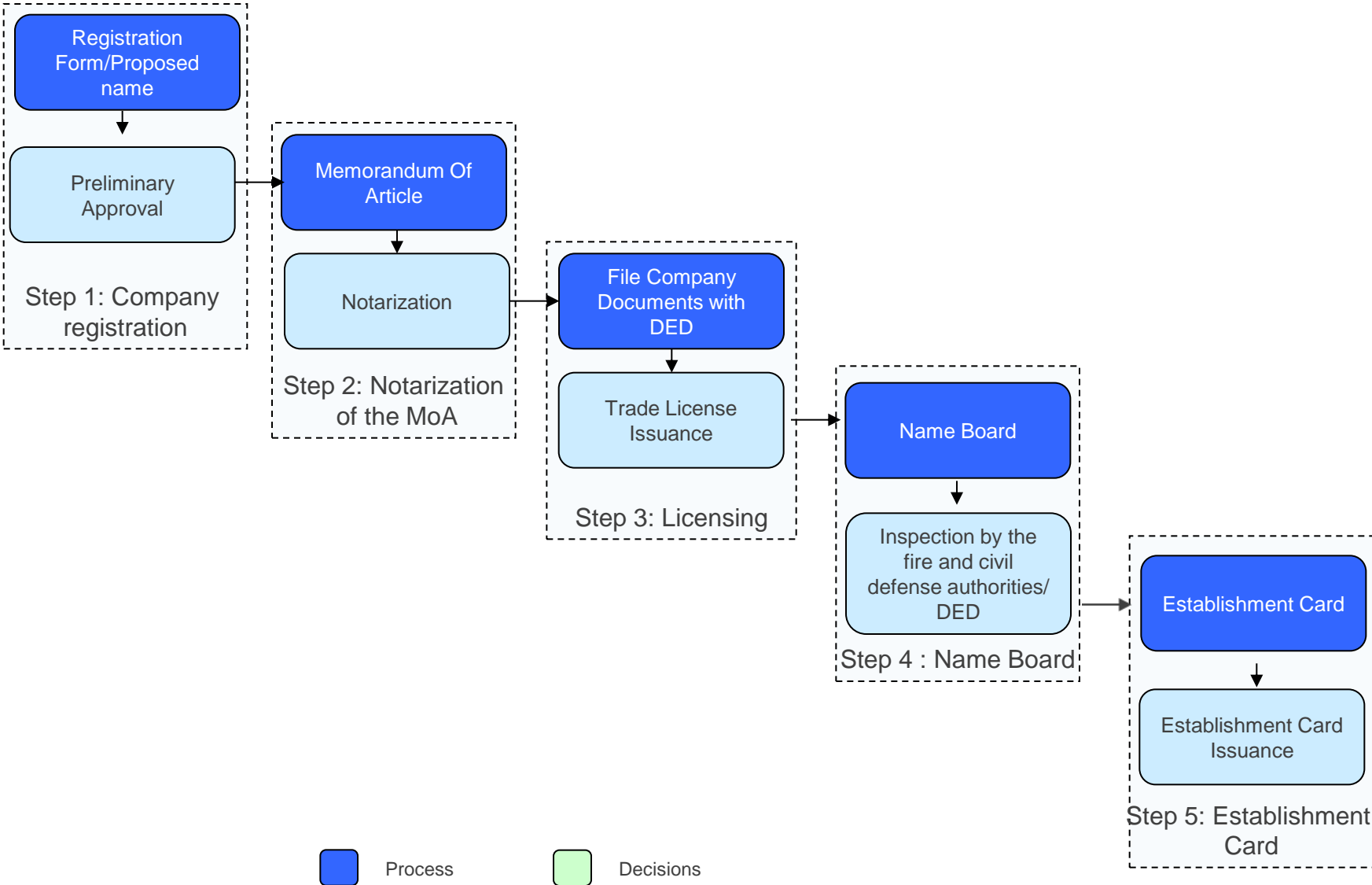
1. Commercial license (all kinds of trading)
2. Industrial license (manufacturing or industrial)
3. Professional license (professions, services and craftsmen)

# LIMITED LIABILITY COMPANY

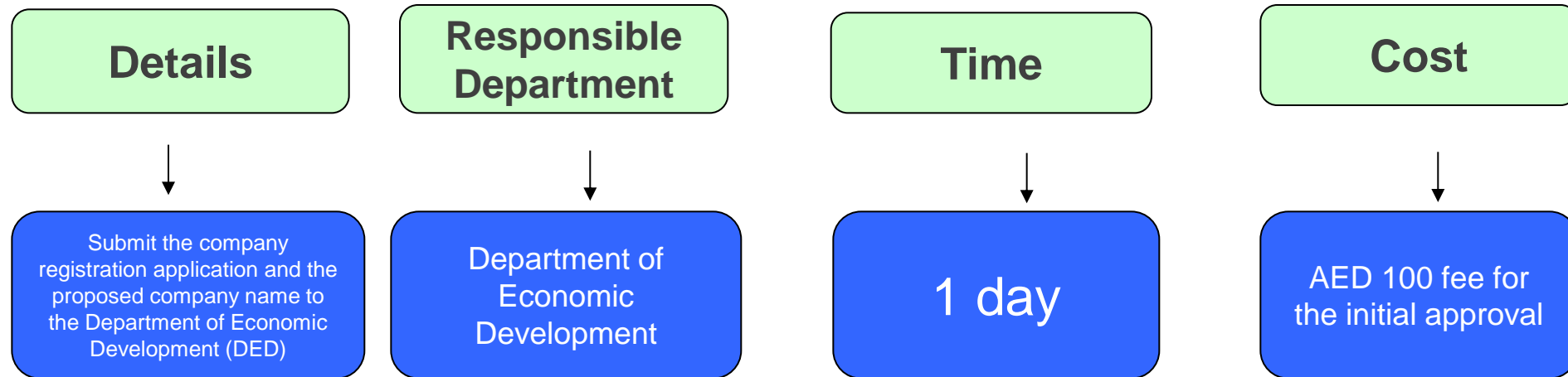
Prohibited activities for an LLC (foreign):

- Insurance
  - Banking
  - Investment brokerage
- Those activities can be exercised in the Dubai International Financial Centre (DIFC)

# LLC INCORPORATION PROCESS

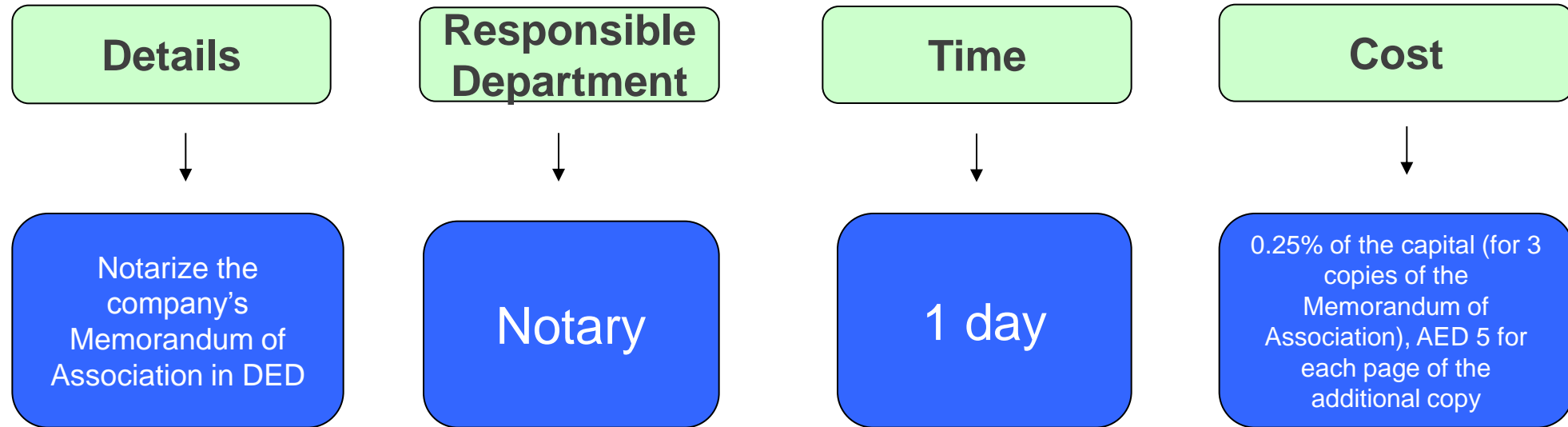


# STEP 1 – COMPANY REGISTRATION



To register a company, the founder must first obtain preliminary approval from the Licensing Section of the Dubai Department of Economic Development (DED) on the business activities, trade name, and identity of partners.

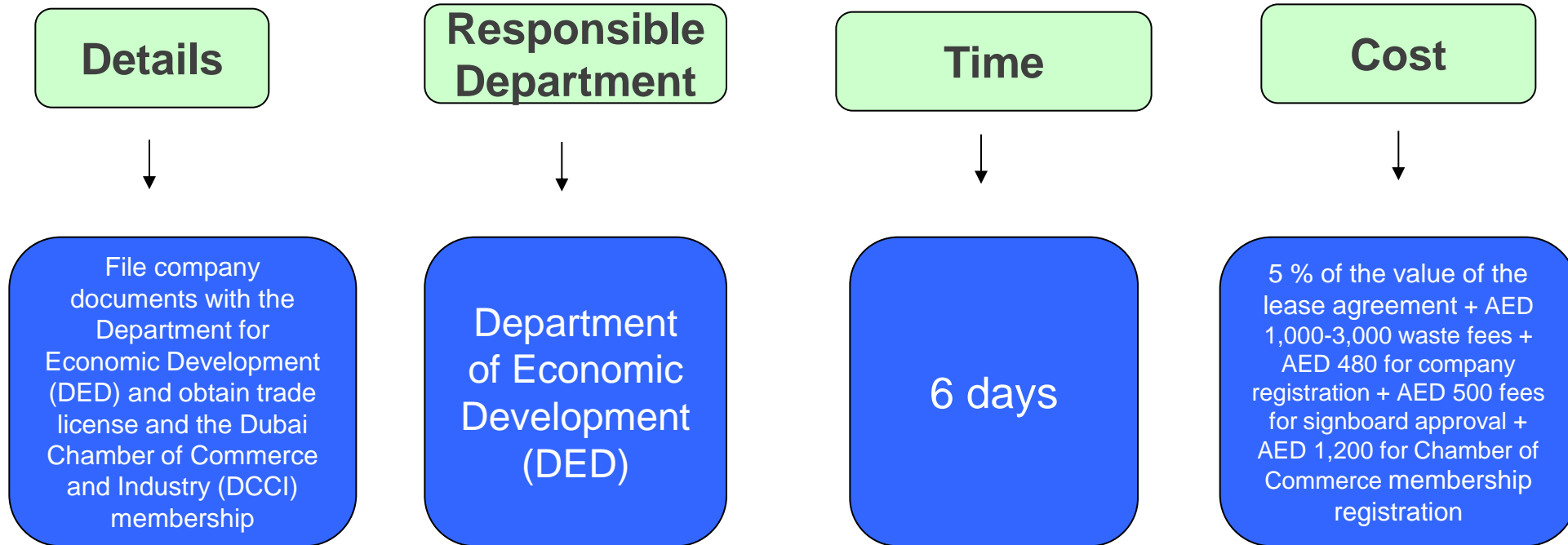
## STEP 2 – Memorandum of Association Notarization



The applicant notarizes the AOA at DED that provides a standard Memorandum of Association (AOA). Notarization takes no more than 1 day. The maximum notary fee is AED 10,000. Most Notary Public refuses to look at the document and pre-approve the AOA without the presence of the shareholders.



# STEP 3 – LICENSING



## STEP 3 – LICENSING

1. Documents submitted to the DED Trade License and Commercial Registration Department whose enter the company into the Commercial Register.
2. DED forwards the documents to the Federal Ministry of Economy to arrange for publication.
3. Ministry of Economy issues its Approval Letter.
4. A license application form is completed in Arabic, signed by the authorized company signatory and filed with the DED in duplicate.
5. DED files one copy and forwards the other to the UAE Federal Ministry of Economy .
6. Upon presentation of the receipts showing payment of the Ministry publication fee and the Chamber of Commerce membership fee, the DED will issue the original trade license and certificate of commercial registration for the LLC and the DCCI membership.

# BRANCH OF A FOREIGN COMPANY

## Characteristics:

- Must appoint a local services agent who will be paid an annual lump sum.
- Agent has no legal authority over the company's affairs.
- No commercial activities are allowed.
- (Primary goal) Facilitate contact between the parent company and local clients.

# FREE TRADE ZONES

## Definition

- A Free Zone is a portion of a clearly defined and isolated land or setting, with a special tax, customs and imports regime, usually involving a status of extra-territoriality.
- Establish a business entity in one of the UAE Free Trade Zones (FTZs) can be an attractive option for foreign investors who wish to keep **100% ownership** of their business
- Not all businesses will fit into a Free Zone. Purpose of the business has to be clearly defined and laid out in a detailed business plan

# FREE TRADE ZONES

- **Typical benefits of UAE Free Zones include (not limited):**
  - 100% Foreign ownership
  - 100% Tax exemption for corporate, import/export, personal income
  - 100% Repatriation of capital & profits
  - State-of-the art purpose built infrastructure
  - No foreign exchange controls
  - Companies can operate 24 hours, security around the clock
  - Postal services, banking facilities, food courts in close reach to all free zones
  - Residence visas granted for 2 years (renewable) for employees and (3) years for investors

# FREE TRADE ZONES

## Types of Free Zone Companies

- Free Zone Establishment (FZE): The company has one shareholder (individual or corporate person)
- Free Zone Company (FZC, FZCO, FZ-LLC): The company needs a minimum of two shareholders (maximum of 5 shareholders).  
  
\*\*\* Free Zone Companies are limited liability companies.
- Branch Office: of an existing or parent company.

# FREE TRADE ZONES

## Which Free Zone:

- UAE has a matured Free Trade Zone environment.
- Dubai: Jebel Ali, Dubai Internet City (DIC), Dubai Media City (DMC), Knowledge Village, Dubai Airport Free Zone (DAFZA), Healthcare City, Dubai International Financial Centre (DIFC), Dubai Multi Metal Commodities (DMCC) & Jumeirah Lake Towers (JLT)
- Sharjah: Sharjah International Airport Free Zone (SAIF) & Hamriyah Free Zone
- Ras Al Khaimah: Ras Al Khaimah Free Zone (RAK)
- Fujairah: Creative City
- The selection of the right Free Zone depends on the type of activity for example:

Healthcare City = healthcare/medical/ spa, TECOM = IT, software, media

# DUBAI AIRPORT FREE ZONE

## Types of License

- Trade License: import, export, distribution, storage of specific products.
- Service License: requires consultation with a sales executive.
- Industrial License: light manufacturing, processing, assembling and packaging



# DUBAI AIRPORT FREE ZONE

BRANCH	FZE (1 Shareholder)	FZCO (2 to 5 Shareholders)
<p><b><u>License Fees:</u></b></p> <ul style="list-style-type: none"> <li>• Industrial License: AED 10,000</li> <li>• Service License: AED 10,000</li> <li>• Trading License : AED 10,000</li> </ul> <p><i>Licenses are valid for one (1) year</i></p>	<p><b><u>License Fees:</u></b></p> <ul style="list-style-type: none"> <li>• Registration: AED 10,000 (One Time)</li> <li>• Industrial License: AED 10,000</li> <li>• Service License: AED 10,000</li> <li>• Trading License : AED 10,000</li> </ul> <p><i>Licenses are valid for one (1) year</i></p>	<p><b><u>License Fees:</u></b></p> <ul style="list-style-type: none"> <li>• Registration: AED 10,000 (One Time)</li> <li>• Industrial License: AED 10,000</li> <li>• Service License: AED 10,000</li> <li>• Trading License : AED 10,000</li> </ul> <p><i>Licenses are valid for one (1) year</i></p>
<p><b><u>No share capital Required:</u></b></p> <p>There is no share capital required for a branch of an existing company</p>	<p><b><u>Minimum Capital Required:</u></b></p> <p>AED 1 million. The share is released for your operation upon the issuance of the license</p>	<p><b><u>Minimum Capital Required:</u></b></p> <p>AED 500,000. The share is released for your operation upon the issuance of the license</p>
<p><b><u>Audit</u></b></p> <p><u>No audit</u> of the balance sheet for the license renewal</p>	<p><b><u>Audit</u></b></p> <p><u>Audit</u> of the balance sheet every year for the license renewal.</p>	<p><b><u>Audit</u></b></p> <p><u>Audit</u> of the balance sheet every year for the license renewal.</p>

# HAMRIYAH FREE ZONE

## Types of License

- Industrial License: Import raw materials for the purpose of manufacturing, processing and/or assembly of specified products. The finished products may be exported outside the UAE. If the finished products are sold in the UAE market then the License holder will need to do this through a local distributor or a local agent.
- Commercial License: Import, export, sell, distribute and store items specified on the license. If the finished products are sold in the UAE market then the License holder will need to do this through a local distributor or a local agent.
- Service License: carry out the services which are specified on the license

# HAMRIYAH FREE ZONE

BRANCH	FZE (1 Shareholder)	FZCO (2 TO 5 Shareholders)
<p><b><u>License Fees:</u></b></p> <ul style="list-style-type: none"> <li>• Industrial License: AED 2,750</li> <li>• Service License: AED 2,750</li> <li>• Commercial License (5 items): AED 2,750</li> <li>• General trading License (+ 5 items): AED 12,000</li> </ul> <p><i>Licenses are valid for one (1) year</i></p>	<p><b><u>License Fees:</u></b></p> <ul style="list-style-type: none"> <li>• Registration: AED 9,000 (One Time)</li> <li>• Industrial License: AED 2,750</li> <li>• Service License: AED 2,750</li> <li>• Commercial License (5 items): AED 2,750</li> <li>• General trading License (+ 5 items): AED 12,000</li> </ul> <p><i>Licenses are valid for one (1) year</i></p>	<p><b><u>License Fees:</u></b></p> <ul style="list-style-type: none"> <li>• Registration: AED 9,000 (One Time)</li> <li>• Industrial License: AED 2,750</li> <li>• Service License: AED 2,750</li> <li>• Commercial License (5 items): AED 2,750</li> <li>• General trading License (+ 5 items): AED 12,000</li> </ul> <p><i>Licenses are valid for one (1) year</i></p>
<p><b><u>No share capital Required:</u></b></p> <p>There is no share capital required for a branch of an existing company</p>	<p><b><u>Minimum Capital Required:</u></b></p> <p>AED 150,000 : this is no be blocked, you can used for business</p>	<p><b><u>Minimum Capital Required:</u></b></p> <p>AED 150,000 : this is no be blocked, you can used for business</p>
<p><b><u>Audit</u></b></p> <p><u>No audit</u> of the balance sheet for the license renewal</p>	<p><b><u>Audit</u></b></p> <p><u>Audit</u> of the balance sheet every year for the license renewal.</p>	<p><b><u>Audit</u></b></p> <p><u>Audit</u> of the balance sheet every year for the license renewal.</p>

# CREATIVE CITY

## Two Options within Creative City Business Center:

### Signature Option ( Branch, Subsidiary and New Company)

- Prestige Dubai business address and main office in Fujairah
- Dubai landline business number
- Dubai facsimile service
- Dubai P.O. Box
- In house PRO included
- Dedicated and knowledgeable Account Representatives
- 20 hours per month in one of their flexi offices that you can use as per your need.

**You can pay by installments AED 1,000 per month or you can pay in lump sum AED 10,000.**

### Elite Option ( Branch, Subsidiary and New Company)

- Prestige Dubai business address and main office in Fujairah
- Dubai landline business number
- Dubai facsimile service
- Dubai P.O. Box
- In house PRO included
- Dedicated and knowledgeable Account Representatives
- Up to 6 visas available
- 40 hours per month in one of their flexi offices
- 200 complementary photocopies per month
- 2 free changes to the company registrar (share transfer, capital increase, change of directors, company name etc.) additional amendment would cost AED 3,000 each.
- 16 hours usage of meeting rooms that you can use as per your need (including tea, coffee and refreshments)

**You can pay by installments AED 1,500 per month or you can pay in lump sum AED 15,000.**

# CREATIVE CITY

<b>Signature Option ( Branch, Subsidiary and New Company)</b>	<b>Elite Option ( Branch, Subsidiary and New Company)</b>
<p><b><u>License Fees:</u></b></p> <ul style="list-style-type: none"><li>• Registration: AED 4,000 (One Time)</li><li>• License: AED 13,500</li></ul> <p>• <b><u>Total Cost :</u></b>     If installments payment: AED 29,500     If lump-sum payment: AED 27,500</p> <p><i>Licenses are valid for one (1) year</i></p> <p>License renewal: AED 13,500</p>	<p><b><u>License Fees:</u></b></p> <ul style="list-style-type: none"><li>• Registration: AED 4,000 (One Time)</li><li>• License: AED 13,500</li></ul> <p>• <b><u>Total Cost :</u></b>     If installments payment: AED 35,500     If lump-sum payment: AED 32,500</p> <p><i>Licenses are valid for one (1) year</i></p> <p>License renewal: AED 13,500</p>
<p><b>No Minimum Capital Required</b></p>	<p><b>No Minimum Capital Required</b></p>
<p><b><u>No Audit</u> of the balance sheet required for the license renewal</b></p>	<p><b><u>No Audit</u> of the balance sheet required for the license renewal</b></p>

# COMMERCIAL AGENCY AGREEMENT



# COMMERCIAL AGENCY AGREEMENT

## **Definition:**

An Agency Agreement allows one party (the Agent) to sell and promote products (goods or services) on behalf of another party (the Principal) in return for commission payments, within a given geographical arena and a fix term

## **Characteristics:**

- Exclusive distribution rights for a given product in a given area
- Distributor must be 100% locally owned
- Contract must be registered in the trade register
- UAE Law is of public order

# COMMERCIAL AGENCY AGREEMENT

- During validity of contract, principal may not terminate the contract except for a good cause or by mutual consent of the parties.
- The agency contract shall be limited to a certain duration & shall expire at the end of its term unless agreed otherwise within ONE year prior to expiration.
- Before, a contract even with a fixed term couldn't be terminated without a good cause.



# COMMERCIAL AGENCY AGREEMENT

- **Warning:** contracts must be carefully written
- DUE DILIGENCE: a thorough check of the company with which you want to sign a contract is an absolute must in order to ensure that it is able to distribute your products in the target area

# COMMERCIAL AGENCY AGREEMENT

- During validity of contract, principal may not terminate the contract except for a good cause or by mutual consent of the parties
- The agency contract shall be limited to a certain duration & shall expire at the end of its term unless agreed otherwise within ONE year prior to expiration
- Before, a contract even with a fixed term couldn't be terminated without a good cause and without paying indemnity to the agent

# COMMERCIAL AGENCY AGREEMENT

The agent shall strive to distribute goods in accordance with the terms of the contract HOWEVER, the agent retains the right to recover the damages from the principal in the event of damage caused by the early termination of the contract.

# COMMERCIAL AGENCY AGREEMENT

How can the Principal be protected?

The contract must be carefully written

- Limit exclusive territory
- Limit the products to be distributed
- Outline each party's obligations in the contract
- Delay registration in the Registry

A thorough check of the company with whom you want to sign a contract is an absolute must in order to ensure that it is able to distribute your products in the target area

# TAXATION IN UAE



# TAXATION

**No tax on Profits or Capital!!!**