



A GUIDE TO DOING BUSINESS IN THE UAE

January 2018

FOREWORD

The aim of this publication is to provide general information about doing business in The UAE and every effort has been made to ensure the contents are accurate and current. However, tax rates, legislation and economic conditions referred to in this publication are only accurate at time of writing. Information in this publication is in no way intended to replace or supersede independent or other professional advice.

RSM – YOUR GLOBAL NETWORK

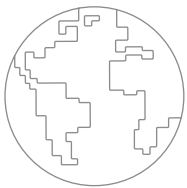
The world is changing rapidly. With constant advances in technology, communications and infrastructure, barriers are disappearing and the business landscape is becoming more global every day.

In this fast-paced environment, you need advisers who think ahead and respond quickly to your changing needs, who will put risk in the spotlight, and who will continually look for new opportunities for your business.

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- We have firms in 120 countries and are in each of the top 40 major business centres throughout the world.
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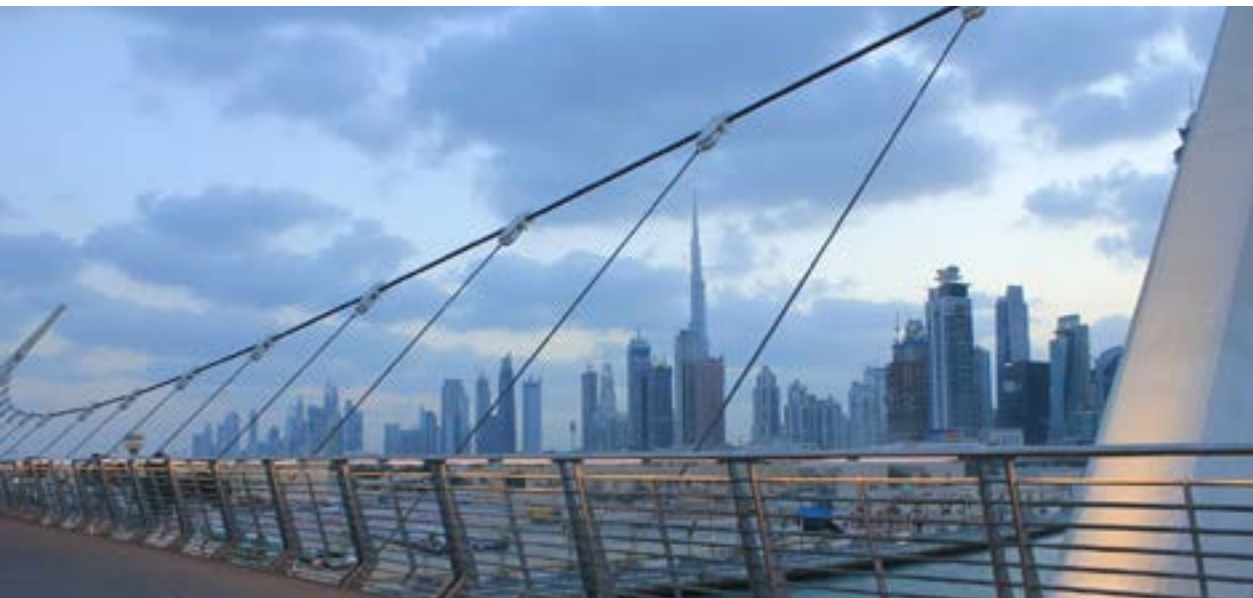
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ABOUT UNITED ARAB EMIRATES

Geography

The United Arab Emirates (UAE) lies on a peninsula in the southern coast of the Arabian Gulf. It is bordered by The Sultanate of Oman to the East and Kingdom of Saudi Arabia to the West and South. To the North lies, the Islamic Republic of Iran, separated from the UAE by the Straits of Hormuz. The area of the UAE is 83,600 sq.km (including approximately 200 islands). Abu Dhabi is the capital of UAE while Dubai is the main commercial centre.

Landscape and Climate

Approximately 91.6% of UAE's land area comprises of desert, whereas 4.6% comprises of agricultural land and 3.8% of the land area comprises of forests. There are also some mountains towards the coast of Oman. The climate is hot and humid in the months of May to September and mild in the remaining months of the year. Climatic conditions in the UAE are desert like, with maximum summer temperatures exceeding 50 degree centigrade, on the coastal plain. However on the Eastern Mountains, the temperature is considerably cooler owing to the altitude of the terrain.

Demographics

The population of UAE was estimated at 9.121 million at the end of 2016 comprising predominantly of expatriates from India, Pakistan, Bangladesh, Egypt, Jordan, Iran, Philippines, UK, European Union and other Arab countries. There are over 180 nationalities in the UAE and only about 11% of the residents are UAE nationals.

Religion

Islam is the official religion (about 76%) of the population, however the Government allows practice of all other faiths.

Language

The official language of the UAE is Arabic. However, due to the ethnic blend of the population, other languages like English, Hindi, Urdu, and Persian are also widely spoken. The official government documents are usually in Arabic with an English version also available. However, for some government

agencies and courts, documents are required to be translated into Arabic and be attested by a gazetted officer.

Government

The UAE is a federation of seven Emirates (or monarchies) formed on 2 December, 1971 by the then Trucial States after independence from Britain. Each of the seven monarchies – Abu Dhabi, Dubai, Sharjah, Ras Al Khaimah, Ajman, Umm Al Quwain and Fujairah is governed by a Monarch or Emir.

The UAE is governed by a Federal Supreme Council (FSC), which is the highest constitutional authority in the UAE, has both legislative and executive powers and is made up of the rulers of the seven Emirates:

- President: HH Sheikh Khalifa bin Zayed Al Nahyan, Ruler of Abu Dhabi
- Vice President and Prime Minister: HH Sheikh Mohammed bin Rashid Al Mak-toum, Ruler of Dubai
- H.H Dr Sheikh Sultan bin Mohammed Al Qasimi, Ruler of Sharjah
- H.H Sheikh Saud bin Saqr Al Qasimi, Ruler of Ra's al-Khaimah
- H.H Sheikh Humaid bin Rashid Al Nuaimi, Ruler of Ajman
- H.H Sheikh Saud bin Rashid Al Mu'alla, Ruler of Umm al-Qaiwain
- H.H Sheikh Hamad bin Mohammed Al Sharqi, Ruler of Fujairah.

The President and Vice President are elected by the Federal Supreme Council for a five-year term and reelected for a similar period, while the Prime Minister and the Deputy Prime Minister are appointed by the President.

The Council of Ministers or Cabinet, headed by the Prime Minister, is the executive authority for the Federation.

The UAE's Parliament, the Federal National Council (FNC), has both a legislative and supervisory role; its 40 seats are allocated to the individual Emirates on the basis of area. Half of the FNC members are appointed by the Emirate rulers and half are elected by closed colleges from each Emirate.

In addition, each of the seven Emirates has its own local government, the complexity of which differs according to the size and population of each. Each Emirate follows a general pattern of municipalities and departments. The relationship between the federal and local governments is laid down in the Constitution, which allows for a degree of flexibility in the distribution of authority. Traditional government still plays an important role in the UAE, with the institution of the majlis (pl. majalis) maintaining a useful function in ensuring that the people have free access to their rulers.

Legal Environment

Judicial System

Considering the founding principles of the federation, each Emirate was given the constitutional right to opt for joining the Federal Judicial System or to maintain its own independent system. Except for Abu Dhabi, Dubai and Ras Al Khaimah who maintain their own judicial systems, the other Emirates have joined the Federal judiciary system.

The Federal UAE courts, similar to the courts in most of the neighboring countries, are organized into two main divisions: civil and criminal, and each main division is also generally divided to three stages of litigation namely courts of First Instance, Court of Appeal and the Federal Supreme Court (locally referred to as Court of Cassation). The jurisdiction of the third division, namely the Sharjah (Islamic) courts, which was initially set up to review matters of personal status, was expanded in certain Emirates such as Abu Dhabi to include serious criminal cases, labour and other commercial matters. Important cases that have a security aspect are referred to special courts.

Dubai and Ras Al Khaimah have initially organized their courts on two stages and later were expanded in Dubai by the establishment of the Dubai Court of Cassation.

Federal Laws

The Federal Laws are promulgated by the Supreme Council of the Rulers who approve them after they are presented by the Federal Council of Ministers and the Federal Council. While the legislation of the laws on substantive matters is referred to the Federal Government which had, in the past few years, taken significant steps to regulate corporate and commercial matters, local authorities in each Emirate have the authority to issue Decrees regulating local matters.

Main Corporate and Commercial Laws:

- Labour Law No. 8 of 1980.
- Commercial Agencies Law No. 18 of 1981 (as amended).
- Maritime Law No. 26 of 1981.
- Federal Law No. 2 of 2015 on Commercial Companies.
- Civil Transactions Law (the Civil Code) No. 5 of 1985
- Trade Marks Law No. 37 of 1992.
- Commercial Transaction Law No. 18 of 1993.

Foreign law firms from the UK, US and other countries are only allowed to practice as legal consultants, and thus are not allowed to plead cases in the local courts.

Economy

GDP

According to the International Monetary Fund (IMF) the UAE's gross domestic product (GDP) estimated growth is 1.3 percent in 2017, and expected to rise to 3.4 per cent in 2018. According to the Ministry of Economy annual report of 2017, the UAE GDP was US\$ 350 billion (AED128.8 trillion) at the end of 2016, about 82% of the GDP was contributed by non-oil sectors to 18% from the oil sectors.

LIVING AND WORKING IN THE UAE

Visa Regulations

Foreigners other than citizens of the Gulf Cooperation Council (GCC) countries need visas to enter the UAE. Visas should generally be obtained before arrival, however, nationals of some countries such as the USA, EU, Australia and Canada etc., to mention few, can obtain visas on arrival.

To obtain more information on the type of visa, visa duration, renewal or extension and other visa rules and requirements it is best to contact the UAE embassy in your country or the relevant authority in the UAE The Department of General Directorate of Residency and Foreigners Affairs, Dubai (GDRFA-D).

There are broadly two types of visas:

1. Residence visa

Residence visas for individuals who are partners in a Company can be obtained from the Department of Naturalization & Residency (Immigration Department).

Residence visas for employees are linked to employment. Foreign nationals must first enter into an employment contract with their employer and this contract has to be registered with the Ministry of Labour. After obtaining a labour permit, the employee can obtain a residence visa. An employee can apply for a visa for his family members if he fulfills certain criteria pertaining to salary and accommodation.

Almost all the Free Zones have a single window clearance for all their labour and immigration department procedures. Residence visas for shareholders as well as employees of companies in a Free Zone can be obtained directly from the Free Zone.

2. Transit / Tourist / Visit visa

Currently, the passport holders of certain countries are entitled to obtaining visit visas upon arrival at an airport in the UAE. Special visa facilities are also available for citizens and residents of GCC countries. In all other circumstances, a visa must be arranged in advance, before embarking on a travel to the UAE.

A new special service is available for people who frequently visit Dubai) for all nationalities EXCEPT 33 countries (an on-arrival visa). This service allows the Distinguish Guest to enter the city several times in a limited period that is specified by the sponsor of the Guest.

Time

The UAE is four hours ahead of Greenwich Mean Time (GMT+4).

Working Days and Hours

The official working hours per week as promulgated in the UAE Labour Law is 48 hours. Friday is the official weekend for the private sector. However, all government agencies, departments and many private sector establishments also close on Saturdays, thus the working days are five days in a week. Universities and schools and the majority of international and local companies usually also work five days from 8 am to 5 pm with one hour of lunch break.

Banks are usually open from 8 am till 3 pm, Sunday until Thursday and close at midday on a Saturday.

During Ramadan, the month of fasting, business hours are restricted to six hours.

Public Holidays

Since the dates of the Islamic holidays are based on the Hijri calendar they are subject to change every year, getting preponed by approximately 11 days every year. Islamic holidays are granted in accordance with the latest decree or ministerial decision by the Government and announcements are usually published in the press, to move ambiguity regarding public and private holidays.

National Holidays	Gregoian Dates
New Year Day	1st January
Marty's Day	30th November
National Day	2nd December

Islamic Holidays	Islamic Dates
The Hijra New Year (Muslim New Year)	1 Muharram
Mawlid al-Nabi (The Prophet's Birthday)	12 Rabee Al Awal
Al Isra wa al Meraj (The Ascension of the Prophet)	27 Rajab
The last day of Ramadan	29 Ramadan
Eid al Fitr (Feast of the Breaking of the Fast)	1 to 3 Shawwal
Eid al Adha (Feast of the Sacrifice)	10 to 12 Dhul Hijjah

Education

The UAE offers access to comprehensive education to all male and female students from kindergarten to university. The country's nationals are provided with free education at all levels. In addition, there are internationally renowned schools which provide extensive private education from kindergarten to secondary education to all nationals. Students, of both sexes, pursuing higher education can also choose from a range of international universities campus and colleges.

The Al Ain based United Arab Emirates University (UAEU) continues to be the country's flagship national institution of higher education, whilst newer institutions such as Zayed University (ZU), which has campuses in Abu Dhabi and Dubai, were established in 1998 by the Federal Government. Also, the Higher Colleges of Technology (HCT) has 12 colleges throughout the UAE and offer more technically oriented education. In addition, there are many private institutions in the UAE such as the American University of Sharjah and Dubai, Sharjah University etc. besides several vocational and technical educational centres for those seeking practical training in their chosen careers.

Transportation and communications

The UAE in general and Dubai in particular has a well-established public transport system comprising of taxis, buses, water buses, Abra and Dubai Metro. The public transport system in the Emirate of Dubai is run by the Roads & Transport Authority (RTA) and in Abu Dhabi by the Department of Transport (DOT). For more information please visit the RTA site.



SETTING UP A BUSINESS ENTITY IN UAE

General

Once a foreign investor (individual or Company) decides to setup a business in the UAE, the first decision to make is whether the investor should setup an entity in a Free Zone or outside the Free Zone (usually referred to as Onshore or mainland entity) in one of the Emirates in the UAE.

Every entity setup in the UAE (Onshore or in the Free Zone) is provided a 'license' for its activities. The license types or categories can be broadly classified into the below types:

- Service license;
- Commercial or trading license;
- Industrial license; and
- Professional license.

The Onshore entities are governed by the UAE Commercial Company Law issued in 2015 and the licensing authority of every Emirate (usually the Department of Economic Development) provides the list of licensed activities allowed within each Emirate.

Every Free Zone has their own governing laws and regulations of entity setup in their own jurisdiction and they also provide a list of licensed activities allowed within their respective Free Zone.

The investor would have to determine the most relevant license activity (or activities) they would require and then narrow down on the Emirate or Free Zone where they can operate from.

Outside the Free Zone – Onshore entities

Investment outside the Free Zone is governed by the Federal Law No. (2) of the Year 2015 on Commercial Companies in the UAE. (This new law has replaced the UAE Commercial Companies Law No. 8 of 1984.) This law recognizes 5 types of legal forms. These include

- Partnership;
- Limited Partnership;
- Limited Liability;
- Public Joint Stock; and
- Private Joint Stock.

In case of a Partnership and Limited Partnership, all the acting Partners of the Company need to be UAE or GCC Nationals or UAE mainland companies.

Accordingly, these forms are not suitable for foreign investors. The Limited Liability Company (LLC) is the most common form of setting up an Onshore entity in the UAE for foreign investors.

Other than the above entities governed by the Commercial Companies Law, investors also have an option to establish the following entities outside the Free Zone:

- Branch of a Foreign Company – A branch is not treated as a separate legal entity but a part of the foreign entity. Thus, the foreign entity is considered to be directly doing business in the UAE and has unlimited liability for the operations of the Branch;
- Representative Office – Representative offices are also treated as a part of the foreign entity but these offices are not allowed to conduct any commercial activity in the UAE;
- Professional License (Only for individuals) – Certain categories of professions can be run by foreign individuals by obtaining a Professional License. 100% foreign ownership is allowed for such activities.

Though local ownership is not required in a Branch, Representative office or a Professional License, the entity has to appoint a UAE national as the Local Service Agent for such Onshore entities.

Free Zone Entities

Companies who wish to have 100% foreign ownership can opt for incorporating an entity in one of the various Free Zones in the UAE provided that their business activity is permitted by the free zone. The UAE has a number of different free zones catering to different types of activities and located in different Emirates. There are around 45 Free Zones in the UAE. Some of these are listed below:

Abu Dhabi

- Abu Dhabi Airport Free Zone (ADAFZ)
- Abu Dhabi Global Markets (ADGM)
- ADPC – Khalifa Port and Industrial Zone (KPIZ)
- twofour54
- Industrial City of Abu Dhabi
- Higher Corporation for Specialized Economic Zones
- Masdar City Free Zone

Dubai

- Dubai Airport Free Zone
- Dubai Biotechnology & Research Park (DuBiotech)
- Dubai Car and Automotive City Free Zone (DUCAMZ)
- Dubai Gold and Diamond Park
- Dubai Healthcare City (DHCC)
- Dubai International Financial Centre (DIFC)
- Dubai Logistics City
- Dubai Multi Commodities Centre
- Dubai Silicon Oasis
- Dubai South
- Dubai Techno Park
- Jebel Ali Free Zone
- Economic Zones World

Dubai Creative Clusters Authority

- Dubai Media City
- Dubai Studio City
- Dubai Production City (earlier called International Media Production Zone)
- Dubai Internet City (DIC)
- Dubai Outsource City
- Dubai International Academic City
- Dubai Knowledge Park
- Dubai Science Park
- Dubai Design District

Sharjah

- Hamriyah Free Zone
- Sharjah Airport International Free Zone

Ajman

- Ajman Free Zone

Ras Al Khaimah

- RAK Investment Authority Free Zone
- Ras Al Khaimah Free Trade Zone

Fujairah

- Fujairah Free Zone

Umm Al Quwain

- Umm Al Quwain Free Trade Zone (UAQFTZ)

Some of the above free zones are general free zones that cater to trading / manufacturing and other general activities. While some of the free zones cater to specific activities. For instance the Dubai Media City caters mainly to Media Companies, whereas the Dubai Knowledge Park specifically caters to Knowledge based businesses.

Brief Comparison of a Free Zone entity with an Onshore entity (LLC)

The basic difference between a Free Zone entity and an Onshore entity (LLC in the context of this comparison) is that Free Zone entities are not allowed to conduct their business activities outside the Free Zones. Accordingly, they may be suitable for Companies that appoint a distributor or only trade with other entities within the other free zones in the UAE. Free Zone Companies that intend to sell directly to wholesalers and other Onshore entities (who hold an import license) can also set up operations in the Free Zone provided that they obtain an importer license from customs and / or appoint a third-party logistics provider to manage their trade with Onshore entities. There are however, certain exceptions to this rule.. Further, Companies that wish to use the UAE as a hub to reach out to other markets in the Middle East, India and Africa would also benefit from setting up in the Free Zone.

Similar restrictions also apply for Free Zone Companies licensed for providing services. As a principal, they are not allowed to offer their services to other Onshore entities.

On the other hand, Companies who wish to go into retail and sell directly to the consumers, businesses or provide services to individuals and Companies by physically being present Onshore, set up stores or set up a distribution network in the UAE should establish an entity outside the Free Zone i.e. basically an Onshore entity i.e. a Limited Liability Company or as a Branch of a foreign company.

The table below gives for a few major differences between an LLC and a Free Zone Company:

Sr.	TOPIC	LLC	free zone companies
1.	Foreign Ownership	Restricted to 49%	No restriction. Can be 100%
2.	Corporate taxes	NIL for the time being	NIL for 50 years (Renewable)
3.	Personal Income taxes	Nil	Nil
4.	Currency restrictions	None	None
5.	Repatriation of profits	10% of profits every year (subject to a maximum of 50% of Capital) have to be transferred to a Statutory Reserve	No restrictions
6.	Import Duty	5% flat on all products. However, not applicable on direct re-export in certain cases	Nil Import duty has to be paid only when goods are transported out of the Free Zone. If goods are stored in the Free Zone and then re-exported elsewhere within 6 months, import duty is Nil
7.	Office Premises	Can be rented anywhere in the Emirate in which the entity is being established	Have to be rented in the Free Zone. Free zones provide options of fully furnished or unfurnished offices or even desk spaces and could be taken depending on company needs
8.	Warehouse/ Factory Premises	Can be rented anywhere in the Emirate in which the entity is being established	Have to be rented in the Free Zone
9.	Minimum Capital	AED 300,000 in Dubai AED 150,000 in Abu Dhabi Nil for a Branch	Nil for a branch of foreign company. For other companies, varies depending on the free zone and type of company
10.	Employee restrictions	Have to recruit 2% UAE Nationals or pay a fine. Applicable to Companies with more than 50 employees.	No restriction on nationality of employees. Number of employee visas depends on the leased office / warehouse space.
11.	VAT	No special exemptions	Certain Free Zones are classified as Designated Zones under the UAE VAT Law and certain types of supplies within such Designated Zones are outside the scope of UAE VAT. Further explanation is provided in designated zones section.

Limited Liability Company (LLC)

This is the most common form of Onshore entity used by foreign investors for setting up a Company in the UAE. This method of incorporation is popular because of the ease of formation and freedom of business practice. An LLC is registered with the Department of Economic Development (DED) of the respective Emirate where it is being incorporated. Although the LLC can conduct business anywhere in the UAE irrespective of where it is incorporated, certain Emirates or activities require the LLC to have a registered office in the Emirate where it would make supplies or provide service.

Partners, Capital and Profit sharing

An LLC can have a minimum of 2 and a maximum of 50 partners. Each partner is liable only to the extent of his share in the capital. Following the new law that came into effect 2015, an LLC can also have a single owner who should be a natural or legal citizen. Foreign ownership is restricted to 49% of the total capital. The profit sharing ratio can however be different from the capital investment ratio. An LLC can apply for and conduct any lawful activity except insurance, banking and investment of money for others. Additionally, certain activities are restricted for foreign ownership.

Incorporation document

An LLC has to prepare a document during incorporation which is commonly called the Memorandum of Association. This document is executed between the partners and is notarized in UAE courts which essentially specifies, among other things,

- the name, objectives and main office of the company;
- the names, nationalities and addresses of the partners;
- the amount of capital, each partner's share and the profit sharing ratio among the partners; and
- the method of management of the company, names and addresses of managers.

Activities

An LLC has to specify its activity in the Memorandum of Association. The activity is chosen from the list of pre-defined categories. Up to ten related activities can be included in each business license.

Management

The LLC can set out its management method in the Memorandum of Association. The management shall be assumed by one or more manager(s). The Manager has to be a natural person and can be one of the partners or a non-partner. A corporate entity cannot be named as the manager. All such individuals designated as managers in the incorporation document are named on the License of the LLC.

In the subsequent sections, brief information is provided for each type of business entity.

Unless the manager's powers are specified in the Memorandum of Association, the manager shall have full power to manage the company and his acts of disposition shall be binding upon the company. The manager shall be liable towards the company, its partners and third parties for all acts of fraud or abuse of power and for any violation of the Law or of the Memorandum of Association, and for all errors in management. Such liability cannot be limited by any clause or condition.

If the number of partners of the LLC exceeds seven, the company must form a supervisory board of at least three partners serving for a specified period of time. They can be appointed / re-appointed / removed by elections. The supervisory board has the power to examine the company's accounts and documents, financial papers etc. and carry out an inventory of cash, stocks etc. They may also require the manager to submit a report on the company's management. The members of the supervisory board are not held responsible for the acts of the managers unless they become aware of faults committed by the managers and fail to mention these errors in their report submitted to the general assembly of the partners.

Branch of a Foreign Company

The UAE allows foreign businesses to establish a branch in one of the seven Emirates but application for a branch has to be first approved by the Ministry of Economy. The foreign company must demonstrate a good past record and healthy financial situation to be able to get the approval from the Ministry. The branch in the UAE is considered a part of the Head Office and so any litigation or proceedings can extend to the Head Office in the country it is incorporated.

A branch of a foreign company doesn't have any partners but it needs to appoint a UAE national as its local service agent. Local service agents, who are also sometimes referred to as 'sponsors', are not involved in the operations of the branch but assist in obtaining visas, labour cards, etc. and are usually paid a fixed lump sum fee every year.

In general, branches and offices of foreign commercial companies are not licensed to engage in import activity or trading activities except for re-exports and if their products are of a highly technical nature.

Free Zone Entities

As explained in 3.1 above, there are a number of Free Zones in the UAE that allow foreign businesses to set up an entity with 100% foreign ownership without the need of a UAE National as a partner or sponsor. Each free zone has its own regulations and procedures for incorporating an entity but generally most of these regulations are similar in substance. The main benefits of incorporating in a free zone are:

- 100% foreign ownership
- 100% corporate tax exemption for 50 years (renewable)
- Unrestricted repatriation of profits and capital
- No import or re-export duties
- No income tax
- No currency restrictions
- No restrictions on hiring foreign employees

Certain free zones are for a specific activity / industry while other general free zones allow any commercial / manufacturing / trading / service activities.

Activity / Industry Specific Free Zones

Some of the activity / industry specific free zones are introduced below:

twofour54

twofour54 is a tax-free media free zone located in Abu Dhabi that facilitates the development of media and entertainment content in the region. twofour54 works with businesses in television, radio, film, publishing, online, mobile, music, gaming and animation to create local content and grow the Arab media industry. Its name refers to the geographic co-ordinates of Abu Dhabi - 24°north by 54°east.

Masdar City Free Zone

Masdar City is an emerging global clean-technology cluster that places its resident companies in the heart of the global renewable energy and clean-tech industry. Masdar City Free Zone is located in close proximity to Abu Dhabi International Airport and 17 kilometers from downtown Abu Dhabi. As a test-bed for renewable energy, companies established in Masdar City can pilot, demonstrate, refine, develop and commercialize their technologies. The project is being built in phases, with the full completion expected in 2025.

Dubai Healthcare City

Dubai Healthcare City (DHCC) is a self-regulated institution which provides high-quality patient centered healthcare. Today, DHCC is home to two hospitals, over 120 outpatient medical centers and diagnostic laboratories with over 4000 licensed professionals occupying 4.1 million square feet in the heart of Dubai. Being in the health care sector, the licensing procedures are stringent and the businesses are highly regulated.

Dubai International Academic City

Dubai International Academic City (DIAC) is the world's largest Free Zone dedicated to higher education. DIAC is located on a fully-appointed 18 million sq ft. campus with 25 Academic institutions from 10 countries.

Dubai International Financial Centre

The Dubai International Financial Centre (DIFC) is one of the major milestones in Dubai's growth story. The Gate shaped building of the DIFC is a symbol of Dubai's ambition to be a world class financial centre on the lines of London, New York and Hong Kong.

The DIFC occupies a physical territory of approximately 110 acres. It has its own legal system and courts distinct from those of the wider UAE, with jurisdiction over corporate, commercial, civil, employment, trusts and securities law matters.

The DIFC focuses on several sectors of financial activity: banking and brokerage (Investment banking, corporate banking & private banking); Capital Markets (Equity, Debt instruments, Derivatives and Commodity trading); Wealth Management (Asset Management, Fund registration and Family office); Insurance, Reinsurance and Captives; Islamic Finance & Ancillary Services. Financial services in the DIFC are regulated to international standards by the Dubai Financial Services Authority (DFSA).

Service providers to the finance industry such as accounting and legal firms, consulting firms etc. can also establish an entity in the DIFC under the ancillary services license. Companies may also set up their Corporate Office in the DIFC even if they are not providing financial services. Their activities may include the corporate treasury function or there-invoicing from the group Head Office. This will allow an entity to be located close to world class financial institutions located in the DIFC.

While the DFSA permits a wide range of financial services to be carried out from within DIFC, some restrictions apply. Authorised Firms are not permitted to undertake the following activities:

- Dealing with an individual client with less than US\$ 500,000 in liquid assets.
- Dealing with an institutional client with called up share capital, or net assets of less than US\$ 5 million.
- Accepting deposits from the United Arab Emirates market.
- Accepting deposits or providing credit in the currency of the United Arab Emirates (the UAE Dirham).
- Dealing in the UAE Dirham.

- Conducting insurance business with individuals.
- Directly insuring risks located within the United Arab Emirates.
- Providing money services unless it is connected with another financial service for which the company is authorised.

The activities of companies are categorized in 5 categories and the base capital requirements and compliance regulations accordingly differ for each category.

All businesses registered at the DIFC are subject to the laws of the DIFC, which are independent of the civil and commercial laws of the UAE. Legislation has been enacted to govern the day-to-day requirements and operations of financial institutions, companies and individuals within DIFC.

The laws are modeled on the best practices of the world's major financial jurisdictions and embody the best of international financial and commercial law. The laws are principle-based, allowing for the creation of subsidiary legislation such as rules and regulations.

Dubai Internet City

Dubai Internet City (DIC), as the name suggests is a free zone for IT companies and / or related and ancillary goods or services. It provides a platform to companies to target emerging markets in a vast region right from the Middle East to India. Global giants like Microsoft, Cisco Systems, IBM, HP, Dell, Siemens etc. are in the Dubai Internet City. There are also many small and medium IT businesses.

Dubai Media City

Dubai Media City (DMC) is a free zone for companies engaged in production or transmission of Media and / or related and ancillary goods or services. DMC offers business options for every kind of media business, which broadly includes media and marketing services, printing and publishing, music, film, new media, leisure and entertainment, broadcasting and information agencies.

Dubai Knowledge Park

The Dubai Knowledge Park (DKP) is a free zone that caters especially to all business and organizations in the field of education & training. Started in October 2003, DKP provides an advanced infrastructure and environment for a variety of organisations to create and disseminate knowledge. The DKP community is today home to 15 international universities, 150 training institutes and numerous learning support entities.

Businesses or Non-Profit organizations can setup an entity with a license for any of the following activities:

- Human resource training & development
- e-Training Centre
- Executive education Centre
- Vocational training Centre
- Executive search
- Content development Centre
- Assessment and testing Centre
- Linguistic institute
- Human resources consultancy
- Professional association (Non-profit)

Dubai Multi Commodity Centre

The Dubai Multi Commodities Centre (DMCC) was created to establish a commodity market place in Dubai, and provide industry-specific market infrastructure and a full range of facilities for the gold & precious metals, diamonds & coloured stones, energy and other commodity industries. However, DMCC has now opened its door to allow many other activities including general trading. Apart from the lease options, the DMCC even allows companies to buy freehold properties within the DMCC Free Zone for its business.

Dubai Outsource City

An outstanding business park dedicated to local and international outsourcing companies. Dubai Outsource City (DOC) was launched in 2007 to cater to the market demand for outsourcing companies. DOC supports Business Process Outsourcing (BPO), HR Outsource, IT Outsourcing, back office and call center operations.

It also serves as a center for off-shore disaster recovery facilities. DOZ caters to off-shoring requirements from Europe, the US and the region. DOZ's custom-made facilities, including next-generation telecom infrastructure, office space in intelligent buildings, and facilities management, enable outsourcing companies to set up efficient operations. High-bandwidth connectivity, IP telephony, automatic call distribution (ACD), interactive voice response (IVR) and predictive dialing systems, satellite communication services form part of a plug-and-play infrastructure which helps offshore service providers start operations quickly with minimal upfront investment.

Dubai Silicon Oasis

The Dubai Silicon Oasis (DSO) was established in 2004 with an objective of facilitating and promoting modern technology-based industries in the Emirate of Dubai. DSO boasts of an

environment that is specifically designed for businesses in the technology industry. Companies engaged in the following businesses can consider setting up an entity in the DSO:

General activities	Microelectronics
Information technology	Integrated Circuit design
Telecommunication	EDA tools
Electronic, computer hardware	Nanotechnology
Software development & solutions	Photovoltaic Industry
Electrical appliances & equipment	Semiconductor

Dubai South

Dubai South – The City of You – is an emerging 145 sq. km. master-planned. Dubai South is projected to sustain a population of a million. As an economic platform, it is designed to support every conceivable kind of business and industry and create 500,000 jobs. It is home to the world's largest airport which is under construction – the Al Maktoum International Airport – and is host to landmark events such as World Expo 2020 and the Dubai Airshow.

Dubai Design District

Dubai Design District (d3) offers a considerate mix of land and leasable space to nurture a creative collective of design talent. The idea is to combine carefully curated developments with a private sector dynamic to give rise to a mutable, flexible and – above all – vibrant and commercially viable community.

General Free Zones

In addition to all the activity / industry specific Free Zones, there are other Free Zones where companies can trade in any commodity or service which is permitted by law. A list of such free zones and their websites are as under:

- Ajman Free Zone
- Dubai Airport Free Zone
- Fujairah Free Zone
- Hamriyah Free Zone
- Jebel Ali Free Zone
- Ras Al Khaimah Free Trade Zone
- Sharjah Airport International Free Zone

The company should consider a number of factors before taking a decision in which Free Zone they would like to incorporate a company. The differences amongst Free Zones relate to issues such as allowing the intended activity, geographical location, minimum capital requirements, registration and renewal costs, office / warehouse rents,

number of employee visas available etc. The most significant difference in the General Free Zones is the lease costs. Companies should enlist the services of a professional firm to decide the most suitable Free Zone for their needs by giving their intentions and plan for setting up an entity in the region.

Professional License (Civil Company)

A civil company is a company that undertakes a specific profession as its activity and the owner / partners depend, for their earnings, on the practicing of activities which involve the use or investment of intellectual faculties more than depending on speculation, materials, or others' work.

Such type of a company is not governed by the UAE Commercial Companies Law but is permitted under Dubai Local Order No. 63 of 1991 on licensing professionals and tradesmen in the Emirate of Dubai. The business takes the form of a "Business Partnership" in accordance with the provisions of the rules (from 683 to 690) of the Federal Civil Dealings Law. Though it is not necessary to have a UAE national as one of the partners, such a company has still to appoint a Local service agent who needs to be a UAE national. As mentioned above, local service agents, who are also sometimes referred to as 'sponsors', are not involved in the operations of the company but assist in obtaining visas, labour cards, etc and are paid a lump sum and/or a percentage of profits or turnover.

A Civil Company structure is not available in all Emirates.

Company Incorporation Process

We have attempted to describe the Company incorporation process for the different jurisdictions below:

Limited Liability Company (LLC) Incorporation Process

The incorporation of a Limited Liability Company (LLC) is broadly divided in the following steps:

1. Name Registration and Initial Approval

- The prospective partners (the applicants) have to apply to the relevant authority (Department of Economic Development in Dubai, Abu Dhabi) for setting up a company by submitting an application in the prescribed form. A few documents such as passport copy of partner(s), if it is a company and national ID card of the UAE national partner(s) have to be submitted along with this form.
- If any of the partner(s) is a company, the certificate of incorporation of the company has to be notarized and attested by the UAE embassy in the country of origin. Further, a board resolution authorizing such incorporation of a company in the UAE has to be prepared, notarized and attested by the UAE embassy in the country of origin. All such documents have to be re-attested and translated into Arabic in the UAE.
- On submitting all required documents, the relevant authority will approve the case and issue an Initial approval certificate and a trade name reservation certificate. This trade name is reserved for the applicants for a period of 12 months.



2. Activity Approval

- Certain activities require approvals from relevant Ministries or Government departments in the UAE. For instance, any Company planning to carry out the activity of construction has to obtain an approval from the Dubai Municipality. Such a license from the Dubai Municipality will indicate as to what type and size of construction projects the Company can undertake.
- For companies that wish to be engaged in the Real Estate Sector, they have to obtain an approval from the Dubai Real Estate Regulatory Authority (RERA).
- For general activities, no separate approval is required.

3. Incorporation Document

- After getting the initial approval, the partners have to execute an incorporation document commonly known as the Memorandum of Association. This document should be in Arabic or English and Arabic. It has to be executed in front of the Notary Public in the UAE, and all partners or their representatives or power of attorney holders have to be present before the Notary public to sign this document.
- Such Power of Attorney should also be notarized by the UAE Embassy in the country of execution and re-attested and translated into Arabic in the UAE.

4. Office Space

A suitable commercial space for the business has to be rented. The lease agreement of the premise has to be submitted to the relevant authority at the time of final application for registration.

5. Bank Account *

- A bank account has to be opened with a bank in the UAE and the initial minimum capital has to be deposited in this account. This amount is not available for use until the company is formally established.
- A certificate from the bank and a certificate from a UAE registered auditor have to be submitted to the relevant local authority at the time of final application for registration.

*At the moment, this requirement has been suspended by the Company incorporation authorities and setting up a bank account / introducing capital is no longer required during the incorporation process.

6. Invoice and Application for License

- On completing all the above processes, all the above documents in original have to be submitted to the relevant local authority along with the Application for License.
- The authority will issue an Invoice for the registration and licensing charges.
- The partners have to pay the invoice in the prescribed period.

7. Issue of Commercial / Trade / Service License

- Once the partners pay the amount invoiced by the local authority, the authority will issue a Trade / Commercial / Service License. At this stage, the Company can commence operations.
- The company license has to be submitted to the bank in order to remove the freeze on the capital and this capital can then be used for the company's business. (See note under step 5 above).

8. Registration with the local Department of Immigration and the Federal Ministry of Labour

- After getting the license, the Company has to register with the Ministry of Labour and the Department of Naturalization & Residency, more commonly known as the Immigration Department.
- A UAE national has to be designated as the Public Relations Officer (PRO) who will deal with the Immigration and Labour department on behalf of the company. The UAE national who is the majority partner can act as the PRO of the company. Else one of the partners has to attend in person.

9. Application for Manager Visa

- The Limited Liability Company has to apply to the Immigration department for the visa of the Manager(s) mentioned in the Memorandum and the License.
- A refundable deposit of AED 20,000 is required to be kept for applying for the visa of each Manager(s).
- When such a visa is issued by the Immigration department, the manager can enter the UAE on this visa. On entering the UAE, the manager has to undergo a medical examination and on receipt of the result of the medical examination, his/her visa is stamped on his passport. Once the visa is stamped on the passport, the manager cannot be out of the UAE for a continuous period of six months or else his visa will expire.

10. Application of Employee Visas

- For every new employee, the company has first to apply to the Federal Department of Labour for approval. The employee's educational certificates duly attested by the UAE Embassy in the country of origin and re-attested by the Ministry of Foreign Affairs in the UAE have to be submitted at the time of labour permit. Educational certificates are not required for certain categories of employees such as laborers, salesmen etc.
- After receiving the department's approval, the company has to apply to the Immigration department for an employment visa.

- When such a visa is issued by the department, the employee can enter the UAE on this visa. On entering the UAE, the employee has to undergo a medical examination and on receipt of the result of the medical examination, his/her visa is stamped on his passport. Once the visa is stamped on the passport, the employee cannot be out of the UAE for a continuous period of six months or else his/her visa shall expire.

General Free Zone Incorporation Process

A company, which wishes to set up an entity in a Free Zone, should decide on the following:

1. Type of License;
2. Type of Company;
3. Authorised Manager; and
4. Office / Warehouse Space required (No. of employee visas mostly depends on office space rented).

Type of Licenses

Most of the Free Zones provide one of the following licenses for setting up a company:

- Trading License – This license allows the company to import, store, distribute or export items or category of items specified on the license.
- Industrial License – This license allows the company to import materials, carry out a manufacturing or processing activity for items or a category of items specified on the license and then either distribute or export the products to any country.
- Service License – This license allows the company to render any services specified in the license to individuals or companies within the free zone.

Type of Company

Foreign individual(s) or Company(s) can setup an entity within the Free Zones in one of the following ways:

- Free Zone Establishment (FZE) – This type of entity has a single shareholder. The shareholder can be either an individual or a company. The alphabets 'FZE' are to be added after the name of the company.
- Free Zone Company (FZC / FZCO) – This type of entity requires a minimum of two shareholders. The maximum number of shareholders is four to five depending on the Free Zone. The alphabets 'FZC' or 'FZCO' are to be added after the name of the company.
- Branch of a Foreign Company – A few Free Zones allow foreign companies to directly setup a branch of the foreign company. Such an entity is not considered separate from its parent entity and thus litigation locally can extend to the parent company abroad.

Note: If the foreign shareholders are individuals, the process of incorporation is relatively easier. However, if the foreign shareholder(s) is a company, all documents such as board resolutions etc., are required to be attested by the UAE Embassy in the country of origin. Accordingly, this process takes more time.

Authorised Manager

For every Free Zone entity, an individual must be designated as the Authorised Manager. The Authorised Manager is the person responsible for all Company activities and will be the point of contact by the Free Zone. His/her name will appear on the License issued by the Free Zone. Such a person is required to have the Free Zone visa stamped on his passport. This person can be one of the shareholders or he/she can be an employee.

Office / Warehouse Space on Lease

Most Free Zones offer various options for leasing ranging from empty plots of land on a long term lease to build large facilities to small fully furnished offices / desk spaces and business centre services. Few Free Zones offer the client a cost effective option to use a shared office for a limited number of hours allowed every week.

The rents charged for the rented space significantly vary among the free zones. Rent for a year is usually payable upfront at the time of incorporation for the smaller offices.

Steps in Incorporating an Entity in a General Free Zone

The procedure for this set up of a Free Zone entity is broadly divided into the following steps:

1. Initial Approval

An individual or a company (the applicant) has to apply to the Free Zone for setting up a company by submitting a brief application along with few documents and a short Business Plan. The template of the business plan is usually available at the Free Zone website.

2. Invoice and Application for License

- Once the Free Zone approves the case, the applicant has to submit the detailed Application for License along with all the remaining documents, board resolutions etc.
- The Free Zone will study the application and documents attached to it and then issue an invoice for the registration and licensing charges and the rent for the premises.
- The Applicant has to pay the invoice in the prescribed period.
- Once the applicant pays the invoice, the lease agreement and certain other documents have to be signed by the applicant at the Free Zone (This requirement varies for the type of company and the Free Zone. The applicant can provide his professional advisors with a Power of Attorney to sign such documents on his behalf)

3. Bank Account and Minimum Capital

- Once the Applicant pays the invoice and signs the necessary documents, the Free Zone will issue a letter to the designated bank requesting it to open an account in the name of the company for deposit of the capital (There is no such requirement for a branch since there is no capital)
- The bank account must be opened and the minimum capital deposited in the bank account*. This amount is not available for use until the company is formally established.

* At the moment, this requirement to produce evidence of introduction of capital has been suspended by most Free Zone authorities and setting up a bank account / introducing capital is no longer required during the incorporation process.

4. Issue of Commercial / Trade / Service License

- The Free Zone will issue the requested License. At this stage, the Company can commence operations.
- The company has to submit a copy of its license to the bank in order to remove the freeze on the capital and this capital becomes available for use for the company's business. (See note under step 5 above)

5. Application of Manager / Employee Visas

- All the Free Zones have a one stop shop for applying and processing visas for the company's manager and employees. Once the license is issued, the company can apply to the Free Zone for an employment visa along with a copy of the employee's passport and the requisite security deposit or bank guarantee and visa fee.
- An employment visa is issued by the Free Zone and then the manager / employee has to enter the UAE on this employment visa. Once he/she enters, he/she needs to undergo a medical examination and on receipt of the result of the medical examination, his passport will be stamped with the visa. Once the visa is stamped on the passport, the employee has to visit the UAE at least once every six months to prevent his/her visa from expiring.

Activity Specific Free Zone Incorporation Process

The procedures for incorporating an entity in an activity specific Free Zone varies from one Free Zone to another in terms of the regulatory aspect and requirement of documents. In principle, the procedure follows the same path as explained above for General Free Zones but requires some more documentation. These requirements also vary depending on the type of license and category of company applied for. For instance, for the DIFC, there are a number of other regulatory and document requirements depending on the category of the Company. Similarly in the Health Care City, there are certain approvals that need to be taken from the Ministry of Health. A professional advisor should be employed to provide a clear picture of the documents required and procedures after understanding your business plan.

FOREIGN EXCHANGE CONTROLS

The UAE's economy has been kept open and free to attract investors and business. Government control and regulation of private sector activities has been kept to a minimum. There are no currency exchange controls and no restrictions on the remittance of funds except for restrictions on transactions involving Israeli parties or currency. The official UAE currency is the Dirham (AED) which is pegged to the US Dollar at 1 USD = 3.67 AED.





TAXATION

Income Tax

The UAE does not have any enforced Federal income tax legislation for general business. An income tax decree has been enacted by each Emirate, but in practice, the enforcement of these decrees is restricted to branches of foreign banks and to oil companies. This practice is not likely to change in the near future as the relevant mechanisms with which to implement the tax decrees have not yet been established.

Free zone companies benefit from a complete tax exemption which has presently been granted to all Free Zone Authorities for a period of 50 years. This exemption is renewable.

Personal incomes, including all forms of salary and capital gains wherever arising, are not subject to taxation in any of the Emirates.

Customs Duty

Under the UAE customs regulations, an import duty of 5 percent is payable on most products imported into the UAE outside the Free Zones. On a few items such as alcohol and tobacco products, a different rate of import duty is levied.

Under the terms of an agreement on customs tariffs with countries of the GCC, all Emirates are bound to levy a minimum customs duty of 10 percent on luxury goods and 4 percent on the C.I.F. value of all other goods imported, excluding certain items such as alcohol and cigarettes. Recently, the Federal government has approved a tobacco tax rate of 50 percent.

In practice, however, exemptions are made for a wide range of goods. In cases where customs duties are charged, it is generally restricted to 1 percent.

Other Local Taxes

Municipal taxes are levied in most Emirates on annual rental paid at 5 percent for residential premises and 10 percent for commercial premises.

Other local taxes include a 6 percent tax on hotel services and entertainment.

Value Added Tax (VAT)

On 1 January 2018 the UAE implemented VAT as part of a commitment across the six GCC member states in accordance with the Common VAT Agreement of the States of the Gulf Cooperation Council (GCC). KSA similarly implemented a VAT system and the remaining four member states are expected to do so on 1 January 2019. UAE VAT legislation is principally contained in Federal Decree-Law No. 8 of 2017 and Cabinet Decision No 52 of 2017 on the Executive Regulations on VAT.

What is VAT

VAT is a wide-ranging tax on sales of goods and services. Tax charged is referred to as output tax. Tax when incurred by a business is referred to as input tax.

VAT is designed to impact upon end users, who are mainly the members of the public. However it operates by each company in the production chain having to charge VAT to the next person in that chain. Where onward sales are liable to VAT, the supplier can (with some minor exceptions) recover the VAT that it has incurred in the process of making those sales.

Some businesses do not make taxable supplies (in whole or in part) and cannot therefore recover VAT (in whole or in part). These businesses are also end-users.

There are two rates of VAT: Standard rate (currently 5%); and the zero rate (0%). There are also some VAT exempt services; the difference to zero-rated is that VAT incurred on costs associated with VAT exempt supplies cannot be recovered.

Which businesses are affected

Those businesses with a taxable turnover of AED 375,000 must register for VAT with the Federal Tax Authority ("FTA"). Those with a taxable turnover between AED 187,500 and 375,000 may register voluntarily. Taxable turnover means the turnover (excluding VAT) from sales of standard and zero-rated goods and services. It also includes the value of imports of goods and services.

There are strict fines for failing to register at the correct time.

What goods and services are liable to UAE VAT

Goods and services supplied within the UAE fall within the VAT regime. Most goods and services are liable to the standard rate of VAT. The legislation specifies: how to establish the place where supplies take place (inside or outside the UAE); the value of supplies; and when VAT is due. There are several clarifications to the place of supply rules to avoid confusion in specific cases.

VAT legislation defines those supplies that are zero-rated and exempt. As these are exceptions, the legal definitions are to be construed narrowly and strictly.

Zero-rates

The principal zero rated items are:

- Goods and services for export;
- New housing;
- Education;
- Healthcare;
- International passenger travel;
- International movements of goods;
- Precious investment metals;
- Crude oil and natural gas.

Exemptions

The principal exempt items are:

- Certain financial services for which the fee, discount, commission, or rebate is not explicit;
- Life Assurance;
- Issues and transfers of shares and debt securities
- Local passenger transport services;
- Bare land.

Imports

Import VAT is collected when goods are brought directly into the UAE mainland or from a Designated Zone (see 5.4.7. 'Designated Zones' below) to the mainland. In both cases the Importer of Record is responsible for payment of this VAT. Where the importer is VAT registered, it should be possible to account for this VAT on the importer's VAT return. Section 5.4.6 'Reverse charge VAT' explains how to account for VAT that is chargeable on the value of services received from outside the UAE.

VAT should be recoverable by the importer if the goods are to be used for the purposes of making taxable supplies. However, once a GCC State implements VAT, import VAT paid in the UAE on goods which are for onward movement to that 'Implementing' state can only be recovered in that other state. KSA is temporarily excluded from this, as it has not yet fully implemented VAT in relation to cross border movements.

Exports

The general principle is that there should be no VAT charged on exports of goods or services. Exports of goods must leave the country within 90 days (either direct or indirect exports). Evidence of export to be retained is by way of both official evidence (export documents issued by the local Emirate Customs Department), and commercial evidence such as an: Airway bill; Bill of lading; Consignment note; Certificate of shipment. The following list summarises the VAT liability position. Within this list, a GCC state that has not implemented a VAT regime is referred to as "Non Impl State".

1. Goods to Non Impl State and Rest of World – zero rated
2. Goods to an Impl State – customer VAT registered in "one of the" Impl States – outside the scope of UAE VAT.
3. Goods to Impl State – customer not VAT registered in an Impl State – 5% UAE VAT (unless the total value of all exports to that state exceeds the registration threshold in that state)

The rules for services produce a similar VAT position:

Exports of services:

1. Services to Non Impl State and rest of World – zero rated but strict conditions must be met;
2. Services to Impl State – customer not VAT registered – 5% UAE VAT
- 3 Services to Impl State – customer has a place of residence in another Impl State and is VAT registered in that state – outside the scope (The customer should consider reverse charge VAT in his State).

As with imports, KSA is to be treated as a Non Implementing State until further notice.

Reverse charge VAT

In addition to charging VAT, a tax-registered person is required to 'self-account' for VAT when receiving supplies of services or goods from outside the UAE. This is to place overseas suppliers on the same footing as UAE suppliers. However, the impact only affects those businesses that cannot recover the VAT so charged.

Where services are received from outside the UAE, the registered business is responsible for accounting for reverse charge output VAT on its VAT return. This VAT may be recovered as input VAT to the extent to which the services are used in the course of making taxable supplies.

Imports of goods either require import VAT to be paid upon import or, by presenting the VAT registration certificate and Customs registration number the VAT will automatically be entered as output VAT on the next VAT return for the business. The business must then determine whether it is able to recover this VAT as its input VAT. Businesses with a Customs registration are advised to notify this to the FTA when registering for VAT so that the two may be linked electronically.

Designated Zones

Certain Free Zones that are fenced, have security measures and Customs controls in place, have been classified as Designated Zones. Movements of goods into a Designated Zone from outside the UAE are not regarded as having entered the UAE and are not treated as imports. Movements between Designated Zones are therefore not treated as supplies for VAT purposes but as the goods must physically pass through the mainland, the owner may be required to pay a (refundable) guarantee to cover a value of import VAT should the goods be diverted to the mainland permanently.

However, goods supplied within a Designated Zone which are 'consumed' within that Zone are liable to VAT, unless those goods are to be incorporated into, or form part of, or are used in the production or sale of another good, located in the same Designated Zone, which itself is not consumed.

Supplies of goods from the mainland to a Designated Zone are liable to VAT. Supplies of goods from a Designated Zone to the mainland are liable to import VAT – see 5.4.7 'Reverse charge VAT'.

Supplies of services between the mainland and Designated Zones are afforded no special treatment and are liable to VAT subject to the normal rules.

How do I account for VAT

Sales: When making taxable supplies of goods and services, businesses must charge VAT as appropriate and issue Tax Invoices bearing the amount of VAT charged. There are strict requirements, such as values to be in AED. For smaller value sales, a business may issue a simplified Tax Invoice.

This VAT is to be accounted for as output VAT on the VAT return for the business. For the purposes of the return, sales values are to be reported per Emirate.

Purchases: Businesses must retain Tax Invoices as these form the evidence of entitlement to recover the (input) VAT from the FTA via the VAT return.

VAT return: Large businesses will be required to submit VAT returns on a monthly basis. Smaller businesses should be able to submit returns quarterly. Additional annual returns are not required. Submission is on-line through the FTA web-site.

Businesses must submit and pay returns within 28 days of the month following the period end. There are strict fines for failing to submit and pay on time.

Technical issues

There are many technicalities that either require VAT to be accounted for, or provide for restriction on the VAT which can be recovered. For example:

- Capital Assets Scheme – adjustments must be made over a set period to the amount of input VAT claimed on large value asset purchases – i.e. over AED 5million. Principally this will affect to purchases of property, and costs of alterations, extensions, and refurbishments to properties;
- Goods/ services used for own consumption – output VAT is to be paid to the FTA;
- Goods given away as samples or commercial gifts – VAT-free up to set levels, after which output VAT is to be paid to the FTA;
- Partial Exemption – where a business makes both taxable and exempt supplies, it can only recover input VAT to the extent to which it makes taxable supplies. Partial exemption methods determine how this is calculated. A default method is prescribed by the FTA which relies upon identifying VAT on costs incurred which directly relate to taxable supplies and to VAT exempt supplies.

Penalties

A System of penalties is in place to ensure businesses comply with the VAT regulations. For example:

- Failing to register for VAT at the correct time;
- Failing to issue Tax Invoices;
- Failing to submit and pay Tax returns on time; and
- Failing to keep records





EMPLOYMENT

Employment relationships are governed by U.A.E. Federal Law No. 8 of 1980 regulating labour relations as amended (the Labour Law). Certain Free Zones also have their own Employment Law and Regulations which are applicable to entities and their employees within its jurisdiction. The Labour law imposes certain minimum standards on working hours, leave, employment benefits, end of service benefits and a few such issues. There are no minimum wage requirements in the UAE. Employment agreements can further define all such terms between the employer and employee and any such terms will be valid as long as they are not in direct contravention of the UAE Labour Law. Employee grievances and disputes are handled through a conciliation process administered by the Ministry of Labour.

Employees can be hired locally though there are certain restrictions on movement of employees from one Company to another. In most cases, a 'No Objection Certificate' is required from the previous employer to employ an individual working in the UAE. Alternatively, employees can also be hired from foreign countries. There are a large number of recruitment agencies catering to the needs of Companies in the UAE.

The Wages Protection System (WPS)

WPS is an electronic initiative to safeguard payment of workers' wages via transfers through selected financial institutions that are authorised and regulated by the Government. The system was developed by the UAE Central Bank to support the work of the Ministry of Labour through setting up of the database on payment of workers' salaries by the private sector. The Ministry of Labour ensures that the payment of each employee/worker salary is made on time. Such a procedure will help it take speedy measures to curb disputes related to the payment of wages.

Social Security Scheme for UAE Nationals

The Pensions & Social Securities Law, Federal Law No. (7) of 1999, concerns only UAE nationals employed in both the public and private sectors. It provides, amongst other things, for certain contributions to be made by the employee and the employer to the Public Authority of Pensions and Social securities. For a person employed in the public sector these contributions are equivalent to 5% of the contributory pension salary to be paid by the employee and 15% of the contributory pension salary payable by the employer. As for the private sector, the employee contribution remains the same at 5%, while the employer has to make a 12.5% contribution to the Authority and the balance 2.5% is contributed by the government.

This scheme does not cover expatriate employees.

ACCOUNTING & AUDIT

The UAE does not have its own accounting standards. Accounting practices are mainly driven by the auditing and accounting firms in the country. Listed entities are required to follow the International Financial Reporting Standards (IFRS) but there are no rules on which accounting standards need to be followed by unlisted entities. Most audit and accounting firms insist that their clients follow the IFRS.

The Commercial Companies Law states that companies are required to prepare accounts and produce audited financial statement, However there is no regulatory authority where these audited financial statements are to be submitted. Accordingly, compliance of this rule is very limited. Audited financial statements are mostly produced by those companies who need to submit their audited accounts to banks for obtaining or maintaining credit.

Certain free zones require companies to produce and submit audited financial statements every year at the time of license renewal.

In order to comply with VAT laws, stated in Federal Decree-Law No. 8 of 2017 and Cabinet Decision No 36 of 2017 on the Executive Regulations on VAT, a taxable person must maintain records in accordance with title ten, article (78) of the decree which requires maintaining proper records and accounts as stated in the law and executive regulations. These records are to be kept for a minimum period of 5 years after the end of the tax period.

LISTING RULES

Any public company wishing to list their securities on the DFM or ADX should be licensed by the Emirates Securities and Commodities Authority ([ESCA](#)) first. It shall then choose a securities market in the UAE and apply for listing on it. The listing rules are available on the website

There are three exchanges in the UAE.

Dubai Financial Market: As the name suggests, the Dubai Financial Market (DFM) is a secondary market established in the Emirate of Dubai. It is a market for trading of securities issued by Public Joint Stock Companies, bonds issued by the Federal government or any of the local government or public institutions in the country, units of investment funds, and any other financial instruments, local or foreign, which are accepted by the market.

Abu Dhabi Securities Exchange: The Abu Dhabi Securities Exchange (ADX) is also a secondary market established in the Emirate of Abu Dhabi.

Nasdaq Dubai (formerly known as DIFX): NASDAQ Dubai (formerly called the Dubai International Financial Exchange, or DIFX) is the international stock exchange between Western Europe and East Asia. Through the exchange, regional and international issuers can access regional and international investment. International issuers can access investment from the region, through a primary or dual listing. NASDAQ Dubai is located in the Dubai International Financial Centre (DIFC), a financial free zone. The exchange is regulated by the Dubai Financial Services Authority (DFSA).

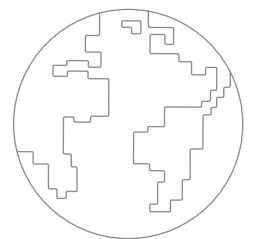


About RSM Dahman

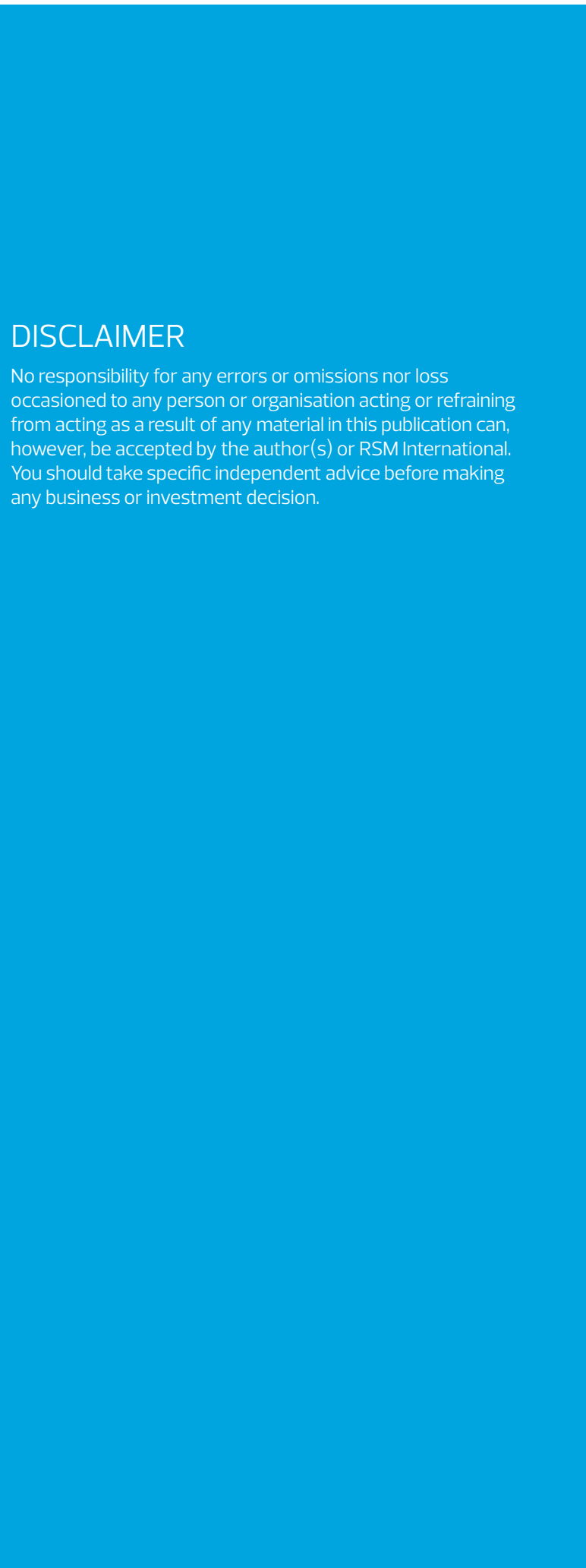
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UNDERSTOOD



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