



UAE and economic substance

The UAE is particularly well positioned to cope with the increasing requirements from governments, tax authorities and other institutions to provide real economic substance. By making use of UAE free zones (FZ) and mainland structures through the establishment of active branches, it is now possible to locate business functions, realize tax savings and satisfy the criteria of economic substance which is very significant. There are opportunities for companies of any size to locate business functions in the country.

The UAE is a white listed onshore jurisdiction that offers business opportunities that exist only in mature industrial and financial hubs. International companies moving to the UAE find themselves in a thriving market with excellent infrastructure. Regulations are in place in the UAE to ensure that whilst attracting worldwide businesses and enhancing its name in international financial services they adhere to high professional standards and prevailing worldwide regulations. A pro-business government encouraging foreign investment has also developed the country into a cosmopolitan centre welcoming a diverse specialist and competitive workforce. Further, Dubai has emerged as a popular jurisdiction for the relocation of high net worth individuals and a strong alternative to UK, Switzerland, Monaco, Singapore and other countries. Special economic zones, FZ, mainland companies (LLCs) and branches offer 100 percent ownership, repatriation of profits and capital exemption from taxes and a wide network of 70+ double tax treaties.

UAE free zone (FZ) and mainland branches

Setting up an active branch in a FZ or the UAE mainland is often very attractive. The structure meets the growing necessity in international tax planning of having necessary substance. This is impossible to deliver from the traditional offshore jurisdictions since they typically only offer an IBC regime.

By establishing a branch in a FZ or mainland UAE of an existing offshore entity registered outside UAE – be that in BVI, Cayman Islands, Belize etc - and having a flexi office, employing 1-2 local persons, the company is able to:

- a) continue unhindered activities from the UAE
- b) satisfy the criterion of economic substance and ensure legitimacy/acceptance of activities
- c) meet the requirements and satisfy the concerns of authorities and bankers
- d) as UAE is a no tax jurisdiction, pay no tax on profits
- e) take advantage of UAE's 70+ double tax treaties

General advantages of setting up a branch in the UAE include:

- 100 percent foreign ownership
- No restriction on profit repatriation
- No exchange controls
- Guarantee of no corporate and personal income taxes for 15-50 years and possible renewal
- Availability of offices, factory premises and warehouses
- Excellent port, airport and road transport infrastructure
- Efficient utilities and communication means
- No recruitment restrictions and assistance in obtaining work permits for expatriate staff

PLEASE FEEL FREE TO CONTACT US WITH ANY QUESTIONS OR QUERIES.

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