

CORPORATE STRUCTURES IN UAE



DUBAI

- The UAE is a white listed jurisdiction offering offshore services within a developed financial centre, Dubai
- International businesses moving to the UAE find themselves in a thriving market with excellent infrastructure located between the West and the Developing East able to generate new business.
- The Global Competitiveness Report 2012-13 issued by the World Economic Forum (WEF) ranks the UAE amongst the top 20 countries in the world for competitiveness

WHAT CAN DUBAI OFFER ?

- Pro-business regulations
- Secrecy, asset protection and no international exchange of information
- Tax free environment
- Excellent network of Double Tax Treaties
- Ideal as Global headquarters centre
- Distinguished and unique lifestyle
- Talented and diverse labour pool
- World class logistics and IT infrastructure
- Strategic location on the trade routes of East and West



TAX FREE ENVIRONMENT

- No Corporation Tax
- No Income Tax
- 100% Ownership in Free Zones
- No foreign exchange controls, trade barriers or quotas
- No restrictions on repatriation of funds
- Strong investor incentives and protections
- Easy access to key decision makers

UAE CORPORATE STRUCTURES

Mainland (vs Free Zone vs offshore)

- ***Commercial/Industry activity***
 - Limited Liability Company (LLC)
 - Min 2 and max 50 shareholders
 - Foreign voting rights limited to 49%
 - Benefits from UAE tax treaty network
 - No tax

- ***Professional***
 - Civil partnership: unlimited responsibility of the partners
 - Suitable only for certain professional activities
 - Only natural persons can enter into partnership
 - May 100% foreign owned; local agent required

UAE CORPORATE STRUCTURES (cont'd)

- ***Branch of a Foreign Company***
 - Commercial/industrial activities
 - But some Professional activities too!
 - Local agent
 - Office premises are required
 - 100% foreign ownership
 - No tax

- ***Representative office***
 - May undertake promotional and marketing activities on behalf of the parent company
 - Not permitted to trade
 - No tax

UAE CORPORATE STRUCTURES (cont'd)

Free Zones

- Themes vs Multipurpose
- Limited Liability (FZE, FZCO, FZLLC) irrespective of the activity
- Corporate shareholding
- May be 100% foreign owned
- Restrictions in the geographical scope of the activity
- Offices premises required
- Local trading only through a local distributor
- May benefit from UAE tax treaty network
- Possible to own real estate (JAFZA only)
- No tax

Offshore

- Limited Liability (Ltd)
- Corporate shareholding
- May be 100% foreign owned
- Inability to deploy a commercial activity in the UAE
- No office requirement

QUALIFICATION FOR TREATY BENEFITS

- From the UAE perspective
 - Physical presence
 - Valid Trade License
 - Paid-up capital

SUBSTANTIATION CHALLENGES

- Effective Management
 - Key decisions are taken in the desired jurisdiction
 - Appropriate board expertise
- Local professional support
- Have non-tax reasons for operating out of the jurisdiction

STRUCTURES UTILISING UAE VEHICLES

UAE corporate vehicles can be used as an **intermediate holding company** in the following circumstances:

- For groups, investing outside UAE, aiming at dividend income streams
- To hold overseas subsidiaries
- To benefit from the favorable withholding tax provisions
- Where a jurisdiction is required that does not have CFC rules
- To avail of the favorable repatriation provisions under UAE tax law
- Suitable for any fund or investment vehicle, as there is no tax on transactions in securities
- Where it may be important to achieve a tax free unwind in the future
- To hold real estate companies for a tax free disposal of property
- To hold intellectual property companies

UAE can be used as the location for the **ultimate holding company**, for instance, for a group that is relocating to a new jurisdiction or on formation of a new publicly-traded corporation with international operations.

HNWI RESIDENCY: AT A GLANCE

- Total Tax Exemption for individuals
- Straight forward procedure
- Ease to maintain and substantiate the Residence Permit
- Low processing and maintenance costs
- High standards of living

Options for obtaining residence:

- Real Estate Investment
- Corporate Structure set-up

CONFIDENTIALITY/EXCHANGE OF INFORMATION

- *UAE Central Bank:*
 - committed to international AML standards
 - limited exchange of information

- *Dubai Financial Services Authority (DFSA):*
 - has established AML, CDD and Data Protection System
 - entered in exchange of information MoUs with about 20 regulators

STATUTORY FEATURES OF LEGAL ENTITIES

	Limited Liability Company (“Local LLC”)	Free Zone Entity (“FZE”)	International Business Company (“IBC”)
Ownership	51% of the shares must be held by a UAE national	100% foreign ownership	100% foreign ownership
Minimum Shareholders	2	1	1
Minimum capital	AED 1.00	AED 10.000 – 1.000.000	AED 1.00
Nature of shares	Registered	Registered	Registered
Directors	1	1-2, depending on zone	1
Minimum required Director(s)location	Not allowed At least one Director must be UAE resident	Not allowed At least one Director must be UAE resident	Allowed No restriction
Audited accounts	Required	Required	Not required
Time frame for Incorporation	4 weeks	2-8 weeks	1-3 days
Language	Arabic/English	English	English
Registered office	Mandatory tenancy agreement	Mandatory tenancy agreement	Registered Agent
Shelf companies	Not available	Not available	Available

COMPARISON OF LEGAL ENTITIES

	Limited Liability Company (“LLC”)	Free Zone Entity (“FZE”)	International Business Company (“IBC”)
Briefly	Until the introduction of free zones, the most common form of corporate investment vehicle	Corporate structure with physical presence allowing 100% foreign ownership	Flexible dematerialized corporate vehicle designed on the BVI model, but benefiting from UAE’s substance and credibility
Activity	<p>Mandatory involvement of a local partner</p> <p>Any lawful activity</p> <p>Ability to conduct any authorized commercial activity in the UAE and abroad</p>	<p>Any lawful activity as allowed by the Zone</p> <p>No restriction to conduct services</p> <p>Local agent required</p>	<p>Any lawful activity is allowed</p> <p>Ability to conduct any authorized commercial activity aboard</p> <p>Hold assets (including real state) abroad and in the UAE</p> <p>Operate a bank account abroad and in UAE</p> <p>Inability to deploy a commercial activity in the UAE</p>
Suitability	<p>Trading in the UAE and abroad</p> <p>Commercial brokerage in the UAE and abroad</p> <p>Manufacturing/industrial activities for prime distribution outside the UAE and larger Middle East countries</p>	<p>Trading outside the UAE</p> <p>Consultancy services head/regional office operation</p> <p>Group structuring</p> <p>Manufacturing/industrial activities for prime distribution outside the UAE and larger Middle East countries</p>	<p>Trading outside the UAE</p> <p>Material assets holding (including real estate) in the UAE and abroad</p> <p>Immaterial assets (eg IP) holding in the UAE and abroad</p> <p>Head/regional office operation operating a bank account in the UAE and abroad</p>

COMPARISON OF LEGAL ENTITIES (Cont'd)

	Limited Liability Company (“LLC”)	Free Zone Entity (“FZE”)	International Business Company (“IBC”)
Advantages	<p>Not subject to tax in the UAE</p> <p>Credibility in high profile trading operations</p> <p>Ability to physically trade in the UAE and abroad</p> <p>Stable environment</p> <p>White listed jurisdiction</p> <p>Ability to arrange local residence visas</p>	<p>Not subject to taxes in the UAE</p> <p>Credibility in high profile trading operations</p> <p>Stable environment</p> <p>White listed jurisdiction</p> <p>Ability to arrange local residence visas</p>	<p>Not subject to taxes in the UAE</p> <p>Flexible legislation</p> <p>Low annual fees</p> <p>Stable jurisdiction</p> <p>White-listed jurisdiction</p>
Remarks	<p>Accounts must be audited and filed yearly</p> <p>Heavier constitution and operating requirements (as opposed to free zones)</p> <p>Most expensive structuring option</p>	<p>Accounts must be audited and filed yearly</p> <p>Heavier administration requirements (as opposed to IBCs)</p> <p>Higher constitution and maintenance costs as compared to an offshore entity</p> <p>Have to rely on a duly licensed local agent</p>	<p>Relatively lower credibility</p> <p>Difficulties to obtain banking facilities</p> <p>Inability to arrange local residence visas</p>
Tax status	Not subject to corporate and withholding tax.	Total tax and duty exemption	Total tax and duty exemption
Double Tax Treaties, special treaties	<p>Full benefits of DTTs</p> <p>Full benefits of special treaties (eg GAFTA).</p>	Full benefits of DTTs	Considered non-resident for tax purpose, IBCs cannot avail themselves of treaties’ benefits
Disclosure	Identity of shareholders and officers is publicly available.	Accessibility to information will vary depending on each zone’s practice.	Information is not public. Court Order required for disclosure