

UNITED ARAB EMIRATES

The United Arab Emirates (UAE) is a constitutional federation of seven Emirates. All business, whether industrial, professional, trading or services, must be licensed to operate in the UAE. The UAE is not on the OECD, UN or EU blacklists so companies incorporated in this jurisdiction, if carefully structured with professional advice, may be extremely useful for tax planning purposes.

Limited Liability Company (LLC)

This category allows for a joint venture between a UAE national and foreign partners. Expatriate partners are permitted to hold shares not exceeding 49% of the capital, with the UAE national partner holding the remaining 51%. The law stipulates that the minimum share capital required is AED 300,000 (US\$ 81,750). However in 2009 the Dubai Economic Department abolished the requirement to deposit the share capital with a local bank and consequently there



is no need for the share capital to be paid up in Dubai.

Once the license is

issued, the entire share capital can be withdrawn or used as working capital. The shares of such companies are not open for subscription by the public. Despite the split in shareholdings, profits may be divided in other ratios agreed upon, taking into consideration efforts of expatriate partners in management, provision of technology or expertise. The expatriate partner may undertake management of the company.

Free Zone Registration

The UAE has over 30 Free Zones where 20 are located in Dubai. The main attraction of

establishing an entity in one of the Free Zones is that there is no UAE national shareholding required. The following types of registration are available in the Free Zones: Free Zone Establishment, Free Zone Company and Branch of a Foreign / Local Company. In all cases the following benefits apply:

- 100% foreign ownership.
- 100% repatriation of capital & profits.
- 100% corporate and personal income tax exemption.
- No currency restrictions.
- Abundant and inexpensive energy.
- Modern efficient communications.
- Excellent support services from local authorities.

Once a company has been accepted into a Free Zone it will naturally operate under one or more of four different licences being commercial licence, general trading licence, industrial licence and service licence. Free Zone registrations do not require a UAE local sponsor. Free Zone Establishments and Free Zone Companies have different minimum share capital requirements dependent upon the Free Zone of incorporation and must also pay licence fees. The most popular mode of setting up a company to trade within the UAE would be to set up a company as a branch of a foreign company registered in the UAE (Free Zone). For instance, a BVI Offshore Company could be incorporated and a branch of the same could be registered in a Free Zone. There is no



specified share capital for a branch. If a company registered in the Free Zone wishes to sell goods or services outside the Free Zone and within a particular Emirate, a local distributor must be used and a 5% duty would be payable. Overseas sales are free of any duty.

Jebel Ali Offshore Company

Jebel Ali Offshore Companies are regulated by the Jebel Ali Free Zone (JAFZ) Offshore Companies Regulations 2003. Although the company can hold a bank account in the UAE for conducting routine operational transactions, it is not allowed to do any business in Dubai or in the Free Zone. This will be solely an offshore company. This company can be used to own real estate properties in Dubai developed by Nakheel Company LLC, Emaar PJSC, Dubai Holdings and any other real estate developers approved by the Jebel Ali Free Zone Authority (JAFZA). There is a requirement for a minimum of two directors and one shareholder. Corporate directors are not permitted but corporate shareholders are allowed. Details of directors are not available for public inspection. Companies must maintain a

registered office within Dubai / JAFZ, have a secretary and keep accounting records. Registration in about 1 to 2 weeks.

Ras Al Khaimah-International Company (RAK-IC)

One of the latest developments at Ras Al Khaimah Free Trade Zone is the “International Company”. The concept which is similar to an offshore company, RAK-IC is regulated by the Ras Al Khaimah Free Trade Zone Authority – International Companies Regulations 2006. Although this company can hold a bank account in the UAE for conducting routine operational transactions, it is not allowed to conduct business within UAE. This will be solely an offshore company. A minimum of one director and one shareholder is required and corporate directors and shareholders are permitted. Companies must maintain a registered office within the UAE and maintain accounting records. Whilst the company can be registered within 24 – 48 hours, there will be a further period of approximately one week for all of the corporate documents to be received.

Please feel free to contact us with any questions or queries.

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