

10 MISTAKES BUSINESSES MAKE IN THE UAE



PROFESSIONAL ADVICE FOR
START-UP ENTREPRENEURS
IN THE UAE

Guide from professionals



WHAT YOU SHOULD KNOW BEFORE YOU START

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10 COMMON MISTAKES BUSINESSES MAKE IN THE UAE

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SURVIVAL EN-AR PHRASE-BOOK

2016



Dubai is a city for those for whom even the sky is not the limit and who is brave enough to pursue their dream.

Preface

Individual stories of most expats in the UAE start in the same way, where at some point people decide to move to the United Arab Emirates. Someone is expanding the business and sets up a new company in Dubai, someone receives a job offer, others have nothing but a packed suitcase and accept a position in hospitality sector, others follow their spouses, and there are also those who just started researching information on the UAE, while being in their home countries in front of computer desktops, studying pictures and videos of the United Arab Emirates and enjoying mesmerized views of skyscrapers and blue waters, while simultaneously envying smiles of satisfied tourists and visitors.

Our story began in 2010 when we first came to the UAE after graduating from high school. We were young but we were also ambitious. At that time United Arab Emirates and world economies were slowly recovering from the crisis of 2008, when many businesses went bankrupt and people abandoned their cars leaving them on parking lots in front of their houses and at the airport parking. Many entrepreneurs

lost everything or almost everything at that time. People were unable to fulfil their financial obligations and many of them already issued cheques that subsequently started to bounce. Others had to leave the country as they were no longer able to pay off their loans with banks. Since all debtors were liable, it explains why even after the crisis there was abundance of pictures of abandoned luxury cars covered with dust and sand. Those businessmen were aware of local laws, so they left the country. It is only after 2-3 years that runaway businessmen started hiring lawyers in the UAE to settle their outstanding balances and to pay debts to be able to come back to the country they left several years ago.

Those who came to the United Arab Emirates before the crisis remember those great days. People speak of that days as of golden ones, as the number of transactions was countless and anyone could earn easily.

And though economic crisis was threatening Dubai's economy more and more, due to support of Abu Dhabi, UAE was able to overcome economic obstacles and to stabilize its economy.

Many investors are asking where it is best to invest to get a good return on investment rate. And our answer did not change for years. UAE has a lot to offer in terms of investment and this country has various investment options to multiply and grow your assets.

2020 is the time when you ideally need to do business in the United Arab Emirates. And there is a

number of reasons for that.

Reason 1. At present UAE remain a tax-free jurisdiction. There is no tax on personal income and there is no corporate tax. As such, by doing business in the UAE you only increase your net profit.

Reason 2. Expo 2020. Expo2020 is an international event / exhibition which takes place once in five years and that all countries are taking part in. In 2015 Expo took place in Milan, Italy. Dubai was honored to become the next host country for such high profile international event. UAE government invests substantial resources and funds into development of country's infrastructure to make sure that the Dubai emirate is ready to welcome millions of guests from across the globe. Just imagine, it is estimated that over 20 mln. visitors will be coming to Dubai in year 2020. And each of these visitors and guests will be spending their time in malls, restaurants and in other locations.

“**By 2020 you need to have a running business in the United Arab Emirates.**”

REASON 3. STATISTICS HAS IT. THERE ARE 72 100 DOLLAR MILLIONAIRES WHO LIVE IN THE UAE. EACH 125TH RESIDENT OF THE UNITED ARAB EMIRATES IS A DOLLAR MILLIONAIRE AND EVERY TWO YEARS THE NUMBER OF DOLLAR MILLIONAIRES IN THE COUNTRY INCREASES BY 10-15%. AS SUCH, UAE IS A GREAT MARKET FOR LUXURY GOODS AND SERVICES.

REASON 4. UNITED ARAB EMIRATES IS AMONG THE SAFEST PLACES IN THE MIDDLE EAST AND IN THE WORLD TOO. IT IS SECURE FOR BUSINESS, FOR LIVING, FOR THE FAMILY.

REASON 5. INFRASTRUCTURE. 20% OF ALL TOWER CRANES IN THE WORLD ARE IN THE UNITED ARAB EMIRATES. LOCAL GOVERNMENT INVESTS MILLIONS IN INFRASTRUCTURE OF THE COUNTRY. IT IS SEEN DAILY, WHEN NEW ROADS ARE CONSTRUCTED HERE AND THERE. ROADS IN THE UAE ARE CONSIDERED TO BE THE BEST IN THE WORLD.

REASON 6. CONSTANTLY GROWING BUYER'S MARKET. ANNUALLY UAE WELCOMES HUNDREDS OF THOUSANDS OF JOB SEEKERS. EVERY YEAR HUNDREDS OF EXHIBITIONS AND INTERNATIONAL EVENTS TAKE PLACE IN THE COUNTRY, WHICH ATTRACT INTERNATIONAL COMMUNITY. ALL THESE VISITORS TRANSLATE INTO YOUR POTENTIAL CUSTOMERS AND CLIENTS.

REASON 7. FUEL IS CHEAPER THAN WATER. ISN'T THAT A SUBSTANTIAL BENEFIT FOR CAR FANS? ALSO AS A BUSINESS OWNER WITH A CORPORATE CAR THIS WILL HELP YOU TO DECREASE YOUR OPERATIONAL COSTS.

WE HAVE NAMED ONLY SEVEN REASONS WHY IT IS BENEFICIAL TO DO BUSINESS IN THE UAE. IN REALITY THERE ARE MORE THAN SEVEN AND WE CAN SHARE THEM WITH YOU ON A BUSINESS TOUR TO UAE, AS WE WANT TO HIGHLY RECOMMEND YOU.

NOW WE WOULD LIKE TO SHARE WITH YOU INFORMATION ON DOING BUSINESS IN THE UNITED ARAB EMIRATES. 72 100 DOLLAR MILLIONAIRES LIVE IN THE UAE. EACH 125TH UAE RESIDENT.



BUSINESS TOURS TO UAE

To understand if investment in the UAE is the right type of investment for you, you may want to see and learn everything first-hand. You can learn more during our business tours.

Find out more about business tours to UAE and how you can benefit from them here:
uae-consulting.com



Part I

OUR FAILURES AND SUCCESS SECRETS IN THE UAE,
and 10 common mistakes businesses make in the UAE

IT IS A COMMON SENSE PRINCIPLE THAT RULES THAT APPLY TO COMPANY REGISTRATION IN ONE COUNTRY MAY BE DIFFERENT FROM REQUIREMENTS AND PROCESSES IN ANOTHER COUNTRY. IN LIGHT OF THIS, IT IS RECOMMENDED NOT TO ASSUME BUT RATHER ACCEPT THE FACT THAT THE PROCESS OF INCORPORATION IN DUBAI AND UAE IN GENERAL IS DIFFERENT. THEREFORE, ONE SHOULD BE AWARE OF ISSUES THAT SHALL BE CONSIDERED PRIOR TO INITIATING THE PROCESS OF COMPANY INCORPORATION IN DUBAI OR OTHER EMIRATE. THIS WILL SERVE A GOOD PURPOSE HELPING TO AVOID UNMET EXPECTATIONS AND UNNECESSARY EFFORTS AND EXPENSES.

WE SUMMARIZED OUR EXPERIENCE AND CAME UP WITH 10 MOST COMMON MISTAKES THAT WE INSIST YOU FAMILIARIZE WITH BEFORE YOU START BUSINESS IN THE UAE.

1- Do NOT PROCEED WITH REGISTRATION OF A UAE FREE ZONE COMPANY, UNLESS YOU CONFIRMED AVAILABILITY OF REQUIRED OFFICE SPACE.

WEB-SITES OF VARIOUS FREE ECONOMIC ZONES IN THE UAE ADVERTISE A WIDE RANGE OF FACILITIES FOR RENT. ALMOST EACH FREE ZONE OFFERS TO CHOOSE FROM A FLEXI-DESK TO SMALL AND BIG OFFICES. SOME ECONOMIC ZONES OFFER TO THEIR MEMBER COMPANIES WAREHOUSES AND PLOTS OF LAND. NEVERTHELESS, THE AVAILABILITY OF ALL FACILITIES REGULARLY CHANGES.

YOU MAY DISCOVER THAT THERE ARE NO SMALL OFFICES FOR LEASE WHEN YOU DECIDE TO PROCEED WITH COMPANY INCORPORATION IN A PARTICULAR UAE FREE ZONE OR WHEN YOU ARE ALREADY IN THE PROCESS OF BUSINESS REGISTRATION. BY THIS TIME, IT WILL BE LATE AND NOT FEASIBLE TO START OVER COMPANY REGISTRATION PROCESS IN A DIFFERENT FREE ZONE.

2 – ESTIMATE THE NUMBER OF EMPLOYEES YOU WISH TO HIRE IN THE FIRST YEAR OF COMPANY’S OPERATIONS.

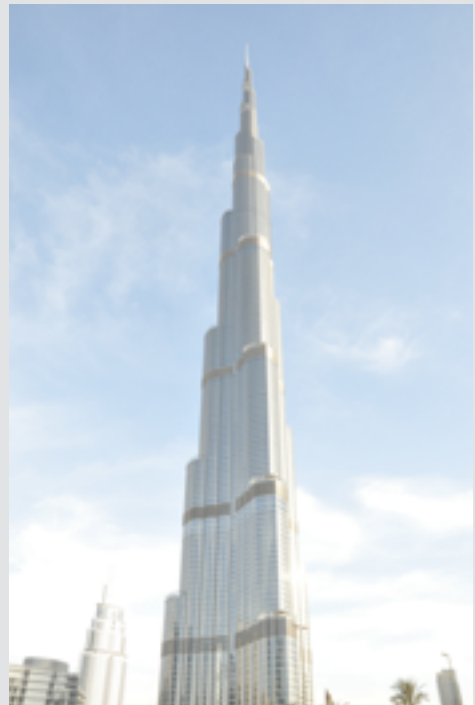
COMPANIES, THAT ARE NEW TO DUBAI AND UAE, ARE OFTEN NOT AWARE OF THE RULE THAT THE NUMBER OF EMPLOYED INDIVIDUALS IS PROPORTIONATE TO THE SIZE OF RENTED OFFICE SPACE. EACH ZONE HAS ITS REQUIREMENTS IN TERMS OF OFFICE SPACE TO BE ALLOCATED TO 1 EMPLOYEE. IN GENERAL, MOST OF UAE FREE ZONES REQUIRE 9 M² OF OFFICE SPACE PER EMPLOYEE.

THEREFORE, BEFORE YOU PROCEED WITH RENT OF OFFICE SPACE, ESTIMATE THE NUMBER OF EMPLOYEES YOU WISH TO HIRE IN THE FIRST YEAR.

3 – DO NOT RELY ONLY ON INFORMATION ON INTERNET.

WE LIVE IN THE AGE OF DIGITAL TECHNOLOGIES WHEN ANY INFORMATION CAN BE EASILY SEARCHED ON THE INTERNET. ALL DUBAI FREE ECONOMIC ZONES, UAE OFFSHORE ZONES, DEPARTMENTS OF ECONOMIC DEVELOPMENT AND OTHER GOVERNMENT INSTITUTIONS, THAT ASSIST WITH SET-UP OF COMPANIES IN THE UAE, HAVE THEIR OWN WEB-SITES WITH A LOT OF INFORMATION ON PROCESSES AND REQUIREMENTS.

HOWEVER, UAE IS DEVELOPING VERY FAST, AS SUCH, WHAT WAS UP-TO-DATE YESTERDAY MAY BE NOT APPLICABLE THE NEXT DAY. IN LIGHT OF THIS, IT IS HIGHLY RECOMMENDED TO RELY ON OTHER SOURCES APART FROM INTERNET. IT IS ADVISABLE TO ARRANGE A PERSONAL VISIT TO THE RELEVANT AUTHORITY TO CONFIRM NECESSARY INFORMATION OR ENGAGE A UAE BUSINESS CONSULTANT WHO HAS ESTABLISHED





You should not register a free zone company if you plan to take part in state tenders.

Only local companies in the UAE are allowed to take part in state tenders.



Emirates as supercar

UAE development speed is so fast, that what was actual yesterday and actual yesterday may be different today

CONTACTS AND A GOOD KNOWLEDGE OF UAE BUSINESS PROCESSES.

BEFORE YOU PROCEED WITH REGISTRATION OF A COMPANY IN DUBAI OR ANY OTHER EMIRATE, DOUBLE CHECK THE INFORMATION ABOUT INCORPORATION PROCESS AND REQUIREMENTS. YOU MAY DISCOVER THAT YOU NEED ADDITIONAL DOCUMENTS.

5 – YOU SHOULD NOT REGISTER A FREE ZONE COMPANY, IF YOU PLAN TO TAKE PART IN STATE TENDERS.

IT IS IMPORTANT TO MENTION THAT ONLY LOCAL COMPANIES IN THE UAE ARE ALLOWED TO TAKE PART IN STATE TENDERS. THEREFORE, IF YOU ESTABLISH A FREE ZONE ENTITY, YOU WILL BE RESTRICTED AND NOT ALLOWED TO PARTICIPATE IN STATE TENDERS.

6 – ENSURE THAT YOU ARE AWARE OF BANK CHARGES AND ACCOUNT BALANCE REQUIREMENTS, BEFORE YOU CHOOSE TO PROCEED WITH A PARTICULAR BANK.

VERY OFTEN IT IS BANK'S CREDIBILITY THAT CUSTOMERS APPEAL TO WHEN OPENING A BANK ACCOUNT IN THE UAE. HOWEVER, IT IS IMPORTANT TO CONSIDER BANK CHARGES AND MINIMUM BALANCE REQUIREMENTS WHEN CHOOSING THE BANK.

TO AVOID UNEXPECTED DEVELOPMENTS, IT IS ADVISABLE TO CONSULT A BANK REPRESENTATIVE OR APPROACH A BUSINESS CONSULTANT IN THE UAE WHO MAY HELP YOU TO CHOOSE THE BANKING FACILITIES THAT WOULD BE MORE APPROPRIATE FOR YOUR TYPE OF BUSINESS.

7 – IT IS A BIG MISTAKE TO TAKE SERIOUSLY SOMEONE’S COMMENTS THAT YOUR BUSINESS IDEA WILL NOT WORK. IF YOU OFFER HIGHLY PROFESSIONAL SERVICES, YOUR CLIENTS WILL FIND YOU.

AS ANYWHERE IN THE WORLD, YOU WILL BE WARNED THAT COMPETITION IN THE UAE IS VERY HIGH AND YOU WILL BE LUCKY IF YOU DO NOT SHUT DOWN YOUR BUSINESS IN 1 OR 2 YEARS. BASED ON OUR EXPERIENCE WE CAN STATE THE FOLLOWING: IF YOU OFFER HIGH QUALITY PROFESSIONAL SERVICES, YOUR CLIENTS WILL FIND YOU. IT MAY SOUND SAD, BUT IN THE RACE FOR WEALTH MANY COMPANIES FORGOT THAT THEIR MAIN GOAL IS TO PROVIDE SERVICE AND THIS SERVICE SHOULD BE OF TOP QUALITY. TO DECREASE EXPENSES AND INCREASE PROFIT COMPANIES RECRUIT LESS SKILLED PROFESSIONALS. THIS SOMETIMES RESULTS INTO SITUATIONS WHEN COMPANIES FORGET ABOUT THEIR CLIENTS’ SATISFACTION RATE, STRIVING FOR BIGGER AND BETTER PROFITABILITY. THIS CAN NOT BUT REFLECT ON THE QUALITY OF PROVIDED SERVICES. IF YOU ARE LOOKING FOR TOP QUALITY SERVICES YOU CAN ALWAYS CONTACTS US ON UAE@UAE-CONSULTANTS.COM .

“
72 100 dollar
millionaires live in the
UAE. Each 125th UAE
resident.”

8 – IT IS RISKY TO START A BIG BUSINESS IN A NEW COUNTRY FROM SCRATCH. START WITH SMALL STEPS AND GROW GRADUALLY. WE WITNESSED A NUMBER OF CASES WHEN BUSINESSMEN WHO HAVE NO PRACTICAL EXPERIENCE IN CONDUCTING BUSINESS IN THE UAE, NO CLIENT BASE AND NO NETWORK OF BUSINESS CONTACTS JUMP OFF THE DEEP END. THESE PEOPLE INVEST A LOT IN BUSINESS REGISTRATION, OFFICE RENTAL IN THE PRIME LOCATION AND LUXURY FIT-OUTS. AFTER SOME TIME, UNFORTUNATELY, SUCH BUSINESSMEN HAVE TO SCALE BACK THEIR AMBITIONS, AND SOMETIMES EVEN TO SHUT DOWN THE BUSINESS.

WE ALWAYS RECOMMEND TO START SMALL AND SUGGEST SUCH OPTIONS, THAT ALLOW LATER TO GROW THE BUSINESS GRADUALLY. YOUR BUSINESS GROWS THEN ALONG WITH YOUR GROWING PROFIT.

IT IS RISKY TO START BIG IN A NEW JURISDICTION WITHOUT LOCAL KNOWLEDGE. START SMALL AND GROW GRADUALLY.

9 – STRUCTURING OF SALARY/BONUS/COMMISSION PAYMENTS TO COMPANY’S EMPLOYEES.

IT IS A COMMON PRACTICE FOR BUSINESS OWNERS TO OFFER EMPLOYEES COMMISSION BASED SALARIES. HOWEVER, IT IS ALSO VERY COMMON THAT THESE BUSINESS OWNERS ARE NOT AWARE OF THE FACT THAT DEPENDING ON THE EMPLOYMENT CONTRACT TYPE (LIMITED OR UNLIMITED) UPON COMPLETION OF SEVERAL YEARS OF SERVICE (FROM 1 TO 5 YEARS OR EVEN MORE), IF EMPLOYEE LEAVES THE COMPANY, HIS COMPANY NEEDS TO COMPENSATE EMPLOYEE AND PAY END-OF-SERVICE BENEFITS. TOTAL AMOUNT OF END-OF-SERVICE BENEFITS DEPENDS ON THE NUMBER OF YEARS SERVED AND ON THE SALARY AMOUNT (WHERE BONUSES AND COMMISSIONS ARE INCLUDED IN CERTAIN CASES).

IF EMPLOYEE LEAVES THE COMPANY, HIS COMPANY NEEDS TO COMPENSATE EMPLOYEE AND PAY END-OF-SERVICE BENEFITS.

TOTAL AMOUNT OF END-OF-SERVICE BENEFITS DEPENDS ON THE NUMBER OF YEARS SERVED AND ON THE SALARY AMOUNT (WHERE BONUSES AND COMMISSIONS ARE INCLUDED IN CERTAIN CASES).

IN CASE EMPLOYEE WAS ENTITLED TO A VERY REWARDING COMMISSION, THE TOTAL OF END-OF-SERVICE BENEFITS MAY BE VERY HIGH.

AS SUCH, PRIOR TO HIRING IN THE UAE WE ALWAYS RECOMMEND TO CONSULT A LOCAL LAWYER AND DO NOT UNDERESTIMATE THE IMPORTANCE TO INVEST IN SUCH CONSULTATION, AS THIS WILL ALLOW YOU TO PROPERLY STRUCTURE COMPENSATION OF YOUR EMPLOYEES AND AT THE SAME TIME TO ENSURE THAT YOU RETAIN THE TALENTS.

10 – ALL COMPANY'S EMPLOYEES MUST HAVE EMPLOYMENT PERMITS/EMPLOYMENT RESIDENT VISAS FROM THE COMPANY (SPONSOR) WHERE THEY WORK.

IT MAY SOUND UNUSUAL, BUT SOME OF BUSINESS OWNERS IN THE UAE IN ORDER TO MAINTAIN MINIMAL LEVEL OF EXPENSES DO NOT APPLY FOR EMPLOYMENT VISAS OR PERMITS FOR THEIR EMPLOYEES AND SUCH EMPLOYEES STAY ILLEGALLY EMPLOYED. SUCH PRACTICES ARE UNLAWFUL AND THE GOVERNMENT TAKES ALL MEASURES TO ERADICATE THEM.

COMPANIES THAT HIRE BUT DO NOT APPLY FOR EMPLOYMENT VISAS AND PERMITS ARE SUBJECT TO FINE OF USD 13,000 AND MORE FOR EACH ILLEGALLY EMPLOYED INDIVIDUAL. IN THE RECENT YEARS UAE AUTHORITIES TIGHTENED CONTROL OVER SUCH PRACTICES, CONDUCT REGULAR INSPECTIONS AND ISSUE FINES TO COMPANIES ILLEGALLY HIRING STAFF. AS SUCH, IT IS CRUCIAL TO UNDERSTAND THE IMPORTANCE OF EMPLOYMENT RESIDENT VISAS AND EMPLOYMENT PERMITS FOR YOUR EMPLOYEES BEFORE THEY START WORKING FOR YOUR COMPANY.



Do not rush to start business in the UAE.

Proceed with application for relevant license only once you confirm that this license will allow you to conduct corresponding business activity.



Focus on quality of your services.

If you offer top quality, your clients will find you.

WE THINK WE BROUGHT UP IMPORTANT ISSUES AND DISCUSSED TOPICS THAT YOU CANNOT FIND MUCH ABOUT ON THE INTERNET. OF COURSE THESE ARE NOT ALL UNDERLYING POTENTIAL ISSUES YOU MAY NEED TO ADDRESS WHEN YOU DECIDE TO START YOUR BUSINESS IN THE UAE.

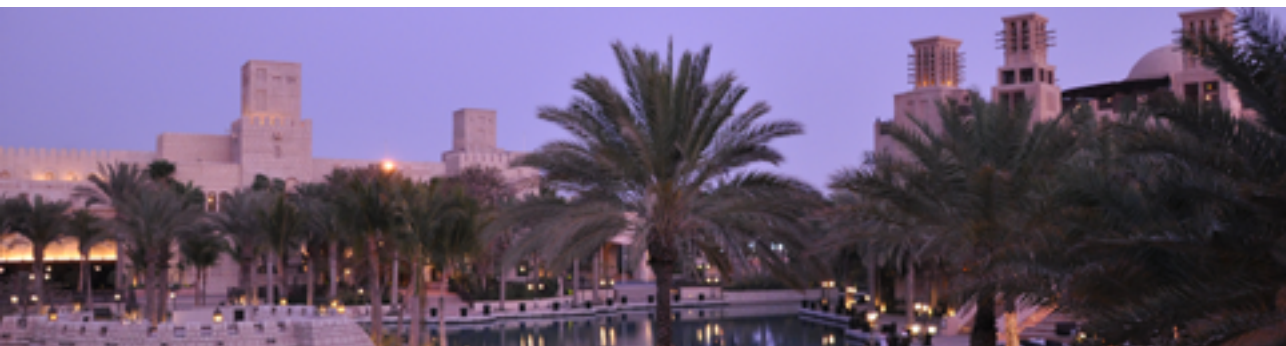
WE WILL BE DELIGHTED TO SHARE OUR KNOWLEDGE AT THE TIME OF OUR BUSINESS TOURS AS WELL AS TO CONSULT YOU ON ALL RELEVANT BUSINESS RELATED MATTERS.

“

It is risky to start big in a new jurisdiction without local knowledge. Start small and grow gradually.”



PART II



Business in UAE

TO CONDUCT BUSINESS ACTIVITY IN THE UNITED ARAB EMIRATES, ONE NEEDS TO REGISTER A CORPORATE ENTITY (COMPANY) AND OBTAIN A RELEVANT BUSINESS LICENSE. OCCASIONALLY ADDITIONAL APPROVALS MAY BE REQUIRED.

BUSINESS LICENSE IN UAE IS ISSUED FOR A PERIOD OF ONE YEAR AND IT NEEDS TO BE RENEWED ON AN ANNUAL BASIS. THERE ARE CERTAIN FEES ASSOCIATED WITH ISSUANCE AND RENEWAL OF THIS BUSINESS LICENSE. DEPENDING ON THE AUTHORITY THAT ISSUES LICENSE AND THE EMIRATE WHERE LICENSE IS ISSUED, THE COST OF THE LICENSE MAY VARY FROM USD 4,110 TO USD 8,220 OR IT CAN BE EVEN HIGHER.

CORPORATE LICENSE CAN BE ISSUED FOR SEVERAL BUSINESS ACTIVITIES AS WELL, BUT THESE ACTIVITIES MOST OF THE TIME MUST BE RELATED TO EACH OTHER. IN OTHER WORDS, YOU CAN NOT OBTAIN ONE LICENSE WHICH WILL MENTION TRADE WITH FOOD AND FIT-OUT SERVICES ON IT.

SOME SPECIFIC BUSINESS ACTIVITIES MAY REQUIRE ADDITIONAL EXTERNAL APPROVALS. BY WAY OF EXAMPLE, ESTABLISHMENT OF A MEDICAL CLINIC REQUIRES APPROVALS FROM THE MINISTRY OF HEALTH, TRANSPORTATION RELATED ACTIVITIES NEED PERMISSIONS FROM ROAD AND TRANSPORT AUTHORITY. SUCH ADDITIONAL APPROVALS WILL REQUIRE PAYMENT OF CORRESPONDING GOVERNMENTAL CHARGES.

IT IS EQUALLY IMPORTANT TO STATE THAT SOME BUSINESS ACTIVITIES REQUIRE LEASE OF SPACE OF A PARTICULAR SIZE. IN LIGHT OF THIS, IT IS IMPORTANT TO CONFIRM REQUIREMENTS WITH RESPECT TO THAT PARTICULAR BUSINESS ACTIVITY YOU WISH TO CONDUCT WITH RELEVANT REGISTRATION AUTHORITIES.

IN ORDER TO CONDUCT CERTAIN BUSINESS ACTIVITIES IN THE UAE, LOCAL AUTHORITIES REQUIRE THAT BUSINESS IS PARTIALLY OR FULLY OWNED BY A LOCAL PARTNER (I.E. UAE CITIZEN). IT CAN BE ALSO A CASE, THAT BUSINESS ACTIVITY YOU ARE INTERESTED IN REQUIRES THAT LOCAL PARTNER HAS CERTAIN EDUCATIONAL DEGREE OR QUALIFICATION. THE COMPANY.

MANAGER ALSO HAS AUTHORITY TO ENTER INTO CONTRACTS WITH SUPPLIERS, BUYERS, CLIENTS AND OTHER RELEVANT REPRESENTATIVES, AS WELL AS TO RECRUIT AND DISMISS STAFF.

“We recommend to trust company setup to real professionals and save your time and money”

MANAGER ALSO HAS AUTHORITY TO ENTER INTO CONTRACTS WITH SUPPLIERS, BUYERS, CLIENTS AND OTHER RELEVANT REPRESENTATIVES, AS WELL AS TO RECRUIT AND DISMISS STAFF.

ALTHOUGH COMPANY REGISTRATION PROCESS MAY LOOK VERY STRAIGHTFORWARD AT FIRST SIGHT, WE RECOMMEND TO ENTRUST THIS MATTER TO BUSINESS CONSULTING PROFESSIONALS. THEY WILL HELP YOU TO AVOID UNNECESSARY EXPENSES AND WILL GUIDE YOU AND CONSULT YOU ON ALL BUSINESS RELATED MATTERS IN THE FIRST YEARS OF YOUR BUSINESS OPERATIONS. YOU CAN LEARN MORE ON WWW.UAE-CONSULTANTS.COM AND CONTACT US ON UAE@UAE-CONSULTANTS.COM .

Business in UAE from within



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It is extremely difficult to analyze all advantages and disadvantages of doing business in the UAE, while being outside of the United Arab Emirates. We understand this as no one else.

If you have questions and you are looking for advice in connection with your particular case, drop us an email or give us a call. We will address your queries. We promise.



WITH TIME WE REALIZED THAT CLIENTS WHO APPROACH US ARE VERY OFTEN CONFUSED, AS TO WHICH TYPES OF COMPANIES CAN BE REGISTERED IN THE UAE. THIS TOPIC WE DECIDED TO COVER IN THIS PARTICULAR CHAPTER.

ALL COMPANIES REGISTERED IN THE UAE CAN BE DIVIDED INTO ONSHORE, THOSE THAT ARE ALLOWED TO CONDUCT BUSINESS IN THE UAE AND GLOBALLY, AND OFFSHORE, WHICH BUSINESS ACTIVITY IS RESTRICTED TO COUNTRIES OUTSIDE THE UAE.

THE MOST WELL-KNOWN FORMS OF ONSHORE LEGAL ENTITIES ARE AS FOLLOWS:

- 1) LIMITED LIABILITY COMPANY (LLC) (IS A PARTNERSHIP WITH A UAE CITIZEN, WHERE A LOCAL PARTNER HOLDS MAJORITY OF SHARES (51% OR MORE));
- 2) FREE ZONE COMPANY (CAN BE 100%-FOREIGN OWNERSHIP);
- 3) SOLE PROPRIETORSHIP (COMPANY CAN BE REGISTERED ONSHORE OUTSIDE OF FREE ZONE AND UAE RESIDENT/EXPAT CAN BE A 100%-SHAREHOLDER OF THE COMPANY. HOWEVER, IT IS IMPORTANT TO MENTION THAT IN THIS CASE LIABILITY IS UNLIMITED.
- 4) FREELANCER LICENSE (PERMITS ARE BEING ISSUED BY VARIOUS FREE ZONE AUTHORITIES INCLUDING DMC, FCC AND UAQ).

OFFSHORE COMPANIES, THOUGH THEIR ACTIVITY IS LIMITED IN THE UAE, ARE STILL POPULAR WITH INVESTORS AND BUSINESSMEN.

OFFSHORE COMPANY (IS NOT ALLOWED TO CONDUCT BUSINESS IN THE UAE AND RENT AN OFFICE SPACE. SUCH COMPANIES SERVE AS HOLDING COMPANIES WHICH MANAGE VARIOUS ASSETS, INVEST IN OTHER BUSINESSES AND OWN PROPERTIES IN PROJECTS APPROVED BY RAKIA, AFZA OR JAFZA).

SINCE OUR OBJECTIVE IS NOT TO CONFUSE MORE, BUT RATHER TO STRUCTURE AND CLARIFY, WE WILL PROVIDE A GENERAL OVERVIEW ON WHICH COMPANY CAN BE MORE SUITABLE FOR YOUR BUSINESS NEEDS.

1) LOCAL COMPANY (LLC): THIS COMPANY ALLOWS TO FREELY CONDUCT BUSINESS IN THE WHOLE EMIRATE. THEREFORE, THIS COMPANY WILL BE BEST SUITED FOR BUSINESSES THAT OFFER SERVICES OUTSIDE OF THEIR OFFICES (FIT-OUTS, EVENT MANAGEMENT, INSTALLATIONS ETC.), PROVIDE DELIVERY SERVICES OR FOR BUSINESSES THAT ARE ENGAGED IN TRADING ACTIVITIES.

2) **FREE ZONE COMPANY:** THIS TYPE OF COMPANY WILL BE THE RIGHT FIT FOR THOSE BUSINESSMEN, WHO WILL BE PROVIDING SERVICES FROM THEIR OFFICES (WEB-SITE DEVELOPMENT, SUPERMARKET, MEDICAL CENTER, AUDITORS, LAWYERS, CONSULTANTS ETC.).

3) **OFFSHORE COMPANY:** OFFSHORE COMPANY IS A GOOD TOOL FOR BUSINESSMEN ENGAGED IN INTERNATIONAL TRADE, AS THEY ARE ABLE TO CONDUCT BUSINESS ANYWHERE OUTSIDE THE **UAE** AND TO HOLD A **UAE** BANK ACCOUNT FOR TRANSACTIONS.

IN THIS CHAPTER WE LAID OUT MAIN DISTINCTIVE FEATURES OF DIFFERENT TYPES OF COMPANIES. IF YOU REQUIRE MORE INFORMATION, WE WILL BE DELIGHTED TO INVITE YOU ON A BUSINESS TOUR TO THE **UAE** AND PROVIDE YOU ASSISTANCE WITH INCORPORATION IN THE **UNITED ARAB EMIRATES**.

“ **All companies registered in the UAE can be divided into onshore, those that are allowed to conduct business in the UAE and globally, and offshore, which business activity is restricted to countries outside the UAE.** ”





BRIEF GUIDE

ON HOW TO START BUSINESS

IN THE UAE

NOW THAT WE LOOKED AT COMMON MISTAKES BUSINESSMEN MAKE IN THE UAE, DISCUSSED HOW TO DETERMINE THE RIGHT TYPE OF COMPANY THAT WILL SERVE YOUR BUSINESS NEEDS, IT IS RIGHT TIME TO TALK ABOUT HOW TO SET UP A COMPANY IN THE UNITED ARAB EMIRATES OR, IN OTHER WORDS, HOW TO START YOUR BUSINESS IN THE UAE.

1. CHOOSE THE NAME OF YOUR COMPANY. BEFORE YOU APPLY FOR COMPANY REGISTRATION, COME UP WITH THREE PROPOSED NAMES, IN CASE ONE OR TWO OUT OF SUGGESTED ONES ARE ALREADY TAKEN. COMPANY NAME SHALL NOT CONTRADICT YOUR FUTURE BUSINESS ACTIVITY. WE WOULD ALSO LIKE TO DRAW YOUR ATTENTION THAT NAMES OF COUNTRIES AND CITIES ARE NOT ALLOWED IN COMPANY NAMES. DIFFERENT LOCAL AUTHORITIES HAVE THEIR INDIVIDUAL POLICIES IN CONNECTION WITH COMPANY NAMES.

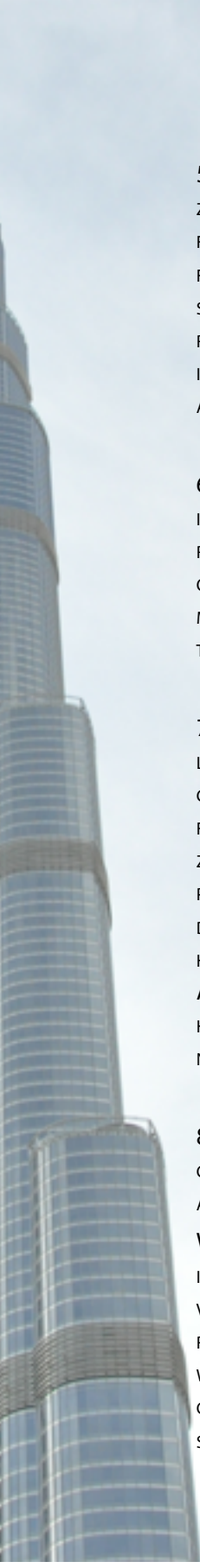
2. DETERMINE YOUR FUTURE CORPORATE STRUCTURE. AT THE TIME OF COMPANY FORMATION, YOU WILL NEED TO STATE THE NAMES OF COMPANY'S SHAREHOLDER/S, DIRECTOR/S AND A MANAGER.

AS WE MENTIONED BEFORE, A MANAGER OF THE COMPANY WILL BE RESPONSIBLE FOR DAY-TO-DAY OPERA-

“ COMPANY ESTABLISHMENT PROCESSES IN FREE ZONES AND IN MAINLAND MAY DIFFER. TAKE IT INTO CONSIDERATION WHEN DETERMINING THE TYPE OF A COMPANY FOR YOUR BUSINESS AND WHEN EVALUATING ALL PROS AND CONS. ”

3. DETERMINE WHERE YOU WILL BE FORMING A COMPANY (A FREE ZONE OR A LOCAL COMPANY). IF YOU REQUIRE A LOCAL COMPANY, YOU WILL NEED TO MEET A LOCAL PARTNER TO DISCUSS THE TERMS OF COOPERATION. IF YOU DECIDE TO PROCEED WITH A FREE ZONE COMPANY ESTABLISHMENT, YOU WILL NEED TO CONSIDER AVAILABLE LEASE OPTIONS. IT MAY HAPPEN THAT LEASE OF A FLEXI-DESK (WORKSTATION IN A BUSINESS CENTER FOR UP TO 15 HRS/WEEK USE) CAN SUFFICE. BEAR IN MIND, THAT SOME FREE ZONES IN THE UAE ARE RESTRICTED TO CERTAIN BUSINESS ACTIVITIES. AS SUCH, CONFIRM WITH FREE ZONE AUTHORITY THAT BUSINESS ACTIVITY YOU WISH TO CONDUCT IS AVAILABLE FOR REGISTRATION.

4. DRAFT OF A BUSINESS PLAN. CERTAIN FREE ZONES AND CERTAIN BUSINESS ACTIVITIES MAY REQUIRE SUBMISSION OF A BUSINESS PLAN TO REGISTER A COMPANY. DEPENDING ON A FREE ZONE AND ACTIVITY, MORE DETAILED OR A VERY BRIEF BUSINESS PLAN MAY BE REQUIRED.



5. PREPARATION AND SUBMISSION OF DOCUMENTS. DOCUMENT REQUIREMENTS VARY FROM FREE ZONE TO FREE ZONE. THERE IS NO UNIFIED APPROACH, AS SUCH, YOU WILL NEED TO ENQUIRE ABOUT DOCUMENT REQUIREMENTS FROM LOCAL REGISTRATION AUTHORITY. DOCUMENT REQUIREMENTS CAN BE FOUND ONLINE ON WEB-SITES OF FREE TRADE ZONES AND DUBAI DEPARTMENT OF ECONOMIC DEVELOPMENT. IF YOU DECIDE TO ESTABLISH A SUBSIDIARY OR A BRANCH, A SET OF DULY LEGALIZED CORPORATE DOCUMENTS OF A PARENT COMPANY WILL BE REQUIRED. BECAUSE UAE IS NOT A SIGNATORY TO THE HAGUE CONVENTION, DATED OCTOBER 5, 1961, WHICH IS AN AGREEMENT THAT WAIVES THE REQUIREMENT TO LEGALIZE FOREIGN DOCUMENTS, UNITED ARAB EMIRATES AUTHORITIES RECOGNIZE ONLY THOSE DOCUMENTS THAT ARE DULY LEGALIZED.

6. PRE-APPROVAL AND LEASE OF OFFICE SPACE. AFTER THE DOCUMENTS ARE SUBMITTED FOR COMPANY REGISTRATION AND THEY ARE REVIEWED, LOCAL REGISTRATION AUTHORITY ISSUES A PRE-APPROVAL FOR COMPANY REGISTRATION AND REQUESTS TO SUBMIT AN EXECUTED OFFICE LEASE AGREEMENT. FROM THIS MOMENT ONWARDS OWNERS OF COMPANY UNDER FORMATION MAY PROCEED WITH SEARCH FOR OFFICE SPACE AND SIGN LEASE AGREEMENT. RENT IN UAE IS A SEPARATE SUBJECT ON ITS OWN. WE USUALLY HAVE A CLOSER LOOK AT THE TIME AT THE TIME OF OUR BUSINESS TOURS.

7. BANK ACCOUNT OPENING AND DEPOSITING OF COMPANY'S SHARE CAPITAL. LAST BUT ONE OR SOMETIMES THE LAST STEP IN COMPANY FORMATION PROCESS IS THE OPENING OF A BANK ACCOUNT AND DEPOSITING OF SHARE CAPITAL IN THAT BANK ACCOUNT. SHARE CAPITAL REQUIREMENTS VARY FROM FREE ZONE TO FREE ZONE. YOU CAN FIND COMPARISON OF ALL FREE ZONES AND THEIR REQUIREMENTS ON OUR WEB-SITE HERE. ALMOST ALL FREE ZONES IN DUBAI REQUIRE DEPOSITING OF SHARE CAPITAL INTO BANK ACCOUNT. ONCE COMPANY FORMATION PROCESS IS COMPLETED AND FREE ZONE RECEIVES AN ORIGINAL BANK STATEMENT PROVING THAT FUNDS WERE DEPOSITED, SHAREHOLDERS MAY USE DEPOSITED FUNDS AS THEY DEEM NECESSARY. MOST OF FREE ZONES ALSO HAVE REQUIREMENTS IN CONNECTION WITH MINIMAL SHARE CAPITAL FOR A COMPANY. IN DUBAI IT IS USUALLY AED 50,000 OR CIRCA USD 13,670. MINIMUM SHARE CAPITAL REQUIREMENT IS ALSO IN PLACE IF SHAREHOLDERS WISH TO APPLY FOR INVESTOR VISAS. TO QUALIFY FOR THE SAME AS INVESTOR, EACH BUSINESS OWNER NEEDS TO HOLD AED 50,000 IN SHARE CAPITAL.

8. ISSUANCE OF A BUSINESS LICENSE AND COMPANY'S OPERATIONS. ONCE ALL ABOVE MENTIONED STEPS ARE COMPLETED, COMPANY RECEIVES A LICENSE, WHICH, AS WE MENTIONED BEFORE, NEEDS TO BE RENEWED ANNUALLY.

WE WOULD LIKE TO DRAW YOUR ATTENTION THAT THE PROCESS OF COMPANY REGISTRATION IN FREE ZONES AND IN DUBAI DEPARTMENT OF ECONOMIC DEVELOPMENT IS SLIGHTLY DIFFERENT. AS SUCH, GUIDELINES WE PROVIDED DESCRIBE STEPS IN COMMON. YOU SHOULD REMEMBER THAT EACH FREE ZONE MAY HAVE THEIR SPECIFIC REQUIREMENTS. SOME FREE ZONES ALSO REQUIRE TO COMPLY WITH POST-REGISTRATION REQUIREMENTS. IF YOU WISH TO LEARN MORE SPECIFIC INFORMATION ON COMPANY REGISTRATION PROCESSES IN THE UAE, YOU MAY CONSIDER JOINING US ON A BUSINESS TOUR TO THE UAE. BUSINESS TOURS WILL ALLOW YOU TO LEARN MORE SPECIFIC INFORMATION AND TO OBTAIN RELEVANT MATERIALS.

Part V

Success stories of expat entrepreneurs in the UAE

THE BEST BUSINESS START-UPS HAVE ALWAYS BEEN THOSE ONES THAT ADDRESSED THE NEEDS. ENTREPRENEURS SUGGEST SOLUTIONS TO CERTAIN TYPES OF PROBLEMS AND THIS WAY NEW SUCCESSFUL BUSINESSES APPEAR. WE CHOSE TWO SUCCESS STORIES OF UAE START UPS THAT NOW ARE VERY WELL-KNOWN AND VERY RESPECTED COMPANIES, JUST BECAUSE THEY BROUGHT SOLUTIONS TO THE PROBLEMS.

DUBIZZLE

IN YEAR 2005 SIM WHATLEY AND JAY BUTLER WERE JOINTLY STRUGGLING TO FIND FINANCIAL MEANS TO RENT A PLACE TO LIVE IN NOT FAR FROM SHEIKH ZAYED ROAD. THEY WERE PAYING FOR THEIR MEALS JUST AED 10 AND DEDICATED ALL THEIR TIME TO DEVELOPMENT OF AN ADVERTISING PLATFORM – DUBIZZLE. TWO FRIENDS SPENT AED 22,000 (USD 6,000) TO DEVELOP THE PLATFORM. IT WAS THE AMOUNT THAT

THEY SAVED BEFORE COMING TO THE UAE. AFTER SIM AND JAY GRADUATED IN THE STATES WITH DEGREE IN FINANCE, FRIENDS LANDED JOBS IN THE MIDDLE EAST AND PRETTY SOON FELT THE NEED IN THE MARKET. SIM WHATLEY REMEMBERS: “WE, AS OTHER EXPATS, WERE STRUGGLING TO SET UP HOMES... WHERE WERE WE SUPPOSED TO LIVE? HOW WOULD WE COMMUTE? WE NEEDED NEW FURNITURE... So, WE HAD OUR NEEDS. THIS IS EXACTLY WHEN WE REALIZED THERE WAS NO ONLINE SOURCE OR PLATFORM, THAT COULD SOLVE ALL OUR ISSUES.”

TODAY DUBIZZLE ALLOWS TO SEARCH FOR EVERYTHING FROM CARS TO PROPERTY AND EVEN FURNITURE. HERE ONE CAN ALSO FIND A LIST OF PLACES WHERE ONE CAN EAT, FIND A TENANT OR A ROOMMATE. IT IS FREE TO POST ADS ON DUBIZZLE. COMPANY’S MAIN INCOME IS FROM ADVERTISING ON THE WEB-SITE.

AS OF NOW DUBIZZLE HAS 69 MLN OF PAGE VIEWS AND 5.7 MLN PAGE VISITS A MONTH. THERE ARE OVER 500 000 REGISTERED USERS. THERE ARE 120 EMPLOYEES IN A COMPANY IN THE UAE AND NEARLY 30 OUTSIDE THE UAE. OUTSIDE UAE DUBIZZLE IS AVAILABLE IN 10 MORE COUNTRIES.

THE ENTERTAINER

DONNA BENTON LIVES TODAY IN DUBAI AND SHE IS A FOUNDER OF A VOUCHER CONCEPT 2 FOR THE PRICE OF ONE. BORN AUSTRALIAN DONNA CAME TO DUBAI IN 2001. SHE PLANNED TO STAY IN THE UAE FOR ONE YEAR ONLY. AS SHE REMEMBERS NOW, ONCE SHE CAME TO DUBAI, SHE HAD JUST 3,000 AUSTRALIAN DOLLARS.

TODAY SHE REMEMBERS THAT SHE WAS DRIVING ON SHEIKH ZAYED ROAD AS SHE STARTED THINKING ABOUT ALL RESTAURANTS AND CAFES THAT SHE WAS PASSING WHILE DRIVING. SHE KNEW THAT SHE HAD NEVER BEEN THERE AND SHE HAD NEVER HEARD ANYTHING ABOUT THEM. SHE STARTED THINKING WHAT COULD MAKE HER COME AND VISIT THAT PLACES. SHE HAD THE ANSWER. IF THAT WOULD NOT BE FOR A SPECIAL DISCOUNT OR A SPECIAL OFFER, SHE WOULD NOT COME. THAT WAY IN 2001 A BUSINESS IDEA WAS BORN.

THESE DAYS ENTERTAINER OFFERS A RANGE OF 51 PRODUCTS, VOUCHERS TO SPAS, HOTELS, RESTAURANTS AND OTHER SERVICES AND ENTERTAINMENTS IN MORE THAN 40 COUNTRIES. EVERYTHING STARTED JUST WITH ONE DONNA AND TODAY COMPANY EMPLOYS OVER 150 PEOPLE.

BOTH STORIES ARE A GREAT EXAMPLE AND PROOF THAT A GOOD BUSINESS IDEA AND A BIG MARKET ALLOWS TO ACHIEVE SUCCESS. AT THE TIME OF OUR BUSINESS TOURS WE ALSO ARRANGE MEETINGS WITH SUCH SUCCESSFUL BUSINESSMEN.



PART VI



SURVIVAL EN-AR PHRASE BOOK

ENGLISH

PRONOUNCIATION

HELLO	AS-SALĀM 'ALAYKUM
GOOD MORNING	SABAH ALKHYR
GOOD AFTERNOON	HMASĀ' AL-KHAYR
GOOD EVENING	MASĀ' AL-KHAYR
THANK YOU	SHUKRAN
HOW ARE YOU?	KAYFA HĀL?
DO YOU SPEAK ENGLISH?	HAL TATAKALLAM BI-INGLIZI
YES	NA'AM
NO	LA
MONEY	FULUS
GOOD	JAYID
BAD	SAYYI
FREE	MADJANAN
I AM GOING TO	ANA ARUH ILA...
WHERE IS THE ROAD TO...?	'AYN ATTARIQ ILA
HERE, PLEASE.	GUNA MIN FADLAK
WHAT IS THIS?	SHU GAZA?
HELP ME, PLEASE.	SAYYID ANI LAY SAMAHT
TO THE LEFT	'ILAA ALYASAR
TO THE RIGHT	'ILAA ALYAMIN
I AM	ANA
WE ARE	NAHNU
YOU ARE	ANT
YOU ARE (POLITE)	ANTUM
HOW MUCH?	BI-KAM?
EXPANSIVE	GALI
CHEAP	RAKHEES
BREAD	HUBBZ
FOOD	AKIL

ENGLISH	PRONOUNCIATION
PORT	MINA
TRAIN	QITAR
AIRPLANE	TAYIRA
EMBASSY	SAFARAT(UN)
CONSULATE	QUNSULIA
CITY	MADINAT(UN)
STREET	SHARI3A
COUNTRY	DAULAT(UN)
WATER	MAYA
I WANT TO SLEEP	ANA URIDU AN-ANAM
POLICE	SHURTAT(UN)
DIRECTOR	RAIEES
I THINK	UFAKKIRU
I KNOW	A3RIF
MAP	KHARITA
WHAT IS YOUR NAME?	MA AISMAK
MY NAME IS...	ISMEE....
HOW OLD ARE YOU?	KAM UMRUK?
PROBLEM	MUSHKILA
PLEASE	TAFADDAL
I SPEAK A LITTLE BIT IN ARABIC	ANA ATAKALLAM BIL ARABI KALILAN
1	WAHID
2	ITHAYN
3	THALATA
4	ARBAA
5	KHAMSA
6	SITTA
7	SAB3A
8	TAMANIYA

ENGLISH

PRONOUNCIATION

9	TIS3A
10	ASHARA
100	MIA
1000	ALF
IF GOD WILL!	IN SHA ALLA!
TODAY	ALYAUM
YESTERDAY	AMS
TOMMOROW	BUKRA
HOW IS IT IN ARABIC?	MA ISMU GAZA BIL-ARABI?
CAR	SAYYARAT(UN)
TAXI	UDJRA
PRESENT	HADIYA
MOBILE PHONE	GATIF AL MAHMUL
WHERE...?	FEIN...?
MALL	MARKIZ-U-TASAUUK
RESTAURANT	MAT3AM
METRO	MITRU
MOSQUE	MASJID
HOTEL	FUNDUK
GOOD BYE!	ILA-L-LIKA!



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10 MISTAKES BUSINESSES MAKE IN THE UAE

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PROFESSIONAL ADVICE FOR
START-UP ENTREPRENEURS
IN THE UAE

Guide from professionals



WHAT YOU SHOULD KNOW BEFORE YOU START