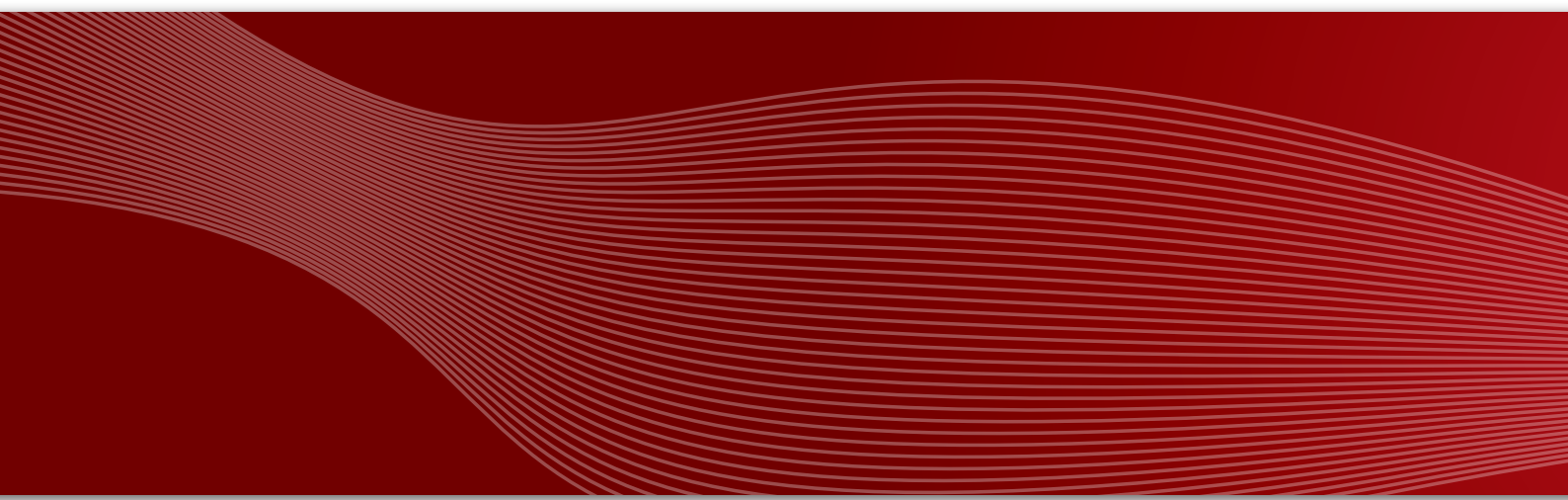


BUSINESS IN UAE

We share practical
advice on doing
business in
the UAE





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uae-consulting.com

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About us

UAE-consulting.com is a boutique business consulting firm in the UAE, with a track record of a proven and reliable international business relationship.

The company provides assistance in the UAE on corporate structuring and set-up, business management, consultancy on import/export/re-export matters, customs procedures, and has in-depth professional knowledge, extensive experience and business contacts, which is altogether important in solving business related matters in the UAE.

UAE-consulting.com is an official partner of various free trade zones in the Emirates. The company's consultants regularly undergo trainings conducted by different government institutions in the Arab Emirates.

UAE-consulting.com has a customised approach when dealing with its partners and clients, and always has the right answers, when it comes to doing business in Dubai and

UAE. Many business partners and clients find the company's services extremely valuable since UAE-consulting.com is the only business consultancy in the UAE, which apart from the extremely professional business advice offers accompaniment by business class cars, 24/7 business support, and assistance by personal business consultants.





Extremely helpful information on business opportunities **in the UAE**

We know that various information about the United Arab Emirates can be easily acquired online. This is exactly why we did not copy and paste the publicly available data. Instead, we worked hard and crafted extremely helpful materials. In this chapter, we are delighted to share with you some of the reasons, why each and every year UAE receives more and more entrepreneurs, who consider Emirates as a real business hub.

REASON №1. The United Arab Emirates is still one of those countries that do not apply any taxes. There is no income tax, no tax on dividends or any other types of taxes. It is also important to mention that there is no tax authority in the country at the moment. UAE signed a number of treaties on avoidance of double taxation with over 50 countries. As a result, citizens of those countries, who spend 180-183 days a year in the Emirates are considered tax residents of the UAE.

REASON №2. UAE is constantly improving its legal framework. It is only in the 1970s when the United Arab Emirates became an independent country. Therefore, the country is still improving and shaping its legal environment based on the best international practices. And while many jurisdictions become more and more regulated, UAE still allows for a greater degree of flexibility. Many business people see this as a great opportunity.

REASON №3. Buying power is high in the United Arab Emirates. GDP per capita in the United Arab Emirates averaged 67,132.39 USD from 1975 until 2015. This is exactly the reason why many luxury brands find their way to the UAE. The average paycheck is generally higher than in other countries, and people can afford to spend more frequently.

REASON №4. Low competition in the service sector. Despite the wide range of service providers in the country, one should not forget that UAE is a middle eastern country with its traditions and customs. Many expats from European countries are used to different standards of service. Therefore, if a company is offering high-quality services, such company will always have a great advantage over its competitors in the market.

As such, this fact can be treated as an advantage by businessmen looking to penetrate UAE market with high-quality services.

REASON №5. Investments in Dubai property market are among the most attractive in the world. Dubai's real estate market continued to outpace the market averages the first four months of 2016. The return on invested capital is one of the highest in the world.

REASON №6. Some of the strongest and reliable banks in the region. Twenty (20) UAE banks were listed as the best banks in the world by Union of Arab Banks. UAE ranked no. 1 for the number of banks listed. In 2016 biggest UAE banks, National Bank of Abu Dhabi and First Gulf Bank, released announcement regarding their merger. The merger will result into the establishment of the largest and strongest bank in the whole region. The local currency, U.A.E. Dirham, deserves a special mention. There is a policy of the fixed peg of the dirham against the U.S. dollar in the country.

REASON №7. Time required for company registration. The United Arab Emirates is striving to cut down the time required for business set-up. Each year, the process becomes faster and more efficient. Depending on the emirate, where a company is established, incorporation procedure may take between one (1) and fifteen (15) days.

REASON №8. Flourishing UAE food industry and trade. The growth of UAE population over the last two decades has led to an increase in the consumption of a wide range of food products and the introduction of new products. The tourism sector is also thriving well and has a positive impact on the food business in the UAE. In 2015, UAE saw 14.3 million visitors and by 2020 this figure is projected to 20 million. Continued growth in construction volumes, particularly in the hospitality sector, including hotels and shopping centers, largely supported the food industry and trade in the UAE. All these factors contribute to creation of favorable



conditions for doing profitable food and trade business in the country.

REASON №9. Constantly growing e-commerce market. In developed markets such as the US and Europe e-commerce accounts for a high proportion of population expenditures. In the UAE, this figure is much lower, since the market is still small, but it is growing at a tremendous speed. This creates an opportunity and favorable climate for online sales business in the UAE.

7 Incorporation options in the UAE

You might be aware that there are seven (7) emirates in the UAE: Abu Dhabi, Dubai, Sharjah, Ajman, Umm Al Quwain, Ras Al Khaimah and Fujairah. Each emirate has its own local government and a number of government institutions. Any of the mentioned emirates can be considered for company set-up. However, one should be aware that in most cases, depending on your type of business activity, the license issued by relevant authority of one emirate will not allow you to conduct this business activity in another emirate.

Before you start business in the United Arab Emirates, you first need to determine the right type of company for registration. To be able to make the right choice, we have provided below a detailed description of each company type and advice on restrictions which each company type has:

- Offshore company in UAE
- Free zone company in UAE
- Local company in UAE

UAE offshore company is the most cost-effective option if you aim at setting up business in UAE intended to conduct business activity outside UAE only. The cost of RAK, Ajman offshore or Dubai company registration is between USD 2,500 and USD 5,000, while annual registration renewal will be between USD 1,950 and USD 2,500.

Offshore company suits well for international trade.

OFFSHORE IS ALLOWED:

- to conduct business activity outside UAE only
- to have bank accounts with UAE banks
- to have up to 5 business activities on business license
- to be a shareholder in other companies in UAE

OFFSHORE IS NOT ALLOWED:

- to conduct business in UAE
- to rent an office space in UAE
- to apply for resident visas for its employees
- to apply for Tax Residency Certificate
- to receive funds from UAE companies or to pay UAE

firms.

Free zone company in UAE is a company which is a UAE resident and which is registered in one of over 30 free zones. Free zone companies in Dubai and other emirates allow 100% foreign ownership. For a better understanding of what a free zone is, it can be compared to a certain geographical area in the city or to a district. By way of example, there are over 20 of such districts in Dubai alone.

The cost of company registration in a free zone varies and depends on the emirate and a free zone where the company is incorporated. In general, annual maintenance fees range between USD 6,700 and USD 11,000.

A FREE ZONE COMPANY IS ALLOWED:

- to conduct business in Dubai and UAE, as well as outside of the country
- to work with companies from other free zones, as long as services are provided from the registered office only (e.g. consulting, web-sites development, online marketing, branding services and alike)
- to recruit staff and apply for employees' resident visas
- to rent office space in the free zone, where the company is registered
- to apply for UAE Tax Residency Certificate

A FREE ZONE COMPANY IS NOT ALLOWED:

- to lease an office outside of the free zone, where the company is registered
- to work with and provide services to individuals and companies from other free zones and local companies, if business activity requires onsite presence at client's premises outside of the free zone, where company is registered (e.g. fit-out services, engineering services, repairing, installations etc.)
- to trade and distribute products and goods outside of the free zone, where the company is registered (trade is allowed only inside the free zone or outside via a local company-distributor)
- to participate in governmental tenders



Local company in UAE is a company which is a resident of the UAE and that is registered in partnership with a local sponsor/partner or with a local agent. In case of a local partner, 51% of the company is owned by a UAE citizen or a UAE local company.

Local company registration option is the one, that requires most investments. The cost of company incorporation in Dubai varies from USD 12,000 to USD 15,000 for the first year and approximately USD 10,000 for annual renewal.

LOCAL COMPANY IS ALLOWED:

- everything (shall be in line with company's business activity). In addition, local company can rent an office in any part of the emirate and participate in governmental tenders

LOCAL COMPANY IS NOT ALLOWED:

- not applicable

You can learn more about company registration process in UAE here:



Download QR Extreme app, scan the code and get detailed information, as to how set-up process in the UAE looks like, or download presentation straight from our web-site: goo.gl/69HcV9

Since it is becoming increasingly difficult to conduct business via offshore structures, set-up of a free zone company in the UAE is the best alternative.

But before we move on to discuss free zone companies, we suggest to first have a closer look at the corporate structure in the United Arab Emirates.



Corporate structure in the UAE

Depending on the company type you register in the UAE, you may be requested to appoint shareholder/s, director/s, a manager and a secretary. Requirements with respect to appointments may vary from one registration authority to another.

If we look at offshore companies in the UAE, it is mandatory to fill all above-mentioned positions (of shareholder, director, manager and secretary). One and the same person can be appointed to fill all the four positions. Jebel Ali offshore is an exception in this case and requires a minimum of two (2) directors. As such, for the case for Jebel Ali offshore, a minimum of two individuals is required. Another important fact to mention is that there is no requirement for a secretary, a manager or a director to be a resident or a citizen of the UAE. The appointed person can hold a passport of any country.

When forming a company in a free zone based outside of Dubai, one and the same person can be appointed as a shareholder, director and a manager. Appointment of a secretary in most cases is not mandatory. Most free zones outside of Dubai and Abu Dhabi are not strict with respect to UAE resident status of company's manager.

However, if we look at Dubai free zones and local companies, it is a must for the manager of the company to be a resident of the United Arab Emirates. As a result, as soon as a new Dubai free zone or local company is formed, company's manager needs to apply for UAE resident visa.

A company may have only one manager or a person-in-charge who is responsible for day-to-day operations of the company. This person is mentioned on the license of the company and has authority to enter into agreements with suppliers and customers, and to recruit staff. Until recently, managers were also allowed to open bank accounts. With time, this practice changed and now most banks require that manager's responsibilities are outlined in board resolution, including authority to open and operate bank accounts. This helped to eradicate malpractice.

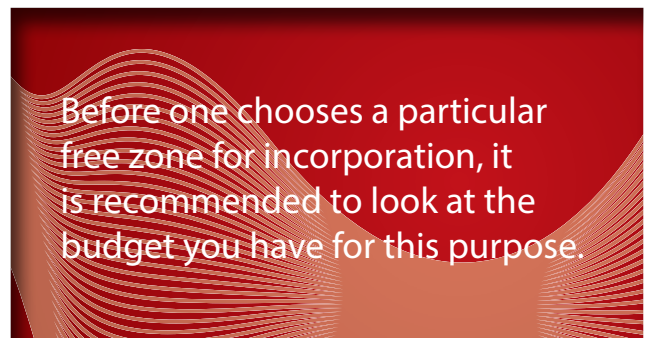
UAE free zone company

Initially, the idea behind free zones in Dubai and UAE was to form business communities, that would be united around a certain industry. This is how a free zone DMCC (Dubai Multi Commodities Centre) and many other free zones in Dubai and UAE were established. From its inception date, DMCC free zone authority was admitting trading companies. Later, DMCC started accepting service companies, restaurants, medical establishments and so on. Today, despite sometimes highly specialized names of free zones in UAE, one can form free zone companies in UAE from a wide spectrum of industries.

Before one chooses a particular free zone for incorporation, it is recommended to look at the budget you have for this purpose. If you are looking at minimizing your expenses and your budget on incorporation is below USD 10,000, registration in one of free zones outside of Dubai would be the right choice. This would be free zones in emirates of Sharjah, Ajman, Umm-Al-Quwain, Ras-al-Khaimah and Fujairah. In case you are determined to be based in Dubai and you have a budget of USD 20,000 to USD 30,000, setup in Dubai would be possible.

Additionally, there are certain facts worth mentioning:

- company formation and maintenance costs in Dubai are higher than in other emirates
- it is mandatory for all Dubai based companies to submit annual audit reports; this is associated with extra costs due to engagement of auditing firm's services
- now it is mandatory for all Dubai shareholders and employees to have medical insurance coverage. Therefore, the employer is responsible for the employees' medical cover
- most of Dubai companies need to deposit share capital into bank account (usually it is AED 50,000, which is USD 13,700); once company is incorporated, shareholder can use deposited funds as he deems necessary
- company registration timeframe in Dubai is between



2 to 4 weeks; free zone companies outside of Dubai can be formed within 2 to 10 days

- to register a company in Dubai, shareholders need to fly in the country for signing of the corporate documents; some free zones outside of Dubai allow to carry out the incorporation process remotely, if shareholders visited UAE in the past and have relevant entry stamps in their travel documents, copies of which they can produce to registration authority (even if the visit to the UAE was two years back)

To conclude, before you make a decision in favour of a particular free zone in the United Arab Emirates, we strongly recommend you to consider all above mentioned factors that will allow you to properly budget for your incorporation needs.

We designed a comparison table of most free zones in the UAE specially for you.



Download QR Extreme app, scan the code and get detailed information on most free zones in the UAE, or follow the link below: goo.gl/96L5m0

Local company in UAE (LLC)

Local UAE company is a company which is registered in partnership with UAE national ("Local partner"), where the latter owns 51% of company shares. For limited liability companies partnership with UAE National is mandatory. There are certain exceptions to this rule, which would require a whole new chapter on its own.

Registration of a local LLC company in UAE is the only setup option in the following cases:

1) If you wish to trade with goods and distribute them across the emirate.

To clarify, your LLC in Dubai can distribute goods independently without the assistance of any local distributor. (Please note that freezone companies in Dubai and UAE can also trade with goods within the free zone, where they are registered. However, to distribute products outside of the free zone, freezone companies in Dubai and UAE can only do it through a local distributor. As such, a free zone company will have to sign an agreement with a local LLC company in Dubai or other relevant emirate.)

2) If you wish to participate in government tenders.

Kindly note that free zone companies in Dubai and UAE cannot participate in state tenders!

3) If you wish to render services that require your presence in different geographical areas of the emirate. (E.g. event management, fit-out works, catering etc.).

While for rendering of certain types of services appointment of Local Service Agent is sufficient (a UAE citizen who has a rather administrative role and does not own shares in the company), any trading activities require a Local partner, who owns 51% in the company.

Local partner owns 51% of the company by law.

There is a general practice to execute side agreements and opt for "silent partner option", where a Local partner is paid an annual fee in return for giving up management control of the company to foreign investor. However, in case of any dispute between shareholders in the future, all side agreements are deemed null and void as in

conflict with governing UAE laws.

Our role, as business consulting professionals, is to advise on the proper structuring techniques for such types of companies. To name a few of them, there are disproportionate profit distribution, which is allowed by law; establishing a structure where business activity is conducted through free zone company via local company and major profit rests with a free zone company with no risk for claim from Local partner; arranging for POA from Local partner to our company, authorizing to carry out any transactions, including appointment of a new Local partner.

UAE residency



For a person who wishes to obtain resident status in the UAE and gain hassle-free entry to the country, there are several options on how this can be done. To obtain UAE resident visa in the UAE, one should be the owner of a free zone or a local company, OR own real estate worth USD 274,000+ OR be recruited by a UAE-based company.

Resident permits/visas are issued by a specialized government body, General Directorate of Residency and Foreigners Affairs, for a period of 2 to 3 years depending on the emirate.

To maintain the status of a UAE resident there is a requirement to visit UAE once every 6 months (here the fact of crossing the border is more important than the number of days you stay in the country; you may come just for one day).

Resident visa is a permit for a temporary stay in the country. It can be renewed upon visa expiry.

Depending on the emirate, where resident permit/visa is issued, governmental fees may vary from USD 690 to USD 1,360 per 3-year visa.

What is the benefit of becoming a UAE resident?

- UAE residents can permanently reside in the country
- As UAE resident you may apply for a Tax Residency Certificate that is issued by UAE Ministry of Economy. This document shall be especially valuable for citizens of those 50+ countries that concluded with UAE Agreements on Avoidance of Double Taxation
- You can rent a house or apartment for a long term
- You can avail from telecommunication services in the UAE
- You can open a bank account in the UAE
- You can apply for conversion of your driving license or attend driving classes and get your driving license in the UAE
- You can enroll your kids in schools in the UAE
- You can use government services as a UAE resident

UAE TAX RESIDENCY

UAE tax residency certificate (or Tax Domicile Certificate, as it is called in the Emirates) is an official document that is issued by the Ministry of Finance of UAE to individuals and companies, and that allows to avail from Agreements on Avoidance of Double Taxation. In other words, individuals, who are residing in the UAE for a period of more than 180 days, are tax-exempted in the country of permanent residence based on the treaty signed by the UAE and the country of permanent residence.

UAE tax residency certificate has a validity period of 1 year and the document is issued both to individuals or legal entities. The eligibility criteria for tax residency certificate for individuals is a period of stay in the country, which shall be not less than 180 days during the calendar year. Tax Domicile Certificates can not be issued to non-residents. Corporate entities are eligible for certificate upon completion of one (1) of business activity cycle.



BANKS AND BANK ACCOUNT OPENING IN THE UAE

Today, the banking sector of the United Arab Emirates is represented by a wide variety of local and international banks. As a result, businessmen have many options that can be compared and chosen from.

Following the crisis of 2008, UAE banks suspended opening of bank accounts for non-residents of the UAE (for individuals without UAE resident visa/permit and for legal entities established outside of the UAE). Several years ago, though, UAE banks introduced an alternative, whereby now non-residents may open savings accounts in the UAE, provided they opt for an investment plan with the bank.

On the one hand, non-residents received a long-awaited opportunity to own savings accounts in the UAE without applying for residency, and, on the other hand, banks started attracting more and more investments into the country, contributing to economic growth.

Now, if a non-resident wishes to open a savings account at a local bank, he will need to sign an investment agreement with the bank for a period of time of 1 to 5+ years and based on the chosen plan invest for that period of time into shares, bonds, and other financial instruments.

Terms and conditions for bank account opening for UAE residents are much more flexible and there are no special commitments required, except maintaining of a minimum balance, which varies from bank to bank. This is why many businessmen prefer to open a company first, get UAE resident permit and only then apply for the opening of a bank account.

Personal account for UAE residents can be opened in 3 to 5 working days. Corporate accounts usually take significantly more time and this is normally 2 to 3 weeks.

The minimum balance for corporate accounts varies from bank to bank and starts from USD 5,480 onwards.

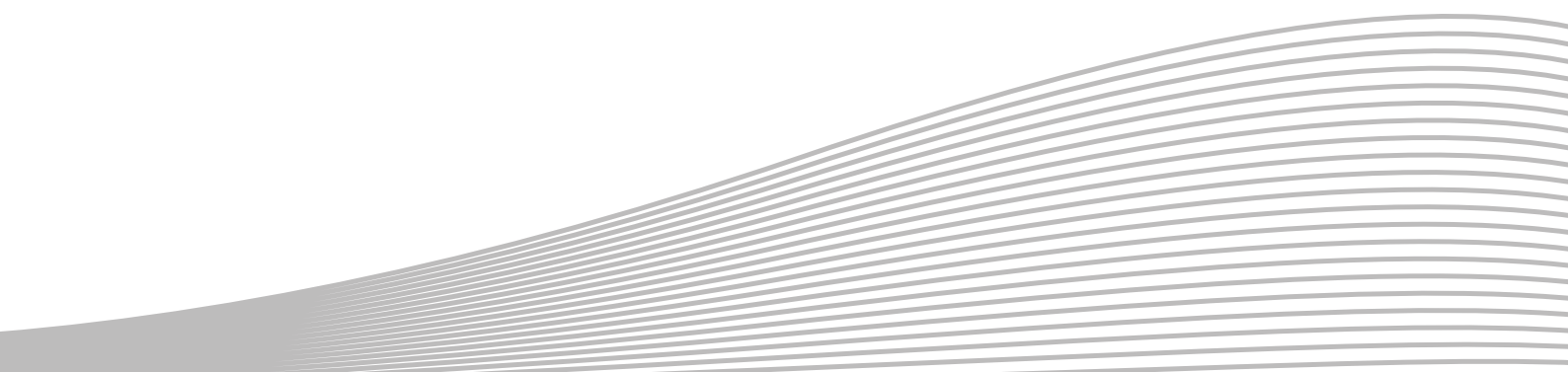
Another important fact to be mentioned is, that UAE banks do not open accounts to holders of POA (Powers of Attorney). Personal attendance of a meeting with the bank by shareholders is required at all times.

Our expertise

- We consult on UAE import/ export /re-export related matters and customs regulations;
- Assist with registration of companies in the UAE. Business setup in all free economic zones of Dubai, Ras al Khaimah, Fujairah, Ajman, Umm-al-Quwain, Sharjah. Registration of local companies.
- Assist with offshore companies' registration. Offshore company registration, business management assistance, bank account opening;
- Provide A to Z business management assistance in the UAE;
- Assist with bank account opening. Opening of bank accounts for local companies, free zone companies, offshore companies, and individuals.
- Documents legalization. Translation, attestation and legalization of documents for use in the UAE. Legalization in the UAE Ministry of Foreign Affairs, embassies and consulates.
- UAE visa support. Administrative assistance with residence visas, real estate investor visas, maid visas, family member visas, tourist visas.



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