

## DOING BUSINESS IN

# UAE

### CONTENTS

Particulars	Page No.
Country's Background	2
Legal & Regulatory Framework	3
International Membership	3
GCC Membership	3
Reasons to start business in UAE	4
Legal Compliances	5
Legal Structures for setting up business in UAE	24
Company Redomiciliation	27
Overview – MBK Auditing	28
Disclaimer	28
Contact Us	29

## COUNTRY'S BACKGROUND

Formed on 2 December 1971, the UAE is a federal state of seven emirates comprising Abu Dhabi, Ajman, Dubai, Fujairah, Ras Al Khaimah, Sharjah and Umm Al Quwain. The UAE area is approximately 71,023.6sq km of land, including some islands in the Arabian Gulf, in addition to 27,624.9sq km of territorial water



As a place to do business and as a hub for the region and beyond, the United Arab Emirates (UAE) continues to be increasingly important, relevant and attractive to businesses from around the world.

The United Arab Emirates (UAE) is strategically located between Europe, Africa and Asia. Due to a continuous flow of new business opportunities, investor friendly legislation, a solid financial system, well developed infrastructure for business and life, and availability of people resources, the UAE may be an ideal business location for multiple purposes:

- Creating holding, trading, financing, support platform(s) for a group's international business
- Conducting regional business from a hub in the UAE
- Conducting local business in the UAE

The UAE is one of the developed nations in the Middle East, with an estimated population of 9.99 million, a high proportion of whom are expatriates employed in a wide range of industries. Although an oil rich state, the UAE has diversified its economy, becoming a regional and global Centre for business, trade and finance.

Arabic is the official language, although English is widely spoken and used in business.

## LEGAL AND REGULATORY FRAMEWORK

The legal system in the UAE is based on both law and on the Islamic Shari'ah Law. The key sources of law include:

- The UAE Federal Constitution; -
- Federal laws and regulations; -
- Emirate laws and regulations; -
- Islamic Shari'ah principles; and -
- Free zone regulations (as applicable).



Additionally, few free zones, specially the Financial Free Zone like Dubai International Financial Centre (DIFC) and the Abu Dhabi Global Markets (ADGM), have their own body of laws, rules and regulations. On the basis that DIFC and ADGM are each common law jurisdictions, such laws are also supplemented by case law (each having their own court system). ADGM has also implemented the Application of English Law Regulation in 2015. This regulation makes England and Wales common law (including the concept of equity) and statutes directly applicable in ADGM.

## INTERNATIONAL MEMBERSHIP

The country is a member of various international organizations, such as the United Nations (UN), the International Monetary Fund (IMF), World Trade Organization (WTO), the Organization of Petroleum Exporting Countries (OPEC), the General Agreement on Tariffs and Trade (GATT) and the Greater Arab Free Trade Area (GAFTA), among others.

## GCC MEMBERSHIP

UAE is one of the six member countries of the GCC, together with Kuwait, Saudi Arabia, Bahrain, Qatar and Oman. UAE is also one of the founding member of GCC. The GCC aims to effect co-ordination, integration, and interconnection among member states in all fields in order to achieve unity among them. It also promote political stability and economic integration in the region. Seeking to encourage closer ties between members, the Council has taken various measures, including establishing the GCC Customs Union, developing a VAT framework and enabling more efficient travel between member states for GCC nationals and residents.

## REASONS TO START BUSINESS IN UNITED ARAB EMIRATES

**Taxation** - Being tax free makes this country extremely business friendly. A vast majority of taxes (personal, corporate & capital gains) are not in existent in UAE and that makes this country extremely business-friendly.

**Visa** - The visa regime in Dubai is expat friendly, so having a business in UAE means you can easily get a UAE residency visa. It makes leasing property, movement into and out of the country of UAE, and getting a Schengen visa easy as a breeze.

**Free Zone** - These are basically tax-free places where expats can completely own businesses without partnering with an Emirati agent or partner. These are of different types; healthcare, education, media etc.

**Repatriation** - Though thanks to the practically non-existent taxation in UAE, most expats choose to keep their money in Dubai itself, a stable exchange rate with the USD ensures that you can send money out of the country at your will.

**Global aviation hub** - The Dubai International Airport connects the huge continents of Asia and Africa with the western world, bringing together people from across the planet in one place to make opportunities materialize that would otherwise not be there.

**Safety** - It has a strong law and order system in place, which makes it safe for you, your family and your employees to work in and this draws the best global talent here.

**Manpower** - It is no secret that works both skilled and unskilled flock to UAE in search of work from all over the world. It is due to this fact that business owners need not to have to worry about manpower to run their businesses in UAE. Since the taxes are low and wages are high, it is a very favorable environment for both the employers and the employees.

**Transport** - It has a high-quality road transport network, as well as the world-famous Dubai Metro, you can get anywhere anytime without any hassle!

## LEGAL COMPLIANCES

### BEPS implementation in the UAE

The UAE joined the OECD Inclusive Framework on Base Erosion and Profit Shifting (BEPS IF) on 16 May 2018. The country has committed to implementing the four minimum standards in the near term:

- Action 5: Countering harmful tax practices
- Action 6: Countering Tax Treaty abuse
- Action 13: Transfer pricing documentation and Country-by-Country Reporting CbCR
- Action 14: Improving Dispute resolution mechanism

In addition to implementing these minimum standards, the UAE has also committed to implementing the remaining 11 BEPS Actions in the medium- to long-term.



### UAE Double Taxation Agreements

Double taxation is defined when similar taxes are imposed in two countries on the same tax payer on the same tax base, which harmfully affects the exchange of goods, services and capital and technology transfer and trade across the border.

Public and private companies, investment firms, air transport firms and other companies operating in the UAE, as well as residents, benefit from Avoidance of Double Taxation Agreements (DTA). With the purpose of promoting its development goals, the UAE concluded 115 DTA to with most of its trade partners.

#### The purpose of avoidance of double taxation agreements

- ❖ Promote the development goals of the UAE and diversify its sources of national income.
- ❖ Eliminating double taxation, additional taxes and indirect taxes and fiscal evasion.
- ❖ Remove the difficulties relating to cross-border trade and investment flows.
- ❖ Offer full protection to tax payers from double taxation, whether direct or indirect and avoid obstructing the free flow of trade and investment and promoting the development

goals, in addition to diversify sources of national income and increase the size of investments inflows.

- ❖ Take into consideration the taxation issues and the global changes in the economic, financial sectors, and the new financial instruments and the mechanisms of transfer pricing.
- ❖ Encourage the exchange of goods, services and capital movements.

#### Country List/Double Taxation Agreements

No.	Country	Final Sign	Ministerial Decree	Federal Decree	Date of Decree Issuance	Entry into force
1	Egypt	12/4/1994	(214/7)1994	(13) 1995	26/3/1995	16/7/1995
	Egypt(New)	14/11/2019	(11/13) 2020	(198) 2020	21/12/2020	19/4/2021
2	Algeria	24/4/2001	(320/9) 2001	(84) 2001	28/11/2001	25/6/2004
3	Yemen	13/2/2001	(159/6)2001	(73) 2001	25/8/2001	1/1/2004
4	Tunisia	10/4/1996	(260/13) 1996	(25) 1997	24/2/1997	27/5/1997
5	Morocco	9/2/1999	(119/10) 1999	(90) 1999	26/9/1999	1/7/2000
6	Sudan	15/3/2001	(346/9) 2001	(83) 2001	28/11/2001	6/6/2004
7	Syria	26/1/2000	(104/7) 2000	(72) 2000	11/6/2000	12/1/2002
8	Lebanon	17/5/1998	(308/16) 1998	(106) 1998	25/10/1998	23/3/1999
9	Mozambique	24/9/2003	(489/6) 2003	(28) 2004	4/5/2004	4/6/2004
10	Pakistan	7/2/1993	(58/12) 1993	(3) 1994	29/1/1994	20/11/2000
11	India	29/4/1992	(245/8) 1992	(39) 1993	21/8/1993	15/9/1993
	India (Protocol)	27/3/2007	(105/7) 2007	(80) 2007	3/10/2007	3/10/2007
	India (Protocol)	16/4/2012	(232/11/9) 2012	(17) 2013	11/2/2013	12/3/2013
12	Sri Lanka	24/9/2003	(488/5) 2003	(27) 2004	4/5/2004	4/7/2004
13	Philippine	23/9/2003	(548/8) 2003	(73) 2004	29/12/2004	2/10/2008
14	Korea	22/9/2003	(520/12) 2003	(30) 2004	4/5/2004	9/3/2005
	Korea	27/2/2019	(8/7) 2019	(142) 2019	19/12/2019	29/2/2020
15	Singapore	1/12/1995	(13/13) 1996	(34) 1996	17/6/1996	18/7/1996
	Singapore Protocol Second Amendment	31/10/2014	(173/7/11) 2015	(140) 2015	18/11/2015	16/3/2016
16	Indonesia	30/11/1995	(15/15) 1996	(36) 1996	17/6/1996	1/6/1999
	Indonesia New	24/7/2019	(12/4) 2020	(173) 2020	10/11/2020	
17	Thailand	1/3/2000	(206/11) 2000	(105) 2000	12/11/2000	4/1/2001

18	Malaysia	28/11/1995	(14/14) 1996	(35) 1996	17/6/1996	24/9/1996
19	China	1/7/1993	(260/5) 1993	(38) 1994	5/6/1994	22/7/1994
20	New Zealand	24/9/2003	(519/11) 2003	(29) 2004	4/5/2004	29/7/2004
21	Ukraine	2003	(119/10) 2003	(11) 2004	28/2/2004	9/3/2004
	Ukraine (Protocol Amendment)	14/2/2021				
22	Belarus	27/3/2000	(300/9) 2000	(2) 2001	2/1/2001	1/2/2001
	Belarus (Protocol Amendment)	29/3/2019	(7/9) 2019	(145) 2019	19/12/2019	1/5/2020
23	Romania	11/4/1993	(62/13) 1995	(3) 1996	9/1/1996	23/1/1996
	Romania New	4/5/2015	(60/4/8) 2016	(137) 2016	16/10/2016	11/12/2016
24	Turkmenistan	9/6/1998	(406/13) 1999	(108) 1999	24/11/1999	30/12/2011
	Turkmenistan (Protocol Amendment)	15/3/2018	(37/7) 2018	(192) 2018	18/12/2018	5/2/2019
25	Armenia	22/4/2002	(549/9) 2003	(74) 2004	29/12/2004	11/1/2005
26	Tajikistan	17/12/1995	(434/8) 1999	(16) 2000	29/1/2000	27/3/2000
27	Magnolia	21/2/2001	(493/6) 2001	(70) 2002	29/11/2002	24/2/2004
28	Austria	23/9/2003	(521/13) 2003	(26) 2004	27/4/2004	23/9/2004
	Austria Protocol Amendment	1/7/2021				
29	Poland	31/1/1993	(103/5) 1993	(7) 1994	29/1/2004	3/2/1994
	Poland Protocol Amendment	11/12/2013	(266/9/26) 2014	(10) 2015	15/1/2015	1/5/2015
30	Germany	1/7/2010	(205/10/8) 2010	(13) 2011	1/2/2011	14/7/2011
31	Finland	12/3/1996	(244/10) 1996	(23) 1997	24/2/1997	26/12/1997
32	Italy	22/1/1995	(83/5) 1995	(62) 1995	20/11/1995	5/10/1997
33	Czech	30/9/1996	(526/8) 1996	(84) 1997	26/6/1997	1/1/2005
34	France	19/7/1989	(453/7) 1989	(83) 1989	15/11/1989	8/11/1994
35	Belgium	30/9/1996	(527/9) 1996	(83) 1997	26/6/1997	22/12/2003
36	Luxembourg	20/11/2005	(658/7) 2005	(31) 2006	7/5/2006	19/6/2009
	Luxembourg Protocol Amendment	26/10/2014	(122/5/9) 2015	(102) 2015	3/11/2015	1/1/2016
37	Turkey	29/1/1993	(84/8) 1993	(5) 1994	29/1/1994	29/1/1995
38	Canada	9/6/2002	(587/10) 2002	(3) 2004	7/1/2004	25/5/2004
39	Mauritius	18/9/2006	(319/9) 2006	(51) 2007	20/6/2007	25/9/2007

40	Seychelles	19/9/2006	(297/6) 2006	(8) 2007	6/2/2007	14/4/2007
41	Bosnia and Herzegovina	18/9/2006	(331/2) 2006	(39) 2007	30/4/2007	19/5/2009
42	Azerbaijan	20/11/2006	(332/3) 2006	(42) 2007	30/4/2007	12/6/2007
43	Spain	5/3/2006	(100/6) 2006	(54) 2006	13/8/2006	2/4/2007
44	Malta	13/3/2006	(99/5) 2006	(53) 2006	13/8/2006	13/9/2006
45	Netherlands	8/5/2007	(138/6) 2007	(102) 2007	29/11/2007	2/6/2010
46	Bulgaria	26/6/2007	(211/11) 2007	(5) 2008	21/1/2008	16/11/2008
47	Uzbekistan	26/10/2007	(64/8) 2008	(70) 2008	28/9/2008	25/2/2011
48	Kazakhstan	22/12/2008	(255/15) 2009	(47) 2009	30/6/2009	27/11/2013
49	Vietnam	16/2/2009	(319/10) 2009	(77) 2009	11/10/2009	12/4/2010
50	Greece	18/1/2010	(42/3/15) 2010	(60) 2010	27/6/2010	16/12/2014
	Protocol Amendment DTA	27/6/2013	(148/5/19) 2014	(130) 2014	20/11/2014	16/12/2014
51	Ireland	1/7/2010	(95/6/11) 2011	(66) 2011	6/7/2011	19/7/2011
52	Georgia	24/11/2010	(29/2/9) 2011	(32) 2011	28/3/2011	28/4/2011
53	Venezuela	11/12/2010	(30/2/10) 2011	(33) 2011	28/3/2011	20/6/2011
54	Portugal	17/1/2011	(94/6/10) 2011	(67) 2011	6/7/2011	22/5/2012
55	Bangladesh	17/1/2011	(221/11/20) 2011	(17) 2012	2/2/2012	13/6/2011
56	Cyprus	27/2/2011	(164/9/29) 2011	(24) 2013	14/2/2013	17/3/2013
57	Estonia	20/4/2011	(286/13/22) 2011	(30) 2012	26/2/2012	29/3/2012
58	Switzerland	6/10/2011	(22/1/22) 2012	(35) 2012	8/4/2012	21/10/2012
59	Guinea	13/11/2011	(71/3/12) 2012	(50) 2012	21/5/2012	9/7/2014
60	Kenya	21/11/2011	(70/3/11) 2012	(51) 2012	21/5/2012	22/2/2017
61	Russia	7/12/2011	(172/8/15) 2012	(94) 2012	10/10/2012	23/6/2013
62	Latvia	11/3/2012	(11/1/11) 2013	(54) 2013	26/5/2013	11/6/2013
63	Montenegro	26/3/2012	(212/10/10) 2012	(16) 2013	11/2/2013	11/2/2013
64	Fiji	2/9/2012	(80/4/9) 2013	(64) 2013	11/6/2013	20/12/2013
65	Palestine	24/9/2012	(81/4/10) 2013	(63) 2013	11/6/2013	
66	Panama	13/10/2012	(12/1/12) 2013	(53) 2013	26/5/2013	23/10/2013
67	United Mexican States	20/11/2012	(109/5/11) 2013	(79) 2013	20/6/2013	9/7/2014
68	SERBIA	13/1/2013	(82/4/11) 2013	(65) 2013	11/6/2013	2/7/2013
69	Benin	4/3/2013	(55/2/22) 2014	(71) 2014	23/7/2014	
70	Libya	1/4/2013	(15/1/15) 2014	(50) 2014	4/5/2014	

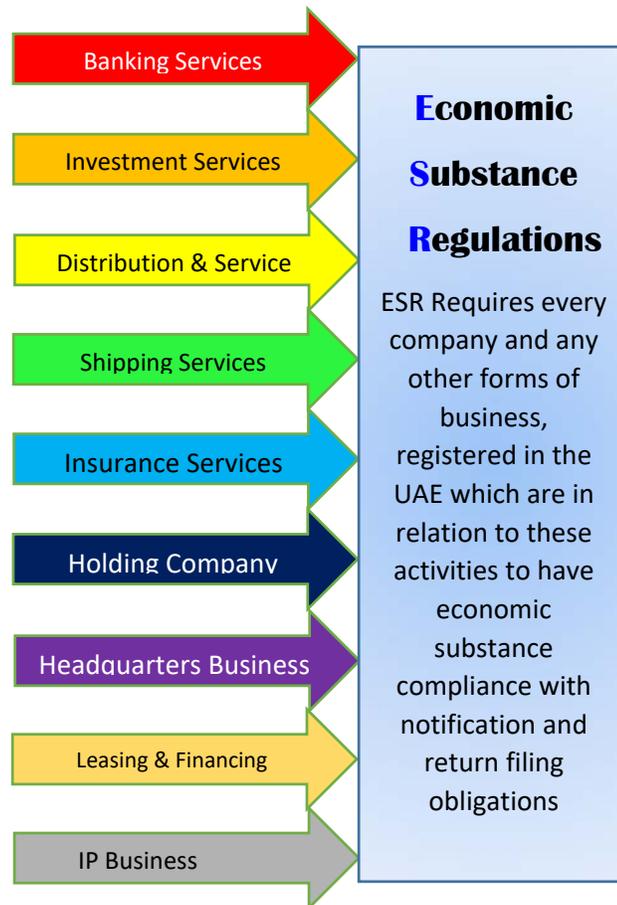
71	Hungary	30/4/2013	(96/3/24) 2014	(73) 2014	23/7/2014	4/10/2014
72	Japan	2/5/2013	(56/2/23) 2014	(70) 2014	23/7/2014	24/12/2014
73	Brunei Darussalam	21/5/2013	(16/1/16) 2014	(49) 2014	4/5/2014	21/11/2014
74	Lithuania	30/6/2013	(172/6/16) 2014	(127) 2014	20/11/2014	19/12/2014
75	Slovenia	12/10/2013	(121/4/14) 2014	(72) 2014	23/7/2014	29/9/2014
76	Albania	13/3/2014	(6/1/6) 2015	(37) 2015	25/3/2015	26/3/2015
77	Barbados	22/9/2014	(174/7/12) 2015	(141) 2015	18/11/2015	18/2/2016
78	Uruguay	10/10/2014	(43/2/6) 2015	(64) 2015	1/6/2015	14/6/2016
79	Kyrgyzstan	7/12/2014	(198/8/6) 2015	(142) 2015	18/11/2015	16/12/2015
80	Hong Kong	11/12/2014	(121/5/8) 2015	(104) 2015	3/11/2015	10/12/2015
81	Bermuda	12/2/2015	(62/4/10) 2016	(140) 2016	16/10/2016	5/7/2019
82	Comoro Islands	26/3/2015	(10/6) 2016	(231) 2016	29/11/2016	2/1/2018
83	Ethiopia	12/4/2015	(273/10/9) 2015	(40) 2016	8/3/2016	6/11/2018
84	Uganda	8/6/2015				
85	Gambia	27/7/2015	(11/4) 2017	(57) 2017	31/5/2017	
86	Andorra	28/7/2015	(61/4/9) 2016	(166) 2016	1/11/2016	1/8/2017
87	Belize	1/10/2015	(11/6) 2016	(230) 2016	29/11/2016	24/10/2017
88	Liechtenstein	1/10/2015	(8/10) 2016	2017	9/1/2017	24/2/2017
89	Mauritania	21/10/2015	(64/4/12) 2016	(169) 2016	1/11/2016	18/7/2019
90	Senegal	22/10/2015	(66/4/14) 2016	(138) 2016	16/10/2016	2/7/2017
91	Macedonia	26/10/2015	(9/6) 2016	(232) 2016	29/11/2016	7/2/2017
92	South Africa	23/11/2015	(110/5/9) 2016	(168) 2016	1/11/2016	23/11/2016
93	Slovak	21/12/2015	(9/10) 2016	2017	9/1/2017	1/4/2017
94	Nigeria	18/1/2016	(6/1) 2017	(34) 2017	16/4/2017	
95	Jordan	5/4/2016	(15/7) 2016	(224) 2016	29/11/2016	10/1/2017
96	United Kingdom of Great Britain and Northern Ireland	12/4/2016	(12/9) 2016	(243) 2016	25/12/2016	25/12/2016
97	Jersey	20/4/2016	(11/9) 2016	2017	9/1/2017	25/9/2017
98	Kosovo	20/5/2016	(3/1) 2017	(33) 2017	16/4/2017	3/7/2017
99	Equatorial Guinea	19/10/2016	(14/5) 2017	(59) 2017	31/5/2017	
100	Argentina	3/11/2016	(16/5) 2017	(58) 2017	31/5/2017	20/1/2019
101	Ecuador	9/11/2016	(8/9) 2017	(31) 2018	1/2/2018	
102	Saint Kitts and Nevis	24/11/2016	(9/10) 2017	(51) 2018	18/2/2018	

103	Antigua and Barbuda	15/1/2017	(10/9) 2017	(32) 2018	1/2/2018	
104	Paraguay	16/1/2017	(12/9) 2017	)6) 2018	8/1/2018	20/1/2019
105	Burundi	6/2/2017	(7/11) 2017	(65) 2018	14/3/2018	
106	Moldova	10/7/2017	(6/1) 2018	(86) 2018	25/4/2018	26/7/2018
107	Cameroon	13/7/2017	(8/10) 2017	(49) 2018	18/2/2018	16/4/2021
108	Croatia	13/7/2017	(7/1) 2018	(85) 2018	25/4/2018	1/1/2019
109	Iraq	3/10/2017	(8/12) 2017	(62) 2018	14/3/2018	
110	Costa Rica	3/10/2017	(17/3) 2019	(152) 2019	19/12/2019	9/6/2021
111	Maldives	17/10/2017	(7/12) 2017	(68) 2018	14/3/2018	9/8/2018
112	Rwanda	1/11/2017	(36/7) 2018	(197) 2018	18/12/2018	
113	Colombia	12/11/2017	(35/7) 2018	(198) 2018	18/12/2018	
114	Angola	8/2/2018	(16/3) 2019	(153) 2019	19/12/2019	28/3/2020
115	Mali	6/3/2018				
116	Kingdom of Saudi Arabia	23/5/2018	(39/7) 2018	(193) 2018	18/12/2018	1/1/2020
117	Zimbabwe	17/6/2018	(10/10) 2019	(12) 2020	14/1/2020	7/2/2021
118	San Marino	11/7/2018	(12/3) 2019	(149) 2019	19/12/2019	
119	Chad	4/9/2018	(11/3) 2019	(150) 2019	19/12/2019	
120	Botswana	12/10/2018	(8/4) 2019	(143) 2019	19/12/2019	27/3/2020
121	Suriname	4/11/2018	(14/3) 2019	(136) 2019	19/12/2019	
122	Brazil	10/11/2018	(15/3) 2019	(151) 2019	19/12/2019	15/3/2021
123	Saint Vincent and the Grenadines	25/11/2018	(13/3) 2019	(154) 2019	19/12/2019	
124	Niger	9/12/2018	(9/7) 2019	(140) 2019	19/12/2019	
125	Gabon	1/3/2019	(7/6) 2019	(139) 2019	19/12/2019	
126	South Sudan	23/4/2019	(8/9) 2019	(148) 2019	19/12/2019	
127	Liberia	30/4/2019	(11/4) 2020	(172) 2020	10/11/2020	
128	Guinea- Bissau	7/8/2019	(10/4) 2020	(174) 2020	10/11/2020	
129	Ghana	18/11/2019	(7/14) 2020	(201) 2020	21/12/2020	
130	Sierra Leone	22/12/2019	(5/15)2020	(194) 2020	21/12/2020	
131	Chile	31/12/2019	(10/13) 2020	(192) 2020	21/12/2020	
132	Commonwealth of Dominica	21/1/2020				
133	Burkina Faso	28/1/2020	(6/14) 2020	(195) 2020	21/12/2020	
134	Zambia	7/2/2020	(12/13) 2020	(196) 2020	21/12/2020	
135	Israel	31/5/2021	(26/5) 2021			

## Economic Substance Requirements

On 10 August 2020, the UAE Cabinet issued the Cabinet of Ministers Resolution No. 57 of 2020 concerning Economic Substance Regulations (ESR). UAE onshore and Free Zone entities that carry on specific activities mentioned in the rules will have to meet ES requirements, as failure to do so could trigger penalties.

The ESR foresees specific substance requirements (economic substance tests) on entities that fall within its scope.



Broadly speaking, there is a two-step test to determine the applicability of the ES requirements i.e. the entity is a relevant entity and the entity carries out a relevant activity in the UAE.

A relevant entity is any entity, including a branch, that is licensed by a competent authority to carry out a relevant activity either onshore or in a UAE Free Zone.

The regulations apply to any UAE entity that undertakes any of the following 'relevant activities':

- Banking
- Insurance
- Investment fund management
- Lease finance
- Headquarters
- Shipping

- Holding Company
- Intellectual property
- Distribution and service centers

Under the ESR, licensed entities undertaking any of the relevant activities listed above and deriving income therefrom are required to comply with the following three ES tests:

1. The entity will need to be directed and managed in the UAE with regards to the relevant activity.
2. The entity that performs any of the relevant activities for the purpose of the ESR will need to demonstrate that the relevant Core Income Generating Activities have been undertaken in the UAE.
3. The entity will need to have an adequate number of qualified employees in the UAE, incur adequate expenditure in the jurisdiction and have an adequate physical presence in the country.

Companies covered by the Economic Substance rules will be subject to the following two compliance/ reporting requirements:

1. Notification; and
2. Report submission.

Non-compliance could result in financial penalties as well as exchange of information with the shareholder's jurisdiction (this is potentially up to the beneficial owner) and suspension/nonrenewal of a trade license.

### **Ultimate Beneficial Ownership Requirements**

For the purposes of the UBO Regulations, a UBO is a natural person who ultimately own or control or have the right to vote with minimum 25% shareholding of the company, whether through direct or indirect ownership or who have the right to appoint or dismiss the majority of the Directors/Managers of that company.

If no natural person satisfies the foregoing condition, then any natural person who exercises control over the company through other means shall be deemed to be the UBO and if no natural

person satisfies this condition then a natural person who is responsible for the senior management of the company will be deemed the UBO.

Companies are required to identify and file the data with authority regarding shareholders, Ultimate beneficial Owner, and Nominee director (if any). Regulations also require companies to maintain the register of shareholders, directors, nominee directors and Ultimate beneficial owners.

### **Anti-Money laundering Regulations**

The United Arab Emirates (UAE) has issued new guidelines on anti-money laundering (AML) and combatting the financing of terrorism (CFT) to raise awareness of the importance of adhering to financial crime legislation.

Federal Decree No. 20 of 2018 on Anti-Money Laundering and Countering the Financing of Terrorism was issued to develop the legislative and legal structure of the nation to ensure compliance with international standards on anti-money laundering and countering the financing of terrorism. The law aims to:

- combat money-laundering practices
- establish a legal framework that supports the authorities concerned with anti-money laundering and crimes related to money-laundering
- counter the financing of terrorist operations and suspicious organizations.

The National Anti-Money Laundering and Combatting Financing of Terrorism and Financing of Illegal Organizations Committee (NAMLCFTC) adopted the guidelines for financial institutions, designated non-financial businesses and professions earlier in April 2021.

The committee also approved six risk assessment reports related to terrorist financing, trade-based money laundering, misuse of legal persons, non-profit organizations, lawyers and the gold sector. The reports are aimed at aligning legislative and operational frameworks in the UAE, to enhance the understanding of the different type of risks and strengthen cooperation among regulatory authorities. The move is part of an ongoing focus within the UAE to tackle financial crime.

## Data privacy & protection

The UAE does not currently have a comprehensive Federal data privacy and protection law, nor does it have a dedicated data protection regulatory authority. There are, however, a number of local and sector-specific laws that contain provisions relating to data privacy, protection and security.

The UAE's data privacy and protection-related provisions only apply to organizations established in onshore UAE and those in the free zones not governed by any specific data privacy laws. Certain free zones, including DIFC, Dubai Healthcare City (DHCC) and ADGM, have enacted specific data protection laws that are generally heavily modelled on European data privacy laws (specifically the 1995 EU Data Protection Directive) and influenced by international standards and best practices.

### Dubai International Financial Centre - DIFC

In DIFC, the DIFC Law No. 1 of 2007 (as amended by DIFC Law No. 5 of 2012, DIFC Law No. 1 of 2018 and the Data Protection Regulations 2018, Version 3) protects personal data collected and / or processed within the jurisdiction of the DIFC, and is applicable to all DIFC entities (both regulated and non-regulated).

### Dubai Health Care City - DHCC

In DHCC, the DHCC Regulation No. 7 of 2013 that regulate the use and disclosure of "patient health information" (including personal data and medical information relating to a patient's physical or mental health) by entities licensed in the DHCC.

### Abu Dhabi Global Market - ADGM

In ADGM, the ADGM Data Protection Regulations 2015 – as amended by the Data Protection (Amendment) Regulation 2018 – protect personal data collected and / or processed within the jurisdiction of the ADGM, and are applicable to all ADGM entities (both regulated and non-regulated).

## Country-by-Country Reporting (CbCR) in the UAE

The UAE has implemented domestic CbCR rules, with relevant notification and reporting requirements.

CbCR requirements apply to entities that are 'tax residents' in the UAE and part of a multinational enterprise (MNE) with consolidated revenues equal to or exceeding AED 3.15 billion (approximately USD 858 million) in the preceding financial year.

### **Common Reporting Standards (CRS)**

Following FATCA implementation for US tax reporting purposes, the UAE has implemented CRS legislation to collect via UAE's financial institutions and automatically exchange information with foreign tax authorities on foreign tax residents' financial accounts in the UAE.

### **Corporate income tax**

Currently there is no corporate tax legislation at the federal level.

Corporate tax legislation has been enacted in several emirates through respective emirate-level decrees, with a base corporate income tax rate of 55%. However, these tax decrees have not been applied in practice to any sector, except foreign oil and gas companies with UAE concessions and foreign banks with a UAE presence.

Most FTZs offer a guaranteed tax holiday (0% corporate income tax or exemption) to their residents.

### **Withholding taxes**

Currently there are no withholding taxes in the UAE.

### **Transfer Pricing**

Currently, there are no transfer pricing regulations in the UAE. However, the UAE has committed to complying with BEPS Action 13, therefore, developments should be monitored.

### **Value Added Tax (VAT)**

The UAE implemented VAT from 1 January 2018, based on the Common VAT Agreement of the States of the GCC. The standard VAT rate in the UAE is 5%, with zero rate for exports.

All goods and services obtained in the course of conducting business in the UAE are taxable, unless specifically exempted or out of scope according to the UAE VAT Decree Law.

All local entities making taxable supplies exceeding AED 375,000 (in the last 12 months or next 30 days) are required to register for VAT. Entities making taxable supplies or incurring taxable expenses between AED 187,500 and AED 375,000 can apply for VAT registration on a voluntary basis.

Registered entities are required to file monthly or quarterly returns, as stipulated by the Federal Tax Authority.

### **Customs duty**

The UAE is a member of the GCC Customs Union. The customs duty rate is 5% of the CIF value of most products on the majority of goods entering the GCC, with some goods imported free of duty and some goods taxed at higher rates.

Once paid in the UAE, no further duty should be generally applicable within GCC states.

The UAE certificate of origin for domestically produced goods may provide exemption from customs duty in GCC and some Arab League states.

Imports into FTZs are not subject to customs duty since the area is deemed to be offshore for GCC customs purposes. Duty is only charged once goods leave the FTZ and enter mainland UAE.

### **Excise tax**

Excise tax is applicable only to the following products: carbonated drinks, energy drinks, sweetened drinks and juices, tobacco and tobacco products and electronic smoking devices and tools.

The rate of excise tax is as follows:

- 50 per cent on carbonated drinks
- 100 per cent on tobacco products
- 100 per cent on energy drinks
- 100 per cent on electronic smoking devices
- 100 per cent on liquids used in such devices and tools
- 50 per cent on any product with added sugar or other sweeteners.

## Property transfer fee

A registration fee is applicable on transfer of real estate. For example, within the Emirate of Dubai, the fee is 4% of the property transfer value.

## UAE Labor Law

The Labor Law regulates employment terms such as work hours, leave, termination rights and medical benefits. The Labor Law overrides any conflicting provisions in an employment contract that are deemed less beneficial to the employee.

## Freelance work and residence permit

An employer entity in the UAE must ensure its employees are authorized to work in the UAE by providing a one-to three-year employment visa, residence permit and Emirates ID. Employees may then sponsor their family to reside in the UAE.

Several Free Zones in the country offer a freelance work and residence permit option for expatriates. The Freelance permit enables individuals to conduct business as a sole practitioner. The relevant jurisdictional immigration department regulates the issuance of the freelance residence permits and freelance trade licenses.

## Golden Visa

Cabinet Resolution No. 56 of 2018 Regarding the Organization of Residence Permits for Investors, Entrepreneurs and Professional Talent regulates granting golden visas to

- investors
- entrepreneurs.
- specialized talents and researchers in various fields of science and knowledge
- bright students with promising scientific capabilities

## 10-year investor visa

Expatriates from the below listed categories are entitled to apply for a 10-year residence visa in the UAE.

1. **Investors** in public investments with value of a minimum of AED 10 millions
  - The investment may take many forms such as:

- ✿ A deposit of at least AED 10 million in an investment fund inside the country
- ✿ Establishing a company in the UAE with a capital of not less than AED 10 million
- ✿ Partnering in an existing or a new company with a share value of not less than AED10 million
- ✿ Having a total investment of not less than AED 10 million in all areas mentioned, on condition that the investment in sectors other than real estate is not less than 60 per cent of the total investment.

### Conditions

Granting a visa is subject to the following conditions:

- ✓ The amount invested must not be loaned.
  - ✓ The investment should be retained for at least three years.
  - ✓ There should be a financial solvency up to AED 10 million.
2. **Persons with specialized talents:** this includes specialized talents and researchers in the fields of science and knowledge such as doctors, specialists, scientists, inventors, as well as creative individuals in the field of culture and art. The visa advantage extends to the spouse and children. All categories are required to have a valid employment contract in a specialized field of priority in the UAE.

### 5-year investor visa

Expatriates from the below listed categories are entitled to apply for a 5-year residence visa in the UAE.

1. **Real estate investors** in the UAE, provided they meet the below criteria:

- ✿ The real estate property value should not be less than AED 5 million.
- ✿ The ownership of the real estate property must not be on a loan basis.
- ✿ The property must be retained for at least three years.

### 2. **Entrepreneurs**

Expatriates owning an existing project in the UAE with a minimum capital of

AED 500,000 or those who have the approval of an accredited business incubator in the country are generally eligible for a multi-entry visa for six months, renewable for another six months.

The same can then be converted with a special approval to a 5-year investor visa. The long-term visa includes the spouse and children, a partner and three executives.

### **3. Outstanding students**

Outstanding students with a minimum grade of 95 percent in public and private secondary schools are eligible for a 5-year visa, as well as university students within and outside the country having a distinction GPA of at least 3.75 upon graduation. The 5-year visa includes families of the outstanding students.

The eligibility criteria for both five- and ten-year visas is wide and cover a number of qualifying cases, including property investors, entrepreneurs, outstanding talent and researchers, executives and their respective family members.

### **Emiratization requirements**

To overcome structural divisions in the labor market, the UAE government launched an Emiratization campaign which mandates inclusion of Emiratis in the workforce—particularly the private sector. Emiratization aims to increase the number of Emiratis participating in the job market and their contribution to the economy.

The UAE encourages implementation in both the public and private sectors and across levels through the establishment of a special department, quotas and incentives.

### **Personal income tax**

There is no personal income tax in the UAE.

### **Social security payments**

Under the Pensions and Social Securities law, when a company employs a GCC national, both the employer and employee must make social security and pension contributions to the General Pension and Social Security Authority. These contributions are based on salary and are payable at the following rates for a UAE national (different rates may apply for other GCC nationals):

- Public-sector employer: 15 percent
- Private-sector employer: 12.5 percent
- Employee: 5 percent

There is no requirement for expatriates or the employer of an expatriate to make social security contributions.

### **End of service benefits (EOSB)**

An expatriate employee who has completed one year or more of continuous service, is entitled to EOSB at the end of service. EOSB is generally calculated as follows:

- Twenty-one days' pay for each year of the first five years of service. If the period of the employee's continued service is more than three years and less than five years, they become entitled to two-thirds of the gratuity. If the period of the employee's continued service is more than one year and less than three years, they become entitled to one-third of the gratuity.
- Thirty days' pay for each additional year, provided that the entire total remuneration shall not exceed two years' pay.

### **Wages Protection System (WPS)**

Companies are mandated by the UAE Ministry of Labor to use the electronic salary transfer system to pay wages via the authorized financial institutions in the UAE. The system allows the Ministry to create a database that records wage payments in the private sector to guarantee their timely and full payment.

Companies located in certain FTZs are not required to use WPS.

### **Key insurance obligations for employers and employees:**

- **Health insurance:** Specific health insurance laws are implemented in each emirate, to ensure all employees enjoy a minimum level of health coverage. A UAE-based employer must ensure that employees hold valid health insurance at all times. Companies are required to submit valid health insurance policy for employees at the time a visa is initially issued and renewed.
- **Workmen's compensation insurance:** This is a requirement for companies. It covers legal liability to employees for occupational injury during the course of their employment, within the defined territorial limits according to the Labor Law/Workmen's Compensation Ordinance.

– **Recruitment insurance:** The UAE Cabinet recently approved the adoption of a “recruitment” insurance as an alternative to the existing monetary deposit by employers of AED 3,000 per worker. In contrast, insurance will be AED 60 per year per employee.

### **Housing fee**

A 5% housing fee is charged to tenants in Dubai, based on the annual residential rental amount.

### **Wills**

Having a Will in place in their country of origin is regarded by many Expatriates as essential planning when they move to live and work abroad, offering peace of mind in the event of a tragedy.

However many Expatriates in the UAE are unaware that in the absence of a legally registered Will in the UAE, the process of transferring assets after death can be extremely time consuming, costly and fraught with legal complexity. This could mean that assets accumulated during their time in the UAE may not go to their loved ones as they would have intended.

There is no rule of survivorship in the UAE. Therefore if you have a joint bank account, then on the death of one of the account holders, the bank account will be frozen and funds unattainable until a Court Order is received.

### ***Guardianship***

If you have children and have not appointed a guardian for them under the terms of your Will, then it would be at the discretion of the Local UAE Courts as to who would become your child’s guardian and how your assets would be distributed. In such circumstances local laws would apply.

### ***Executors***

An executor is a person named by the testator to carry out the instructions of the Will. The executor’s duties include distributing property to the beneficiaries as designated in the Will, obtaining information of potential heirs and collecting and arranging for payment of debts of the estate.

### *Beneficiaries*

A beneficiary is a person who is set to inherit from an estate when someone passes away. This might be money, possessions, property or stocks and shares – anything that the person who has died left behind.

A residuary beneficiary is someone who will receive all or part of an estate after all debts, taxes and specific gifts have been taken care of.

## Registration options

### **Abu Dhabi**

The Abu Dhabi Judicial Department has rules relating to succession and inheritance matters for Non-Muslims holding assets in the UAE. The new Office allows non-Muslims with assets in Abu Dhabi and other Emirates to have the option to deal with their estates as they so choose. It also offers flexible legal options, where previously there was inflexibility, to assist non-Muslim families in the event of death.

### **DIFC**

The DIFC Wills Service Centre released new rules to allow Non-Muslims to include all of their worldwide assets in a DIFC Will. The DIFC Wills Service Centre allows eligible non-Muslim individuals to formally register their English language Wills according to the principles of testamentary freedom, enabling them to choose to dispose of their UAE or worldwide based assets upon death as they see fit.

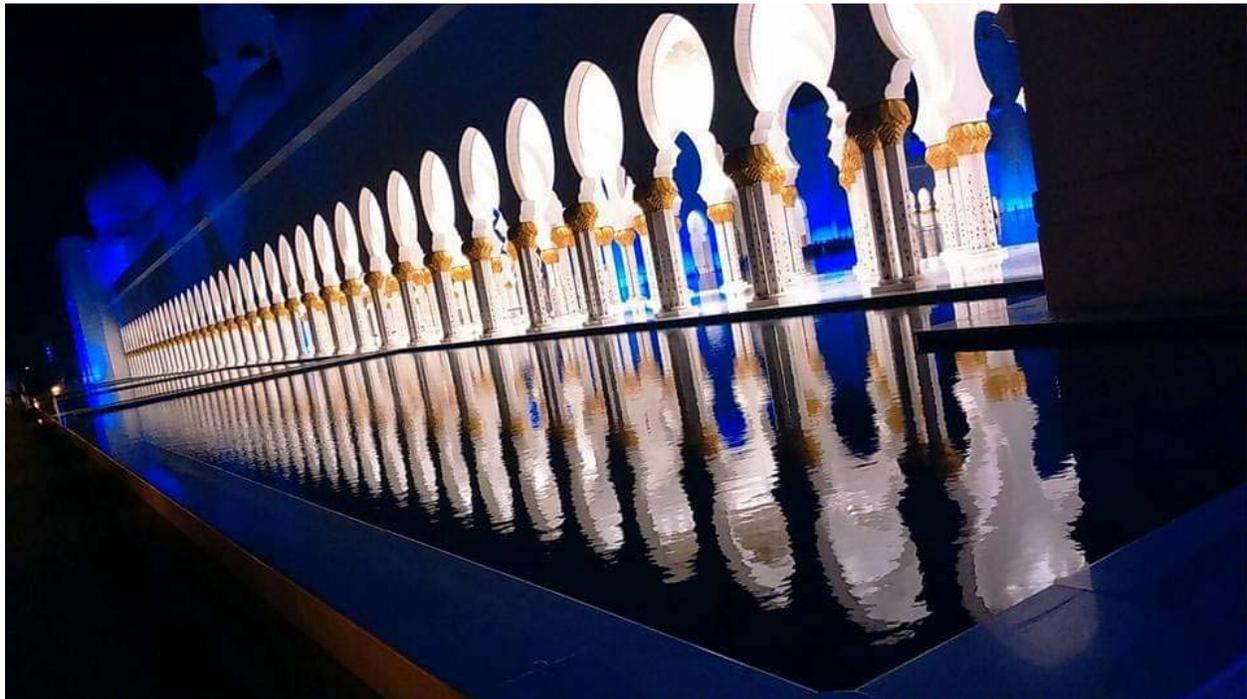
### **Virtual Registrations**

All Wills can now be registered virtually through a video conferencing call with the DIFC Wills Service Centre or the Abu Dhabi Judicial Department. Individuals will be required to upload all documents and ID's prior to the virtual registration appointment, during which the Authorised Officer will review the Will with the individual, in the presence of the witnesses via video link and complete the registration formalities.

## Dubai (Onshore)

The Dubai Local Courts allow non-Muslims to notarize a bilingual Will before a Notary Public. Non-Muslim expatriates, with assets in the UAE can make a Will under the law of their home country, to govern succession to his or her UAE estate instead of Sharia-based rules.

Non-Muslim expatriates with assets in the UAE now have the ability to register Wills that create legal certainty for the inheritance of their assets after death and the appointment of guardians for their children. This not only allows individuals to have testamentary freedom to dispose of their assets as they wish, it also provides peace of mind that an individual's estate will be distributed according to their wishes.

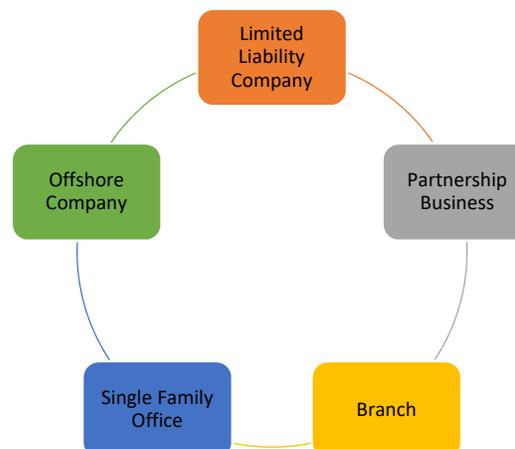


## LEGAL STRUCTURES FOR SETTING UP BUSINESS IN DUBAI

Foreign investors interested in establishing a formal presence in the UAE generally have two options:

1. Establish a presence in the UAE mainland, i.e. one of the Emirates; or
2. Establish a presence in one of the many UAE Free Zones.

Foreign investors may also enter into a joint venture with a local business or do business via an authorized distributor/ agent located in the UAE.



### **Mainland Entity:**

The legal forms for the UAE mainland are governed by Federal Law No. 2 of 2015, the Commercial Companies Law (CCL). The most commonly used business forms in the UAE mainland are the Limited Liability Company (LLC) or a branch/representative of a foreign company.

#### **1. Limited liability company**

As per the Commercial Company Law, foreign investors may own up to a maximum of 49% of the share capital of an entity. The remaining 51% must be held by a UAE national shareholder or company wholly owned by UAE nationals. Generally, LLCs are not subject to any minimum share capital requirement, however this is at the discretion of the Department of Economic Development (DED) and in most cases they require investors to inject a paid-up capital of AED 300,000.

The recently issued Decree Law No. 26 of 2020 contains significant changes to the the CCL. Specifically, the Decree Law now permits wholly foreign owned companies unless a special exemption applies to restrict them.

## **2. Branch of foreign company**

As per the new CCL, foreign companies are allowed to establish a branch entity in the UAE mainland. The branch entity does not require a local shareholder, however, it is mandatory for the foreign investor to appoint a local service agent (LSA) which should be a UAE national or a company owned by UAE nationals.

The role of the LSA is to facilitate communication with the government and ministries. Pursuant to Law No. 13 of 2011 regulating the Conduct of Economic Activities, the relationship between the parent company and LSA must be governed by a notarized agency agreement based on the template prescribed by the DED.

### **Free Zone establishments:**

Establishing a business in a Free Zone is another option available to foreign investors. A Free Zone is a designated area within the UAE where foreign investors enjoy up to 100% foreign ownership as well as other benefits such as import duty and VAT exemptions. Free Zones have been established to attract foreign investments into the UAE.

The major advantages in operating in a free zone are:

- 100 per cent foreign ownership of the enterprise
- 100 per cent import and export tax exemptions
- 100 per cent repatriation of capital and profits
- No corporate taxes for 15 years, renewable for an additional 15 years
- No personal income taxes

Different types of licenses that can be issued in a Free Zone in the UAE are:

- General Trading License
- Trading/Commercial License
- Industrial License
- Service/Consulting/Professional License
- National Industrial License

There are over 50 Free Zones in the UAE, each administered by its own rules and regulations and authorities which are responsible for licensing and registration matters in relation to foreign entities looking to establish their business in the given Free Zone. Depending on the client's requirements, they can choose the most suitable free zone for their business.

Some of the most popular Free Zones in the UAE are:

- Jebel Ali Free Zone Authority (JAFZA)
- Dubai Airport Free Zone Authority (DAFZA)
- Dubai Multi Commodities Center (DMCC)
- Khalifa Industrial Zone Abu Dhabi (KIZAD)
- Masdar City Free Zone
- Hamriyah Free Zone (HFZ)
- Ras Al Khaimah Economic Zone (RAKEZ)
- Ajman Free Zone (AFZ)
- Fujairah Free Zone (FFZ)

Financial Free Zone in UAE are

- Abu Dhabi Global Market (ADGM)
- Dubai International Financial Center (DIFC)

### **Single Family Office**

Single Family Office (hereinafter - SFO) is a standard FZ LLC company structure with a specific license to allow wealth, asset, and legal affairs management of a single family and provide other administrative or concierge services related to that same family only; whether to a family member, family business, family entity (corporate structure), or family trust or foundation. SFO can also hold shares in family business, assets, trusts and foundations. The SFO must be 100% owned by that same family.

### **Offshore establishments**

Free Zones such as JAFZA (Jebel Ali Free Zone Authority), AFZA (Ajman Free Zone Authority) and RAKICC (Ras Al Khaimah International Corporate Centre) permit foreign investors to establish offshore entities that may act as a holding company within their group structure and are further not permitted to perform any activities in the UAE (Free Zone or mainland). UAE

offshore companies are governed by the relevant Free Zone's offshore regulatory laws and regulations.

### **Civil Company**

These entities are establishments which are sole traders operating under a license. Civil companies are usually not intended to trade (e.g., engage in the purchase and sale of goods, contracting, transport, banking and finance, and other similar transactions) and are typically used by the professions.

### **Trust / Foundation**

The terms Trust and Foundation are often used interchangeably. The difference between them is that a Trust is a specific legal entity, whereas a Foundation can be a Trust. A foundation is an independent legal entity and is derived from civil law jurisdictions, as opposed to a trust which is a common law concept. It also has no members or shareholders but is self-owned. The foundation's founder bestows assets to the foundation and, owing to its separate legal status, will hold those in its name and separately from the founder's personal wealth. Those assets are then managed by the foundation council (equivalent to a board of directors for a company), according to the foundation's charter and by-laws (reflecting the founder's intentions) in support of a cause or a purpose for the benefit of beneficiaries.

In the UAE, a foundation can be registered in the Dubai International Financial Centre (DIFC), Abu Dhabi Global Markets (ADGM) and Ras Al Khaimah International Corporate Centre (RAKICC).

### **COMPANY REDOMICILIATION**

Re-domiciliation (migration) is the process by which a company moves its domicile (place of incorporation) from one jurisdiction to another by changing the free zone under whose laws it is registered or incorporated, whilst maintaining the same legal identity.

UAE has numerous free zones, each with separate laws for operation and domicile, and has become an attractive location for re-domiciliation in UAE.

Re-domiciliation helps enterprises take advantage of the more favorable tax laws at its new location and benefit from improved access to specialist financial and capital markets.

## OVERVIEW - MBK AUDITING

We have head office in Dubai and also have presence in Sharjah, Ras Al Khaimah and Abu Dhabi. We provide complete solutions in setting up business in all Emirates including identifying suitable local partner, company incorporation, opening bank account as well as visa processing for expatriate investors and employees.

We are listed in all Free Zones in UAE as approved auditors and consultants. We are also authorized agents for offshore companies in Jebel Ali Free Zone and Ras Al Khaimah International Corporate Centre (RAKICC).

## DISCLAIMER:

Last but not the least, as in any business venture, it is sensible to exercise due diligence on everything from the industry you are thinking of entering in the UAE, to the potential partner being considered. Since this document is meant to serve as a general guide, we recommend you to consult us directly for any information required in doing the business in the UAE.

# CONTACT US

## **Dubai Office (Head Office):**

Office 1904, Al Moosa Tower 2,  
Sheikh Zayed Road,  
Dubai, UAE  
P O Box 233256  
Tel. No. +971 43585133  
Email: [info@mbkauditing.com](mailto:info@mbkauditing.com)

## **Abu Dhabi Office:**

M2, Al Sultan Bakery Building,  
Sector 18-01,  
Murroor St., P O 26380  
Abu Dhabi, UAE  
P O Box 233256  
Tel. No. +971 2568444  
Email: [info@mbkauditing.com](mailto:info@mbkauditing.com)

We welcome the opportunity to discuss your needs and provide you with a better understanding of the issues discussed in this material. Please do not hesitate to contact us.

