

# United Arab Emirates

## United Arab Emirates (UAE)

### Country

The United Arab Emirates (Arabic: دولة الإمارات العربية المتحدة *Dawlat al-ʿImārāt al-ʿArabiyyah al-Muttaḥidah*), sometimes simply called the Emirates or the UAE, is a country located in the southeast end of the Arabian Peninsula on the Persian Gulf, bordering Oman to the east and Saudi Arabia to the south, as well as sharing sea borders with Qatar, Iran and Pakistan.



Established on 2 December 1971, the country is a federation of seven emirates (equivalent to principalities). Each emirate is governed by a hereditary Emir who jointly form the Federal Supreme Council which is the highest legislative and executive body in the country. One of the Emirs is selected as the President of the United Arab Emirates.

The constituent emirates are Abu Dhabi, Ajman, Dubai, Fujairah, Ras al-Khaimah, Sharjah, and Umm al-Quwain. The capital is Abu Dhabi, which is one of the two centers of commercial and cultural activities, together with Dubai. Islam is the official religion of the UAE, and Arabic is the official language.

In 1962, Abu Dhabi became the first of the emirates to begin exporting oil. The late Sheikh Zayed, ruler of Abu Dhabi and the first president of the UAE, oversaw the development of the country and steered oil revenues into healthcare, education and infrastructure.

Today, UAE oil reserves are ranked as the seventh-largest in the world, along with large natural gas reserves. The UAE has a developed high income economy and has one of the world's highest GDP per capita. In order to diversify the economy and reduce the dependence on oil revenues, the country has been making huge investments in the tourism, financial and construction sectors.

UAE's most populous city of Dubai (> 3 mill.) has emerged as a global city and an international business hub.

## *Companies*

### *Local Companies*

Most Gulf countries do not allow foreign ownership of companies. The UAE law stipulates that nationals must own at least 51% of the company's share capital, while the remaining 49% may belong to foreigners. However, this rule is not applicable for companies that offer professional or service activities. Foreigners are allowed to own 100% of such companies but there must be a local Emirati who is hired as a Service Agent for specified administrative works.

The UAE federal authorities have waived the minimum share capital requirements for establishing local companies in order to encourage new and small investors to enter the market. Therefore, there is no need for a share capital deposit proof from any local bank. This also cuts down the business start up costs and processing time.

Local companies can use Double Tax Treaties.

### *Offshore Companies*

In 2003, the Jebel Ali Free Zone Authority (JAFZA) issued regulations governing offshore companies. In 2006, Ras al-Khaimah followed and issued its own offshore legislation (RAK/RAKIA, now RAKICC).

Companies incorporated under these offshore legislations are not allowed to have any business activities within the UAE. However, they may have bank accounts in the UAE and they are also allowed to own property within the UAE (restrictions apply).

The offshore regulations are in line with the latest international practices along the lines of other typical offshore locations. These companies are extremely flexible international instruments that can serve many objectives like

- Trading operations
- Consultancy services
- Asset protection
- Tax planning
- Holding and investments, etc.

The main differences between JAFZA and RAKICC Offshore Companies are the fees and the requirements for directors, managers and secretaries. The Ras al-Khaimah requirements are usually lighter, Jebel Ali offshore companies have some restrictions.

An offshore company must hold at least one shareholder meeting every year and produce financial statements to be audited by an approved auditor and deposited with the Companies' registrar; however, this is not enforced for the time being. Every offshore company must, through a registered agent, maintain a registered office which can be anywhere in the UAE.

Offshore companies cannot use Double Tax Treaties.

### ***Free Zone Companies***

The UAE have established a vast and still growing number of Free Zones. Roughly 30 of them are in Dubai and offer excellent conditions for various businesses. All companies must have a physical presence in the Free Zone; i.e. the registration of a company automatically includes the rent of an office or a warehouse. Some Free Zones offer the sharing of an office space in the Free Zone's business centre (known as flexy desk or smart desk).

The Free Zones in the UAE are offering a spectacular variety of licences for all kinds of investments, businesses and even for freelance professionals. The main activities/licences are:

Service licence	All types of services are allowed unless otherwise restricted by the Federal or local authorities. Such licence is usually used for all activities which are not covered by the other licences.
Commercial / General trading licence	Import, export, distribution, consolidation, storage or warehousing of goods and items specified in the licence.
Industrial licence	Import of raw materials, manufacturing, processing, assembling, packaging and exporting the finished products.

The main advantages of Free Zone Companies are the following:

- 100% foreign ownership
- No corporate taxation
- No personal income tax
- Possibility to get UAE residence visas for Shareholders, Directors and employees
- Freedom to repatriate capital and profits
- No currency exchange control
- No import duties
- Less bureaucracy
- No recruitment problems

- Modern and efficient communication and infrastructure
- Possibility to lease flexy desk/serviced offices
- Attractive working environment
- Most procedures are in English

Free Zone Companies can use Double Tax Treaties.

### *Some Free Zones in the UAE*

Emirate	Zones
 <p data-bbox="204 891 352 920"><b>Abu Dhabi</b></p>	<ul style="list-style-type: none"> <li>• Abu Dhabi Global Market (ADGM)</li> <li>• Masdar City</li> <li>• Abu Dhabi Ports Company</li> <li>• Abu Dhabi Airport Free Zone</li> <li>• twofour54</li> </ul>
 <p data-bbox="204 1160 288 1189"><b>Dubai</b></p>	<ul style="list-style-type: none"> <li>• Dubai Airport Free Zone</li> <li>• Dubai Biotech Research Park</li> <li>• Dubai Healthcare City</li> <li>• Dubai Internet City</li> <li>• Dubai International Financial Centre (DIFC)</li> <li>• Dubai Investment Park</li> <li>• Dubai Knowledge Village</li> <li>• Dubai Logistics City</li> <li>• Dubai Maritime City</li> <li>• Dubai Media City</li> <li>• Dubai Multi Commodities Center (DMCC)</li> <li>• Dubai Outsource Zone</li> <li>• Dubai Silicon Oasis</li> <li>• Dubai South (formerly Dubai World Central) (DWC)</li> <li>• Dubai Studio City</li> <li>• Jebel Ali Free Zone (incl. port) (JAFZA)</li> </ul>
 <p data-bbox="204 1928 312 1957"><b>Sharjah</b></p>	<ul style="list-style-type: none"> <li>• Sharjah Media City (Shams)</li> <li>• Sharjah Airport Free Zone</li> <li>• Hamriyah Free Zone</li> </ul>



**Umm al-Quwain**

- Ahmed Bin Rashid FZ



**Ajman**

- Ajman Free Zone (incl. port)



**Ras al-Khaimah**

- RAK Investment Authority
- RAK Free Trade Zone
- RAK Maritime City



**Fujairah**

- Fujairah Free Zone
- Fujairah Creative City

## ***Tax system***

- There is no corporate income or capital tax with the exception of oil companies and certain banks
- There is no personal income tax
- There is VAT of presently 5%
- There is no withholding tax on dividends, interest and royalties
- There is no capital gains tax
- There is an import duty of 5% for bringing goods in for local businesses

The UAE have concluded Double Tax Treaties with an extensive number of countries which presently include:

*Treaties in force*

Albania	India	Panama
Algeria	Indonesia	Philippines
Andorra	Ireland	Poland
Armenia	Italy	Portugal
Austria	Japan	Romania
Azerbaijan	Jersey	Russia
Bangladesh	Jordan	Senegal
Barbados	Kazakhstan	Serbia
Belarus	Kenya	Seychelles
Belgium	Korea, Republic of	Singapore
Bosnia and Herzegovina	Kosovo	Slovakia
Brunei	Kyrgyzstan	Slovenia
Bulgaria	Latvia	South Africa
Canada	Lebanon	Spain
China	Liechtenstein	Sri Lanka
Comoro Islands	Lithuania	Sudan
Croatia	Luxembourg	Switzerland
Cyprus	Macedonia	Syria
Czech Republic	Malaysia	Tajikistan
Egypt	Maldives	Thailand
Estonia	Malta	Tunisia
Fiji	Mauritius	Turkey
Finland	Mexico	Turkmenistan
France	Moldova	Ukraine
Georgia	Montenegro	United Kingdom
Germany	Morocco	Uruguay
Greece	Mozambique	Uzbekistan
Guinea	Netherlands	Venezuela
Hong Kong	New Zealand	Vietnam
Hungary	Pakistan	Yemen

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