



商業信託
Commercial Trust



Country Profile: United Arab Emirates

The Facts

Location	Middle East, between Oman and Saudi Arabia
Languages	Official – Arabic Spoken – Persian, English, Hindi, Urdu
Nationality	Emirati
Religions	Muslim – 62% Hindu – 21% Christian – 9% Buddhist – 4% Others – 4%
Government	Federation with specified powers delegated to the UAE federal government and other powers reserved to member emirates
Head of Government	Prime Minister
Legislature	Unicameral Federal National Council
Constitutional Document	Constitution of the United Arab Emirates
Economy	The UAE is a federation of seven monarchies – Abu Dhabi, Ajman, Dubai, Fujairah, Ras Al-Khaimah, Sharjah, and Umm al-Qaiwain. Abu Dhabi owns 90% of oil production and takes a leading role in political and economic decision-making; Dubai is the foremost center of finance, commerce, transportation, and tourism. Free trade zones that offer opportunities for 100 percent foreign ownership with zero taxation help to diversify the economy, but UAE nationals rely heavily on public-sector employment and subsidized services. Hydrocarbons still account for roughly 80 percent of total government revenues.
Currency	Emirati Dirham (AED)
GDP (2011)	Total – AED 1,255.84 billion Per capita – AED 233,665 Real GDP growth – +4.9%
Population	5,314,317 (approx.)
Percentage of population	Arab – 48.1% South Asian – 35.7% Iranian – 5% Others – 11.2% note: less than 20% are Emirati
Area	83,600 km ²
Time zone	GST (UCT +4)
Public Holidays	National holidays – 7
Climate	Desert



Sources: U.S. Department of State, The Heritage Foundation, Central Intelligence Agency, International Monetary Fund

United Arab Emirates

The United Arab Emirates is a federation of seven emirates, Dubai, Fujairah, Ras al-Khaimah, Umm al-Quwain, Ajman, Sharjah, and the capital, Abu Dhabi. After its independence in 1971, the country saw huge economical development. According to statistics released by the Ministry of Finance and Industry, the country's GDP increased from \$342 billion in 2011 to \$360 billion in 2012, making it the 30th most powerful economy in the world, and the second most powerful economy in the Cooperation Council for the Arab States of the Gulf (CCASG). The UAE attracts foreign investors with its abundant natural resources, highly promising economy and favorable government policies. Let's take a close look at some major reasons why foreign investors are eager to do business in the UAE.

The UAE Business Climate

There are several reasons to invest in the UAE:

- **Steady and Free Economy:** According to the 2009 Trade Statistics published by the WTO, the export of natural resources accounts for more than 85 percent of the UAE's economy. However, over the last three years, the economy of the UAE has become more diversified, and is no longer dependent only on the export of oil and gas. There has been significant growth in several other industrial sectors, such as the construction sector and tourism sector. According to the Global Competitiveness Report 2010-2011 by the World Economic Forum (WEF), the UAE has the 25th most competing economy, and one of the most "innovation-driven economies" in the world. The country's economic freedom score increased by 1.5 points to 69.3 in 2012. This makes the UAE the 35th most open economy in the world. The economic freedom score of the UAE has been moving upwards for the last few years.
- **Government Assistance:** The government of the UAE has been very keen on attracting foreign investments to the country. As a means to this end, the government has set up several free economic zones, making it easy for foreign investors to start a business in the country. Here are some of the major benefits of establishing a business in one of the free zones:
 1. Getting support service from the government: The government assists investors to deal with several issues, such as labor recruitment, housing and sponsorship.
 2. Getting full control and foreign ownership of the business.
 3. Total exemption of import and export taxation.
 4. Exemption from corporate tax for up to 50 years.
 5. Total exemption from personal income tax.
 6. Total repatriation of capital and profit.

Each of these free zones is governed by an independent Free Zone Authority (FZA). Foreign investors who want to setup a business in one of free economic zones in the UAE should contact the respective FZA. The Free Zone Authority provides end to end guidance and assistance to investors. As of 2012, there are 21 Free Trade Zones in the country. According to statistics published by the Embassy of the United Arab Emirates, there are more than 20,000 companies running their businesses in these Free Zones. Some of the largest Free Trade Zones in the UAE are:

1. Jebel Ali Free Zone with around 6,000 companies
2. Sharjah Airport International Free Zone with around 3,900 companies
3. Dubai Airport Free Zone with around 1,300 companies
4. Dubai Media City with around 1,200 companies
5. Dubai Internet City with around 1,000 companies



- **Strategic location:** The United Arab Emirates also benefits foreign investors with its proximity to some major Asian business hubs, such as China and India. The country is also well connected with several European and African countries.
- **State-of-the-art infrastructure:** According to the Global Competitiveness Report 2010-2011, issued by the World Economic Forum, the UAE ranked third in the world for 'quality of infrastructure'. The transportation network of the country is at par with international standards. A major percentage of the country's budget is spent for infrastructure development. The country provides excellent telecommunication facilities as well.
- **Intellectual property protection:** The UAE is a member of the General Agreement on Tariffs and Trade. Moreover, the country is a member of several international treaties and conventions, such as the World Trade Organization (WTO), WIPO Copyright Treaty, the Rome Convention, Paris Convention, the World Intellectual Property Organization (WIPO), Patent Cooperation Treaty (PCT), and WIPO Performances and Phonograms Treaty (WPPT). This ensures highest standard of intellectual property protection to businesses running in the UAE.

Apart from all these facilities, the UAE also benefits investors with its abundant natural resources and skilled workforce.

Setting up a Business in UAE

Procedure to Setup a Limited Liability Company in the UAE

When established in one of the Free Economic Zones, a foreign investor may obtain 100 percent ownership of a limited liability company. Following are some important tasks to complete for setting up a limited liability company in the UAE.

- **Getting an approved name:** This step requires choosing a name for the proposed company and getting it approved by the Licensing Department of the Economic Department.
- **Notarizing the company's Memorandum of Association:** Completing this task usually takes one day.
- **Getting approval from DED and obtaining license from DCCI:** Usually, it requires around 6 working days to complete this task. First of all, the company should submit all required documents to the Department for Economic Development (DED). This is required to obtain Trade License and Commercial Registration Certificate from the Dubai Chamber of Commerce and Industry (DCCI)

Once the company gets a trade license, the name of the company gets enlisted in the Commercial Register. Moreover, the company's Memorandum of Association gets published in the Ministry of Economy and Commerce's Bulletin. Some other important tasks to complete after this include, preparing a name board of the company, applying for establishment card, registering native workers with the Ministry of Labor, and with the General Authority for Pension and Social Security.



Types of Business Structures in the UAE

Under the Commercial Companies Law, at least 51 percent of a commercial company's shares should be owned by UAE nationals. The following are the primary legal business structures in the UAE:

- Branches of Foreign Companies
- Representative Offices of Foreign Companies
- Sole Proprietorship Company
- Limited Liability Company
- General Partnership Company
- Partnership Limited by Shares
- Public Shareholding Company
- Partnership-en-Commandite
- Private Shareholding Company
- Limited Partnership Companies
- Joint Ventures

Despite the existence of so many business structures, only two or three types make a valid and/or profitable option for foreign investors. Let's take a close look at them:

- **Limited Liability Company:** In this business type, liability on shareholders is limited to their share in the business's capital. Forming a limited liability company requires a minimum of two and a maximum of fifty members. The minimum capital required for establishing this type of company is AED 150,000. However, minimum capital requirement for setting up a company in Dubai is AED 300,000, as of 2012. Another general requirement for setting up a limited liability company in the UAE is that local sponsors must have at least 51 percent shares of the company.
- **Branch of a Foreign Company:** This form of business is one of the most preferred options to many foreign companies. By establishing branch of a foreign company, a foreign investor gets 100 percent foreign ownership. By law, a branch office is not considered as a separate legal entity in the UAE. Instead, it is considered as a part of the foreign company. Thus, a branch of a foreign company is not allowed to have a separate name. A branch office can recruit a local service agent in the UAE. The roles and responsibilities of the local agent include helping the foreign company in obtaining visas, labor cards, and other operational activities. It is mandatory for a branch office to limit their business activities to those of the parent company.
- **Representative Office of a Foreign Company:** This is a perfect option for foreign companies that want to promote their business in the UAE. However, this type of business is not allowed to engage in buying and selling activities in the UAE. Moreover, a representative office is not allowed to announce offers or get loans when promoting their business in the United Arab Emirates
- **Sole Proprietorship:** It is possible for a foreign investor to setup a sole proprietorship firm in the UAE. This business type enables 100 percent foreign ownership. However, running a sole proprietorship company in the UAE requires appointing a local service agent. A sole proprietorship company, the term suggests, is owned and governed by a single owner.

Licensing Requirements

Establishing or running a business in the UAE is subject to certain licensing requirements. Depending upon location where a business has been established, licensing requirements may vary slightly. Moreover, different Free Zones may have minor difference in their licensing requirements. Following are some general licensing requirements for doing business in the UAE:

- Trading License that covers a range of trade activities
- Professional license that covers different types of profession services and activities, such as professional license for artisan, and professional license for engineers
- Industrial License required for establishing industrial or manufacturing activity

Taxation

Doing business in the UAE doesn't require paying any personal tax, capital gains tax, or withholding tax. The government of the UAE signed tax treaties with several countries, such as China, India, France, Germany, Egypt, Pakistan, Canada, and Poland. Nationals of these countries get special tax benefits when doing business in the UAE. Moreover, there is special tax incentives for foreign investors doing business in one of the Free Economic Zones set up the government of the UAE.

Immigration and Visa Requirements

Depending upon the nationality of a visitor, purpose of visit and several other factors, visa requirements for different foreigners can be different. Moreover, rules and regulations for obtaining a visa keep changing from time to time. A visa is not required for citizens of GCC countries to enter into the UAE. Foreign nationals with 'high professional status' can apply for a 30-day non-renewable visa upon arrival in the UAE. Citizens of other countries require a valid passport and a valid visa to enter into the UAE. Some important documents that re required when applying for a business visa for the UAE include:

- A duly filled visa application form
- At least two passport-size photographs of the applicant
- A letter either from the country's Ministry of Foreign Affairs or from the diplomatic mission mentioning details about the applicant's sponsor, and that the applicant is applying for business visa
- It is mandatory to mention whether the application of for short term, long term, multiple entry, or complementary trip.

The validity of a visa varies largely, depending upon the type of visa applied for. For example, multiple entry visas can be valid a maximum of six months with each stay not exceeding 14 days. On the other hand, long term visas can be valid for up to 90 days.



Banking Requirements

When it comes to doing business in the UAE, opening a bank account is mandatory. Depending upon policy of a bank, criteria for opening a bank account may vary from one bank to another. It is mandatory for an applicant to show his/her residence visa to the bank. Foreign nationals who want to open a bank account in the UAE should meet the following criteria:

- Submitting a proof that they are legal residents of the UAE – For this, the applicant needs to submit his/her resident visa.
- Showing the original as well as submitting a copy of the No Objecting Certificate (NOC) to the bank
- Submitting a copy of valid passport to the bank
- Depositing the minimum amount to the bank

The minimum deposit requirement depends on certain factors, such as, policy of a bank, and account type. However, in general, the minimum balance requirement for most banks in the UAE stands between 1,000 and 10000 dirham.

Reference

U.S. Department of State	www.state.gov/j/drl/rls/irf/2007/90223.htm
The Heritage Foundation	www.heritage.org/index/country/unitedarabemirates
Central Intelligence Agency	www.cia.gov
Property Showrooms	www.propertyshowrooms.com/united%20arab%20emirates/property/investment/why-invest-in-united%20arab%20emirates-property.asp
International Monetary Fund	www.imf.org
UAE Interact	www.uaeinteract.com/business/settingup.asp
Startup Overseas	www.startupoverseas.co.uk/starting-a-business-in-uae
United Arab Emirates Ministry of Foreign Affairs	www.mofa.gov.ae/mofa_english/portal/294ead46-b8fb-4d73-b601-cd9cacf37004.aspx
Afridi & Angell (Lex Mundi Member Firm)	www.afridi-angell.com/publications/plc_crossborder_uae.pdf
Wikipedia	en.wikipedia.org/wiki/Economy_of_the_United_Arab_Emirates
Commit	www.commitbiz.com/services/business_setup.htm
Al Bawada	www.albawaba.com/news/uae-ranked-25th-globally-global-competitiveness-report-ranks-uae-among-top-ten-countries-18-com
Out-Law.com	www.out-law.com/page-10573

Contact

Website: www.cmltrust.com

Email: inquire@cmltrust.com

Tel: +852 2162 7371