

Doing Business in the United Arab Emirates





Preface

This guide has been prepared by Baker Tilly, an independent member of Baker Tilly International. It is designed to provide information on a number of subjects important to those considering investing or doing business in the United Arab Emirates.

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This guide is one of a series of country profiles compiled for use by Baker Tilly International member firms' clients and professional staff. Copies may be downloaded from www.bakertillyinternational.com.

Doing Business in the United Arab Emirates has been designed for the information of readers. Whilst every effort has been made to ensure accuracy, information contained in this guide may not be comprehensive and recipients should not act upon it without seeking professional advice. Facts and figures as presented are correct at the time of writing.

Up-to-date advice and general assistance on UAE matters can be obtained from Baker Tilly, contact details can be found at the end of this guide.

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1 Fact Sheet

Facts and figures as presented in sections 1 through 4 are correct as at 16 August 2015.

Geography

Location:	Middle East
Area:	83,600km ²
Land boundaries:	Saudi Arabia and Oman
Coastline:	Persian Gulf and Gulf of Oman
Climate:	Desert; cooler in the eastern mountains
Terrain:	Flat, barren coastal plain merging into rolling sand dunes of vast desert wasteland; mountains in the east
Time zone:	GMT +4

People

Population:	9.45 million 2014
Religion:	Islam is the official religion
Language:	Arabic is the official language

Government

Country name:	United Arab Emirates
Government type:	Federation with specified powers delegated to the United Arab Emirates federal government and other powers reserved to member emirates
Capital:	Abu Dhabi
Administrative divisions:	The United Arab Emirates is a federation of seven emirates: Abu Dhabi, Ajman, Dubai, Fujairah, Ras al-Khaimah, Sharjah, and Umm al-Qaiwain.

Political situation

The Federal Supreme Council (FSC), formed of the seven emirate rulers, is the highest constitutional authority. The FSC establishes general policy and approves federal legislation. The President and the Vice President are elected by the FSC from the seven FSC members. The Prime Minister, Deputy Prime Minister and Council of Ministers are appointed by the President. The parliamentary body, the Federal National Council (FNC), has 40 seats.

Economy

GDP – per capita:	US\$42,522 (2014)
GDP – real growth rate:	3.6% (2014)
Labour force:	6.33 million (2013)
Unemployment:	3.8% (2013)
Currency (code):	Arab Emirates Dirham (AED)



2 Business Entities and Accounting

Business forms available in the United Arab Emirates include limited liability companies, joint stock companies (both public and private) and partnerships (general and limited).

At least 51% of a company must generally be owned by United Arab Emirate nationals; 100% foreign ownership is permitted for companies established in a free trade zone (see 5.7.1).

Businesses operating in the United Arab Emirates are generally required to obtain a licence; licensing procedures vary by emirate.

2.1 Companies

2.1.1 Limited liability companies

A limited liability company must have between one and 50 members. The liability of members is limited to the extent of their share capital contribution.

The share capital can be in cash or in kind and must be paid up in full. There is no specific minimum share capital requirement; however the share capital must be sufficient to fulfil the company's objectives. Shares cannot be offered to the public.

Limited liability companies are administered by the annual general meeting, and must be managed by one or more managers. If there is more than one manager, a board of directors should be established. A supervisory board with at least three members must be appointed if the limited liability company has more than seven members.

The company name should be derived from the objectives of the company, or from the name of one of the members, and include the words "limited liability company".

Limited liability companies must be registered in the Commercial Register.

In practice, tax is generally imposed only on the income of oil and gas exploration and production companies, and branches of foreign banks (see 5.1).

2.1.2 Public joint stock companies

A public joint stock company must generally have at least five members; this number may be reduced in certain circumstances. The minimum issued share capital requirement for a public joint stock company is AED30m, and must be sufficient to fulfil the company's objectives. The authorised capital of the company must not exceed two times the issued capital. Members are required to subscribe between 30% and 70% of the share capital. Invitations for public subscription must be published in two Arabic daily newspapers at least five days before the commencement of subscription. The liability of members is limited to their capital contribution.

Public joint stock companies are administered by the annual general meeting, and must be managed by a board of directors with a minimum of three and a maximum of 11 directors. The majority of directors must be United Arab Emirate nationals.

The name of a public joint stock company must be taken from the company's objective, and may not be the name of a physical person unless the object of the company is the exploitation of a patent registered in that person's name, or the company has, on formation or later, acquired a commercial concern and has adopted its name to be its own name. The company name must not be the same or similar to that of another company. The company name must have the words "public joint stock company" appended to it.

In practice, tax is generally imposed only on the income of oil and gas exploration and production companies, and branches of foreign banks (see 5.1).

2.1.3 Private joint stock companies

A private joint stock company must have between two (one if the shareholder is a legal entity) and 200 members. The minimum share capital requirement for a private joint stock company is AED5m. The liability of members is limited to their capital contribution. Share cannot be offered to the public. The provisions concerning public joint stock companies generally apply to private joint stock companies (excluding those relating to public subscription).

2.2 Partnerships

A general partnership may be formed by two or more United Arab Emirate nationals who are jointly and severally liable for the partnership's debts/liabilities with all of their assets.

A limited partnership can be formed by one or more general partners, and by one or more limited (sleeping) partners. General partners must be United Arab Emirate nationals, and are jointly and severally liable for the partnership's debts/liabilities with all of their assets. The liability of limited partners is limited to the extent of their capital contribution. A limited partner may not take part in the management of the partnership, but may participate in internal administration and inspect the partnership's books.

In practice, tax is generally imposed only on the income of oil and gas exploration and production companies, and branches of foreign banks (see 5.1).

2.3 Commercial Agencies

A foreign company may conduct business in the United Arab Emirates through a commercial agency. A commercial agency must be a United Arab Emirate national or company that is 100% owned by United Arab Emirate nationals. The agency is generally entitled to a commission in respect of business activities conducted on behalf of the foreign company.

2.4 Sole Proprietorship

A sole proprietorship is a business entity owned by an individual who has unlimited liability for the debts and obligations of the business. Sole proprietorships can generally only be established if certain conditions are met.

In practice, tax is generally imposed only on the income of oil and gas exploration and production companies, and branches of foreign banks (see 5.1). There are no taxes on personal income (see 5.2).

2.5 Trusts

Trusts in the United Arab Emirates are not generally used for business purposes.

2.6 Branches and Representative Offices

A foreign company may establish a branch in the United Arab Emirates. A branch is not a separate legal entity, and it conducts business under the name of the parent company. A branch must have a United Arab Emirate national or wholly United Arab Emirate owned company as a sponsor or agent. A branch must be registered with the Ministry of Economy. Registration with the particular emirate is also generally required.

In practice, tax is generally imposed only on the income of oil and gas exploration and production companies, and branches of foreign banks (see 5.1).

Foreign companies may also establish a representative office in the United Arab Emirates. A representative office is not a separate legal entity and is restricted to activities such as marketing and promotion.

2.7 Audit and Accounting Requirements

Companies are required to keep accounting records, and prepare annual financial statements in accordance with international accounting standards and practices. International Financial Reporting Standards (IFRS) must be used if the company is listed on the NASDAQ Dubai stock exchange or regulated by the Dubai Financial Services Authority. Other companies may use IFRS. Small companies (as defined) may use IFRS for SMEs.

Accounting records must generally be kept for a period of five years following the end of the fiscal year.

2.8 Filing Requirements

Public joint stock companies must file their accounts and the auditor's report with the Securities Commission and other competent authorities within seven days of the general assembly meeting.

3 Finance and Investment

3.1 Exchange Control

There are no foreign exchange controls.

Regulations have been issued in relation to anti-money laundering and the combating of terrorist financing. Regulations issued by the Securities & Commodities Authority require institutions that are licensed by the authority to investigate unusual transactions and report suspicious transactions to the Anti-Money Laundering and Suspicious Cases Unit (AMLSCU).

3.2 Banking and Sources of Finance

The Central Bank of the United Arab Emirates is responsible for monetary, credit and banking policies, supporting the national economy, and assisting the stability of the national currency.

The commercial banks operating in the United Arab Emirates (both local and foreign) provide a variety of financial products and services. Investment banks may accept deposits where the maturity period is at least two years. Financial investment companies provide services, including the management of investment funds. Finance companies provide services, including personal loans and financing for trade and business.

Citizenship or residency status is generally required in order to open a bank account in the United Arab Emirates. Non-residents may be able to open a savings account.

There are a number of stock exchanges in the United Arab Emirates, including the Dubai Financial Market (DFM), the Abu Dhabi Securities Exchange (ADX), NASDAQ Dubai, the Dubai Mercantile Exchange (DME), and the Dubai Gold and Commodities Exchange (DGCX).

There are a small number of venture capital firms that provide investment in the United Arab Emirates.

3.3 Investment Incentives and Restrictions

For business incentives, see 5.7.

Company ownership by non-GCC country nationals is limited to 49%, except in a free trade zone where 100% foreign ownership is permitted.

4 Employment Regulations

For employment tax considerations, see 5.3.

4.1 General Employment Matters

4.1.1 National employment standards

Legislation provides minimum terms and conditions of employment, including maximum daily and weekly working hours, rest periods, remuneration entitlement, annual leave entitlement, paid sick leave, paid maternity leave, and equal pay for men and women for equal work. The legislation does not apply to certain employees, including government employees, members of the armed forces, police and security units, private residence domestic workers, and agricultural employees.

A contract of employment must include (amongst others):

- Date on which work commences
- Place of work
- Nature of the work
- Duration of the contract (for contracts of limited duration), and
- Amount of remuneration.

Employees may be subject to a probationary period not exceeding six months in duration. During a probationary period, the employer may terminate the employee's contract of employment without notice. Employers and employees may generally terminate a contract of employment by providing 30 days' notice. For employees that are paid daily, the notice periods required range from one week to one month, depending on the length of employment. Employers and employees are generally required to pay compensation in lieu of notice if the required notice period is not provided. An employer or employee may terminate a contract of employment without notice in certain circumstances, such as where the employee is found to be under the influence of alcohol or drugs whilst at work. If a termination of employment by an employer is considered arbitrary, the employee may be entitled to compensation.

Employers are required to employ United Arab Emirate nationals where possible. If there are no national workers available, employers are required to hire nationals of an Arab country, before employing nationals of other jurisdictions. A proposed employee who is not a United Arab Emirate national requires permission from the Ministry of Labour and Social Affairs and a work permit before being employed in the United Arab Emirates.

There is currently no minimum wage in the United Arab Emirates.

4.1.2 Pensions and other benefits

Pension contributions are required in respect of United Arab Emirate and GCC country employees (see 5.3.3). Pension contributions provide pension benefits to retired employees. There is no compulsory pension scheme for non-United Arab Emirate/GCC country employees.

Employees that have been employed for at least one year under a contract of employment of unlimited duration are entitled to an end of service payment, based on their length of service.

Qualifying employees are entitled to sickness benefits as determined by legislation.

There are currently no unemployment benefits for unemployed individuals that are fit for work.

4.2 Visas

Citizens of GCC countries (Bahrain, Kuwait, Oman, Qatar and Saudi Arabia) do not require a visa to enter the United Arab Emirates. Citizens of other countries require a visa which is valid for up to 30 days, which can be extended by a further 30 days. Various other specific short-term visas/permits are also available.

Employers need to apply for a work permit in respect of proposed non-United Arab Emirate national employees. A work permit will only be granted if there are no suitable United Arab Emirate nationals and if other conditions are met.

For further information on the visas available, visit www.uaevisa.com.

There are generally no restrictions on foreigners purchasing property in the United Arab Emirates.

4.3 Trade Unions

Trade unions are not permitted in the United Arab Emirates.



5 Taxation

Facts and figures as presented in section 5 are correct as at 17 August 2015.

5.1 Corporate Income Taxes

The United Arab Emirates is a federation of seven emirates: Abu Dhabi, Ajman, Dubai, Fujairah, Ras al-Khaimah, Sharjah, and Umm al-Qaiwain. Five emirates have issued income tax decrees: Abu Dhabi, Ajman, Dubai, Fujairah and Sharjah.

Although these tax decrees apply in theory, in practice, the imposition of tax is generally limited to the income of:

- Oil and gas exploration and production companies – generally up to 55%, and
- Branches of foreign banks – generally 20%.

There is no separate capital gains tax. Taxable capital gains are generally included in taxable income.

Unutilised losses can generally be carried forward indefinitely. However, in Abu Dhabi, losses can generally be carried forward for one year, and this option may only be exercised once every five years.

Group tax consolidation is not available in the United Arab Emirates; consequently losses cannot be offset against the profits of another company in the same group.

The tax year ends on 31 December. Taxable companies may apply to use an alternative accounting period. Companies subject to tax are generally required to submit a provisional tax declaration within three months of the end of the tax year, and a final tax declaration within nine months of the end of the tax year. Tax is generally paid quarterly, with the final payment being due within 12 months of the end of the tax year.

5.2 Personal Taxes

There are no taxes on personal income in the United Arab Emirates.

There are no inheritance or gift taxes in the United Arab Emirates.

There is no wealth tax in the United Arab Emirates.

5.3 Employment Related Costs and Taxes

5.3.1 Payroll tax

There are no payroll taxes in the United Arab Emirates.

5.3.2 Fringe benefits tax

There is no fringe benefits tax in the United Arab Emirates.

5.3.3 Social security costs

Pension contributions are required in respect of United Arab Emirate and GCC country employees. For United Arab Emirate employees, the employer rate is generally 12.5% and the employee rate is generally 5%. For GCC country employees, the rates are generally determined by the relevant GCC country.

5.4 Withholding Taxes on Payments Abroad

There is no withholding tax on dividends, interest or royalties paid abroad.

5.5 Value Added Tax (VAT)

There is currently no VAT or equivalent tax in the United Arab Emirates.

5.6 Other Taxes

5.6.1 Property taxes

Municipal property taxes are levied by most emirates in respect of rented property. The tax rates generally range from 5% to 10% of the annual rental value.

A land registration fee may also be payable in respect of immovable property transfers.

5.6.2 Hotel tax

Most emirates impose a hotel tax on the value of hotel services and entertainment.

5.6.3 Stamp duty

There is no stamp duty in the United Arab Emirates.

5.6.4 Excise taxes

There are no excise taxes in the United Arab Emirates.

5.7 Tax Incentives for Businesses

5.7.1 Free trade zones

There are over 30 free trade zones within the United Arab Emirates which provide benefits, including tax holidays, customs duties exemption, and 100% foreign ownership.

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