

# Doing Business in the UAE



## **PKF UAE VISION**

We will be the first choice for companies in their selection of professional advisers

## **PKF UAE MISSION**

We will provide quality service to our clients by focusing on client specific needs and providing solutions to business problems, thereby adding value through expertise whilst maintaining integrity, professionalism and independence



Accountants &  
business advisers

# **Doing business in the United Arab Emirates**

## **A BUSINESS AND TAX PROFILE**





# Contents

<b>Foreword</b>	1
<b>PKF in the UAE</b>	3
<b>Introduction</b>	
• <i>Geography</i>	7
• <i>History</i>	7
• <i>Climate</i>	7
• <i>Political System</i>	8
• <i>Legal System</i>	9
• <i>DIFC Courts</i>	9
• <i>Population and Social Patterns</i>	10
<b>Economy</b>	
• <i>World Expo</i>	14
• <i>Financial Sector</i>	14
• <i>The UAE Central Bank</i>	15
• <i>UAE Anti Money Laundering Law</i>	16
• <i>Industry</i>	16
• <i>Oil and Gas</i>	18
• <i>Construction</i>	19
• <i>Real Estate</i>	20
• <i>Manufacturing</i>	22
• <i>Information Technology</i>	24
• <i>Tourism</i>	25
• <i>UAE Stock Exchanges</i>	27
• <i>Investment Climate</i>	28

## **Trade Policy**

- *Imports & Exports* 31
- *Customs Duties* 32
- *Special Investment Opportunities* 33

## **Structure of Business Entities**

- *Federal Commercial Companies Law* 35
- *Civil Code* 36
- *Public and Private Shareholding Companies* 39
- *Limited Liability Companies* 39
- *General Partnerships* 40
- *Limited Partnerships* 40
- *Partnerships Limited by Shares* 41
- *Joint Venture Company* 41
- *Branch Office of a Foreign Company* 41
- *Representative Offices of Foreign Companies* 42
- *Sole Proprietorships* 42
- *Civil Company* 42
- *Establishing a Business* 43
- *Annual Requirements For Businesses* 44
- *Listing Shares of UAE and Foreign Public Joint Stock Companies* 44
- *UAE Commercial Companies Law - Proposed Draft* 45

## **Licensing**

- *Types of Licenses* 47
- *Completion of Licensing Procedure for Practising Business Activities* 48
- *Inscription in The Commercial Register* 49

## **Free Zones in the UAE**

- *Free Trade Zone Licenses* 52
- *List of various Free Zones in the UAE* 53

## **Labour Laws**

- *Federal Labour Law* 55
- *Working Hours and Holidays* 55
- *Employee Pension and Social Security Benefits* 56
- *Special Requirements for Foreign Nationals* 57
- *UAE Labour Protection for Expats* 58

## **Taxation**

- *Taxation of Businesses* 61
- *Taxation of Individuals* 61
- *Withholding Taxes* 61
- *Municipal Taxes* 61
- *Other Taxes* 62
- *Tax Treaties* 62

## **Financial Reporting and Auditing**

- *Books of Account* 63
- *Method of Accounting* 63
- *Financial Statements* 63
- *Accounting Principles* 64
- *Financial Reporting* 64
- *Accounting Profession* 64

## **Living in the UAE**

- *Entry Visas and Work Permits* 67
- *Emirates ID* 68
- *Business Hours* 69
- *Currency* 69
- *Transportation and Communications* 69
- *Education* 71
- *Medical Facilities* 73
- *Housing* 73
- *Other Attractions in the UAE* 74

<b>About PKF</b>	79
<b>PKF International</b>	81
<b>PKF UAE Publications</b>	83
<b>Annexures</b>	
• <i>A - Useful Contact Numbers</i>	85
• <i>B - List of UAE Tax Treaties</i>	87

# Foreword



Noted scientist and thinker Benjamin Franklin once quoted - “When you’re finished changing, you’re finished”. The vibrantly growing and constantly evolving economic landscape of the United Arab Emirates (UAE) seems to have taken these words to heart, with honest sincerity. The scope and magnitude of how much this country has grown in character, particularly in the last decade is phenomenal, even by global standards.

It is natural therefore that most businessmen with a keen eye on the new hub for ‘world’ economics and trade, are making a beeline for the UAE. Whether it is the lure of consistently, healthy profits or the zero tax carrot or the enigmatic real estate sector, there is no doubt that conglomerates and businessmen from both developing and the developed world economies want a piece of the pie.

From being a tiny tear drop on the world map to being the most progressive centre in the world for commerce, trade and tourism, the UAE has come a long way. Being awarded the prestigious World Expo 2020, all eyes will be on Dubai and its wave makers over the next few years. Abu Dhabi was named the Middle East’s safest city in the 2011 Mercer Quality of Living Index. Abu Dhabi has also been the first port of call for nearly every renowned international music artiste over the last few years.

The UAE as a whole is experiencing a tremendous economic upturn riding on the crest of popularity of Abu Dhabi and Dubai as two of the world’s most preferred destinations for tourism and relocation.

It is only fair that investors, both existing and potential should have a more than just a bird’s eye view of what it takes to be a part of this vibrant desert landscape.

Nestled in the following pages is a brief overview of the economic and regulatory landscape of the UAE, along with nuggets of information on some of the pearls on the UAE like the towering Burj Khalifa, the grand Dubai World Central Airport or

Abu Dhabi's signature entertainment destination, Yas Island, jostling for space with useful information on what it is like to do business in the UAE.

We, at PKF in the UAE hope this booklet will help in providing readers with an insight on setting up businesses in the UAE.

# PKF in the UAE



PKF is a member of PKF International Limited, an association of legally independent member firms. PKF operates as a branch of a foreign company providing audit and management assurance, business consulting, regulatory and taxation and corporate finance services. We provide an integrated service spanning multiple disciplines to a large number of local, regional and international clients.

With nearly 40 years presence in the UAE we have offices at Dubai, Dubai International Financial Centre, Sharjah, Abu Dhabi, Jebel Ali Free Zone, Dubai Internet City and Hamriyah Free Zone. Through each of our offices, our clients have access to the expertise and experience of more than 100 qualified professionals including Chartered Accountants, Cost Accountants, Certified Public Accountants, Certified Internal Auditors, CMAs and MBAs.

## Range of Services

PKF professionals in the UAE can provide expert advice on various business issues. Our services include:

## Audit and Management Assurance Services

- External audit
- Internal audit
- Internal audit - compliance with the requirements of the Dubai Financial Services Authority
- Organisation reviews and system studies
- Due diligence reviews
- Forensic and other investigations
- Training and consulting on IFRS
- Back office support services - accounting and payroll

- Outsourced accounting and payroll services for companies registered in the Dubai International Financial Centre
- Management information systems

## Management Advisory Services

- Business practices (process) assessment
- Business risk identification
- Accounting and procedure manuals
- Market analysis and feasibility studies
- Financial projections
- Information memoranda
- Business & share valuations
- Identification and valuation of intangible assets on a business acquisition
- Impairment reviews
- Corporate structuring, acquisitions and disposals
- Joint ventures and strategic alliances
- Advice on partner/shareholder entry/exit
- Fund raising

## Offshore and Free Zone Services

- Entry strategy
- Free Zone and offshore company formation
- Company secretarial services
- Company secretarial services for companies registered in the Dubai International Financial Centre
- Registered agents services
- Taxation

## Locations in the UAE

DUBAI

Rolex Tower, Level 18, Near Financial Centre Metro Station,

P.O. Box 13094, Sheikh Zayed Road, Dubai, U.A.E.

Tel: (+971) 4 388 8900; Fax: (+971) 4 355 2070

E-mail: dubai@pkfuae.com

#### DUBAI INTERNATIONAL FINANCIAL CENTRE (DIFC)

710, Currency House Tower 2, Dubai International Financial Centre,  
P.O. Box. 13094, Dubai, UAE.

Tel: (+971) 4 385 7285; Fax (+971) 4 325 7294

E-mail: difc@pkfuae.com

#### DUBAI INTERNET CITY

Office No.120, Bldg.10

P.O. Box 13094, Dubai Internet City, Dubai, U.A.E.

Tel: (+971) 4 449 5430 ; Fax: (+971) 4 390 8836

E-Mail: dic@pkfuae.com

#### JEBEL ALI FREE ZONE

Lease office Building 16, Office No.133, 1st Floor, Jebel Ali Free Zone

P.O. Box 16952, Jebel Ali, U.A.E.

Tel: (+971) 4 881 5452; Fax: (+971) 4 881 5451

E-Mail: dubai@pkfuae.com

#### ABU DHABI

The Blue Tower, 15th Floor, Sheikh Khalifa Street

P.O. Box 7479, Abu Dhabi, U.A.E.

Tel: (+971) 2 626 1715; Fax: (+971) 2 626 1716

E-Mail: abudhabi@pkfuae.com

#### SHARJAH

Golden Towers, 11th Floor, Al Buhaira Corniche

P.O. Box 6207, Sharjah, U.A.E.

Tel: (+971) 6 574 0888; Fax: (+971) 6 574 0808

#### HAMRIYAH FREE ZONE

Office No. E2-115G-22

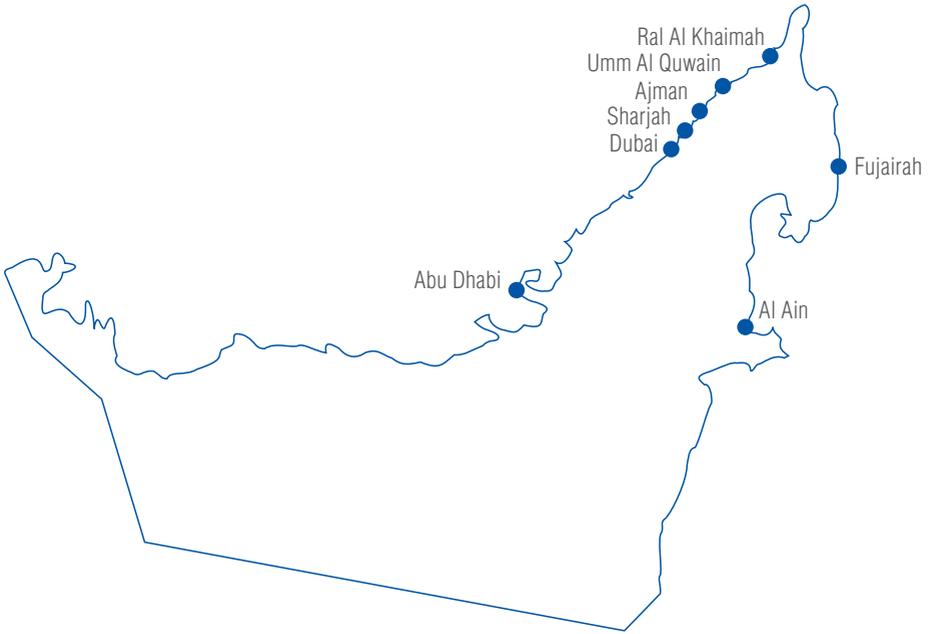
P.O. Box. 51464, Hamriyah Free Zone, Sharjah, UAE

Tel: (+971) 6 574 0888; Fax: (+971) 6 574 0808

E-mail: sharjah@pkfuae.com

Visit us at [www.pkfuae.com](http://www.pkfuae.com)

# United Arab Emirates



# Introduction



## Geography

The United Arab Emirates is situated in the East of the Arab world. It overlooks the Gulf of Oman to the East and the Arabian Gulf to the North. The Arabian Gulf and Gulf of Oman are linked by the Straits of Hormuz. The UAE covers an area of approximately 83,600 square kilometers (32,654 square miles) including numerous islands. The coastal area consists primarily of salt marshes. Inland, the topography is predominantly desert, sand dunes and gravel plains with isolated oases, the largest of which are located at Al Ain and Liwa. The Hajar Mountains lie close to the sea on the East Coast.

The largest of the Emirates is Abu Dhabi, with an area of approximately 67,300 square kilometers (26,290 square miles), followed by Dubai 3,900 square kilometers (1,520 square miles), and Sharjah 2,600 square kilometers (1,015 square miles). The areas of the other Emirates range from 260 to 1,700 square kilometers (102 to 664 square miles).

## History

The United Arab Emirates (UAE) was established on 2nd December 1971 and is a federation of seven Emirates, namely: Abu Dhabi, Dubai, Sharjah, Ras Al Khaimah, Umm Al Quwain, Ajman and Fujairah. From the 1850's until the union of the Emirates in 1971, the British colonial administration maintained influence in the region and each Emirate entered into separate treaties with the British. The Emirates were then collectively known as the Trucial States or Sheikhdoms.

## Climate

The climate is characterised by hot and humid summers with temperatures reaching 48°C (118°F) and mild winters with minimum rainfall. The average annual temperature is approximately 24°C (75°F).

## Political System

There are no legal political parties in the UAE. Power rests with the seven hereditary Sheikhs – also known as Emirs, and hence the area ruled by an Emir is known as an Emirate – who control the seven traditional sheikhdoms (Abu Dhabi, Dubai, Sharjah, Ajman, Umm Al Quwain, Ras Al Khaimah and Fujairah – each Emirate is named after its principal town) and choose a president from among themselves. Since 1971, the ruler of Abu Dhabi, HH Sheikh Zayed Bin Sultan Al Nahyan, had been the President. He was re-elected to his fourth consecutive term in late 1991 by his colleagues on the Supreme Council of Rulers – the highest body in the country, which usually meets informally.

HH Sheikh Khalifa Bin Zayed Al Nahyan was elected as the President after the death of his father in November 2004. The Deputy Prime Ministers are Sheikh Saif Bin Zayed Al Nahyan & Sheikh Mansour Bin Zayed Al Nahyan. The Vice President and Prime Minister is the ruler of Dubai, HH Sheikh Mohammad Bin Rashid Al Maktoum. In 2008, HH Sheikh Mohammad appointed Sheikh Hamdan Bin Mohammad Bin Rashid Al Maktoum as Dubai Crown Prince and Sheikh Maktoum Bin Mohammad Bin Rashid Al Maktoum as Deputy Ruler of Dubai. There is also a Cabinet, and its posts are distributed among the seven Emirates. (The members of the Cabinet are the government ministers, such as Minister of Justice, Minister of Health, etc.) The Supreme Commander of the Armed Forces is the President - HH Sheikh Zayed Bin Sultan Al Nahyan. The Minister of Defence is the Prime Minister – HH Sheikh Mohammed Bin Rashid Al Maktoum.

The parliament is known as the Federal National Council (FNC). It was established on 13th February 1972 and is considered a landmark in the country's constitutional and legislative process. The FNC advises the Cabinet and the Supreme Council but cannot overrule them. According to the constitution, the FNC consists of 40 members who are drawn proportionately from each of the seven Emirates. Each ruler appoints the members for his Emirate. The first indirect elections took place in 2006, and the goal is a wholly elected council. The council carries out the country's main consultative duties and has both a legislative and supervisory role provided by the constitution. The last FNC elections were held in July 2011.

The UAE was a founding member of the Gulf Cooperation Council (GCC) created at a summit conference in Abu Dhabi in 1981. The members of the GCC comprise Saudi Arabia, Kuwait, Bahrain, Qatar, the Sultanate of Oman as well as the UAE. The country is also a member of the League of Arab States, the Islamic Conference Organisation and the United Nations.

## Legal System

The UAE is essentially a civil law jurisdiction heavily influenced by French, Roman and Islamic laws. The increasing presence of international law firms from Common Law jurisdictions has demonstrated the application of Common Law principles in commercial contracts. This, albeit indirectly, has further influenced the UAE legal system.

A number of codified federal laws have been passed to regulate matters such as labour relations, maritime affairs, commercial transactions, commercial agencies, civil transactions, intellectual property and commercial companies. A number of local laws have also been passed in various areas by individual Emirates.

There are two main types of laws in the UAE, federal and local. The federal laws are applicable to the UAE as a whole and are issued either by the legislative body or by the Ministers of each Ministry by virtue of powers conferred upon them. When a Minister passes a law it is known as a Ministerial Order and should theoretically be referred to as a regulation rather than a law.

Although the UAE federal constitution permits each emirate to have its own judicial authority, all emirates other than Dubai and Ras Al Khaimah have brought their judicial systems into the UAE Federal Judicial Authority. Dubai has retained its own independent courts (and judges), which are not a part of the UAE Federal Judicial Authority. Dubai's courts will first apply federal laws, such as the Companies Law or the Civil Code, as well as the laws and decrees enacted by the Ruler of Dubai, where federal law is absent or silent.

Local decrees and orders only apply to a particular Emirate. A local decree is passed by the Ruler or Crown Prince of a particular Emirate and a local order is issued by a member of the Royal Family of that Emirate.

## DIFC Courts

Founded in 2004, the Dubai International Financial Centre Courts (the "DIFC Courts") are an independent common law judiciary based in the Dubai International Financial Centre (DIFC) with jurisdiction governing civil and commercial disputes. The DIFC Courts comprise international judges from a number of common law jurisdictions such

as England, New Zealand and Malaysia. The DIFC Court's procedural rules are largely modeled on English civil procedure rules and as the official language of the DIFC Courts is English, all proceedings are conducted in English.

In a significant move, the Dubai government recently expanded the jurisdiction of the DIFC Courts which allow any parties, even those not incorporated within the DIFC free zone, to use the DIFC Courts to resolve commercial disputes. Previously, only companies based in the DIFC or those that had an issue related to the DIFC could use the DIFC Courts. Now, parties in the region and internationally can agree to use the DIFC Courts in the event of a dispute. However, the parties should agree to incorporate the jurisdiction of the DIFC Courts into their contracts prior to taking the dispute to the DIFC Courts.

The expansion of DIFC Courts jurisdiction represents an important policy shift and will give the business community an unprecedented access to the DIFC Courts. The move is likely to be welcomed by both the legal and business communities, because international parties may be more likely to wish to resolve their disputes in what may appear to them as, a more familiar forum which uses the common law English model.

## Population and Social Patterns

The total population of the UAE as of 2012 was estimated to be 9.21 million (*Source: World Bank*). The Emirates have a common cultural heritage but the tribal links are very strong within each Emirate. Abu Dhabi is ruled by the Al Nahyan family, which belongs to the Bani Yas tribe. Dubai is ruled by the Al Maktoum family, which belongs to the Al Bu Falasah tribe.

The other Emirates are also ruled by various families, which belong to powerful tribes of the respective regions.

The three most populated Emirates are Abu Dhabi, Dubai and Sharjah; approximately 85% of the total population belongs to these Emirates.

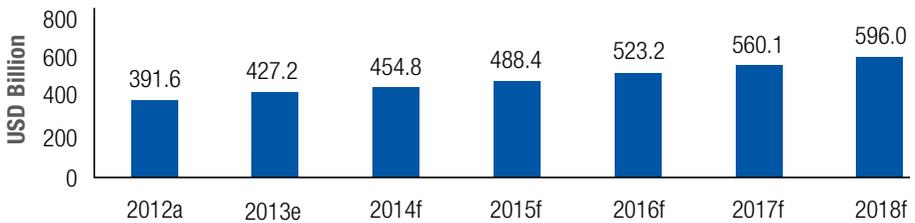
The official language is Arabic, and all communications with the government must be in Arabic, although among the expatriate communities various other tongues can be heard. Foreigners will find that English, Hindi, Urdu and Malayalam are widely understood. English is used for all written communication between businesses.

# Economy



The estimated per capita GDP of the UAE for the year 2013 was USD 45,707 and is expected to grow to USD 58,500 in 2018. (Source: *Business Monitor International - BMI*). The nominal GDP of the UAE for 2013 is estimated to be USD 427 billion, while nominal GDP for 2012 was USD 392 billion. As per BMI, the GDP and per capita GDP forecast are as under:

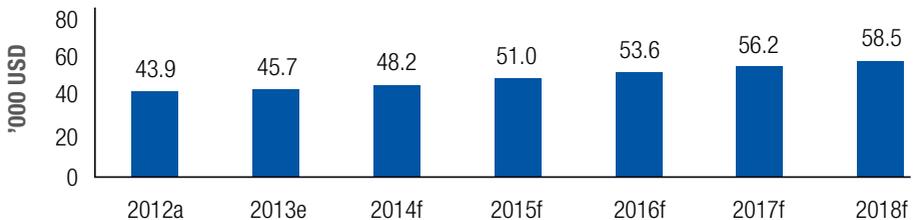
## GDP Forecast



a - actual, e - expected, f - forecasted

Source: BMI, Q2-2014 UAE Business Forecast Report

## Per Capita GDP Forecast



a - actual, e - expected, f - forecasted

Source: BMI, Q2-2014 UAE Business Forecast Report

Total GDP at current prices for the year 2012 as reported by National Bureau of Statistics, UAE was AED 1,410 billion of which approximately 60% contribution is from the non-oil sector. Real GDP is expected to grow by 3.7 per cent in 2014 and 3.8 per cent in 2015 with non-oil sectors seeking to provide an attractive business environment. The GDP by sectors for 2010, 2011 and 2012 was as under:

SECTORS	2010	2011	2012
Agriculture, Live Stock and Fishing	9	9	10
Mining and Quarrying	334	506	569
Crude Oil and Natural Gas	332	503	566
Quarrying	2	3	3
Manufacturing Industries	95	113	126
Electricity, Gas and Water	26	30	32
Construction	122	120	126
Wholesale, Retail Trade and Repairing Services	137	141	149
Restaurants and Hotels	22	25	28
Transports, Storage and Communication	90	100	113
Real Estate and Business Services	113	120	128
Social and Personal Services	24	27	31
The Financial Corporation Sector	74	80	86
Government Services Sector	57	60	66
Domestic Services of Households	5	5	5
Less: Imputed Bank Services	50	57	60
<b>TOTAL</b>	<b>1056</b>	<b>1280</b>	<b>1410</b>
<b>Total of Non-Oil Sectors</b>	<b>724</b>	<b>777</b>	<b>843</b>

*\*All figures are in AED billion at current prices*

Petroleum dominates the economy of the UAE. At one time an underdeveloped area, by 1985 the region had the highest per capita income in the world USD19,120. The immense wealth has been invested in capital improvements and social services in all seven of the Emirates. Petroleum production is centered in Abu Dhabi and Dubai.

To attract investments of expertise and capital, the governments of the individual Emirates seek to provide an attractive business environment. The following are some of the principal features of the economic and business environment in the UAE:

- A coordinated infrastructure that provides all essential utilities to the major centers
- Excellent communication systems
- A virtual absence of taxation
- A well-structured financial sector with no exchange control regulations
- Free Trade Zones that ensure ease of registration and efficient operating , and
- An attractive social environment, including modern educational, medical and recreational facilities.

The UAE economy witnessed a remarkable boom, fuelled mainly by increases in oil prices from 2001 until mid-2008 combined with double-digit growth in the construction and real estate sector. The sector contributed an average of 15% to GDP annually from 2005 until 2008. As part of the government's diversification program, government spending, mainly from oil income, filtered through to the economy through large capital and developmental projects. These included a rolling investment program in Abu Dhabi's hydrocarbons sector and major real estate and infrastructure projects across the UAE, particularly Dubai. UAE as in the case with most other countries globally was adversely affected by a series of external and domestic shocks in 2009. However, 2010 proved to be a year of economic recovery, with a 10 month long debt restructuring deal worked out between DW (Dubai World) and its creditors. Forecasts for the UAE's economy in 2010 steadily brightened after the success of the Dubai World restructuring and as the country benefitted from stronger signs of growth in other parts of the world. In 2012, Dubai drew a bulk of the FDI inflow by recording Dh16.5 billion in the first half, an increase of seven per cent compared to the same 2011 period.

With Dubai being the first city in the MENA region to host the World Expo 2020, the expo win is likely to boost sentiment and confidence of the UAE economy in the near term. In the medium term, Dubai and UAE would benefit from an estimated USD 6.9 billion earmarked for infrastructure projects around the event. Despite having short term growth depending largely on how much economic activity expands, prospects for the long term health and stability of the economy will depend on the progression of Abu Dhabi's Economic Vision of 2030 and Dubai's Strategic Plan of 2015. Growth trends differ among Emirates as higher oil production and increased infrastructure spending are

the main drivers of growth in Abu Dhabi. On the other hand, Dubai is benefitting from its leading position as the regional trade hub, with growing links to Asia and improved competitiveness.

## World Expo 2020

The awarding of the World Expo 2020 to Dubai will act as a catalyst for growth in the emirate's construction industry, as new projects are set for approval and construction at ongoing or stalled projects looks likely to be expedited. The government in Dubai expects that the Expo 2020 will bring in around USD 23 billion over the coming decade and create approximately 277,000 jobs. Approximately, USD 6.9 billion of infrastructure projects is expected for the event. The main event for the Expo 2020 will focus around the planned 438 hectare site, the largest ever created for World Expo.

Dubai's real estate sector, which accounts for 12.1% of the emirate's economy, will also be a key growth driver as it bounces back strongly from recession. A recent report by Standard Chartered estimates that around 300,000 direct jobs and around a million indirect jobs will be created in the UAE by 2020. The report predicts that skills in customer service, engineering, architecture, urban planning and infrastructure development will be in high demand during the preparation for Expo 2020.

The construction, tourism, hospitality and leisure sectors have obvious potential to benefit from development spending and job creation. Technological innovators in conventional and alternative energy as well as engineering, urban planning and logistics will also likely see a host of in-region opportunities.

## Financial Sector

A total of 51 commercial banks, including 28 locally incorporated foreign banks, have substantially increased aggregate assets, total assets and unclassified assets. In the past, significant growth had also come about in domestic credit and investments, foreign assets, cash and deposits.

In terms of the total assets, Emirates NBD, National Bank of Abu Dhabi and Abu Dhabi Commercial Bank are the top three banks operating in UAE. There has been a decline in the rate of growth of non-performing loans combined with improved liquidity and surge in lending, which has helped most UAE banks to improve their profitability in 2013.

According to Governor of the UAE Central Bank, the banking industry is safe and secure in the UAE and the overall confidence in the UAE banks is justifiably strong. Credit rating agency Moody's Investors Service, in November 2013, upgraded the outlook for the UAE's banking system to stable from negative. The outlook change reflects the continued improvements in the operating environment, as well as the ongoing recovery of the local real estate market, which Moody's believes will lead to decline in non-performing loan levels and an increase in profitability over the next 12 months.

The Central Bank of the UAE has made important progress in strengthening its financial stability approach, revamping the regulatory framework and developing macro prudential policies.

## The UAE Central Bank

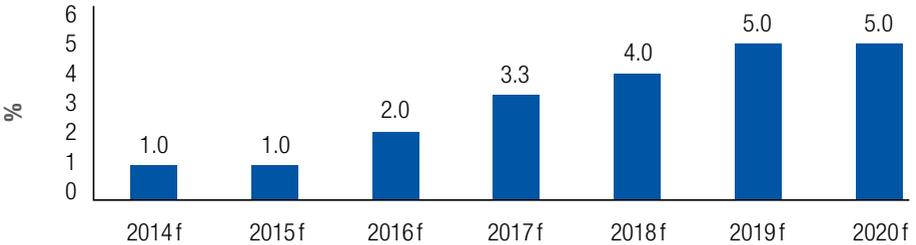
Established in 1980, the UAE Central bank is the main regulatory and supervisory body in the banking industry. It has the power to implement banking policy with regard to directing monetary credits taking into account the UAE's general policy.

The main responsibility of the Central bank is formulation and implementation of banking, credit and monetary policies to ensure the growth of the national economy of the UAE in a balanced manner. The Central bank is also working to maintain a fixed exchange return of the dirham against the US dollar and to ensure the free convertibility of the national currency into foreign currencies, in addition to its role as "Bank of Banks" and the Government's bank and its financial adviser.

The UAE's banking and monetary system has made significant progress in recent years due to the Central Bank's increasingly strict control of financial institutions. Over the years, the Central Bank has played an important role in supervising the banking industry and has contributed in a measurable way to improving the quality of services and performance of a number of banks.

The Central Bank commitment to creating a stable economic framework ensures that prosperity reaches all the residents in the country. Its relentless efforts are largely responsible for the emergence of UAE banks as forces to reckon with in the Gulf Region. The repo rate is expected to increase starting 2016 and expected to reach 5% by 2020 as shown.

### Repo Rate (%) - UAE Central Bank



## UAE Anti Money Laundering Law (The Anti-Money-Laundering And Combating The Financing Of Terrorism Law)

The UAE, in compliance with the 1988 United Nations Convention had promulgated a law making money laundering illegal in the State. The law has identified the illegal acts from which income maybe derived. These include narcotics and psychotropic substances; kidnapping, piracy and terrorism; offences committed in violation of environmental law; illicit dealing in firearms and ammunition; bribery, embezzlement and damage to public property; fraud, breach of trust and related offences; and any other related offences stated in the international conventions to which the State is a party.

In the recent global stand taken against terrorism, one of the main components is tracking of funds that support terrorist activities. The enactment of this component in the law adopted in the UAE, which includes proceeds to fund terrorist activities, sets the stage for the UAE to assist in the global fight against terrorism.

The law also outlines the scope of duties of the Anti-Money Laundering and Suspicious Cases Unit and Financial Information Unit (AMLSCU) at the Central Bank. As per the law, all banks, moneychangers and other financial institutions have a personal obligation to report any unusual transactions to the AMLSCU.

## Industry

The UAE is an important producer of natural gas and oil, ranking seventh globally in total proven reserves of both. The UAE has been able to maintain its proven reserves

over the last decade primarily due to enhanced oil recovery (EOR) technologies increasing extraction rates of mature oil projects. However, oil contributes only one-third of the total GDP.

The UAE's ideal location - situated at the crossroads of East and West, its long coastline, its sunny climate, its natural beauty and the literacy level and hospitality of its people all augur well for its continued growth.

The Government is very keen to develop non-oil manufacturing in pursuit of its policy of controlled economic diversification. The establishment of high technology and capital intensive industries manufacturing high value products, while protecting and maintaining the environment, forms the basis of the Government's strategy towards promoting industrial growth.

Diversification has involved a number of highly imaginative and innovative developments aimed at encouraging investors to establish their enterprises in the UAE and at assisting local business people in making the most of what the UAE offers in terms of infrastructure and other support mechanisms.

## Oil and Gas

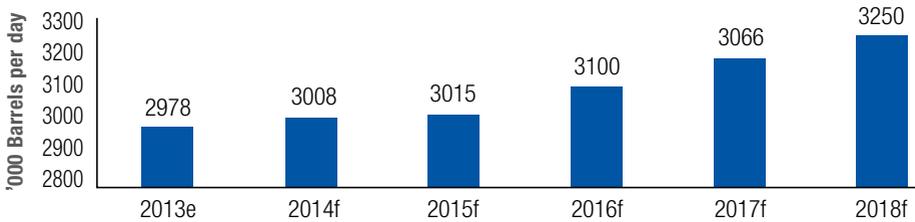
According to Organization of Petroleum Exporting Countries [OPEC] Annual Statistical Bulletin, the UAE had 97.8 billion barrels of oil as reserves in 2013, making up approximately 7 percent of global oil reserves.

The UAE has been able to maintain its proven reserves over the last decade primarily due to enhanced oil recovery (EOR) technologies increasing extraction rates of mature oil projects combined with higher oil prices making more reserves commercially viable.

Abu Dhabi leads the other emirates with 92 billion barrels, followed by Dubai with 4 billion barrels, Sharjah with 1.5 billion barrels, and Ras-Al-Khaimah with 100 million barrels.

The oil production per day is currently approximately 2.6 million barrels per day with expected output of 3.5 million barrels per day by 2020 for UAE. Going forward, the forecasted oil production per day for UAE is as under:

### Oil Production of UAE in '000 Barrels per day



*e - expected, f - forecasted*

*Source: BMI, Q2-2014 UAE Business Forecast Report*

UAE has 6,091 billion cubic meters of natural gas reserves, making it 3% of global natural gas reserves. UAE ranks seventh largest in natural gas reserves globally, following Russia, Iran, Qatar, Saudi Arabia, Turkmenistan and the United States. The majority of these reserves are located in Abu Dhabi, with marginal amounts found in Sharjah, Dubai, and Ras-Al-Khaimah. Despite its large natural gas reserves, UAE has become a net importer of gas in recent years. Surging domestic demand has meant that the UAE has had to source gas from abroad. Last year, the UAE awarded a contract to build a LNG import terminal on its east coast at Fujairah. The UAE already receives imported gas from Qatar, which it uses to fuel desalination and power plants.

Since the first oil flow from the Umm Al Shaif offshore field in 1962, the country has witnessed tremendous growth and development. Oil revenues are, to a large extent, responsible for the superb transformation of the country and the prosperity it enjoys. A considerable amount of investment is being allocated to the energy sector to improve production, especially of gas and to develop other related industries. The UAE's pricing policy, based on a genuine desire to help stabilize the oil market, is formulated through co-operation with fellow Organization of Petroleum Exporting Countries (OPEC) members, the GCC and Arab countries. Production is limited by quotas agreed within the framework of OPEC.

## Construction

The construction industry in the UAE emerged in Dubai in the 1950s, when the ruling Sheikhs of Abu Dhabi and Dubai decided to transform Dubai into a permanent haven for coastal shipping and launched the Dubai Creek Improvement project. A project valued at that point at £ 600,000 funded by Creek Bonds, bought by leading merchants in the region.

In the late 1950s, Sheikh Zayed bin Sultan Al Nahyan, the ruler of Abu Dhabi supported western oil exploration which earned Abu Dhabi around \$ 70 million a year in the 1960s. As oil revenues increased, Sheikh Zayed undertook massive construction programs, building schools, housing, hospitals and roads. The industry started to expand during the economic development at the end of the 1990s contributing an average 9% of the GDP.

The ability to attract large overseas investments, notably in the construction industry has raised the UAE's status as a source of funding for the global economy. The dramatic growth in this sector had led to an influx of foreign investors in to the UAE. This sector was one of the principal reasons behind the growth of non oil sectors in the UAE.

The 2007 recession did not affect the UAE's construction industry till 2009, and it particularly affected Dubai. Dubai's non-oil sector has been most affected due to linkages to global trade and financial markets and by the steep fall in the real estate prices. The global correction in residential real estate markets had led to large decline in house prices and construction activity worldwide - a median annual decline of 7%.

The 2007 financial market collapse affected and still affects the construction industry in the UAE. Projects were delayed, put on hold or cancelled at an unprecedented rate. Companies' confidence declined and organizations began to rethink their strategy and prepare for a dramatically changing landscape by analyzing their micro environment – markets, customers and competitors. Many organizations had experienced problems adapting to the environmental changes and unprepared for a change have adopted a survival strategy rather than a growth strategy.

With the successful bid of Expo 2020, a positive sentiment has returned to the country's construction market and to Dubai in particular. According to regional project tracker

MEED Projects, the total value of contracts awarded in the UAE during 2013 was approximately USD 30 billion. Based on the projects already announced, MEED Projects expects that the total value of contracts to be awarded in 2014 will probably reach USD 35 billion. The improvement in the construction market over the last two years was largely driven by infrastructure investment and a handful of projects from large developers such as Emaar and TDIC.

Few of the major infrastructure projects expected over the next few years include the expansion of the Dubai Metro Red line, the new concourses at the recently opened Maktoum International Airport, interchanges on the Sheikh Mohammed bin Zayed road and the construction of the main Expo 2020 centre close to the Maktoum International Airport.

UAE construction sector, which contributed 10.3% of UAE GDP in 2011, is expected to report sustainable growth in the coming years. The total value of construction industry in 2013 is estimated to be AED 133 billion. It is expected that the sector would contribute 11.1% of GDP in 2015 and 11.5% of GDP in 2021. An increase of 17% in the construction industry and 18% in interiors industry is projected for 2014.

## Real Estate

UAE's real estate market had enjoyed an unprecedented boom and was considered the most active of all real estate markets in the Gulf Cooperation Council (GCC) region in the not very distant past. The real estate and business services sector in nominal terms had continued to grow, recording a CAGR of 20% during 2003 - 2007. In 2007, the real estate sector showed a strong growth of 21% year-on-year, with the realty and construction sectors contributing around 8% of GDP. The sector was buoyed by increasing investments in infrastructure, due to the country being positioned as an attractive tourist destination in addition to the increase in residential and non-residential units.

There was significant foreign investment in Dubai's real estate sector compared to other GCC countries supported by the Emirates' greater integration with the rest of the world and abundance of cheap capital. Foreigners accounted for 30% of the transactions in Dubai during 2008, up from an average of 10% between 2001 and 2007.

Dubai developers' off-plan sales model led to a booming real estate market and attracted speculative investment.

The U.S. subprime mortgage market collapse led to a global credit crunch. This crisis almost froze credit flow, resulting in a collapse in asset and oil prices. Banks had to rein in soaring credit growth and rebalance their books in the face of falling asset prices and expectations of rising loan defaults. The slowdown in economic activity led to many expatriates leaving the UAE. This adversely affected housing demand, which had grown above the growth trend in population. In effect, the Dubai real estate sector witnessed significant price correction and was the most adversely impacted in the GCC, given the higher degree of speculative investment in the country.

The increased interest of GCC nationals to have their second homes in Dubai is boosting the demand of Dubai real estate. Some non-gulf residents especially Chinese and Indians have also been investing in Dubai real estate to make most out of the current situation. On the other hand, the vigilant steps taken by the government to increase the demand of properties like decreased mortgage rates and extension of visa offer are also contributing to increase the property demand. This slight increase in demand is setting the foot of Dubai real estate sector to move gradually towards stability.

According to Jones Lang LaSalle (JLL), a leading real estate investment and advisory firm, the mega projects that were on hold after the financial crisis are a reality again because of growing confidence in the UAE's market. The plans are more measured and there is an increased focus on phasing projects over many years in line with the end user demand. In Dubai, these master-plan communities include Dubai Canal, Mohammad Bin Rashid City and Dubai Waterfront. In Abu Dhabi, they include Saadiyat Island and Capital District, now known as Zayed City. Expo 2020 will have a positive impact on the UAE over the long term with limited direct effect in 2014 because of restricted short term activity while warning that both price expectation and excessive new supply would require careful management leading up to 2020.

In Dubai, the average property prices have risen by 33% year on year and expected to continue their upward trend over the remainder of 2014 but at a slower rate. Dubai is growing towards the south with Dubai World Central, which includes the Expo 2020 site and Al Maktoum airport. According to Dubai Land Department (DLD), the total value of real estate transactions in Dubai rose from AED 154 billion in 2012 to AED 236 billion in

2013. A major component of this increase was the return of significant land transactions. Dubai has recently adopted new international property measurement standards (IPMS) in September 2013 and this should help better regulate the market in 2014. Further, DLD has launched unified real estate contracts with a view to regulate the workings between all parties involved in property transactions. Mandatory 1st May 2014 onwards, the unified contracts will protect the rights of the three parties involved in any real estate transaction - namely the buyer, the seller and the broker. The procedure is aimed at facilitating and accelerating the buying and selling processes in the market and therefore will allow the completion of registration procedures without the need for an agent.

In Abu Dhabi, 22,000 residential units are expected to be delivered in 2014, which represents a 10% increase year on year. Delivery of office and retail space for 2014 is also expected to grow by 16% and 20% respectively, with 507,000 square meter of office space and 388,000 square meter of retail space due to be added to the existing stock.

It is expected that 2014 will remain primarily a tenants' market with little decline in the current excessive vacancy levels in Dubai or Abu Dhabi. However, with pent-up demand increasing from corporates who are now freeing up more capital for expansion of their businesses, an increase in corporate activity in the UAE in 2014 is expected.

## Manufacturing

The manufacturing sector is a key component of the UAE's diversification strategy, stimulated by and the need to diversify away from the oil sector. The manufacturing sector is ranked as the third highest contributor to GDP at 9%, after Wholesale Trade, Retail & Repair and Real Estate & Business services.

The manufacturing sector GDP has experienced growth of 19% in 2011 and 12% in 2012 with CAGR of 14% during the period between 2009 and 2012. According to National Bureau of Statistics, the total foreign investment in manufacturing sector in 2011 was AED 30 billion.

According to a report by Dubai Chamber of Commerce and Industry, the UAE is expected to pursue its diversification program through large-scale investments in the manufacturing sector. While Dubai has targeted services and light industries,

Abu Dhabi believes its competitive advantage lies in heavier manufacturing industries, due to the availability of cheap energy. The development of free zones has spurred investment in UAE manufacturing sector.

The largest and most high-profile of the free zones is Dubai's Jebel Ali Free Zone that hosts over 6,000 businesses from over 110 countries. 75% of them are involved in trading, warehousing, and distribution while 20% in manufacturing and the rest in services. The bulk of industrial investment in JAFZA is concentrated on light engineering and final-stage assembly in sectors such as electronics.

Khalifa Industrial Zone Abu Dhabi ("Kizad") is spread over 418 square kilometers and is part of Abu Dhabi's economic vision 2030. Kizad's strategic location, linking east with the west, coupled with its multimodal transportation infrastructure by sea, air, road and rail, provides a clear advantage to different businesses having easy and efficient access. With vertically integrated clusters, competitive lease prices and one of the lowest utility costs in the world all under a tax free umbrella, Kizad offers businesses long term competitive commercial advantages. The phase one of the Kizad logistic park has been completed recently in April 2014 and warehouse units are being handed over to the tenants.

In 2011, there were 5,201 industrial establishments with total employment of almost 399,794 workers. This is compared to 4,960 industrial establishments in 2010, registering an annual growth rate of 5%. In 2011, about 40% of the manufacturing firms were located in Dubai, 29% in Sharjah, 15% in Ajman and 7% in Abu Dhabi. However, about 58.8% manufacturing sector investments were in Abu Dhabi, 22% in Dubai, 7% in Fujairah and the rest in other emirates.

UAE's main industries include food and beverages, tobacco, chemicals, mineral products, metal products, equipment, paper products, textiles, clothing and wood products. The largest individual manufactured products include aluminium, cabling, petrochemicals, steel, and marine industry products.

In the short to medium term, it is expected that the number of establishments, employment and investment in the manufacturing sector will increase with the development of Dubai Industrial City ("DIC"), a manufacturing zone that focuses on six

industrial sectors including machinery and mechanical equipment, transport equipment and parts, base metals, chemicals, food and beverages and mineral products. The DIC is expected to be fully completed by the end of 2015. Few key companies operating in DIC include BASF Kanoo, Arabian Automobiles Company, Al Futtaim Logistics, Dofreeze, Assent and Terrazzo. DIC witnessed a very successful year in 2013 with revenue increase of approximately 33% over 2012. The increase in revenue was driven primarily by land leases and warehouses leases.

In 2012, manufacturing exports (including re-exports) accounted for 53% of the UAE's total non-oil exports of merchandise goods and 22% of total exports including oil exports. UAE manufactured exports increased from USD 8.3 billion in 2000 to about USD 59.2 billion in 2012 registering a cumulative annual growth rate of about 18%.

## Information Technology

UAE government's increased focus on attracting global Information Technology (IT) firms and its efforts to promote e-governance and provide online services have been key factors in creating exciting employment opportunities in the IT sector. Moreover, the UAE has also been investing in telecommunication and IT infrastructure as well as human resource as part of a strategy to develop the UAE into a premier regional hub for IT, which will help expand the country's economic base by tapping into a potential market of nearly two billion people in Asia and the Middle East.

The information and communication technology (ICT) spending in the UAE is expected to grow around 5% to cross the USD 15 billion mark in 2014, up from USD 14.3 billion in 2013. IT, which includes hardware, packaged software and IT services will represent over 45% of the combined ICT market, totaling nearly USD 7 billion in 2014.

According to BMI, for the next five years up to 2018, there will be downward pressure on PC sales, especially in the consumer segment, where desktops and notebooks are being cannibalized by smart-phones and tablets. It is also expected that there will be significant investment in high capacity servers for data centers and will be a key growth driver in the hardware division of the IT market. This will, in turn, boost value growth in the software and services sectors, with cloud-based services expected to grow rapidly in the next five years.

The growth of the IT sector in the UAE is dependent on two things: infrastructure development and human resource development. However, expenditure on IT infrastructure has always been one of the priorities of the UAE Government and the private sector and it is now focusing on recruiting world-class IT expertise. There is a clear trend towards optimizing infrastructure and enhancing efficiency among SMEs (small and medium enterprises) and large enterprises.

The serious intent of the UAE government is visible through IT and communications intensive initiatives like TECOM Investments. TECOM Investments, based in Dubai, is a subsidiary of Dubai Holding, a global company dedicated to knowledge and life-improving industries. A creator of vibrant knowledge industry clusters, TECOM Investments is currently active in buoyant cutting-edge sectors like ICT, Media, Education, Life Sciences and Clean Technology.

A recognized leader in the global knowledge industry, TECOM Investments manages entities like Dubai Internet City, Dubai Media City, Dubai Knowledge Village, Dubai International Academic City, eHosting DataFort, International Media Production Zone, Dubai Outsource Zone, Dubai Studio City, DuBiotech and Enpark.

## Tourism

The sun, sea, beaches, shopping facilities, dramatic scenery, superb hotel accommodation and cuisine, excellent sports and leisure facilities and the warmth and hospitality of its people all combine to make the United Arab Emirates a popular tourist destination.

The country has made substantial investments in this sector and has a fun-filled annual calendar of events. The Dubai Shopping Festival, the Dubai Summer Surprises, the Abu Dhabi Shopping Festival, the Sharjah Ramadan Festival and several other fairs, exhibitions, museums, parks and sporting events all combine to ensure that tourists have a great time. Tourism is no doubt, succeeding in making a significant contribution to the overall diversification programs, having become one of the most important economic sectors in terms of growth.

The UAE is one of the easiest Middle East countries to visit and visas are easily obtained. A very diverse, friendly and helpful population keeps alive the traditional values of generosity and hospitality. Traditional sports such as camel racing, horse

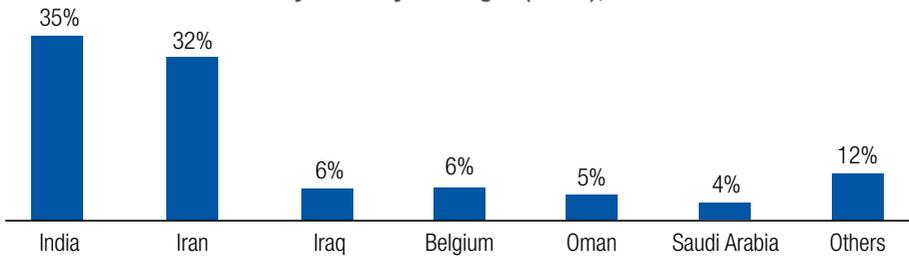
racing and boat racing coupled with pearl diving, falconry, camp-outs in the desert, gold souqs, spice souqs and wind towers all offer tourists an Arabian Experience.

Traditional Arab hospitality and a delightful winter climate complemented by a highly sophisticated infrastructure and crime-free environment, have also contributed in recent years to creating an ideal atmosphere for the development of tourism. The UAE is also endowed with an extensive coastline, sandy beaches and varied landscape, where a wide variety of activities can be indulged, ranging from powerboat races to sand-skiing.

Dubai, for example, welcomed 10 million visitors in 2013 and keeps growing, with its ambitious plan to welcome 20 million visitors by 2020. Abu Dhabi too also reported strong tourist numbers in 2013 as it exceeded its target of 2.5 million hotel guests last year. This growth means investment, which allows innovation in building hotels, innovation in service, international mix and diversity.

Expo 2020, to be hosted by Dubai will also provide a boost to the tourism sector with around 25 million visitors expected for the World Expo event, out of which over 70% are expected to be international visitors. India and Iran together represented more than 65% of the total tourists that visited Dubai in 2013.

### Dubai - Tourist Arrivals by Country of Origin (2013), as % of Total



Source: BMI, Q2-2014 UAE Business Forecast Report

The sector contributed around AED117.4 billion, amounting to 8.4% of the country's GDP in 2013 and is forecast to grow 3.2% per annum to generate AED167 billion by 2024. The travel and tourism sector's direct contribution to the economy was around AED56 billion in 2013 and is estimated to rise by 4.7% in 2014. Investment in the sector amounted to AED21 billion, which is nearly 6.2% of total investments in the UAE last year. Travel and tourism investments are projected to rise 9.7% in 2014.

According to the World Travel and Tourism Council (WTTC), the UAE's travel and tourism sector accounted for 9.1% of total employment, adding around 496,730 direct and indirect jobs to the UAE's economy.

Factors like powerful branding campaigns on the part of government, and the UAE's positioning as a thriving business hub renders this a sustainable tourism growth.

## UAE Stock Exchanges

UAE has three official stock exchanges viz; The Dubai Financial Market established in March 2000 and the Abu Dhabi Securities Market established later on in November 2000, and the Dubai International Financial Exchange [DIFX] which commenced business in 2004. The first two exchanges operate as a secondary market for trading of securities issued by the public shareholding companies, bonds issued by the local or the federal government, public institutions and financial and investment institutions. The main objective of the exchanges is to create a fair, efficient and transparent market place that serves the interest of the national economy.

Both the exchanges are fully integrated and have automated systems, which ensure speed and accuracy in the transfer of share ownership. The individuals and firms, who have been authorized by the UAE Central Bank to carry out brokerage services, can apply for a license at the stock exchanges. Currently there are more than 120 companies listed and traded on the stock exchanges.

## NASDAQ Dubai [Formerly known as The Dubai International Financial Exchange (DIFX)]

The NASDAQ Dubai [DIFX] is located in the Dubai International Financial Centre (DIFC), a financial free zone. The DIFC opened for business in 2004. Financial activities in the DIFC are governed to international standards by an independent regulator, the Dubai Financial Services Authority (DFSA). The NASDAQ Dubai has a license from the DFSA to operate an exchange. The President of the DIFC is His Highness Sheikh Mohammed Bin Rashid Al Maktoum, the UAE Vice President, Prime Minister and Ruler of Dubai. It opened in September 2005.

The exchange opened with four member banks – CSFB, Deutsche Bank, HSBC and UBS. It currently has 22 member firms including market heavyweights like Citigroup,

ABN AMRO, Barclays, JP Morgan Securities and Morgan Stanley. For international investors, the DIFX is the main gateway to opportunities in the Gulf Cooperation Council states and the rest of the Middle East and North Africa, as well as, South Africa, Turkey, Central Asia and the Indian sub-continent.

For issuers of shares and other securities in these areas, the exchange offers increased market visibility, unprecedented access to regional and global capital and the ability to sustain fair valuation. The trading hours of the DIFX are from 2pm to 5pm (10am to 1pm GMT) from Monday to Friday. There are 15 scripts currently listed on the NASDAQ Dubai.

The NASDAQ Dubai intends to become the platform of choice in its region for a range of:

- Equities
- Bonds
- Funds
- Islamic Products
- Index Products
- Derivatives.

In addition to the three stock exchanges, there is a commodity exchange in Dubai, which is Dubai Gold and Commodities Exchange (DGCX). Dubai has historically been an international hub for the physical trade of not only Gold but also many other commodities. DGCX commenced trading in November 2005 as the region's first commodity derivatives exchange. DGCX is majority owned by Dubai Multi Commodities Centre (DMCC), a strategic initiative of the Government of Dubai, with a mandate to enhance commodity trade flows through the Emirate by providing the appropriate physical, market, financial infrastructure and services required. The trading hours of the DGCX are from 7am to 11:30 am (GMT +4) and the exchange is regulated by the Securities and Commodity Authority.

## Investment Climate

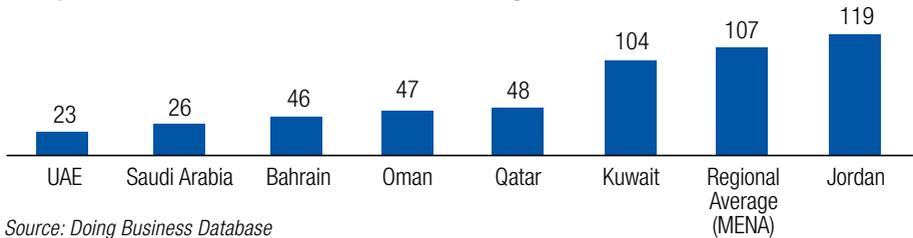
In general, the government seeks to provide a free-market economy with minimal regulatory restrictions. To attract foreign and local investment, the federal government and the governments of the individual Emirates have developed a modern and sophisticated infrastructure and provide a business environment largely free of taxation and exchange controls. In addition, the UAE in recent years has signed double tax and investment protection treaties with several countries.

Currently, there are four major laws affecting foreign investment in the UAE: the UAE Commercial Companies Law, the UAE Commercial Agencies Law, the UAE Industry Law, and the Government Tenders Law.

These laws, especially the Commercial Companies Law, are seen as the largest obstacles to foreign direct investment in the UAE.

However, the laws and regulations governing foreign investment in the United Arab Emirates are conducive to foreign investment. Although important tariffs in the UAE stand at 5%, over 75% of imports still enter the UAE duty-free and there are no tariffs on exports. Each Emirate has its own customs authority, while a national committee formulates general policies. The chart below provides the world ranking of ease of doing business of UAE and comparative economies basis different parameters like starting a business, dealing with construction permits, registering property, taxes, etc.

### Comparator economies rank - Ease of doing business



Source: *Doing Business Database*

UAE's Foreign Investment Law, which is being drafted by the Ministry of Economy as per the mandate given by the Cabinet, will seek to promote investment climate and create more job opportunities. The UAE has made significant strides in foreign direct investment performance over the last several years. As one of the lowest taxed countries in the world, with no corporate or income taxes and no sales tax, the UAE has become a lucrative location for FDI vis-a-vis other regional and international countries.

Foreign companies investing in the UAE can benefit from cost efficiencies, in power, gas and water. Low tariffs, low currency risk, extremely low financial risk, no restrictions on repatriation of profits or capital, and numerous double taxation agreements are the attractive features of the UAE as a FDI destination.

In early 2014, an investment development agency, as an affiliate of the Department of Economic Development, has been setup to reinforce Dubai's position as a sought after destination for global investors and businesses.

The prime objective of this new autonomous body is to help nurture an attractive investment climate in Dubai to increase the inflow of investments and businesses from across the globe. The agency has been tasked to draw up an investment policy as well as new strategies to promote investments and to conceive and develop new long term projects and opportunities to attract investors in line with the economic development plan of Dubai.

# Trade Policy



## Imports and Exports

Imports are quota free but must be licensed by the Ministry of Commerce and Industry. Customs duties are administered by the Department of Customs. In the case of companies an import license is granted only when the UAE owned share capital is not less than 51%. There is 100% import duty on alcoholic beverages and 50% import duty on tobacco products. Most foodstuff items and books are exempted. Machinery, equipment and raw materials may also be exempted under the Law for Organisation of Encouragement of Industry or when imported by the companies engaged in activities designated as Economic Development Projects. All imports must be handled by registered UAE agents.

There are no restrictions on exports, except for items of historical value, which are subject to permission from the Ministry of Culture and Heritage. There are no export duties.

Top 5 Exports by UAE	Crude Petroleum, Refined Petroleum, Gold, Petroleum Gas, Raw Aluminium
Top 5 Imports by UAE	Jewellery, Refined Petroleum, Broadcasting Equipment, Cars, Computers
Top 5 Export destinations of UAE	Japan, India, Iran, South Korea, Thailand
Top 5 Import origins of UAE	India, China , USA, Germany, South Korea

The UAE is the top exporter of Iron Ingots, Limestone and Lead Bars.

Trade with Israel is prohibited.

## Customs Duties

Customs (import) duties are levied generally at a rate of 5% but there are many items which are duty exempt, such as medicines, most food products, capital goods and raw material for industries etc. Imports by free zone companies are also exempted unless products move outside the zone. If the products are moved outside the zone, customs duty is levied at 5%.

Categories	No. items
Restricted (subject to special approval of relevant UAE authorities)	15
Prohibited	12
Duty Free / Exempt	70 categories (734 items)

By law, 70 categories of goods have been exempted from tariffs including medicines, agricultural machinery, pesticides, fertilizers, periodicals, wood, unstrung pearls, un-worked silver and gold, iron and steel for use in construction, and raw or partially worked materials for use by local manufacturers. There are 734 items exempt from the customs duty under the customs tariff, for example, certain animals, vegetables, plants, chemicals and medicines, certain diamonds, silver and gold, as well as carriages and accessories for those who are disabled. Helicopters, cruise ships and excursion boats are also exempt.

After the introduction of the new uniform customs tariff on 1 January 2003, all non-Gulf Co-operation Council (GCC) products, except for those exempted, are subject to 5% customs duty, while the product of GCC countries shall enter into each others' markets free of customs duties. Products are considered as originating in a GCC country if the value added to such product in the said country is more than 40% of the value of the product in question and if the factory that manufactured the product is at least 51% owned by GCC nationals.

In the event of re-export to non-GCC countries, a customs deposit has to be made and this will be refunded when proof of re-export is given to the authorities.

In the event of re-export to GCC countries, customs duty at 5% will be levied at the first point of entry. The provisions of the GCC Customs Union have applied since 1 January 2003.

By law, all commercial or non-commercial enterprises, Customs Zone or Free Trade Zone entities require a license issued by a duly authorized authority to do business in the UAE: only entities with Trading Licenses may distribute products in the imports markets considered customs zones. Exporters may appoint an exclusive agent licensed to operate within the specified custom zone market to distribute their products.

## Special Investment Opportunities

The UAE imposes virtually no foreign exchange restrictions. Equity capital, debt capital, interest, dividends, branch profits, royalties, management and technical service fees and personal savings may be freely remitted abroad.

The government does not impose debt-to-equity ratio requirements on corporations. The UAE has created several free trade zones. Foreign companies establishing businesses in the free trade zones are offered special concessions, including exemption from the requirement of having local ownership or a local sponsor.



# Structure of Business Entities



There are various legal structures available for the establishment of businesses in the UAE. These are addressed under the following main legislations:

- Federal Law No. 8 of 1984 concerning Commercial Companies as amended (the “CCL”)
- The UAE Civil Transactions Law, Federal Law No. 5 of 1985 (the “Civil Code”)
- Local Order No. 63 of 1991 on Licensing Professionals and Tradesmen in the Emirate of Dubai

## Federal Commercial Company Law

Until 1984, the UAE did not have a federal commercial company Law. Instead, the government of each Emirate formulated practices and procedures concerning the establishment of business organizations within its Emirate.

As a result of the absence of codified commercial legislation, Federal Commercial Company Law No. 8 of 1984 was promulgated and implemented in full in early 1993.

Under the Commercial Companies Law, Federal Law No. 8 of 1984, UAE nationals must own a minimum of 51% of all public and private shareholding companies and limited liability companies. In practice, many public and private shareholding companies, especially those engaged in insurance and banking, are expected to be wholly owned by UAE nationals, and defines seven categories of business organisation, which can be established in the UAE. It sets out the requirements in terms of shareholders, directors, minimum capital levels and incorporation procedures. It further lays down provisions governing conversion, merger and dissolution of companies.

The various categories of business organisation are:

- Public Shareholding Company
- Private Shareholding Company
- Limited Liability Company
- General Partnership Company
- Simple Limited Partnership
- Partnership Limited by shares
- Joint Participation (Ventures)
- Branches / Representative Offices of Foreign Companies

*Partnership companies are limited to UAE nationals only.*

The Commercial Agencies Law restricts commercial agencies to UAE nationals or companies owned wholly by UAE nationals.

## Civil Code

The Civil Code provides for formation of three forms of civil or professional entities, namely:

- Service companies (work company/company to perform work)
- Speculative venture partnerships
- Mudaraba companies

The following comparison chart shows the key differences between the principal types of companies available to set up in the UAE based upon the provisions of the CCL and the Civil Code.

Forms of Commercial Companies	Structure of partners / shareholders	UAE Nationality Requirements	Minimum Capital
General Partnership	Two or more partners having joint and unlimited liabilities	All the partners	None
Simple Limited Partnership	One or more general partners having joint and unlimited liabilities. One or more limited partners who owe limited liabilities	All the partners	None
Joint Venture Company	Two or more partners among whom, only a trading partner owes unlimited liability in relation to the counterparty and the other partners owe no liabilities. However, if existence of the partnership is disclosed to a third party, all partners owe joint and unlimited liability in relation to the third party	UAE Nationals should own at least 51% of the capital	None
Public Joint Stock Company	Ten or more shareholders with limited liabilities.	Shareholders having a 51% or more share in the capital; the majority of the members in the board of the directors and the Chairman of the board of directors	AED 10,000,000

*Contd...*

Forms of Commercial Companies	Structure of partners / shareholders	UAE Nationality Requirements	Minimum Capital
Private Joint Stock Company	Three or more shareholders with limited liabilities	Shareholders having a 51% or more share in the capital; the majority of the members in the board of the directors and the Chairman of the board of directors	AED 2,000,000
Limited Liability Company	Two to fifty partners with limited liabilities	Partners having a 51% or more share in the capital. A foreigner can be the manager of the company	None
Partnership Limited by Shares	General partners who owe joint and unlimited liabilities & limited partners who owe limited liabilities to the extent of their share in the partnership	All the general partners	AED 500,000
Civil Company	Two or more partners who owe joint and unlimited liabilities	Not required	None

The more popular and frequently used forms of business are discussed as follows:

## Public and Private Shareholding Companies

The law stipulates that companies engaging in banking, insurance or financial activities should be run as public shareholding companies. Foreign banks, insurance and financial companies, however, can establish a presence in Dubai by opening a branch or representative office.

Shareholding companies are suitable primarily for large projects or operations, since the minimum capital required is AED 10 million (US\$ 2.725 million) for a public company, and AED 2 million (US\$ 0.545 million) for a private shareholding company. Minimum capital required to form a Public Shareholding Company for a banking entity is AED 40 million and insurance and investment companies is AED 25 million. The chairman and a majority of directors in either of these entities must be UAE nationals and there is less flexibility of profit distribution than is permissible in the case of limited liability companies.

A PJSC must have at least 10 founder members and its management should be vested in a board of directors consisting of a minimum of three to a maximum of fifteen persons whose term of office may not exceed three years. In addition at least 51% of the shares of the PJSC should be held by UAE nationals. The founder members may only hold 45% of the share capital, as 65% is required to be offered to the public. The Law stipulates that the companies engaged in banking, insurance or financial activities should be run as public share holding companies.

## Limited Liability Companies

A popular, and frequently, the most appropriate method of establishing a business in the UAE by foreign investors is to form a limited liability company (LLC).

A limited liability company can be formed by a minimum of two and a maximum of fifty persons whose liability is limited to their shares in the company's capital. Such companies are recognized as offering a suitable structure for organizations interested in developing a long-term relationship in the local market.

For a LLC in the UAE, the minimum share capital was fixed AED 150,000 [US\$ 40,000]. [AED 300,000 or US\$ 80,000 in Dubai]. However, as per a recent amendment in the

UAE Commercial Company Law, the minimum capital requirement has been abolished and the capital level can be fixed depending on each business' individual requirements.

While foreign equity in the company may not exceed 49%, profit and loss distribution can be prescribed. Responsibility for the management of a limited liability company can be vested in the foreign or national partners or a third party.

No LLC may engage in insurance or banking or investment of money on behalf of others. The names and holdings of all shareholders are a matter of public record.

## General Partnerships

A general partnership is formed by two or more UAE nationals who are jointly and severally liable for the partnership's debts. No names other than those of the actual partners may be included in a partnership's name.

A partnership interest may be transferred only with the approval of all partners or in accordance with conditions stated in the partnership agreement. The management of the partnership must rest with one or more managers who must be natural persons and who may or may not be partners.

A partnership is dissolved on the death, insanity, bankruptcy or withdrawal of one of its partners, unless the remaining partners decide unanimously to continue the partnership and their decision is registered in the commercial register.

## Limited Partnerships

A limited partnership comprises one or more general partners who are jointly and severally liable for the partnership's debts and one or more limited partners whose liability for the partnership's debts is limited to their contribution to the partnership's capital. No minimum capital contribution is required by the law. All general partners must be UAE nationals. A limited partner may not participate in the management or act in the name of the partnership. The death, insanity, bankruptcy, withdrawal or dismissal of a limited partner does not result in the dissolution of the partnership unless otherwise provided in the partnership agreement.

## Partnership Limited by Shares

A partnership limited by shares is a company that has both general partners with unlimited liability and partners whose liability is limited by the value of the share capital for which they have subscribed. The company must have a minimum capital of AED 500,000 (now subject to review by the DE). General partners in partnerships limited by shares must be UAE nationals. An annual audit is required.

## Joint Venture Company

A joint venture is a contractual agreement between a foreign party and a local party licensed to engage in the desired activity. The local equity participation in the joint venture must be at least 51%, but the profit and loss distribution can be prescribed. There is no need to license the joint venture or publish the agreement. The foreign partner deals with third parties under the name of the local partner who - unless the agreement is publicized - bears all liability. In practice, joint ventures are seen as offering a suitable structure for companies working together on specific projects.

## Branch Office of a Foreign Company

A very popular way for foreign companies to benefit from 100% foreign ownership is to open a branch office of the parent company. A branch office is legally regarded as part of its parent company and does not have a separate legal identity from that of its parent company. Therefore, the name of the branch office will be the same as that of the parent company.

Branch offices are nevertheless required to have a UAE national as a local agent. Only UAE nationals or companies 100% owned by UAE nationals may be appointed as local agents (which should not be confused with the term “commercial agent”). Local agents are not involved in the operations of the company but assist in obtaining visas, labour cards, etc and are paid a lump sum and/or a percentage of profits or turnover.

One of the conditions for establishing a branch office in the UAE is that it may only be engaged in activities similar to those of the parent company. It is important to note that a branch office is permitted to carry on the business of importing products of its parent company, provided that the parent company is involved in the manufacture of such products.

## Representative Offices of Foreign Companies

A representative office of a foreign company is distinct from the branch office in that the former is only allowed to promote its parent company's activities. Therefore, if a parent company deals in the sale and / or production of certain products, if it opens a representative office in the UAE, the office will only be able to promote the sale or production of such products and facilitate contacts in the UAE, as distinct from a branch office, which can conduct their sale or production itself.

In addition to the above limitations, representative offices have other restrictions in that they are not allowed to obtain credit facilities or put forward offers.

As in the case of a branch office, it is necessary when establishing a representative office to appoint a local service agent.

## Sole Proprietorships

In setting up a professional firm, 100% foreign ownership through sole proprietorships is permitted. Such firms may engage in professional or artisan activities but the number of staff members that may be employed is limited. A UAE national must be appointed as local service agent but he has no direct involvement in the business and is paid a lump sum and/or percentage of profits or turnover. The role of the local service agent is to assist in obtaining licenses, visas, labour cards, etc.

## Civil Company (Recognized Professions)

A civil company is also a business partnership for professionals in recognized fields such as doctors, lawyers, engineers, etc. A civil company can only practice professional business and is 100% owned by the professional partners, whatever their nationalities.

A civil company for engineering must have one partner who is a UAE National, who owns no less than 51% of the business and must be an engineer of the same type as the business's activity.

A foreign company can be a partner in a civil company, as long as the foreign company is in the same profession as the civil company.

Most civil companies require a Local Service Agent (LSA) if there is no UAE-National partner in the business. The local service agent is a UAE National who manages licensing requirements and other government-related matters for your business, in exchange for an annual fee.

## Establishing a Business

A business must be registered with the municipality or the relevant Economic Department and the Chamber of Commerce of each Emirate in which activities of the business are conducted, and with the Ministry of Economy and Commerce. In addition, some businesses require approval from the specified federal ministries and agencies. A sample list of businesses and their approving authorities are given below:

- Banks, financial institutions and exchange companies must obtain approval from the Central Bank
- Insurance Companies and related agencies must obtain approval from the Insurance Authority
- Manufacturing businesses must be approved by the Ministry of Economy (Industrial Section)
- Medicinal products must be approved by the Ministry of Health and Department of Health and Medical Services
- Printing, Publishing & Broadcasting activities must be approved by the National Media Council
- Educational activities are governed by the Ministry of Education and Knowledge & Human Development Authority (KHDA) (for Dubai)

Special procedures apply in each Emirate regarding registration of businesses engaged in oil and gas production and related industries.

The requirements for registering a company, including the time required, fees payable, number of shareholders and minimum capital depend on the particular type of business entity being established.

## Annual Requirements for Businesses

All companies must renew their registration with the Ministry of Economy, Municipality or Economic Department and the Chamber of Commerce annually. Registration fees are levied and vary according to the type of entity being registered and the government authority concerned.

Companies engaged in the oil, gas and petrochemical sector and banks are the only entities required to file tax returns. However, the following businesses must have their accounts audited annually:

- Banks (local banks and branches of foreign banks)
- Insurance companies and agencies
- Public and private shareholding companies
- Limited liability companies
- Branches of foreign companies
- Partnerships limited by shares
- Other companies whose articles require annual audits

## Listing Shares of UAE and Foreign public joint stock companies

To list shares of a public joint stock company incorporated in the UAE or a foreign public joint stock company for trading in the UAE, the company should be licensed by the Emirates Securities and Commodities Authority (ESCA). It shall then choose a stock market in the UAE and apply for listing on it. The listing requirements are contained in the ESCA's listing rules and subsequently in the respective stock market's requirements.

**For locally incorporated companies** - the company should have been incorporated for not less than two years with financial statements issued for each year and audited by an auditor registered in the schedule of working auditors and authorized to audit the accounts of joint stock companies. The Paid-Up Capital should not be less than 50% of Shareholders' Equity, which may not be less than AED 20 million.

The Shareholders' Equity, for each category of shares the company issues, shall be equal. The Shareholders' Equity may not be less than the Paid Up capital upon applying for listing.

**For foreign joint stock companies** - the company issuing the securities shall be compliant with all the provisions of its country Federal Law. It should be a public joint stock company. The company should be listed in the stock exchange of its mother country, or it is working under the umbrella of an authority that has similar responsibilities of ESCA. The company should have been incorporated for not less than two years with financial statements issued for each year and audited by approved auditor. The company should have a minimum Paid up Capital of AED 40 million and number of shareholders should be at least 100. The net assets of the company shall be more than 120% of its Paid up Capital or it should have realized net profits which can be distributed to its shareholders at a minimum average of 5% of the Paid up Capital, during the two years prior to the submitting of the listing application.

In either type of company, whether locally incorporated or a foreign company, it must satisfy any additional requirements and regulations and furnish any additional documents and/or information that ESCA or the respective stock market may require. The company that fails to abide by the ESCA and/ or stock market's rules and regulations may be suspended or de-listed after due process.

## UAE Commercial Companies Law – Proposed Draft

Call it the effect of the ongoing bid for winning the Expo 2020 or simply to keenness to introduce more relevant legislation that will drive the economy forward, a new draft UAE Commercial Companies Law (CCL) was introduced in 2013. The effort is clearly aimed at attracting more businesses to the golden shores of the UAE.

The stated objective of the New CCL is to continue the UAE's development into a global standard market and business environment, particularly in relation to corporate governance, the protection of the shareholders and promotion of social responsibility of companies. The draft was approved by the UAE Federal National Council, in May 2013. Despite the steadily increasing rumors, the new CCL does not talk about any amendment in the foreign investment rules. As a result, the foreign ownership is restricted to 49% in all sectors. However, it is widely expected that a Foreign Investment law will be rolled out in the near future to tackle this issue.

The Draft Companies Law 2013 appears to anticipate several regulations to expand on the fundamental principles contained therein and rather than setting out substantial

changes it allows for the future implementation in relevant areas. Calling it a launching pad rather than the actual leap would be closer to the truth. A few key provisions discussed in the new CCL are as follows:

- The new provisions relating to Limited Liability Companies have focused on making the management of LLCs simpler and more attractive to investors.
- Significant changes include those to the shareholder structure, which now provides for single shareholding, and the introduction of an express provision in relation to granting a pledge over shares.
- The Draft CCL provides for the registration of share pledges, which will no doubt provide a greater degree of comfort for the market. The Draft CCL anticipates the creation of a formal companies' register for share pledges through an e-filing system where the public may access companies' documents.
- For Public Joint Stock Companies, the focus has been on changes to provisions relating to the company's share structure. Significant changes include a minor relaxation on the strict pre-emption rules to allow for the issuance of new shares to a "strategic partner".
- Fund raising has been dealt with at length, with some significant changes in relation to bond issuance although this area remains subject to further review and regulations.
- The Draft Companies Law 2013 introduces provisions prohibiting financial assistance to shareholders. The Draft CCL refreshingly also provides an express provision clarifying the relationship between free zone entities and the on-shore regime. Free zone entities are exempt from the application of the Draft Companies Law 2013 provided such exemption is set out in the regulation governing the free zone. However, if the laws and regulations of the free zone permit business activities in on-shore UAE, the Draft CCL will apply. The provision allows for further regulations on the applicable conditions for such companies at a later stage.
- The Draft CCL also contains numerous provisions in relation to corporate governance, a burning issue following the global and regional financial crisis. The concept of 'Social Responsibility' has also been introduced for the first time but further regulations are needed to establish what role this introduction is intended to play in the wider legal and regulatory framework.

# Licensing



## Types of Licenses

The basic requirement to conduct business activity in the UAE is to obtain one of the following three categories of licenses:

### Trade Licenses

Are the licenses under which the natural or juridical person is licensed to practice any trade activity for the purpose of profit making through buying and selling of goods and services. These licenses are given to (for example) wholesale or retail trade enterprises, financial consulting offices, banks, insurance companies, contractors, hotels, transport and storing establishments.

### Industrial Licenses

Are the licenses under which the natural or juridical person is licensed to practice any investment activity the object of which is to discover natural resources or to transform raw materials in terms of its structure or appearance into manufactured or semi-manufactured products, or to transform the semi-manufactured products into fully manufactured products by using mechanical power, and segregate the products, filling, assembling or packing them.

### Professional Licenses

Are the licenses under which the natural or juridical person is licensed to practice any profession in which he depends on his physical or mental efforts rather than depending on a cash capital. This license is given to practice some professions such as auditing, consultancy services and studies, business, medical and educational services as well as other personal services.

These licenses are all issued by the Economic Department or similar nominated Department of the respective Emirate. However, licenses for some categories of business require approval from certain ministries and other authorities: for example, banks and financial institutions from the Central Bank of the UAE; insurance companies and related agencies from the Ministry of Economy; manufacturing from the Ministry of Finance and Industry; pharmaceutical and medical products from the Ministry of Health / Department of Health and Medical Services.

More detailed procedures apply to businesses engaged in oil or gas production and related industries.

Practicing some trade activities (e.g. jewellery and insurance) requires the submission of a financial guarantee issued by a bank operating in the UAE.

## Completion of Licensing Procedure for Practicing Business Activities

Licensing procedures for business projects involve the following:

### A. Selection of the Legal Form

Suitable for the business project as per the type of business activity, which will be practiced, the amount of invested capital and other important considerations already referred to in this section in the light of which the firm's deed is prepared, signed by the concerned parties and attested by the Notary Public.

### B. Obtaining Special Approval

This applies to certain activities, which require obtaining special approvals from some competent authorities. If the required activity is conducting ordinary business, procedure of licensing may be started without the need for obtaining any such special approval.

### C. Submission of License Application

The applicant, whether an individual or representative of a company under incorporation, shall submit to the Department of Economic Development the application duly filled in

with all the particulars indicated in the required forms. The necessary documents should also be attached to the application as per the legal form to be assumed by the firm. The procedure in the Department involves a lot of measures, which may be summarized as follows:

Receipt of the application, checking of the same, initial approval, preparation of business site, technical inspection, checking and fees payment. The applicant shall then be given two sealed copies of the license, one to be used for inscription in the Commercial Register and the other for registration with the Dubai Chamber of Commerce & Industry.

## Inscription in the Commercial Register

Articles 2 & 5 of Federal Law No. 5 of 1975 concerning the Commercial Register stipulate that every merchant, branch manager, managers of commercial companies and the agents of foreign companies must inscribe their companies in the Commercial Register in accordance with the terms and conditions determined by the law.

Here is a statement of the types of activities, which must be inscribed in the Register and those, which are not subject to this inscription.

### A. Firms which must be inscribed in the Commercial Register

These are the companies which practice business activities such as agricultural works, fishing, discovery of natural resources, industry related activities, activities related to electricity production, gas and water, construction, building and contracting activities, wholesale and retail traders, supermarkets, department stores, trade related services, machines and equipment hiring, hotels, showrooms, transport, storage and communication, finance, insurance and real estate.

### B. Firms not subject to Inscription in the Commercial Register

These are the firms which practice professional activities such as services, legal consultants, accountants, engineering, architectural and technical consultants, administrative & economic services and consultations, other services such as

photocopying, translation, shorthand, advertising, companies management, secretarial, exhibition organizers, public cleaning services, social services, education and social welfare, medical and health services, veterinary services, cultural and recreational services as well as personal and domestic services.

# Free Zones in the UAE



Establishing a business entity in one of the UAE's Free Trade Zones (FTZs) can be an attractive option for foreign investors. To date the free zones have been successful in attracting a large number of companies and foreign direct investment, as well as expanding net non-oil exports.

In the absence of tax incentive opportunities, the UAE free zones have been among the strong pillars of government incentives and the country's economic performance attracting much foreign investments, creating thousands of jobs, and facilitating the needed technology into the country. Together, the free zones account for more than half of the country's non-oil exports and underpin the UAE's ranking as the third most important re-export centre in the world.

## The major advantages in setting up in a free zone include:

100% foreign ownership of the enterprise	Full repatriation of capital & profits
100% tax exemption	Extended leases
Quick approval procedures	Abundant & inexpensive energy

An independent Free Zone Authority (FZA) governs each free zone, and is the agency responsible for issuing FTZ operating licenses and assisting companies with establishing their business in the FTZ.

Investors can either register a new company in the form of a Free Zone Establishment (FZE) / Free Zone Company (FZCO) or simply establish a branch or representative office of their existing or parent company based within the UAE or abroad. An FZE is a limited liability establishment, incorporated in a Free Zone, owned by one natural or juridical person, whereas an FZCO is a limited liability company incorporated in a Free Zone by more than one shareholder, generally up to five. FZE/FZCO are governed by the rules and regulations of the Free Zone in which they are established. There is a minimum capital requirement for an FZE/FZCO ranging from AED 50,000 to AED 1,000,000

depending upon the selected Free Zone. Recently, some free zones have even relaxed / abolished the capital requirement to attract more investors. Under Federal Law No. 15 of 1998, except for acquiring nationality in the UAE, the provisions of the Commercial Company Law do not apply to FZEs / FZCOs, provided that the Free Zones have special provisions regulating such companies.

## Free Trade Zone Licenses

Once a legal presence has been established in the Free Zone, the business will need to lease premises or land and acquire an operating license from the FZA. Different types of licenses apply in the different types of free zones, however, in general, companies with trade and industrial licenses can only conduct business within the Free Zone or abroad. To sell their products in the UAE, a UAE official agent is required. Services and products can be obtained from and within the UAE without an agent.

Other types of license available are service licenses (e.g. banking, insurance, air shipment etc) and national industrial licenses. For the former the services offered must be the same as those stipulated in the parent company's license in the UAE or abroad. The share capital of a company applying for a national industrial license must be at least 51% GCC and 40% of the sale value of the product must be value-added in the UAE.

These licenses can be renewed annually as long as a lease agreement is in force with the FTZ.

The procedures for establishing a business in any Free Trade Zone are a specialized process. An investor is required to fill out a questionnaire from the relevant Free Zone Authority, which will assist in assessing the company's requirements.

Having submitted the questionnaire, the authorities will give a license application, planning documents, and a consumer request for electricity. Provisional approval is given along with a specimen lease agreement. After the company representative and the authority have met and finalized details of the project, the actual documents, which will include company or personal details, are speedily processed.

## List of various Free Zones in the UAE

Given hereunder are lists of the most important free zones in the UAE. The first list contains the various Free Zones established in the Emirate of Dubai, the second enumerates Free Zones established in the Emirate of Sharjah and the Northern Emirates and the third list gives various Free Zones established in the Emirate of Abu Dhabi:

### Dubai

1. Jebel Ali Free Zone	15. Dubai Industrial City
2. Dubai Cars & Automotive Zone	16. Dubai Multi Commodities Center
3. Gold & Diamond Park	17. Dubai Flower City
4. Techno Park	18. Dubai Airport Free Zone
5. Dubai Internet City - TECOM	19. Dubai Healthcare City
6. Dubai Media City - TECOM	20. Dubai Silicon Oasis
7. Dubai Studio City - TECOM	21. Dubai International Financial Center
8. Int'l Media Production Zone - TECOM	22. International Humanitarian City
9. Dubai Knowledge Village - TECOM	23. Dubai World Central
10. Dubai International Academic City - TECOM	(including Logistics City & Aviation City)
11. Dubai Outsource Zone - TECOM	24. Dubai Textile City
12. Energy & Environment Park - TECOM	25. Heavy Equipment & Trucks Zone
13. Dubai Biotechnology & Research Park - TECOM	(not yet started)
14. Dubai Design District - TECOM	26. Dubai Auto Parts City
	(not yet started)
	27. Meydan Free Zone

### Sharjah and the Northern Emirates

1. Sharjah Airport Free Zone	6. Ahmed Bin Rashid Free Zone (Umm Al Quwain)
2. Hamriyah Free Zone	7. Ras Al Khaimah Free Trade Zone (RAKFTZ)
3. Ajman Free Zone	8. Ras Al Khaimah Investment Authority (RAKIA)
4. Fujairah Free Zone	9. Ras Al Khaimah Media Zone
5. Fujairah Media Zone/Creative City	10. Ras Al Khaimah Maritime City

## Abu Dhabi

1. Abu Dhabi Airport Free Zone	4. Two Four 54
2. ADPC - Khalifa Port & Industrial Zone	5. Zonecorp
3. Khalifa Industrial Zone Abu Dhabi (KIZAD)	6. Masdar City

*A separate booklet - Free Zones in the UAE - gives a deeper insight into setting up businesses in the various free zones in the UAE.*

# Labour Laws



## Federal Labour Law

The Labour Law of the United Arab Emirates is mainly contained in Federal Law No. 8 of 1980 on Regulating Labour Relations, as amended. In addition, there are several Ministerial orders and Cabinet decisions, which provide regulations pertaining to the Labour Law. These collectively cover all aspects regarding employer / employee relations in the UAE and are essential reading for any person wishing to set up business in the UAE. There are special labour related regulations applicable in some of the free zones in the UAE.

The Labour Law governs most aspects of employer/employee relations, such as hours of work, leave, termination rights, medical benefits and repatriation. It is protective of employees in general and overrides conflicting contractual provisions agreed under another jurisdiction, unless they are beneficial to the employee. The Ministry issues a model form of labour contract in Arabic which is widely used, but other forms of contract are enforceable, provided they comply with the Labour Law.

Trade unions do not exist. In the case of a dispute between employer and employee, or in interpretation of the Labour Law, the Ministry of Labour and Social Affairs will initially act as an adjudicator, in an effort to resolve matters. If a party wishes to appeal any such decision it can take its case to court. Strikes and lockouts are forbidden.

## Working Hours and Holidays

The normal maximum working hours are eight hours per day or forty-eight hours per week. However, these hours may be increased to nine hours daily for people working in the retail trade, hotels, restaurants and other such establishments. Similarly, daily working hours may be reduced for difficult or dangerous jobs. Many businesses work on a two-shift system (for example, 8am - 1pm and 4pm - 7pm). As in all Muslim countries, Friday is the weekly day of rest. In practice, commercial and professional firms work 40-

45 hours a week and government ministries about 35. The weekend for office workers was traditionally Thursday afternoon and Friday, but a number of organizations have changed over to a five-day week with Friday and Saturday as the weekend. During the Muslim holy month of Ramadan, normal working hours are reduced by two hours per day.

There are 10 days of public holidays (paid) in any year. The employee's annual leave is two days for every month if his service is more than six months and less than a year. In every completed year of service after the first, an employee is entitled to 30 days annual paid leave. This is in addition to public holidays, maternity leave for women and sick leave. Overtime is used extensively and additional pay is required for manual and lower ranking staff.

## Employee Pension and Social Security Benefits

The Pensions & Social Securities Law, Federal Law No. 7 of 1999, concerns nationals employed in both the public and private sectors. It contains 79 Articles and provides (amongst other things) for certain contributions to be made by the employee and the employer to the Public Authority of Pensions and Social securities. For a person employed in the public sector these contributions are equivalent to 5% of the contributory pension salary to be paid by the employee and 15% of the contributory pension salary payable by the employer. As for the private sector, the Government shall bear 2.5% of the (15%) share payable by the employer as contributions to the Authority.

The Law also provides for the amount to be paid as a pension to eligible nationals on reaching the retirement age of sixty, or disability pension in the case of an employee becoming disabled and thereby unable to work. It further covers the amount of pension payable to beneficiaries on the demise of a secured person.

Under the UAE Labour Law, any employee (national or expatriate) who completes one year or more in continuous service shall be entitled to gratuity at the end of the service. The gratuity is calculated at 21 days wages for each year of the first five years or 30 day's wages for each additional year on condition that the total of the gratuity shall not exceed the wages of two years. (Except in the Jebel Ali Free Zone, where the gratuity calculation basis is 7 days instead of 21 days).

## Special Requirements for Foreign Nationals

In order to employ any expatriate employee in the UAE, an application must be made to the Ministry of Labour & Social Affairs. The application has to be approved by the Ministry prior to the employee entering the UAE. It should be noted that new businesses are required to register or open a file with the Ministry before they can recruit staff. In addition to obtaining the Ministry's approval to employ non-UAE nationals, certain immigration procedures need to be followed as explained below. After an employer obtains the Ministry's approval to employ an expatriate the following four steps need to be taken:

- (1) The sponsor (employer) obtains an employment visa for the employee's entry into the UAE
- (2) The employee undergoes a medical test
- (3) A labour card for the employee is obtained from the Ministry of Labour and Social Affairs
- (4) A residence permit for the employee is obtained

Residence permits were usually granted for a period of three years, however recently the labour law was amended to allow residence permits only for two years. However, employees under free zone companies' visas would continue to enjoy three year residence permits.

Where the intended employee is a UAE national, an employment contract may be entered into at any time. Employment contracts for non-nationals must be drawn in the format approved by the Ministry on an application made by the employer. Employment contracts for national employees need not, however, be in writing and the terms and conditions of employment may be proved by any means of proof admissible by law. A labour permit for an expatriate employee will not be issued by the Ministry of Labour unless a formal written labour contract is filed with the Ministry.

## UAE labour protection for expats

The UAE provides an attractive environment for foreign workers of 200 different nationalities, adopting comprehensive strategies to protect their rights and improve both their working and living conditions.

### **Accommodation for workers**

In this context, and as part of its commitment to improve the standards of workers' accommodation in line with international standards, in 2013 UAE approved the Manual of the General Criteria for Workers' Accommodation. The decision emphasises employers' responsibilities to provide workers with accommodation commensurate with international labour standards. Each facility operating in the country has to upgrade its workers' accommodation conditions to comply with these standards. In implementation of this decision, Abu Dhabi has invested about Dh20bn (\$5.4bn) in 23 workers "cities" which are capable of providing accommodation for 385,000 workers.

These complexes have been built in line with the new manual which stipulates that all accommodation must include its own medical clinic equipped with full services, parking, yards, walkways, mini-market, green spaces and playgrounds.

### **Freedom of movement in labour market**

Other innovations in the efforts to protect workers' rights are aimed at introducing greater flexibility and freedom of movement in the labour market, and establishing a balanced contractual relationship between employer and worker.

At the same time, access to effective legal remedies in the event of a labour dispute has been vastly improved. In particular, the Ministry of Labour (MoL) has set up a collective labour disputes committee, with representatives of workers and employers in each labour office.

The committees must issue a decision on a dispute within two weeks of referral. Their decisions can be challenged before an appeal court within 30 days of issuance.

### **Working hours**

The three-month mandatory midday break rule for labourers is strictly enforced and entered its tenth consecutive year in 2014. It is compulsory for all companies to give a

two-and-a-half hour break from 12.30pm to 3pm for all labourers who work in the open air, such as on construction sites.

The Ministerial decision also states that daily working hours must not exceed eight hours per day or night shift, and that overtime should be paid to those working additional hours in a 24-hour period, as per Federal Law No. 08 of 1980.

Ministry inspectors hold workshops before and during the ban period to create awareness of the rules, and also make regular visits to ensure compliance by both the employers and workers.

The Ministry of Labour orders all employers to put up signs in Arabic and other languages about the banned hours, while in the case of daily exemptions, employers must ensure there is enough cold water for all workers.

Work which has to continue non-stop for technical reasons is exempt from the ban, but employers are still required to provide facilities to cater for the health and safety of workers; including access to first aid supplies and cold water.

Companies which violate the midday summer break will face penalties which include having the classification of their firms downgraded by the Ministry, and a fine of Dh15,000 for each violation.

## **Wage Protection System**

In yet another significant stride in this regard, the MoL has launched the Wages Protection System (WPS) to safeguard payment of workers' wages via transfers through selected financial institutions. These transfers will be regulated by the government. Furthermore, foreign workers are guaranteed the right to send their savings to their home nation.

The UAE MoL has introduced a comprehensive range of protection measures covering both pre- and post-departure needs of workers, beginning in their country of origin (for instance, protecting workers from illegal recruiters and setting up a contract validation system), continuing after their arrival in the country (through measures like curbing abuse and non-payment of wages), and on their return and re-integration to their home country.

## **Electronic labour cards**

In a recent announcement, the UAE Ministry of Labour is also proposing to replace plastic labour cards and paper employment contracts with electronic ones starting July 2014.

The new electronic labour card and employment contract are an implementation of a decision issued by Saqr Gobash, Minister of Labour, and is in line with the directives of His Highness Shaikh Mohammad Bin Rashid Al Maktoum, UAE Vice-President and Prime Minister and Ruler of Dubai, towards making Dubai a smart city.

# Taxation



## Taxation of Businesses

Each Emirate has its own decrees on business taxation.

With the exception of banks and oil companies, no tax is payable by businesses in the UAE, whatever their legal structure. Oil Companies pay up to 55% tax on UAE sourced taxable income whereas banks pay 20% tax on taxable income. The taxable income of banks is as per the audited financial statements whereas that of oil companies is as per the concession agreement. Oil companies also pay royalties on production.

## Taxation of Individuals

Individual Income tax is not levied in the UAE.

## Withholding Taxes

Withholding taxes are not levied in the UAE.

## Municipal Taxes

Municipal taxes are locally known as municipal fees. Municipal fees are charged in some of the Emirates. In Dubai a 10% municipal fee is charged on hotel revenues and entertainment. In all the Emirates, except Abu Dhabi, Income from renting commercial premises is taxed at a rate of 10%, and from renting residential premises at a rate of 5%. Abu Dhabi does not levy a municipality fee on rented premises, but landlords are required to pay certain annual license fees. Housing fee is included in water and electricity bills for Dubai residents by the Dubai Municipality. It is calculated as 5% of the yearly rental charges.

## Other Taxes

There is no transfer pricing regime or other federal or state taxes in the UAE other than those mentioned in the foregoing section.

## Tax Treaties

In order to increase economic development of the country by encouraging cross border transactions, the Government of the UAE has entered into Tax treaties with several countries including Canada, China, Egypt, France, Germany, India, Pakistan, Poland, Turkey and New Zealand. This would enable the foreign entities to reduce the tax incidence on the UAE sourced income.

UAE has entered into double taxation avoidance agreements (DTAAs) with 55 countries and is in negotiations with at least a dozen more countries. A list of some of the countries with whom the UAE has signed DTAAs is given in Annexure B.

# Financial Reporting and Auditing



## Books of Account

The commercial transactions law (federal Law No. 18 of 1993) provides that a business enterprise must keep such commercial books as the nature and scope of its business requires this. The books of account are to give a true and fair view of the state of affairs of the company.

## Method of accounting

UAE companies are required to maintain their books of account on an accrual basis.

## Financial Statements

The following businesses must have their accounts audited annually:

- Banks (local banks and branches of foreign banks)
- Insurance companies and agencies
- Public and private shareholding companies
- Limited liability companies
- Branches of foreign companies
- Partnerships limited by shares
- Other companies whose articles require annual audits

For public shareholding companies, the board of directors is responsible for preparing annual accounts and reports on the activities of the companies during the financial year. A company's accounts and report on activities must be signed by the chairman and presented by the board of directors to the general meeting. The general meeting must be held within four months after the end of the company's financial year.

A company's financial year must be specified in its articles of association.

## Accounting Principles

The fundamental accounting concepts in the UAE include going concern, consistency, prudence, matching and the historical convention.

Accounting practices and principles are not codified in the UAE. Companies generally follow International Financial Reporting Standards (IFRS) and best industry practices for financial reporting.

## Financial Reporting

Federal Commercial Companies Law No. 8 of 1984, together with certain ministerial decisions, requires that public and private shareholding companies, limited liability companies and branches of foreign companies file annual audited financial statements with the Ministry of Economy and Commerce. In certain Emirates, limited liability companies and branches of foreign companies may be required to file audited accounts to renew their trade licenses.

Within three months of their year-end, banks must file with the Central Bank their audited accounts, together with certain other forms and returns as specified by the Central Bank. Insurance companies and agencies must file their audited accounts with the Commissioner of Insurance at the Ministry of Economy and Commerce within four months from the end of their financial year.

Most free zone authorities in the UAE also require companies registered in the respective free zones (other than branches of foreign companies) to annually submit annual audited financial statements within 3 months from the end of their financial year.

The local authorities prescribe that all companies must present their financial statements in accordance with IFRS.

## Accounting Profession

The accounting profession is well represented in the UAE, with most of the large international accounting firms being present in the major centers. The registration of accountants and auditors is governed by Federal Law No. 22 of 1995.

The audits required by statute may be undertaken only by auditors who are registered in the Federal Register of Accountants and Auditors.

The Accountants & Auditors Association was established to cope with the overall economic development in the UAE; particularly in the field of commerce and industry which is manifested in the issuance of all economic legislations. The main objective of the association is to undertake the necessary measures for developing and consolidating the rules and standards of the practice of the profession of accounting and auditing in the country in general.



# Living in the UAE



## Entry visas and work permits

The laws governing immigration requirements are mainly contained in Federal Law No. 6 of 1973 regarding the Entry and Residence of Expatriates as amended by Federal Law No. 13 of 1996, the immigration Law.

The general rule regarding foreign visitors to the UAE is that all visitors, except transit passengers who do not leave the airport, citizens of the GCC countries (Qatar, Kuwait, Saudi Arabia, Bahrain and Oman) and other specified countries, need to obtain a visa in order to enter the UAE. Citizens of the following specified countries (eligible to get a visit visa issued upon arrival) are exempt from this regulation and may leave and re-enter the UAE any time. – Andorra, Australia, Austria, Belgium, Brunei, Bulgaria, Canada, Croatia, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hong Kong, Hungary, Iceland, Ireland, Italy, Japan, Latvia, Liechtenstein, Lithuania, Luxembourg, Malaysia, Malta, Monaco, Netherlands (Holland), New Zealand, Norway, Poland, Portugal, Romania, San Marino, Singapore, Slovakia, Slovenia, South Korea, Spain, Sweden, Switzerland, United Kingdom, United States of America and Vatican City. Visitors from countries not listed above will need to arrange a visa in advance of travel.

In order to apply for any visa or permit, it is necessary to obtain the sponsorship of either a UAE resident (who maybe a foreigner) or other legal entities in Dubai such as companies or hotels. If the visa or permit is being arranged by a hotel or local sponsor, it is usually deposited at the airport for collection by the visitor on arrival.

There are several types of visas and permits one may apply for, ranging from tourist visas for 30 days to residency visas for two years (three years for free zone residency visas). The type that a person will need will primarily depend on the individual's purpose of entry into the UAE. Each permit or visa has its own requirements and procedures.

However, there are general conditions which all applicants must satisfy in order to obtain a visa or permit, as listed below:

- The applicant must hold a valid passport or document allowing him to enter the country and return to his country of residence
- The official authorities have approved his entry for the purpose sought
- The applicant has a foreign or local sponsor who is resident in the UAE
- The applicant is not banned from entering the UAE
- The applicant has not previously been deported from the UAE, unless special permission has been obtained for his entry

## Emirates ID

Emirates ID card (also called the National Identity Card) is an identification card, issued by the Emirates Identity Authority (EIA) (EIDA), that all UAE citizens (optional for diplomats) and residents are required to obtain. It will soon be mandatory to produce the Emirates ID card to use UAE government services. This will be the social security number of the individuals and will determine the identity for any services, including residency, labour, social security, immigration and healthcare, among others.

The ID card is targeted to replace all other identification cards including the labour card and the e-gate cards and will be linked to the country's immigration, labour, healthcare, law enforcing agencies. The card is renewable every three years, depending on the validity of the person's visa.

The UN has singled out the Emirates Identity Authority in its e-Government Survey 2014 for its world-class biometric enrolment of the entire population. The United Nations' report, includes a special box item in which it describes the Emirates ID's biometric enrolment programme as "one of the world's best biometric programmes".

In latest report from the UN titled 'e-Government Survey 2014: e-Government for the Future We Want' and published by the United Nations Department of Economic and Social Affairs (UN DESA) among other plaudits, the world body summarised the achievements of Emirates ID as follows:

***“The deployment of the Emirates ID Authority’s Biometric Enrolment by the Emirates ID Authority as part of the National ID Registration Programme is recognised as one of the world’s best biometric programmes.”***

## Business Hours

The official weekend is on Fridays and Saturdays. However, most of the smaller private companies only close on Friday, although Saturday may be a half-day.

Government offices open at 7.30 a.m. and close at 2.30 p.m. Private offices tend to keep longer hours, many coming back to work in the evening after an extended mid-day break whilst others are open from 8 a.m. to 6 p.m. Shop hours are similar in their opening times, but remain open until 9-10pm. Department stores, boutiques, the souks and many food shops remain open on a Friday, apart from Prayer Times (11.30-1.30), while larger shops re-open on a Friday afternoon around 4pm.

During Ramadan most work is accomplished in the early hours of the morning or much later in the evening after the day's fast is broken (at sunset).

## Currency

The monetary unit of the Emirates is the Dirham (Dh or AED), which is divided into 100 fils. Dirham notes are generally issued in denominations of 1000, 500, 200, 100, 50, 20, 10 and 5 while coins are issued in denominations of 1 Dirham and 50, 25, 10 and 5 fils. The Dirham is closely linked to the US Dollar via IMF Special Drawing Rights. For the past several years the government has fixed the UAE Dirham to the US Dollar at a rate of approximately 3.67 UAE Dirhams to 1 US Dollar.

## Transportation and communications

Transport has rapidly become a strategic priority. The objective is to make the UAE a major transport hub between Europe and South-East Asia. Accordingly, public funds were invested in developing port and airport infrastructure, airlines, and shipping companies and agencies. The country has largely succeeded in this. The governments of each emirate have invested vast resources in developing port and airport infrastructure, which have also been among the leading sub sectors attracting foreign investment, albeit always on the basis of minority shareholdings. Transport not only plays an important role in the economy of the UAE, but the transport network has effectively become central to the entire region.

## **Taxis and Buses**

Taxis are the main source of public transportation, although extensive local bus services exist in some Emirates like Dubai, Abu Dhabi and Sharjah. Rental cars are available, including rental from internal car rental companies. A temporary driving license, which may be obtained through the car rental company, is required.

## **Marine Transport**

Abras are traditional means of water transport in the United Arab Emirates, considered as one of the oldest modes of transportation. The Dubai RTA has also initiated the water taxi system to provide alternative means of transport to the general public. The aim is to encourage the public on using marine transport such as Abra, the Water bus, the water taxi and Dubai Ferry.

Plans are also underway to connect the waterways in Abu Dhabi city. Initial routes include Reem Island and along the Abu Dhabi Corniche. Routes will later extend to Yas Island, Al Raha and Saadiyat Island.

## **Metro**

The Dubai Metro launched its Red Line on 9 September 2009, and has swiftly become the lifeline of thousands of daily commuters in Dubai. The Green Line was launched in 2011. Guinness World Records has declared Dubai Metro to be the world's longest fully automated metro network with a route length of 75 kilometres (47 mi). The Dubai Roads and Transport Authority's masterplan includes 421 kilometres (262 mi) of metro lines up to 2030 to cater to the expected above 4.1 million population of the city. There are plans for 268 kilometres (167 mi) of light rail tracks to act as a feeder system for the Metro, although only the Al Sufouh Tramway is currently under construction. Blue, Purple, Pink and Gold lines are proposed to be added in the near future.

## **Rail transport**

Etihad Rail is developing a 1,200 kilometres (750 mi) railway network across the United Arab Emirates. The first stage would be a 270 kilometres (170 mi) freight line, linking Ruwais to the Shah gas field, in cooperation with Abu Dhabi National Oil Company. A longer mixed-use railway is also planned, crossing the UAE via Dubai, Sharjah, Umm Al Quwain, Fujairah, Ras Al Khaimah, and Ajman. Links to Saudi Arabia and Oman are planned. In the longer term, a dedicated passenger rail link design for speeds up to 200 km/h is being considered between Abu Dhabi and Dubai.

Ethihad Rail is in line with the objective to further diversify the UAE economy as set by the UAE Vision 2021 and Abu Dhabi Economic Vision 2030.

UAE Vision 2021 sets the key themes for the socio-economic development of the UAE, specifically calling for a shift to a diversified and knowledge-based economy. A national railway network to connect the UAE's key centres of trade and population is an integral component of this vision.

Abu Dhabi Economic Vision 2030 forms a roadmap for the Emirate of Abu Dhabi. It aims to increase GDP contribution from non-oil sectors to over 60% by 2030 with 12 strategic industry sectors identified - including transportation and logistics, and with Ethihad Rail being one of the key economic projects for growth and diversification.

## **Air Transport**

The UAE has international airports in most emirates, the principal ones located in Abu Dhabi and Dubai. Excellent connections are available to other Middle Eastern countries and most international centres.

Telecommunications and postal facilities provide efficient telephone, facsimile, telex and mail services. The UAE was the first country in the region to introduce GSM mobile and the first to offer third generation (3G) mobile data services.

## **Education**

All schools in the UAE are regulated by the Ministry of Education in association with the Knowledge and Human Development Authority (KHDA). There are private and government run or public schools in the UAE. The major urban centers have private English and American schools staffed by expatriate teachers. In addition, German, French, Japanese and Dutch schools are available. These schools generally provide kindergarten and primary education; although some of the English and American schools provide secondary education as well.

The main university in the UAE is the UAE University in Al Ain. Established in 1977, it offers a wide range of courses taught in the Arabic language. Other universities in the UAE are the Ajman University, the American University in Dubai and Sharjah. In addition to these universities, there are a number of educational establishments and polytechnics,

which offer higher diploma courses and degrees, which are normally taught in the English language, such as the Dubai Polytechnic and Aviation College.

Other knowledge centers in and around the Emirate of Dubai are given in brief below:

## Dubai Knowledge Village

Dubai Knowledge Village [DKV or KV] is a Free Zone in Dubai which focuses on educational organizations with a range of companies and services from consultants to universities and training institutes. DKV was launched in September 2003 and has grown rapidly since then. There are universities from a number of countries with a branch in DKV, including Australia, Belgium, Canada, India, Iran, Ireland, Pakistan, Russia, and UK; providing educational facilities for students from all nationalities.

## Dubai Academic City [DAC]

Dubai Academic City [DAC] was established after the successful development of Knowledge Village [DKV / KV] near Dubai Internet City. Its official launch was May 2006. The Academic City is a base for schools, colleges and universities, while Knowledge Village houses training institutes and educational service organizations. The DAC area covers 129 million sq.ft.

## Dubai International Academic City [DIAC]

The Dubai International Academic City [DIAC] is contained within DAC. DIAC is the free zone for tertiary institutes. By 2015, DIAC expects to have almost 40,000 students attending 40 different institutes. The DIAC located in the Dubai Academic City is the world's only Free Zone dedicated to higher education. A regional base for premier international higher education institutions, DIAC is the world's first dedicated tertiary cluster development. Spread across an area of 25 million square feet, the DIAC campus provides an intellectually inspiring environment for students and faculty. There are currently 32 international universities of higher learning from diverse regions including USA, Australia, India, Pakistan, Iran, Russia, Belgium, UK and France operating out of DIAC, catering to over 12,000 students.

Eventually, Dubai Academic City will be the place for schools, universities and colleges while Dubai Knowledge Village will be more focused on training institutes and academic support services.

## Medical Facilities

Healthcare in the UAE is very advanced and the services provided by both public and private medical establishments are of high standards. As the medical profession is regulated by the Department of Health and Medical Services (DOHMS), the quality of medical staff has been maintained at a high level. The country provides a subsidized national health service to all its residents who hold a medical card.

The UAE now has 40 public hospitals, compared with only seven in 1970. The Ministry of Health is undertaking a multimillion-dollar program to expand health facilities and hospitals, medical centers, and a trauma center in the seven emirates. To attract wealthy UAE nationals and expatriates who traditionally have travelled abroad for serious medical care, Dubai has developed the Dubai Healthcare City, a medical free zone that offers international-standard advanced private health care and provides an academic medical training center. A similar concept is also under way in Sharjah.

The World bank ranked Dubai and Abu Dhabi as being the 2nd and 3rd, respectively, most popular medical tourism destinations in the region, behind Jordan.

## Housing

Various types of housing accommodation are available, including spacious villas set in their own grounds, villa and bungalow developments located in compounds and high quality one, two and three bedroom apartments. Many compounds have swimming and sports facilities, and all accommodation has either centralized or individual unit air-conditioning.

Villas appropriate for mid-level executives generally rent for between US\$30,000 and US\$ 70,000 per year. High-quality apartments between US\$50,000 and US\$100,000 per year, depending on the size and location. With the recent ebullience in the economy, it is expected that property rates would only go skywards in the key emirates of Abu Dhabi and Dubai.

Each Emirate has its own policies regarding the ownership of real estate by non-UAE nationals. In Abu Dhabi, for instance, only UAE nationals are permitted to own real estate, whereas Sharjah allows some foreign nationalities such ownership. However, companies incorporated in the UAE can generally own real estate provided they are 100% locally owned.

Nevertheless, expatriates may rent or lease property, although long-term leases do not generally exceed a term of 50 years.

## Other attractions in the UAE

### Burj Khalifa

Burj Khalifa is a skyscraper in Dubai and is currently the tallest man made free standing structure in the world at 828 m (2,717 ft) and more than 160 storeys. The total cost for the project was about US\$ 1.5 billion. Burj Khalifa holds the following records:

- Tallest building in the world
- Tallest free-standing structure in the world
- Highest number of storeys in the world
- Highest occupied floor in the world
- Highest outdoor observation deck in the world
- Elevator with the longest travel distance in the world
- Tallest service elevator in the world

The Burj Khalifa is designed to be the centerpiece of a large-scale, mixed-use development that will include 30,000 homes, nine hotels such as the Burj Dubai Lake Hotel & Serviced Apartments, 0.03 km<sup>2</sup> (0.01 sq.mi) of parkland, at least 19 residential towers, the Dubai Mall, and the 0.12 km<sup>2</sup> (0.05 sq.mi) man-made Burj Khalifa Lake.

The Silvery glass-sheathed concrete building gives the title of Earth's tallest free-standing structure to the Middle East – a title not held by the region since 1311 AD when Lincoln Cathedral in England surpassed the height of the Great Pyramid of Giza, which had held the title for almost four millennia.

## Dubai Mall

The Dubai Mall, one of the world's largest shopping and entertainment destinations, developed by Emaar Properties PJSC and located in the AED 73 billion mega-project Downtown Burj Dubai, is home to several retail and entertainment concepts that are a first for the region. The Dubai Mall is the flagship project of Emaar Malls Group, the shopping mall subsidiary of Emaar Properties.

The Dubai Mall, with a total site area in excess of 12.1 million sq.ft. has set a new dimension in mall development with its various construction components truly epic in proportion and scale. The structural steel used in The Dubai Mall is double that deployed for the Eiffel Tower (7,300 tonnes). The net leasable floor area is equivalent to the size of 50 football fields put together.

## Al Maktoum International Airport

Dubai World Central International Airport is a colossal new airport near Jebel Ali, South of Dubai, in the United Arab Emirates. Previous working names have included "Jebel Ali International Airport" and "Jebel Ali Airport City". It is officially known as Al Maktoum International Airport. It has been named after the late Sheikh Maktoum Bin Rashid Al Maktoum, the former ruler of Dubai. It will be the main part of Dubai World Central, a planned residential, commercial and logistics complex scheme. World Central is the world's first truly integrated logistics platform, with all transport modes, logistics and value added services, including manufacturing and assembly, in a single bonded and Free Zone environment.

It will be the world's largest passenger and cargo hub, ten times larger than Dubai International Airport and Dubai Cargo Village combined. The airport will have an annual cargo capacity of 12 million tons, more than three times that of Memphis, today's largest cargo hub, and a passenger capacity of more than 120 million – almost 30% more than Atlanta, currently the world's busiest passenger airport.

The region's biggest airport, Dubai World Central will include:

- 6 parallel runways, 4.5 km in length, each separated by a distance of 800 meters
- Three passenger terminals including two luxury facilities one dedicated to airlines of the Emirates Group, the second to other carriers, and the third dedicated to low cost carriers
- Multiple concourses
- 16 cargo terminals with a 12 million ton capacity
- Executive and Royal jet centers
- Hotels and shopping malls

## Yas Island

Yas Island is an island in Abu Dhabi. The island is the site of a US\$36 billion development project by Aldar Properties. It occupies a total land area of 2,500 hectares. The island holds the Yas Island Circuit, which hosts the Formula One Abu Dhabi Grand Prix since 2009. It also features attractions such as Ferrari World, hotels including Yas Marina Hotel, a water park, and Yas Mall, the Abu Dhabi destination retail development of 300,000 sq m retail area; links and parkland golf courses, lagoon hotels, marinas, polo clubs, apartments, villas and food and beverage outlets that have created a new tourist destination. Yas Island was named the World's leading tourism project at the World Travel Awards in November 2009.

Ferrari World is a Ferrari themed amusement park. The park is situated under a 200,000 sq .m. roof making it the largest indoor amusement park in the world. The theme park is home to Formula Rossa, the world's fastest roller coaster. The Yas Marina Circuit is the venue for the Abu Dhabi Grand Prix. Yas Marina is the second Formula One track in the Middle East, with the first being in Bahrain.

## Mall of the World

Dubai is bundling a lot of "world firsts" for the Mall of the World development – its most ambitious project since the emirate's economic revival began in earnest since early 2012. The project is to be the retail and hospitality showpiece development for the

Expo 2020 in Dubai, alongside the planned mega convention centre and related infrastructure that will be rolling out of the design board shortly.

The Mall of the World is to be located along Shaikh Zayed Road. But in its conceptualization, the project – which will be managed by Dubai Holding - will be nothing less than a city-within-a-city and also include 100 hotels. Apart from being the largest mall in the making by occupying 8 million square feet, it is being billed as the world's first “temperature-controlled (pedestrian) city” and with a 48 million square feet spread. This will be through a glass dome enclosure that will be opened up during the winter months, a high season for the city's retail, leisure and hospitality sectors. On completion, it will be a year-round destination that is projected to pull in 180 million visitors annually.

Dubai's economic turnaround was fast-tracked by retail and hospitality twinned with the ever expanding reach of Emirates airline and its jumbo-sized order book. With the Mall of the World announcement, Dubai is creating the projects that would drive these sectors forward until the Expo 2020 looms closer on the horizon.



# About PKF



## PKF International

PKF is a member firm of PKF International Limited, one of the largest networks of legally independent member firms comprising member firms and correspondents in 385 locations in around 125 countries and is still expanding. In terms of turnover and quality of delivery, member firms are among the best international business advisory organisations.

“Local expertise wherever you are” is the promise. Member firms of PKF International Limited share the same commitment: high quality, partner-led services tailored to each client’s requirements and grounded in local knowledge. At the same time, membership of the network allows the sharing of knowledge, experience and skill that is so vital for our clients who do business in more than one country.

Most importantly, the PKF International Limited network means a global standard of quality for you. Wherever you take your business, you can be sure of a trusted PKF International Limited member firm to support you with the same care and skill that you find at home.

PKF International Limited is a member of the Forum of Firms - an organisation dedicated to consistent and high quality standards of financial reporting and auditing practices worldwide.

PKF was established in the United Arab Emirates in 1976.



# PKF International



## AFRICA

Angola, Barudi, Botswana, Cameroon, Cape Verde, Cote d'Ivoire, Egypt, Gambia, Ghana, Kenya, Lesotho, Liberia, Mauritius, Mozambique, Morocco, Namibia, Niger, Nigeria, Rwanda, Senegal, Sierra Leone, South Africa, South Sudan, Swaziland, Tanzania, Togo, Tunisia, Uganda, Zimbabwe

## ASIA

Bangladesh, China, Hong Kong, India, Indonesia, Japan, South Korea, Malaysia, Pakistan, Papua New Guinea, Philippines, Singapore, Taiwan, Thailand, Uzbekistan, Vietnam

## AUSTRALIA & OCEANIA

Australia, New Zealand

## CARIBBEAN AND WEST INDIES

Antigua and Barbuda, Bahamas, British Virgin Islands, Cayman Islands, Dominican Republic, Grenada, Guyana, Jamaica, Puerto Rico, St. Kitts and Nevis, St. Lucia, Trinidad & Tobago

## EUROPE

Austria, Belarus, Belgium, Bulgaria, Cyprus, Czech Republic, Denmark, Estonia, France, Georgia, Germany, Gibraltar, Greece, Hungary, Ireland, Italy, Kazakhstan, Latvia, Luxembourg, Malta, Netherlands, Norway, Poland, Portugal, Romania, Russia, Serbia, Slovakia, Slovenia, Spain, Sweden, Switzerland, Turkey, Ukraine, United Kingdom, Uzbekistan

## MIDDLE EAST

Israel, Jordan, Kuwait, Lebanon, Oman, Qatar, Saudi Arabia, Syria,  
United Arab Emirates, Yemen

## NORTH AMERICA

Canada, United States of America

## CENTRAL AMERICA

Belize, Costa Rica, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, Panama

## SOUTH AMERICA

Argentina, Bolivia, Brazil, Chile, Colombia, Ecuador, Paraguay, Peru, Uruguay,  
Venezuela

# PKF UAE Publications



As part of the firm's continuing service to clients, PKF-UAE has produced a number of publications for their information and benefit. These are as follows:

## Practice Profile

A profile of PKF in the UAE

## Statement of Credentials

Details of the firm, clients, services and the team

## Doing Business in the UAE

A guide to the UAE including economic and social background; the regulatory environment; basic business structures; grants and incentives (including free zones); taxation; and employment

## Free Zones in the UAE

A guide to the major Free Zones in the United Arab Emirates including the salient features and costs

## PKF Update

A quarterly newsletter detailing news from PKF-UAE and matters of interest in the region

All the foregoing publications can be obtained from any of the UAE offices



# ANNEXURES



## ANNEXURE A

### Useful Contact Numbers

### Telephone

#### ABU DHABI

##### Government Departments

Chamber of Commerce

(2) 621 4000

Economic Department

(2) 672 7200

##### Federal Government Ministries

Economy

(2) 613 1111

Finance and Industry

(2) 672 6000

UAE Central Bank

(2) 665 2220

UAE Offset Group

(2) 626 8037

#### DUBAI

##### Government Departments

Chamber of Commerce & Industry

(4) 228 0000

Department of Tourism & Commerce Marketing

(4) 282 1111

Department of Economic Development

(4) 222 9922

##### Federal Government Ministries

Economy

(4) 314 1555

Finance & Industry

(4) 393 9000

UAE Central Bank

(4) 393 9777

##### Key Free Zones

Jebel Ali Free Zone

(4) 881 3000

Dubai Airport Free Zone

(4) 299 5555

Dubai Internet City

(4) 391 1111

Dubai Media City

(4) 391 4555

Dubai Multi Commodities Centre

(4) 424 9600

## AJMAN

Chamber of Commerce	(6) 742 2177
Economic Department	(6) 744 6244
Ajman Free Zone	(6) 701 1555

## SHARJAH

### Government Departments

Chamber of Commerce and Industry	(6) 530 2222
Economic Department	(6) 512 2222

### Federal Government Ministries

Economy	(6) 528 6663
UAE Central Bank	(6) 559 2592

### Key Free Zones

Sharjah Airport International Free Zone (SAIF Zone)	(6) 557 0000
Hamriyah Free Zone	(6) 526 3333

## FUJAIRAH

Chamber of Commerce and Industry and Agriculture	(9) 222 2400
Fujairah Free Zone	(9) 222 8000

## RAS AL KHAIMAH

Chamber of Commerce and Industry and Agriculture	(7) 233 3511
Economic Department	(7) 227 1222
UAE Central Bank	(7) 228 4444
Ras Al Khaimah Free Zone	(7) 204 1111

## UMM AL QUWAIN

Chamber of Commerce and Industry and Agriculture	(6) 765 1111
Ahmed Bin Rashid Free Zone	(6) 765 5882

# ANNEXURE B

## List of UAE Tax Treaties

The Government of the United Arab Emirates has signed Agreements for the Avoidance of Double Taxation and The Prevention of Fiscal Evasion with respect to Taxes on Income with several countries including the list given below:

Algeria	Indonesia	Romania
Armenia	Ireland	Seychelles
Austria	Italy	Singapore
Azerbaijan	Kazakhstan	Spain
Belarus	Korea	Sri Lanka
Belgium	Lebanon	Sudan
Bosnia and Herzegovina	Luxembourg	Syria
Bulgaria	Malaysia	Tajikistan
Canada	Malta	Thailand
China	Mauritius	Tunisia
Cyprus	Mongolia	Turkey
Czech Republic	Morocco	Turkmenistan
Egypt	Mozambique	Ukraine
Finland	Netherlands	Uzbekistan
France	New Zealand	Venezuela
Georgia	Pakistan	Vietnam
Germany	Philippines	Yemen
Greece	Poland	
India	Portugal	

The Government of the United Arab Emirates has also signed Agreements for the Promotion and Protection of Investments with several countries including:

Algeria	Italy	Switzerland
Armenia	Jordan	Syria
Austria	Korea	Tajikistan
Azerbaijan	Lebanon	Tunisia
Belarus	Malaysia	Turkey
Belgium	Mongolia	Turkmenistan
China	Morocco	Ukraine
Czech Republic	Pakistan	United Kingdom
Egypt	Poland	Uzbekistan
Finland	Romania	Vietnam
France	Sudan	Yemen
Germany	Sweden	

Notes

Notes

IMPORTANT DISCLAIMER: This publication has been distributed on the express terms and understanding that the authors are not responsible for the results of any actions which are undertaken on the basis of the information which is contained within this publication, nor for any error in, or omission from, this publication. The publishers and the authors expressly disclaim all and any liability and responsibility to any person, entity or corporation who acts or fails to act as a consequence of any reliance upon the whole or any part of the contents of this publication.

Accordingly no person, entity or corporation should act or rely upon any matter or information as contained or implied within this publication without first obtaining advice from an appropriately qualified professional person or firm of advisers, and ensuring that such advice specifically relates to their particular circumstances.

PKF UAE is a member firm of the PKF International Limited network of legally independent firms and does not accept any responsibility or liability for the actions or inactions on the part of any other individual member firm or firms.