

**Chandrawat
& Partners**

Guide on everything you want to know about

UNITED ARAB EMIRATES

to do business.



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ABOUT UAE

The United Arab Emirates (UAE) ranks first among the countries most attractive place to foreign direct investment in the Middle East (ME) and African region. UAE is an elective monarchy formed from a federation of seven emirates, consisting of Abu Dhabi, Ajman, Dubai, Fujairah, Ras Al Khaimah, Sharjah and Umm-Al-Quwain. UAE is famous for its tallest human-made structure, the Burj Khalifa, and the Burj-Al-Arab, one of the tallest hotels building in the world. After Saudi Arabia, UAE has the second-largest economy in the Arab world with a GDP of USD 414 billion wherein its one-third of the GDP comes from oil revenues. Its free trade zones attract foreign investors by offering 100% foreign ownership and zero taxes.

ADVANTAGES

Starting a business involves numerous procedures which need to be taken care with utmost scrutiny. A successful business is a mixture of various factors, some of the key factors that contribute to making UAE an attractive business destination are:

A Leading Business Hub

For foreign investors, companies, and entrepreneurs, UAE is one of the best place to flourish business, as it offers countless opportunities. It emerged as a global investment and tourism hub and undoubtedly as a dream destination for every businessman to start a business.

Foreign Income and Tax Treaties

The UAE has signed around 128 double taxation treaties with other countries, with 90 already being in force. Moreover, it has joined the Organisation for Economic Co-operation and Development (OECD), inclusive framework on Base Erosion and Profit Shifting (BEPS) and also signed the OECD Multilateral Convention to Implement Tax Treaty Related Measures to prevent BEPS.

Stamp Duty

Currently, there are no stamp duties levied in the UAE. However, registration/notary or attestation fees, are common in most other jurisdictions, and there may be a registration/notary or attestation fees upon incorporation of a company. Certain Free Zones may levy an administrative fee for a transfer of shares to other UAE companies.

Real Estate Transfer fees

Currently, there are no property taxes applied in the UAE. However, a registration/transfer fee is levied on the direct and, in specific circumstances, indirect transfer of real property (e.g. a transfer of shares in a company holding real estate). This fee is also levied on partial transfers under certain circumstances.

SIMPLE TAX REGIME

Individual Tax

There is no income tax levied on individuals in the UAE, it levies corporate tax on oil companies and foreign banks only.

Corporate Tax

Corporate Tax is levied only on oil companies and foreign banks. No other industry is liable for corporate tax. Moreover, the businesses registered in the free zones are exempt from corporate tax for a certain time and such time can be extended.

Excise Tax

Excise Tax is levied on specific goods which are typically harmful to human health or the environment. Such as; carbonated drinks, energy drinks, tobacco and tobacco products.

Value Added Tax

VAT is levied on a majority of goods and services. VAT applies equally on tax-registered businesses managed in UAE mainland and in the free zones. The transfer of goods between designated zones is tax-free.

To be continued.....

Double Taxation Agreements

UAE has signed several agreements with other nations to avoid double taxation on investments overseas. The agreements are aimed to:

- promote the development of country's goals, diversify its sources of national income;
- eliminate double taxation, indirect taxes and tax evasion;
- eliminate obstacles related to cross-border trade and foreign investment;
- provide protection to taxpayers from double taxation, whether direct or indirect; and
- promote the exchange of goods and services and the free movement of capital.

In the UAE, there are many options available to Foreign Companies and Individuals who are interested to register their company. Carrying out a business in UAE without the necessary licenses and permits is considered illegal and can call for huge penalties and fines. Some of the most common types of entities established in UAE are as below:

Foreign Investment Companies

Under a foreign investment company, the ownership percentage of the Foreign Investor can be up to 100%. Foreign Investment Companies should be licensed by the competent licensing authorities in accordance with the provisions of the Foreign Direct Investment Law.

Limited Liability Company (LLC)

Currently, it is the most common form of business entity formed in the UAE. Minimum 2 and maximum of 50 persons are required to form a LLC, whose liability is limited to their shares in the company's capital.

Branch / Representative Office

This type of company is mostly preferred by most of the foreign companies as it allows them to retain 100% control. Though these offices are completely licensed entity, but they are permitted only to carry out activities similar to that of its parent entity. They are also excluded from carrying out any kind of trading activity in the UAE.

Professional Service Company

This type of companies can be set up with a professional license and undertakes directly a specific profession as its activity. Partners of a civil company have 100% ownership in their business. These Firms may only practice the specific activities for which they have obtained the professional license and their activities will not extend to commercial matters.

Free Zone Companies

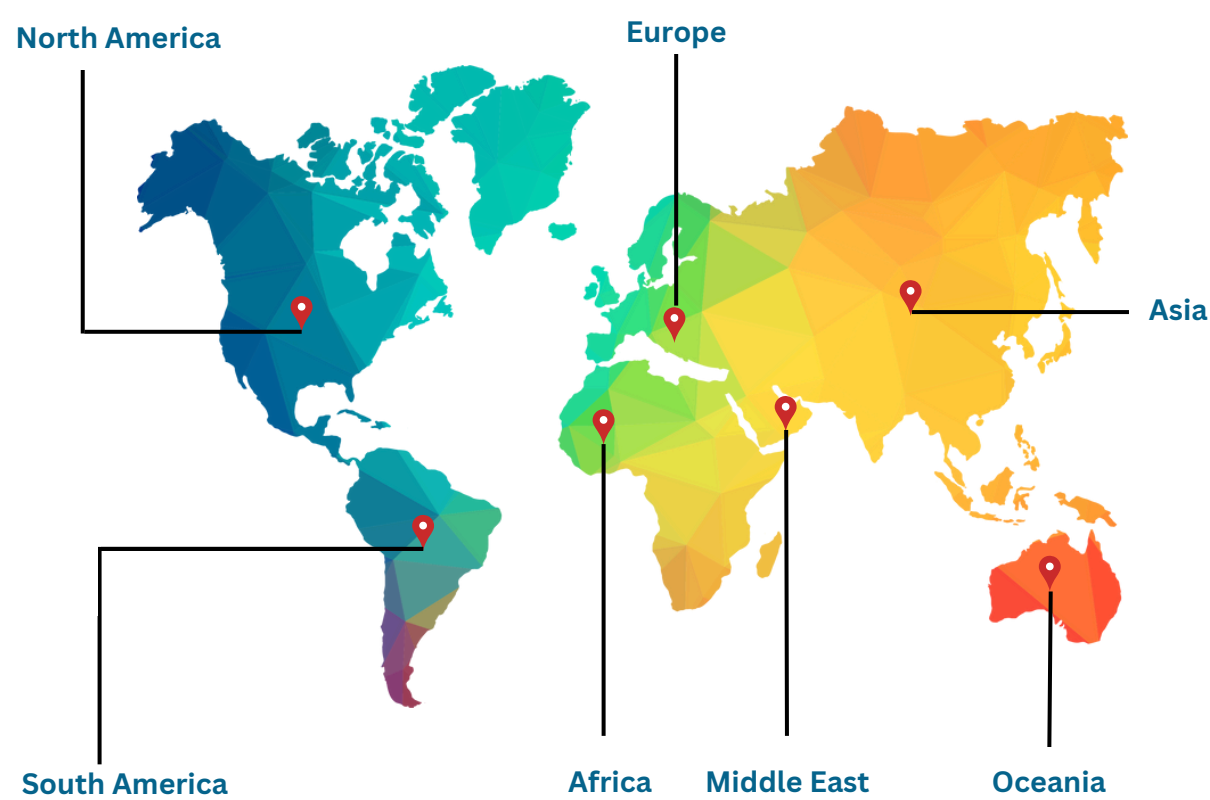
There are many Free Zones in UAE. These Free Zones are classified on the basis of the activities they permit. These companies are administered autonomously by its own administrative authority. Free Zones permit 100% foreign ownership and a company licensed in a Free Zone is permitted to carry out its business within that zone.

To establish these kind of companies no requirement for a UAE National as a Partner or a Local Agent exist.

Offshore Companies

Generally, an Offshore Company is a company registered with the primary purpose of doing business outside its jurisdiction. This type of company usually set up in a favorable jurisdiction, where there are no corporate or personal income taxes, reporting requirements or restrictions on companies' employment policies. Setting up an offshore company does not entitle you to obtain a residence visa in UAE.

SERVING CLIENTS WORLDWIDE



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