



Independent legal & accounting firms

Doing Business in the UAE

Edition No. 2 / Sept 2023

Doing business in the United Arab Emirates

MSI's guide on *Doing Business in the UAE* provides current information about the financial, regulatory and legal considerations that could affect business dealings within the UAE. For further assistance please contact one of our MSI member firms in the UAE.



Country overview

Population

The United Arab Emirates has a total population of 9.9 million inhabitants (2021).

Government

The United Arab Emirates is a federation of 7 constituent emirates: The Emirates of Abu Dhabi, Dubai, Sharjah, Ajman, Ras-Al-Khaimah, Umm-Al-Quwain, Fujairah. The ruler of each emirate rules their emirate individually.

The ruler of Abu Dhabi is also the President of UAE, and head of state, while the ruler of Dubai is the Prime Minister of UAE, and head of government.

The government reforms in each emirate is set by its own individual rulers.

Languages

The official language is Arabic. However, most people speak English as well, especially in the big cities like Dubai, due to the high immigrant population.

Currency

The national currency is the United Arab Emirates Dirham (AED or commonly known as Dhs).

Economic summary

GDP: USD 415 Billion

Income per capita: USD 48,950

Inflation: 4.8%

Main sectors of the economy

Although UAE's economy as a whole does depend on the oil and natural gas industry, it is also the most diversified economy in the GCC. However, it is important to note that Dubai's economy's dependence on oil is very minimal. This is due to its bold diversification policies, currently having tourism, trade & real estate as some of the dominant sectors of its economy.

UAE has great connectivity with the world provided by Emirates, Etihad, and it's very connective seaports, this makes it an international hub. The country's easily accessible location, facilities at port, and low tax regulations has boosted its trade industries to make the country one of the trade hubs of the world.

UAE enjoys a stable economy, with financial and monetary stability strengthened by the fixed exchange rate tied to the US Dollar, and the developed credit facilities and abundant liquidity. Furthermore, UAE has consistently maintained growth and development and has become the most popular re-exporting location in the Middle-East, with Dubai leading in this aspect. Moreover, Dubai, with its more diversified economy has also become one of the top tourist hotspots in the world. Apart from trade and tourism, UAE has other important sectors from constructing, engineering and real estate to retail, advertising and market research.

GCC country/ Non-GCC and its impact on businesses and investors

The UAE is a member state of the GCC. UAE is one of the most attractive for business and investment due to its low regulation, business friendly tax-free policies in the region.

UAE benefits the most from being in GCC, due to it being more diversified, upswing in tourism, excellent infrastructure, great location, and its international outlook. All these features place the country in a strong position for international business.

Dubai has exceptional customs system when it comes to its operation of the sea and airports making the products move through quickly with very less paperwork. This combined with its critical location makes it an important hub in GCC international business.

Setting up a business

UAE corporate law provides a relatively liberal and flexible framework for business, with 100% Foreign Direct Investment for most business activities in the UAE.

There are many regulatory authorities available in the UAE, through which company licenses can be issued. It is important to pick the right authority at time of incorporation.

Factors to consider

1. Business Activity
2. Legal Type & Corporate Structure
3. Taxation
4. Location
5. Logistics & Warehousing Facilities
6. Ease of Operation

In UAE, most business operate either as a Limited Liability Company (LLC) or a sole proprietorship.

Many foreign companies make use of a subsidiary structure rather than a branch. The main legal reason to set up a subsidiary, instead of a branch, is limitation of liability. As a shareholder of a subsidiary, the foreign company's liability is limited to the extent of its capital contribution; whereas, if the foreign company makes use of a branch, it is fully responsible for all the obligations and liabilities of the branch.

Process of how to set up a business

Setting up a business could vary on the legal type and regulatory authority. However, the general steps that need to be taken are as follows;

1. Apply for Trade Name & Initial Approval.
2. Complete any necessary approvals or NOCs. This is based on the activity of the license.
3. Sign the MOA or AOA, in most cases done online.
4. Obtain a Commercial License from the regulatory authority.
5. Administrative tasks such as office spaces, tax registrations and bank accounts must be completed.

Financial year of taxes and financial accounts

The financial year is usually equal to the calendar year. However, there is no such limitation, and business in UAE can follow any financial years they wish.

Accounting and auditing

Though statutory audit is required for all companies only free zones have implemented it strictly to submit the audit report at the time of license renewal. Accounts are to be maintained on IFRS, for tax purposes.

Economic and fiscal incentives

The UAE government gives special incentives to manufacturing companies, which includes but not limited to customs duty and tax exemptions. There are additional benefits for businesses that hire Emiratis.

Taxation

The tax system in any given country is invariably an extremely important criterion when it comes to companies finding a country for incorporation. The view taken by the UAE government is that the tax system may under no circumstances form an impediment for companies wishing to incorporate in the UAE.

Taxation is administered by the Federal Tax Authority (FTA). The VAT & corporate tax system in UAE is fully online. The online system is very simple, easy to follow.

VAT

The general VAT rate is 5%. Certain products and services qualify for, the 0% or is exempt from VAT. It is also important to note that certain transactions may even be outside the scope of VAT.

VAT registration threshold is mostly based on the revenue. The mandatory registration threshold is AED 375,000, & the voluntary threshold is AED 187,500.

VAT returns are to be filed on a quarterly basis.

Corporate Tax

The corporate tax payable is 9% of taxable profit exceeding AED 375,000. A few business activities are exempt from corporate taxation.

Corporate Tax filing must be completed withing 9 months of the end of the financial year.

Free Zone

Companies registered in the freezones have tax benefits when it comes to VAT & corporate tax. To avail rt0 tax benefits, registered companies must meet the required legal requirements, and maintain necessary documentation.

Gated Freezones (aka Designated Zones) have added benefits when it comes tax and customs duty.

HR/ Labour Law

Employment law

An employment agreement may be agreed for a fixed period (usually 2 years). This agreement must be renewed at the expiry of the agreement.

Social security

All companies are to pay for the premiums of all employees' medical insurance directly to the insurance company. Any other type of insurance is optional, and more often paid directly by the employee.

Pension and Gratuities

There are no pensions required to be paid for expatriates, all Emiratis hired will fall under the pension programme. Gratuities are mandatory and are given at the end of employment. The gratuity is dependent on the number of years an employee has worked, and to the basic salary of the employee over these years.

Payroll

Payroll in UAE works different in Free-Zones and the rest of the regions (Mainland). Both regions pay for salaries on a monthly basis.

In Free-Zones, business can pay wages and salaries to the employee directly via bank transfer or cash as long as the Free-Zone authorities are notified to ensure the employees receive the due payments.

However, in mainland UAE, employers must pay the employees through a Wage Protection System through which the bank transfers to the employees are monitored by the labour department.

Visa and work permits

In general, all foreigners must either be an investor, owner of business, or an employee, to gain a visa in the UAE. Residents may also sponsor the visas of their family members. In general, the duration of a visa is 2 years.

UAE has introduced more visa options (like Golden Visa) that attract, investors & highly skilled labour by offering a 10-year visa.

Contact us

The information provided in this guide cannot be exhaustive and we recommend anyone considering doing business in the UAE should seek professional advice from our member firms before making any business or investment decision.

Contact our member firms in the UAE to discuss your requirements:

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