

## **STARTING A BUSINESS IN UNITED ARAB EMIRATES**

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**“ A Day Without Business Services is like a Day Without Sunshine.”**

## **Mainland Companies set up Business Guide**

**2016-2017**

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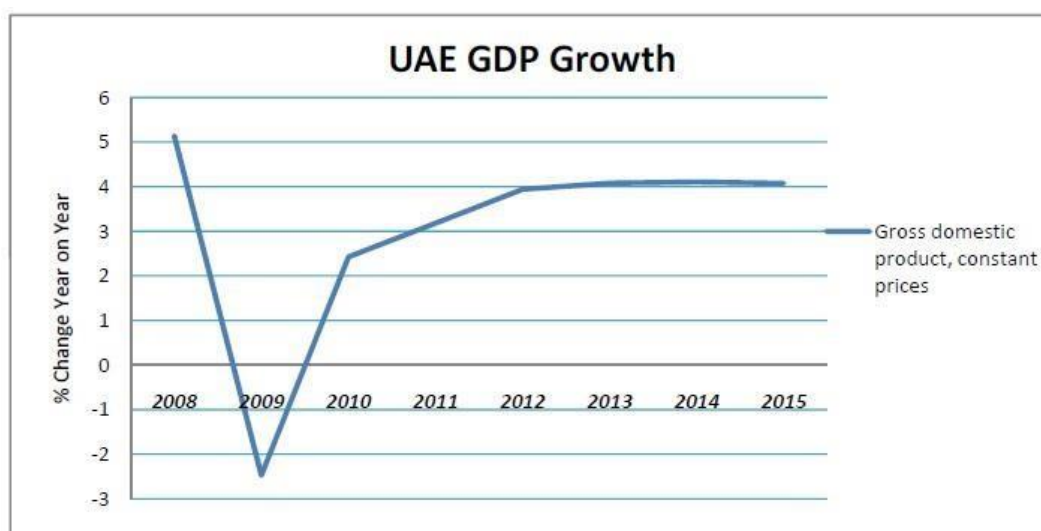
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## 1. CORPORATE SERVICES

### 1.1 INTRODUCTION

The United Arab Emirates (the U.A.E), a country in the Middle East, is a Federation of seven emirates - Abu Dhabi, Dubai, Sharjah, Ras al Khaimah, Fujairah, Umm Al Quwain, and Ajman. The Country was founded in 1971 and since the discovery of oil in the UAE more than 40 years ago the country has undergone a profound transformation to a modern state with a high standard of living and the cities as major economics players. Total GDP of the country was USD 377 billion in 2012, while economic growth is quite stable at 4 percent.



Source: International Monetary Fund, World Economic Outlook Database, October 2010

The Federal constitution of the UAE was permanently accepted in 1996 and provides for an allocation of powers between the federal government and the government of each emirate. The ruler of Abu Dhabi is also the president of the UAE. The ruler of Dubai is Prime minister. Abu Dhabi and Dubai are the most prosperous of the seven emirates and determine to a large extent the foreign and economic policy of the UAE.

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**Table 1 : General Information United Arab Emirates**

<b>Official Name</b>	United Arab Emirates
<b>Capital</b>	Abu Dhabi
<b>Government Type</b>	Federal, Presidential, Absolute Monarchy
<b>Population*</b>	9.36 million
<b>Land Area</b>	83,600 km <sup>2</sup>
<b>Languages</b>	Arabic (official), English (Business)
<b>GDP Per Capita</b>	USD 43,048 (2013)
<b>Year of Independence</b>	1971

The UAE has continued to grow to become one of the largest economies in the Middle East. The country offers endless investment opportunities to local and international investors and attracts trade due to a number of free zones located throughout the Emirate which offer lucrative incentives attracting investment. Currently there are over 30 free zones in the UAE which offer differing benefits throughout the region allowing investors to choose the favorable option for their needs.

### **The benefits of conducting business in Dubai, UAE include:**

- A dynamic business culture
- A highly developed transport infrastructure
- A developing financial and services sector
- The best international exhibition and conference venues
- High quality office and residential accommodations
- Reliable utilities provision
- A cosmopolitan lifestyle with first class hotels, hospitals, schools and shops

### **The Business & Legal Environment**

Federal Law No. 8 of 1984 concerning Commercial Companies (as amended by Federal Law No. 15 of 1998) (the Companies Law) sets out the seven forms of companies that any party wishing to establish a business presence in mainland Dubai must choose from. In addition, an appropriate commercial or industrial license must be obtained from the relevant governmental

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authority prior to the entity commencing commercial activities. Certain business sectors may also require further approvals from various ministries and/or other authorities that regulate specific sectors. The largest potential disadvantage for foreign investors wishing to establish a company in mainland Dubai (i.e. the Emirate of Dubai outside of its free trade zones) is that foreign ownership restrictions apply, although such restrictions may be revised as part of the new Companies Law.

## **1.2 MAIN LAND (ONSHORE) COMPANY SETUP**

One of the important aspects of doing business in the UAE is the legal structure. In the past, each Emirate followed its own procedures governing the operations of foreign business interests. Since 1984, steps have been taken to introduce a codified companies' law applicable throughout the UAE. Federal Law No. 8 of 1984, as amended by Federal Law No.13 of 1988 – the "Commercial Companies Law" – and its by-laws have been issued.

The Commercial Companies Law also defines several categories of legal entities which can be established in the UAE. It sets out the requirements for companies in terms of shareholders, directors, minimum capital levels and incorporation procedures. It further lays down provisions governing conversions, merger and dissolution of companies.

**Licenses** The basic requirement for all business activity in the UAE is to secure one of the following three categories of licenses:

- Commercial licenses covering all kinds of trading activity;
- Industrial licenses for establishing industrial or manufacturing activity.
- Professional licenses covering professions, services, craftsmen and artisans;

These licenses are issued by the Department of Economic Development with the exception of licenses for hotels and other tourism related businesses which are issued by the Department of Tourism and Commerce Marketing. However, licenses for some categories of business require prior approval from certain ministries and other authorities, such as:

- Banks, financial institutions and financial service providers - from the Central Bank of the UAE.
- Manufacturing companies - from Ministry of Finance and Industry
- Pharmaceutical and medical products - from the Ministry of Health.

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## 2. SETTING-UP BUSINESS IN DUBAI

### 2.1 UNITED ARAB EMIRATES NATIONALS

United Arab Emirates nationals can operate all commercial, professional and industrial activities through the following legal structures:

- Individual Establishment.
- Limited / Joint Liability Company.
- Private / Public Shareholding Company.
- Civil Business Company.

The main difference among the various categories of prospective business owners' structures being the joint liability company. Each structure will be further explored, in section III of this guide.

### 2.2 NATIONAL OF GULF COOPERATION COUNCIL COUNTRIES (GCCC)

GCCC nationals can conduct business activities through any of the following legal structures:

- Individual Establishment
- Limited Liability Company comprised of two or more GCCC nationals may establish a Limited Liability firm
- Private / Public Shareholding Company, where three or more GCCC nationals establish a private shareholding company to practice a specific commercial activity. However, if there are one or more partners who are not GCCC nationals then, one or more UAE national partner(s) is/are required, with a shareholding of 51% of the paid-up capital. For Example, a GCCC partner, and a foreign partner, must have at least one partner who is a United Arab Emirates national.
- Civil Business Company, where two or more GCCC nationals can establish a civil business company to practice a specific profession without a Local Service Agent. However, if there are any partners who are not GCCC nationals, a Local Services Agent who is a UAE national must be appointed and/or included as a partner.

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## **2.3 NATIONAL OF OTHER COUNTRIES**

Nationals of other Arab or foreign countries may carry on economic activities through any of the following structures:

- An Individual Establishment can be established to practice any professional activity, by appointing a Local Services Agent who is a UAE national selected from among the partners or outside party.
- A Limited Liability Company can be established to carry on any commercial or industrial activity, including one or more UAE partners whose shareholding is 51% of the paid-up capital.
- A Private Shareholding Company can be established to carry on any commercial or industrial activity, including one or more UAE national partners whose shareholding is 51% of the paid-up capital.
- Civil Business Company can be established by two or more persons to practice a profession, provided that a Local Services Agent who is a UAE national is appointed or included as a partner.

The main differences being the number of participating parties allowed within each business venture's structure, who may or may not be a local services agents or who may be a partner respectively.

## **2.4 FOREIGN COMPANIES**

The companies that are incorporated outside the United Arab Emirates can operate commercial, industrial or professional activities by setting up:

- A Branch of a Foreign Company can carry out those activities indicated in the trade license it obtains. However, licensing is governed by legal rules and regulations.
  - According to Commercial Company Law, there are certain activities, which can only be carried out by UAE nationals such as banks, finance, insurance and commercial agencies.
  - There are also other licensing procedures and conditions governing the work of the Department of Economic Development, which issues from time to time certain regulations and administrative decrees.

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- A foreign company, which opens a representative office in the UAE, can launch promotional campaigns for its products and services.
  - It is not permitted for foreign companies licensed to operate in the UAE to start their activities before obtaining the Trade License from the Department of Economic Development.
  - Setting up a branch of a foreign company can be accomplished by an application submitted to the Department of Commercial Affairs of the office of the Ministry of Economy & Commerce in Dubai.
  - It is conditional for offices and branches of foreign companies to appoint a local service agent. Such an agent is not an agent in the proper sense of the word.
  - Article 314 of the Commercial Companies Law, defines the legal status of the legal service agent.
  - According to Article 314, the agent does not have responsibility towards the company's financial dealings and should not interfere in its management.
- A Limited Liability Company, to operate any commercial or industrial activity that includes one or more UAE national partners whose shares are 51% of the paid-up capital.
- A Private/Public Shareholding Company, to operate any commercial or industrial activity, including one or more UAE national partners whose shares are 51% of the paid-up capital.

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### **3. LEGAL ENTITIES PERMITTED**

#### **3.1 GENERAL PARTNERSHIP**

A general partnership is an arrangement between two or more partners whereby each of the partners is jointly and severally liable to the extent of all their assets for the company's liabilities. The CCL provides that only UAE nationals are allowed to be partners in a general partnership. There is no prescribed minimum capital requirement for the establishment of general partnership.

#### **3.2 INDIVIDUAL ESTABLISHMENT**

It is an establishment owned by a sole proprietor to operate an economic activity (commercial, professional, industrial, agricultural or real property). An establishment's financial liability is linked to the proprietor who shall be responsible for all its financial obligations.

#### **3.3 PRIVATE JOINT STOCK COMPANY**

- A private joint stock company is essentially the same as a public joint stock company with the following differences:
- The minimum capital requirement is Dh. 2 million.
- The shares of a private joint stock company cannot be offered to the public.
- Only three founder members are required.
- A Private joint stock company may be converted into a public joint stock company, in order to do so the following conditions must be satisfied:
  1. The nominal value of the issued shares is fully paid up.
  2. A period of not less than two financial years has expired.
  3. During the two years preceding the application for conversion, the company has achieved net profits, distributable to the shareholders whose average is not less than 10% of the capital.
  4. A resolution of the extraordinary assembly for the conversion of the company is adopted by a majority of three-quarters of the company capital.
  5. The Ministry of Economy's decision to convert the company form a private joint stock company to a pubic joint stock company is published in the Official Gazette.

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### **3.4 CIVIL COMPANIES**

- Civil Companies are formed to practice activities which involve the use or investment of intellectual faculties, acquired information or the use of skills like carpentry. It has more than two partners.
- Under Dubai Local Order No. 63 of 1991 on licensing professionals and tradesmen in the Emirate of Dubai, in order to establish a business, which practices a service or professional activity as distinct form, a commercial one, the business takes the form of a “Business Partnership”.
- Professional Companies may be 100% foreign owned. However, it is necessary to appoint a local service agent.
- The obligations of the local service agent towards his principal and third parties shall be restricted to render the usual experience in order to enable him to practice the professional or craftsmanship work in the Emirate without holding any responsibility or financial commitment in respect of his principle’s business or activity inside the Emirate or abroad. The relations between the two parties shall be regulated by any agency agreement.

### **3.5 LIMITED LIABILITY COMPANY (LLC)**

The limited liability company (LLC) is the most widely used commercial entity for companies with a non UAE national element wishing to conduct commercial activities in Dubai. An LLC is a Private company whose shares are not offered to the public.

The Commercial Companies Law requires that 51% of the share in an LLC be held by UAE nationals. However, the law permits profits and losses to be distributed disproportionately to the shareholding ratio; determined in its Memorandum of Association. When naming an LLC, it is required that the LLC’s name is derived from either its purpose or from the name of one or more of its shareholders.

- There are no nationality restrictions regarding the management of an LLC.
- The minimum number of directors is one, and the maximum permitted by the Commercial Companies Law is five directors.
- An LLC requires a minimum of two shareholders, while the maximum permitted is 50 shareholders.
- the Companies Law (applies throughout the UAE) stipulates that the minimum share capital of the company is AED 150,000; Individual shares should have a minimum face value of AED 1,000. The shares need to be “equal shares”, that is, in

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an equal manner or degree in equal shares or proportion. Shares of an LLC may not be bearer shares and the Companies Law does not allow different classes of share to be issued. All shares must be fully paid up and distributed among the shareholders. Thus, the law does not recognize the concept of authorized but unissued shares, which is the case in many other jurisdictions.

- An LLC may not conduct the business of insurance, banking or the investment of money on behalf of third parties.

Administrative tasks to be completed before the LLC's incorporation takes effect include the approval of the LLC's name and memorandum of association by the DED. The Companies Law sets out various requirements that must be followed when naming an LLC for example, set the LLC's name from either its purpose or from the name of one or more of its shareholders. The DED provides a standard form of memorandum of association and will review an LLC's memorandum to ensure compliance with local requirements. The DED must also be provided proof that the minimum share capital of the LLC has been deposited with a bank operating in Dubai before it will allow the LLC to be incorporated.

### **3.6 PROFESSIONAL COMPANIES**

- In setting up a professional firm, 100% foreign ownership is permitted, however certain sectors and activities are restricted to either UAE nationals or have an UAE national shareholding requirement such as the 51% required for a UAE national.
- Professional firms are either sole proprietorships or civil companies. Such firms engage in professional or artistic activities but the number of persons employed by such firms is limited.
- Where there two or more partners, the legal structure is a Civil Works Company where by their muse be a UAE national shareholding of at least 20%.
- A UAE national must be appointed as a local partner in sole proprietorships, and is not directly involved in the business. The local national partner is paid a lump sum and/or percentage of profits or turnover. The role of the Local partner is to assist in obtaining licenses, visas and labor cards.
- Individuals involved in professional companies are required to have relevant University level qualifications in the relevant filed of business.

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### **3.7 PARTNERSHIP LIMITED WITH SHARES (PLS)**

- For the general partners, the company is a general partnership, and the general partner is a dealer even if he did not enjoy such capacity before entering the company. All general partners must be UAE nationals.
- The partners whose liability is unlimited must be UAE national.
- The minimum share capital requirement for limited partnership is Dh. 500,000.
- The capital of Partnership Limited with shares shall be divided into negotiable equal shares. The partners whose liability is unlimited must be UAE nationals. The minimum share capital requirement for limited partnership is AED 500,000.
- The company is named after the name of one or more of the general partners. Its name may be added to another innovative name or a name indicating its purpose, thus two ways of naming firms are possible.
- The rules related to the incorporation of limited liability partnerships apply to partnerships limited with shares, according to the following:
  - All general partners and other founding parties sign the MOA and its regulations, and their resolutions are as effective and valid as the founders of the limited liability companies.
  - Names of the general partners, their surnames, nationalities, and countries are stated in the company contract and its regulations.
  - The minimum share capital requirement for limited partnership is AED 500,000.
  - The documents issued by partnerships limited with shares are subject to the same rules as those issued by limited liability partnerships.

### **3.8 BRANCH REPRESENTATIVE OFFICE OF A FOREIGN COMPANY:**

- A branch representative office is legally regarded as part of its parent company and does not have a separate legal identity from that of its parent company.
- Branch representative offices are nevertheless required to have a national agent. If the agent is a company, it must be wholly owned by UAE nationals. The national agent, however, will not acquire any rights or interest in the business of the branch representative office.
- It is, however, to be noted that the scope of activities that may be carried out through a branch of a foreign company are limited to those activities permitted by the UAE Ministry of Economy from time to time, which has traditionally excluded trading activities of goods and products in addition to certain other service activities.

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## 4. DOCUMENTS REQUIRED

### 4.1 INDIVIDUAL SHAREHOLDER

- Valid and clear passport copy of the UAE National Partner and copy of his National ID card.
- Clear passport copies of the expatriate shareholders and directors & managers along with the visa page and entry stamp (when the shareholders entered the UAE).
- Power of Attorney (if shareholder outside Dubai) (Notarized /Attested from the UAE embassy)
- No objection certificate if the shareholder / manager is on employment visa of any company in UAE.

### 4.2 CORPORATE SHAREHOLDER

- Copy of Certificate of Incorporation \*
- Copy of Memorandum and Articles of Association \*
- Original Board Resolution for setting up the company \*
- No objection certificate from the free zone/ offshore authority if the company is a shareholder in proposed LLC.
- Power of Attorney appointing the person authorized to sign for the company.
- List of shareholders in Arabic.

#### Additional Documents for civil works Services and sole Establishment:

- CV and Degree Certificate.

#### Documents have to be:

- Certified as true copies by the Notary Public in the country of origin.
- Legalized by the Ministry of Foreign Affairs in the country of origin.
- Legalized by the United Arab Emirates Embassy in the country of origin

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#### 4.3 FORIGEN COMPANIES

- Passport copies for the shareholders
- Passport copies and C.V. (Resume) for the Manager – for the new branch
- Personal Information sheet for each shareholder and manager (Template will be forwarded by Our Firm).
- Proof of trade name reservation for the new branch (Our Firm task).
- Proof of initial approval for the activities for the new branch (Our Firm task).
- Memorandum of Association for your existing company/entity at place of origin. Must be attested and notarized by the U.A.E Embassy.
- Article of Association for your existing company/entity at place of origin must be attested and notarized by the U.A.E Embassy.
- Board resolution to be resolute by the board of directors for your existing company/entity at place of origin expressing their intent for establishing a new setup abroad. Must be attested and notarized by the U.A.E Embassy. (Template will be forwarded by Our Firm)
- Certificate of registration for your existing company/entity, license or certificate of incorporation of your existing company/ entity attested and notarized by the U.A.E embassy.
- Certificate of good standing for your existing company/entity, issued by the registrar of the companies at the place of origin. (The template can be forwarded by Our Firm).
- Power of Attorney appointing Our Firm as your legal representative for authority to act on your behalf/ on behalf of the shareholders. (Template will be forwarded by Our Firm)
- Lease agreement (Documents) – Having a physical address for your business/office is Mandatory in the UAE. Our Firm, can assist you while searching for your Physical address. (This item will be required only after we obtain the initial approval from the authority)
- Business Plan (Brief Feasibility Study) – Our Firm can assist in writing a business plan if requested by the client for a minimal fee your company profile.
- There are some activities which might require third party / authority pre approval - accordingly Additional Cost and professional fees might be applicable.
- Also during the process, it might be a requirement for a few other documents by the authorities.
- All documents required must be translated to Arabic language. We can assist in that matter
- Capital is not required for branch of a foreign company

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