

Doing Business in UAE – advantage UAE



Presented by:

Vipul Kothari | vipul@vipulkothari.com | Dubai, UAE



Kothari Auditors & Accountants
www.kothariauditors.com

DISCLAIMER

- The views in this presentation are the views of the presenter and not the firm or company that he represents.
- The presentation is for general information purpose only and should not be construed as tax, legal, financial or investment advice.
- Professional & legal advice should be obtained before using or relying on any of the information contained in this presentation.
- The information presented may have changed since preparation of presentation.

© Vipul R Kothari – March 2017

DESTINATION UAE



UAE IN BRIEF

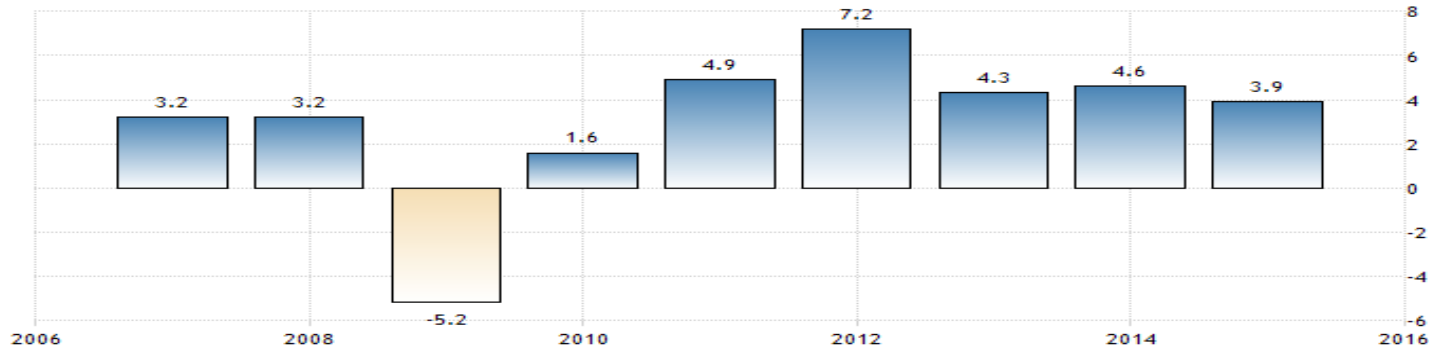
- UAE Federation formed in 1971 by 7 states
- Abu Dhabi – Political capital,
Dubai – Commercial capital
- UAE Total area of 83,600 sq kms & population of 9.30 mn
- Currency stable and linked to USD (1 USD = 3.6735 AED)
- Modern tolerant Islamic state
- Multi cultural society co-existing
- Minimal govt interference in business (min government / max governance)



UAE IN BRIEF

- 2016 GDP of US\$ 371 bn with GDP growth rate of 3.9%
- Per capita income US\$ 39,313
- 10% of world oil reserve but oil sector contribution to GDP < 35%
- Industrial sector contributes > 15% to GDP
- 2015 Exports of US\$ 324 bn & Imports of US\$ 274 bn
- Jebel ali sea-port amongst top 10 cargo sea ports in the world

UNITED ARAB EMIRATES GDP GROWTH RATE



UAE IN BRIEF

- Current account surplus : 5.8% of GDP
- Ease of Doing Business rank: 26
- Ease of Paying Taxes rank: 1
- 0% Corporate Tax & Personal Tax (except oil & banking sector)
- 5% Custom Duty (exception apply)
- 2015 FDI of US\$ 38 bn
- Legal system based on Civil Law
- No trade barriers or quota
- Trading hub to Africa & MENA
- Stable investment grade
- Dubai host city for Expo 2020
- Projects like Railways, Theme Parks Airport City, Expo 2020
- Holds prestigious tennis, golf, F1 & horse championship



UAE IN BRIEF

- Dxb Airport served over 83 mn pax p.a. (the busiest int'l airport)
- New airport with capacity of 200+ mn pax p.a. proposed
- Property ownership permitted to foreigners... No tax on income or capital gains in hands of foreigners
- Residency visa linked to property or company ownership
- DTAA with over 47 countries (tax residency certificate provided for onshore cos.) & has also signed various TIEA



STRENGTHS & OPPORTUNITIES IN REGION

❖ Strengths:

- Region with population of 1.30 bn
- Combined regional GDP of US\$ 2.3 trillion
- Huge infrastructure spending by governments
- Estd regional Sovereign Wealth Funds of US\$ 1.6 trillion (incl. US\$ 773 bn of Abu Dhabi UAE)
- Good infrastructure in communication, transport, connectivity etc. facilitating trade in region
- Zero corporate or personal taxes
- No forex restrictions
- Very minimal labour regulations / no trade unions
- Excellent security and not affected by regional turmoil

STRENGTHS & OPPORTUNITIES IN REGION

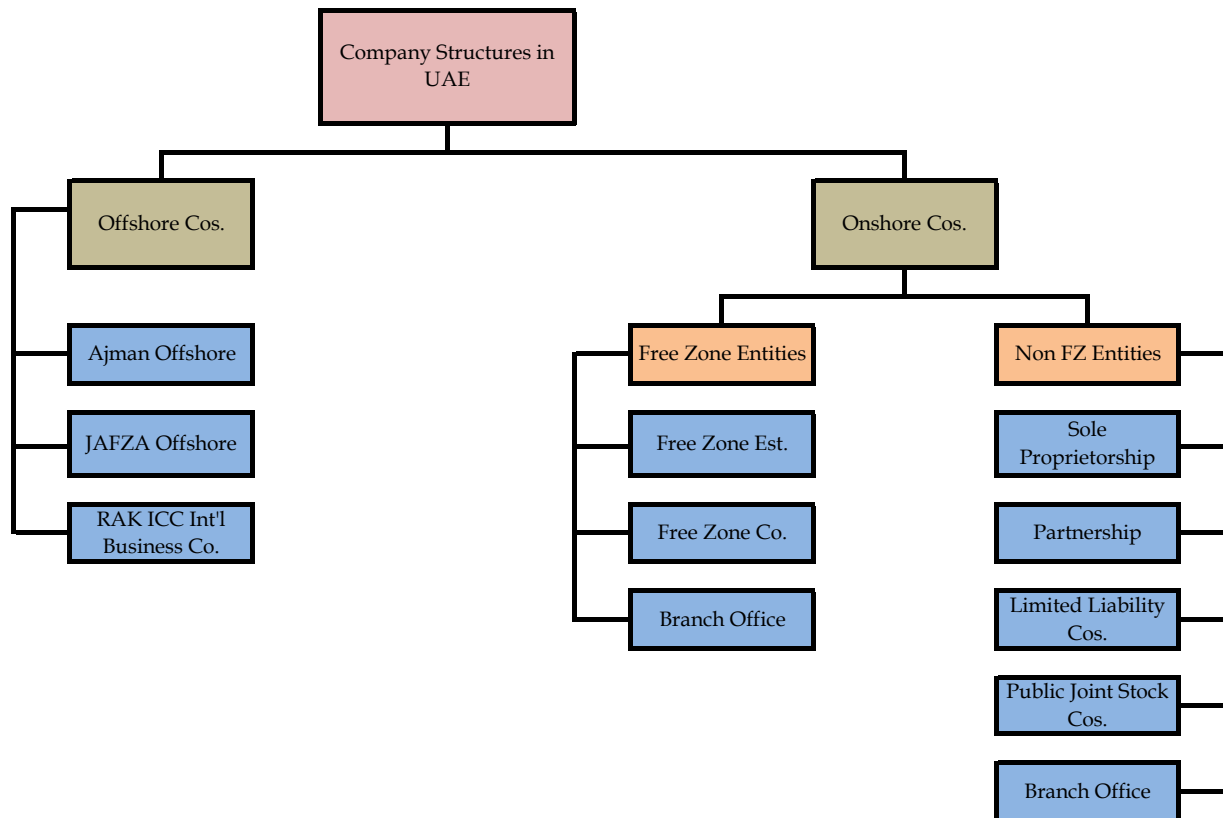
❖ Opportunities:

- International trade & logistics
- Manufacturing for regional requirements
- Property Investments
- Infrastructure Development esp in ports, airports, roads, railways, electricity, desalination etc.
- Manufacturing esp light & medium industrial units (capital intensive)
- Services sector
- Education
- Require UAE onshore or offshore entity in order to operate

JURISDICTION UAE

- UAE has been a tax free onshore jurisdiction
- Accelerated pace since setting up of Free Zones since 1985
- UAE also now permits setting up offshore company
- Though tax free, it is not like a typical offshore centers since PE exists
- Not a very low cost jurisdiction due to requirement of having a separate office premises for each company
- Not on “Black or Grey List” of OECD – Largely Compliant
- Well established legal system - commercial laws based on Civil Law
- However DIFC laws based on Common Law
- Has International Arbitration Centre as well for dispute resolution

COMPANY SETUP OPTIONS IN UAE



COMPANY SETUP OPTIONS IN UAE

- Offshore:
 - Ajman Offshore Co.
 - Jebel Ali Offshore Co.
 - RAK International Corporate Centre (International Business Co.)
- Onshore – Free Zone (Required for client wishing to have physical presence in UAE)
 - Free Zone Est.
 - Free Zone Co.
 - Branch office of overseas entity
- Onshore – Non Free Zone (Required for client wishing to operate within UAE)
 - Sole Proprietorship
 - Partnership
 - Limited Liability Co.
 - Public Joint Stock Co.
 - Branch office of overseas entity

COMPANY SETUP OPTIONS IN UAE

Points to consider before deciding on company type:

- Activity to be undertaken
- Facilities / Infrastructure reqd.
- Visa quota reqd.
- Whether clients / suppliers in UAE
- Shareholder tax residency and flow of dividends
- Physical movement of goods
- Banking requirements



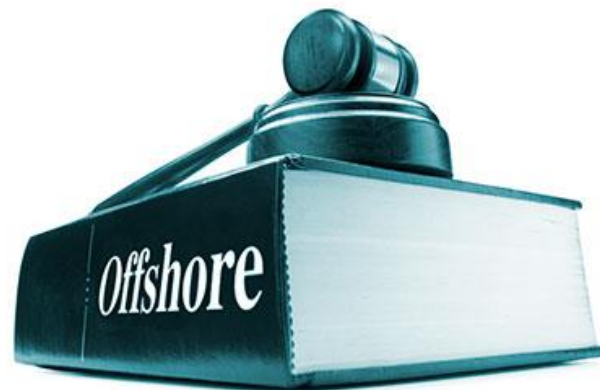
OFFSHORE IN UAE

- Offshore Authorities:
 - Ajman Offshore Authority
 - JAFZ Offshore Authority
 - RAK International Corporate Centre
- Can be used for:
 - investment holding in UAE & overseas
 - business activities outside UAE
- Min 1 shareholder & 1 or 2 Directors
- Corporate shareholder permitted (Trust/Foundation not recognized as a Shareholder (Legalisation issues))
- Corporate shareholder with UBO being Trust / Foundation permitted



OFFSHORE IN UAE

- Resident directors not required
- Corporate Directors permitted by certain offshore authority
- Beneficiary identity to be declared to authority-not public record
- No office / no business / no employees in UAE
- Zero tax (no corporate or personal income tax or no indirect tax)
- No restrictions on movement of capital & profits
- No requirements for AGM
- No accounts filing requirements
- Registered agent office as registered office of the co.
- Not tax resident so not entitled to DTAA benefits
- Cost effective



OFFSHORE IN UAE - COMPARISON

Key features:	AFZA Offshore	JAFZ Offshore	RAKICC IBC
Minimum Shareholder	1	1	1
Corporate Shareholder	Yes	Yes	Yes
Bearer Shares	No	No	Restricted
Minimum Directors	2	2	1
Corporate Director	No	No	Yes
Other Officers	Secretary	Secretary	Secretary
M&AA	Flexible	Flexible	Flexible
Confidentiality	Yes	Yes	Yes
Registered Office	Local Agent	Local Agent	Local Agent
Can Invest In Incorporation Jurisdiction	Yes	Yes	Yes
Own Local Real Estate In Incorporation	Yes	Yes	Yes
Incorporation Time	1 day	5-7 days	1 day
Audited Accounts	Yes	Yes	No
Annual Filing	No	No	No
Legible For Tax Residency Certificate	No	No	No
Estd First Year Fees (in USD)	2,055.00	4,200.00	2,430.00
Estd Renewal Fees (in USD)	959.00	1,370.00	1,233.00

Notes:

- Above charges are currently prevailing & subject to change without any prior intimation.
- Abbreviations Used : AFZA Offshore = Ajman Free Trade Zone Offshore | JAFZA Offshore = Jebel Ali Free Trade Zone Offshore
RAK ICC BC = RAK International Corporate Centre Business Companies

ONSHORE IN UAE



Required for carrying out activity within UAE

- Broad segregation:
 - ❖ Free Zones
 - ❖ Outside Free Zones
- Primary differences:
 - ❖ Ownership
 - ❖ Tax Holidays
 - ❖ Permitted Activities
 - ❖ Location of office / work place
 - ❖ Limitation on Operations
- Both type of cos. eligible to benefit under DTAA

ONSHORE IN UAE

Types of Cos.:

- ❖ Free Zone Est. (single shareholder)
- ❖ Free Zone Cos. (multiple shareholders)
- ❖ Branch of Foreign Cos.
- ❖ Branch of Local Cos.

Key Features / Benefits:

- ❖ 100% Foreign Ownership
- ❖ Tax Holidays from 15 years upto 50 years
- ❖ No restrictions on movement of capital / profit
- ❖ Limited liability
- ❖ Local directors not required
- ❖ Directors eligible for UAE residence visa
- ❖ Can be owned by an overseas company
- ❖ Can trade with / serve cos. outside free zone
- ❖ Entitled to benefit under DTAA
- ❖ PE in UAE - Non applicability of Anti Avoidance Rules



ONSHORE – FREE ZONES

Feature	Branch	FZE	FZCo
Ownership	Foreign Co	1	2 or more
Liability	Unlimited	Limited	Limited
Capital	No capital	AED 100k - AED 1 mn	AED 100k -AED 500k
Activity	As licensed	As licensed	As licensed
Audited accounts	No	Yes	Yes
Corporate taxes	None	None	None
Indirect taxes	None	None	None
Forex controls	None	None	None
Eligible for DTAA	Yes	Yes	Yes
Can invest locally	Yes	Yes	Yes
Own local real estate	Yes	Yes	Yes
Confidentiality	Yes	Yes	Yes
Incorporation time	2-35 days	2-35 days	2-35 days
Filing requirements	Yes	Yes	Yes
Office	Required	Required	Required
Premises cost	AED 15k-110k	AED 15k-110k	AED 15k-110k
Registration cost	AED 10k to 40k	AED 10k to 40k	AED 10k to 40k
Total annual cost	AED 25k to 150k	AED 25k to 150k	AED 25k to 150k
Total cost in US\$	US\$ 7k to 41k	US\$ 7k to 41k	US\$ 7k to 41k

ONSHORE – FREE ZONES

- Several Free Zones – General or Sector specific
- Over 40 free zones in UAE
- Some prominent free zones
 - ❖ Jebel Ali Free Zone (over 7,000 cos.)
 - ❖ Dubai Airport Free Zone
 - ❖ Technology Electronic & Media Free Zone
 - ❖ Dubai Multi Commodities Centre (over 12,000 cos.)
 - ❖ Dubai International Financial Centre
 - ❖ Dubai Silicon Oasis
 - ❖ Sharjah Airport Int'l Free Zone
 - ❖ Hamriyah Free Zone
 - ❖ Ajman Free Zone
 - ❖ Ras Al Khaimah Free Zone
 - ❖ Fujairah Free Zone
 - ❖ Umm Al Quwain Free Zone



ONSHORE – FREE ZONES

- Over 80,000 cos. in free zones
- Many of Fortune 500 cos. Present & using free zones as hub for serving regional markets
- Not just holding nor paper cos. but active operating companies.
- DIFC & DMCC permit setting up of Single Family Office (SFO)



ONSHORE - OUTSIDE FREE ZONES

- Local Cos. required for operating outside free zone or executing projects outside free zones
- Types of Cos.:
 - ❖ Sole Proprietorships
 - ❖ Limited Liability Cos. (Pvt. Ltd. Cos)
 - ❖ Public Limited Cos.
 - ❖ Branch of Foreign Cos.
- Foreign ownerships restricted to 49% except in Proprietorship
- UAE national may be a silent partner:
 - profit share permitted in ratio other than capital,
 - management fees can be as %age of profit or turnover &
 - capital low & balance amt can be loan from expat partner



ONSHORE - OUTSIDE FREE ZONES

- No restrictions on profit or capital movement
- No direct taxes except on oil & banking sector (no corp tax)
- No indirect taxes except custom duty @ 5% on most of the products or entertainment tax (VAT proposed to be introduced wef 1st Jan 2018)
- Shareholder can be a corporate entity in limited cos.
- Audit requirements for limited cos. & branch offices



ONSHORE - OUTSIDE FREE ZONES

Feature	Proprietorship	Limited Liab. Cos.	Branch Offices
Ownership	Sole	2 or more	Foreign Co.
Foreign Ownership	Depends on activity	Upto 49% max. But 51% held as nominee by UAE national	100%
Permitted activities for foreigner owned	Mostly services	Trading or manufacturing	Mostly services or rep. offices
Liability	Unlimited	Limited	Unlimited
Capital	No capital	No minimum. Can select any amt.	No capital
Audited accounts	No	Yes	Yes
Corporate taxes	None	None	None
Indirect taxes	Only custom duty on imported goods	Only custom duty on imported goods	Only custom duty on imported goods
Eligible for DTAA	Yes	Yes	Yes
Can invest locally	Yes	Yes	Yes
Own local real estate	Yes	Yes	Yes
Forex controls	None	None	None
Incorporation time	7-30 days	7-30 days	7-30 days
Filing requirements	No	No	Yes
Office	Required	Required	Required
Premises cost	AED 10k-100k	AED 10k-100k	AED 10k-100k
Registration cost	AED 5k to 15k	AED 10k to 25k	AED 15k to 30k
Local sponsor cost	AED 10k-100k	AED 10k-100k	AED 10k-100k
Total annual cost	AED 25k to 215k	AED 30k to 225k	AED 35k to 230k
Total cost in US\$	US\$ 7k to 59k	US\$ 8k to 62k	US\$ 10k to 63k

UAE DTAA

- UAE has signed over 47 Double tax avoidance agreements with various countries covering many countries of Europe, Asia, Africa, Ex CIS countries and also Canada
- Some of the DTAA's do have limitation of benefit clause meaning that non-payment of taxes in UAE does limit right of the company to claim treaty benefits in other contracting states
- Majority of DTAA's are for indefinite term

UAE DTAA

UAE DTAA's

Algeria	France	Mongolia	Sudan
Armenia	Germany	Morocco	Syria
Azerbaijan	Holland	Mozambique	Tajekistan
Belarus	India	NewZealand	Thailand
Belgium	Inodnesia	Pakistan	Tunisia
Bosnia & Herzegovina	Italy	Philipine	Turkey
Bulgaria	Korea	Poland	Turkmenistan
Canada	Lebanon	Romania	Ukrain
China	Luxembourg	Seychelles	Uzbekistan
Czech	Malaysia	Siingapore	Yemen
Egypt	Malta	Spain	Austria
Finland	Mauritius	Sri Lanka	

UAE OECD LIST

- Largely Compliant
- Has substantially implemented the internationally agreed tax information exchange agreements
- Exchange of Info under TIEA

Jurisdictions that have substantially implemented the internationally agreed tax standard			
Argentina	Denmark	Jersey	Seychelles
Australia	Finland	Korea	Slovak Republic
Bahrain	France	Luxembourg	South Africa
Barbados	Germany	Malta	Spain
Belgium	Greece	Mauritius	Sweden
Bermuda	Guernsey	Mexico	Turkey
British Virgin Islands	Hungary	Netherlands	United Arab Emirates
Canada	Iceland	New Zealand	United Kingdom
Cayman Islands ²	Ireland	Norway	United States
China ³	Isle of Man	Poland	US Virgin Islands
Cyprus	Italy	Portugal	
Czech Republic	Japan	Russian Federation	

UAE CRS LIST

Countries to Implement CRS (101)

Signed (53)

Anguilla	Germany	Mexico
Argentina	Gibraltar	Montserrat
Barbados	Greece	Netherlands
Belgium	Greenland	Niue
Bermuda	Guernsey	Norway
British Virgin Islands	Hungary	Poland
Bulgaria	Iceland	Portugal
Cayman Islands	India	Romania
Colombia	Ireland	San Marino
Croatia	Isle of Man	Seychelles
Curacao	Italy	Slovak Republic
Cyprus	Jersey	Slovenia
Czech Republic	Korea	South Africa
Denmark	Latvia	Spain
Estonia	Liechtenstein	Sweden
Faroe Islands	Lithuania	Turks & Caicos Islands
Finland	Luxembourg	United Kingdom
France	Malta	

2017

Committed (2)

Dominica
Trinidad and Tobago

Signed (29)

Albania	Cook Islands	Monaco
Andorra	Costa Rica	New Zealand
Antigua and Barbuda	Ghana	Russia
Aruba	Grenada	Saint Kitts and Nevis
Australia	Indonesia	Saint Lucia
Austria	Israel	Saint Vincent and the Grenadines
Belize	Japan	Samoa
Canada	Malaysia	Sint Maarten
Chile	Marshall Islands	Switzerland
China	Mauritius	

2018

Committed (17)

The Bahamas	Panama
Bahrain	Qatar
Brazil	Saudi Arabia
Brunei Darussalam	Singapore
Hong Kong (China)	Turkey
Kuwait	United Arab Emirates
Lebanon	Uruguay
Macau (China)	Vanuatu
Nauru	

UAE VAT

- GCC wide VAT proposed wef 2018
- Modelled largely on European Union VAT
- Law yet to be announced
- Expected rate of 5% on most goods & services
- Exemptions to education, health & basic food items
- UAE expects to generate AED 12 billion from VAT



Thank You



Kothari Auditors & Accountants
www.kothariauditors.com