

GLOBAL OFFICE FZE
P.O. Box 214481, DUBAI, UAE
Dubai Mobile +971-50-8462421

Skype: dubaibiz
www.gotobusiness-sense.com, co@globaloffice24.biz

THERE ARE MORE SOLUTIONS THAN PROBLEMS!



FAQ

How can I get residence visa?

Residence visa can be obtained either through setting up one's own company or through employment with a local UAE registered company (can be Free Zone or mainland in any of the seven emirates).

Can I sponsor my family?

Yes, if you set up a company (or if you are employed) you can sponsor your family under dependant visa. These visas do not affect your visa quota for a specific set up (e.g. Smart Office, max. 2 visa with one for the investor himself and 1 for employee). In order to sponsor the family a valid tenancy contract has to be produced at the time of dependent visa application along with attested marriage and birth certificates for children. Documents have to be either in English or Arabic. If English only you need to get the legally translated into Arabic.

Red Tape in Northern Emirates versus Dubai/Abu Dhabi

Setting up a company in a Northern Emirates Free Zone is considerably cheaper, faster and connected with less headache when it comes to paperwork, reporting, etc. Dubai has made it mandatory that certain insurance policies have to be taken out when you register in this emirate, e.g. health insurance, workman compensation, etc.

Which legal establishment forms are available in the UAE?

All companies registered in the UAE can be divided into **onshore (mainland or Free Zone)**, those that are allowed to conduct business in the UAE and globally, and **offshore**, for which business activity is restricted to countries outside the UAE.

The most well-known forms of **onshore** legal entities are as follows:

Limited Liability Company (LLC)

This is a partnership with a UAE citizen, where a local partner holds a majority of shares by law (51% or more). The investor holds 49% although s/he has to raise the entire amount of cash to fund the operation. The local sponsor will not contribute to cost sharing. He is actually asking for an annual service fee to act as sponsor.

Free Zone Company

Investor holds 100%-foreign ownership, no local sponsor required.

Sole Proprietorship

Company can be registered onshore outside of free zone and UAE resident/expat can be a 100%-shareholder of the company. However, it is important to mention that in this case liability is unlimited.

Freelancer License

Such micro business licenses are being issued by various Free Zone Authorities including Knowledge Village/TECOM and UAQ. Freelance license are only issued in a personal name, taking a company name is not allowed.

Offshore

This type of legal set up is not entitled to apply for residence visa in UAE. Company activity is limited to doing business outside the UAE. Under this license it is not allowed to conduct business in the UAE. Such companies often serve as holding companies which manage various assets, invest in other businesses or own properties in Dubai.

What types of licenses do free zones issue?

Following types of licenses are available in various free zones:

- General Trading License (allows to trade with a wide range of goods).
Note: Not all Free Zones issue General Trading Licenses.
- Trading License (allows to trade only in those goods as specified on the license)
- Industrial License
- Service License (e.g. marketing, PR, consulting, advertising)

What are the most popular free zones across various emirates?

There is a vast number of active Free Zones with the majority being presented in **Dubai** (approx. 30+ special economic zones). Dubai Free Zones are categorized into clusters.

The most well-known in Dubai are the following:

- Jebel Ali Free Zone (JAFZA)
- Dubai Airport Free Zone (DAFZ)
- Dubai Internet City (DIC)
- Dubai Media City (DMC)
- Dubai Outsource Zone (DOZ)
- Dubai Health Care City (DHCC)
- Dubai International Financial Centre (DIFC)
- Dubai Multi Commodities Centre (DMCC)
- Dubai Knowledge Village (DKV)
- Dubai Silicon Oasis Authority (DSOA)

Abu Dhabi

Abu Dhabi has plans to establish a row of economic zones. Currently the most well-known free zones are

- Twofour54
- Abu Dhabi Airport Free Zone
- Khizad (only for large industrial operations)
- Masdar City (green technology)

Sharjah

- Sharjah Airport Free Zone (SAIF Zone)

- Hamriyah Free Zone (HFZ)
- Shams - Sharjah Media City

Ras Al Khaimah

- Ras Al Khaimah Free Trade Zone (RAKFTZ)
- Ras Al Khaimah Investment Authority (RAKIA)

Fujairah

- Fujairah Free Zone (FFZ)
- Fujairah Creative City (FCC)

Ajman

- Ajman Free Zone (AFZ)

Umm Al Quwain

- Umm Al Quwain Free Trade Zone (UAQ FTZ)

What are the requirements companies registered in free zones need to follow?

Companies registered in free zones and engaged in trading have to follow rules related to customs, sale and distribution of their products. A local service agent is required by law to import goods from Free Zone into mainland UAE. Trading companies registered in free zones are allowed to conduct their activity within the geographical limits of the free zone they are registered with and with other free zones or companies outside UAE. The service agent is a company locally Emirati owned by at least 51% and registered in the mainland acting as a distributor for a free zone company.

What taxes do companies in UAE in general pay?

Strictly speaking the UAE can no longer be considered a tax haven as there are a number of fees, charges, and as of 2018, the introduction of VAT is announced. For Free Zone companies government promised tax exemption between 15 - 25 years, however, it is expected that those companies will also have to participate in the VAT scheme. Business Licenses have to be renewed annually and fees to be paid in advance. Some free zones offer office/warehouse rental payment in installments with post dated cheques. So far the UAE has not levied any income taxes or direct business taxes apart from the annual license renewal fees.

Is it mandatory to rent office space to obtain a license in Dubai or other Emirates?

Most Dubai Free Zones request the investor to rent office or warehouse space in order to obtain a license. Some Free Zones provide small biz packages in the range of AED 11,500 to 35,000+ with very limited no. of visa and space within a business center. The Flexi-desk, Smart Office packages offered by Northern Emirates Free Zones usually only allow for a desk space within a small business center with *no added services* such as secretarial, mail forwarding, etc. Small biz packages options are usually only a fraction of a full-fledged set up with office space (usually min. space to be rented is 50 smq and free zones often regulate the fit-out service provider detailing what is allowed and what is not). The Smart Office options are cost effective options for start-ups that wish to test the market first before installing a larger operation or SME business owners who wish to keep operating expenses down due to budget constraints.

What legal entities can be registered in Dubai and other emirates?

The following legal entities can be registered in Dubai and other UAE emirates:

- New company (FZE/FZC/FZCO/FZ-LLC)
- Subsidiary
- Branch

What is the timeframe to register a company?

The time required for company formation varies from emirate to emirate and depends on many factors such as type of shareholder (corporate or individual), legal structure, and location. The registration process in most Dubai free zones takes considerably longer than registration in free zones in other emirates. This can be explained by a higher number of applications for registration in Dubai in general and more rules and regulations to follow. Formation of a company in Dubai may take anything from two (2) weeks to two (2) month. To compare, registration of a company in neighboring emirates may take as little as one (2) to ten (10) days. It is, however, important to mention, in case external approvals are required for certain types of activities (e.g. from Ministry of Health, Ministry of Defense etc.), registration process may take more time than usual.

The entire process strongly depends on the choice of free zone (Dubai, Abu Dhabi or Northern Emirates) and the company structure. If shareholder is a legal entity such as Ltd., Plc., GmbH, SA or similar, a number of documents from the parent company need notarization and UAE Consulate attestation in the home country. Red tape in Dubai and Abu Dhabi is considerably high, rules and regulations change frequently and free zone staff is not always trained up to date on their own rules and can give misleading or incomplete information. Usually the costs for hiring a specialized consulting firm to handle the entire set up is advisable.

Note: A lot of consulting firms and free zones promise set ups within 24 hours or less than a week. This is unrealistic!

What are the share capital requirements?

Share capital amount requirement varies greatly from free zone to free zone. However, it is a common practice to have a minimum of AED 50,000, AED 100,000 or AED 150,000 as declared capital. In case of a trading or general trading license, this amount may reach as much as AED 500,000 or AED 1,000,000. While some free zones do not request new companies to deposit any amount of share capital into bank account and obtain a letter from the bank to confirm availability of funds, some free zones, especially in Dubai, do have this requirement of funds proof. Once the license of the company is issued, copies of corporate documents are provided to the bank to “unfreeze” funds and the shareholder may use share capital funds as deemed necessary. The share capital has to be paid only one-time upon company registration.

What kind of set ups are available in Dubai / UAE?

First of all the future business owner needs to decide if he wants to set up in UAE mainland (i.e. outside free zone boundaries) or within one of the many Free Zones. In case of mainland a local Emirati sponsor is required by law. Currently the law still requires that the investor can only hold 49% while 51% is legally owned by the sponsor. This type of investment is usually governed by a written agreement in English and Arabic detailing the sponsor’s influence in the business and the level of sponsorship fee the investor has to pay on an annual basis. The benefit of Free Zones is 100% ownership, all assets stay with the investor, no local sponsor is needed or has to be made a partner. Free Zones are government entities.

What is a Free Zone?

According to the World Federation of Free Zones (FEMOZA) a Free Zone is a portion of a clearly defined and isolated land or setting, with a special tax, customs and imports regime, usually involving a status of extra-territoriality. Free Zones provide state of the art infrastructure and are designed as special investment models allowing total ownership of the business in the UAE. Therefore, to establish a business entity in one of the UAE’s many Free Trade Zones (FTZs) can be an attractive option for foreign investors who wish to keep 100% ownership of their business. An independent Free Zone Authority (FZA) governs each free zone, and is the agency responsible for issuing FZ operating licenses (which can be service, trading or industrial/manufacturing). However, not all businesses will fit into a free zone. Purpose of the business has to be clearly defined and laid out in a detailed business plan. Investors can either register a new company in the form of a Free Zone Establishment (FZE), which means the company has one shareholder (individual or corporate person), or a Free Zone Company (FZC, FZCO, FZ-LLC are common forms). In this case the company needs a minimum of two shareholders (usually maximum of 5 shareholders permitted). Alternatively investors can establish a branch office of their existing or parent company. Free Zone companies are in general limited liability companies.

What Investment Benefits do UAE Free Zones offer?

Basically all UAE Free Zones (Dubai – Abu Dhabi – Northern Emirates) offer complete tax exemption for min. 15+ years. This however may be changing with the planned introduction of VAT in 2018.

- 100% ownership for the investor and free capital / profit repatriation
- Reasonable energy costs & competitive labor costs (working hours per week: 46 – 48 h)
- No trade barriers, no foreign exchange controls
- Fixed exchange rate AED (US\$ 1 = Dhs 3,6725)

What is the cheapest set up for a small company?

Currently the cheapest set up option is *Smart-Office or Flexi-Office* with a Northern Emirates business license. Start-up cost vary from AED 18.000 – 28.000 p.a. (visa fees are not included in this amount, they can vary from AED 3,000 to AED 8,000 - refundable guarantees have to be paid). Number of visa are usually limited to 1 or 2 max. Proof of share capital currently not required. May change in the future with the introduction of VAT and potential other tax rules.

Are there annual audit requirements for free zone companies?

Yes, with few exceptions, the majority of Dubai free zones require the investor to submit an annual audit after the first year of operation in order to get the license renewed. Northern Emirates Free Zones are more lenient and do not require an audit (with few exceptions such as Sharjah) but this may change with the advent of VAT. Audit companies are plentiful in the UAE and relatively cheap.

What are the factors that need to be considered when choosing a free zone?

- Distance from international air- and seaports
- Facilities and infrastructure offered at the free zone
- Real estate options (office space, readymade warehouse space, retail)
- Types of activities allowed by the respective free zone authority
- Annual rent for office space and size of office units
- Minimum capital required, registration, trade license fees
- Processing time of application
- Number of visa given on a specific set up (e.g. Smart Office)
- Share capital requirements

What are good business opportunities?

This largely depends on how much funding an investor is willing to bring to UAE. Banks do not fund any expat start-up business in UAE. Currently good business opportunities in Dubai are to be found in the following areas:

Medical, Hospitals, Clinics, Spas

Hair Salons

Green Building Technology

Consulting Business around Oil/Gas Industry

Training & Education

Restaurant Business

Facility Management – Real Estate

Online Auctions

Franchise Businesses

Childcare business, nurseries, kindergarden, experienced and trained nannies

Import / Export (especially food items, electronic equipment)



Questions?

Contact us for a detailed quote co@globaloffice24.biz