

# UAE Business Guide

## Setting up a business in the UAE

### Introduction

With its fast-growing population, strategic geographic location, a strong economy and a clear vision for the future, the UAE can be an extremely profitable place to start a business. However, choosing the correct business vehicle and local partner is crucial for the safety and security of your company and investment over the long term.

Firstly, it is important to note that Foreign Direct Investment is promoted and foreign entities are welcomed in the United Arab Emirates to help grow the economy. The UAE offers lucrative investment incentives and opportunities to local and international businesses which are not as easily accessible elsewhere. Businesses in the Middle East prefer to deal with someone they know and trust by building personal relationships. If you wish to maximise your opportunities in the UAE, it is important to have a physical presence on the ground. This helps demonstrate a commitment to the country and the region.

This brief guide aims to outline the different types of business vehicles available to foreign investors and covers items to consider when starting a business in the UAE.

The standard working week in the UAE is from Sunday to Thursday with Friday and Saturday being the national weekend. The time zone is GMT +4 hours which allows UAE-based companies to do business in key markets in the West and East, with many seeing the country as the MENA business hub.

### Benefits of Setting up in the UAE

- No corporate or income tax
- No personal income tax
- No foreign exchange controls
- 100% repatriation of capital and profits



# Establishment Options in the UAE

## Limited Liability Company (LLC)

A Limited Liability Company (LLC) is the most commonly used vehicle for setting up in the UAE as a foreign investor and is often the only choice for many business activities.

An LLC can be formed by a maximum of fifty shareholders whose liability is limited to their shares in the company's capital.

At least 51% of the shares in the company should be owned by UAE National(s) or a 100% owned UAE Company (The Partner).

In the UAE, there is no minimum share required (to be contributed in cash or in-kind) for an LLC. Although the maximum foreign shareholding (either by individuals or corporates) in an LLC is 49%.

Profits can be allocated in different percentages as agreed by the partners and foreign shareholders of the company.

With the approval of the partners, it is possible for the legal documents of an LLC to contain the following provisions designed to protect the interests of a foreign minority shareholder;

Appoint all directors, appoint the General Manager and via a Power of Attorney, the entire business operations of the company can be exclusively managed and controlled by the foreign shareholder(s).

As far as further safeguarding of the foreign shareholder's interest is concerned, this can be done by way of a shareholders agreement and certain related security documents.

## 100% Foreign Ownership

Following the release of the UAE Federal Law No. 19 of 2018 on Foreign Direct Investment, the UAE Cabinet has released a full 'Positive List' of activities covered by the FDI Law, including the requirements and share capital requirement for each sector which fall into three categories; Agriculture, Service and Industrial sectors.

All 122 approved activities on the list will be eligible for 100% foreign investor ownership, an initiative which provides opportunities for foreign investors who intend to enter the UAE mainland market.

There are certain conditions that the foreign investor must satisfy, which will vary upon the sector/activity.

Below are some of the conditions that must be met:

### Use of New Technology

- Recognition of a high added value
- Contribute to Research & Development
- Meeting the requirements of UAE Licensing entities

### Key Benefits

- 100% Ownership
- Licensed FDI Companies are treated like UAE national companies
- Make financial project returns from outside of the country
- Flexibility to change partners, transfer ownership, change of legal form



## Representative Trade Office

This can be used to promote a foreign company in the UAE and introduce its products to UAE companies as a non-trading 'shop window'. The Representative Office is allowed to operate in the following manner:

- Engage with potential business to business clients to introduce the parent company's products and services in order to increase business within the country.
- Act as liaison for the company between its local customers, suppliers and other parties such as freight forwarders, customs, civil defence.
- Engage its local client base in order to provide feedback to the parent company, to maintain relationships or research potential new products.

The Representative Office is forbidden from doing the following:

- Export, import or sell - except for commercial samples of goods that are manufactured by the company or establishment that it represents for the sake of promotion.
- Promote products and/or services that are not manufactured or presented by the company or establishment that it represents.
- Make contact directly with consumers.

Again, there is no need for a local partner, and the foreign party can own 100% of the business. However, a National Service Agent (NSA) will be required along with the Ministry of Economy bank guarantee of AED 50,000.

## Branch Office

Setting up a Branch Office of a foreign company in the UAE is easy and an attractive prospect for clients in that it can be 100% foreign owned.

A Branch Office is not a separate legal entity, but rather an extension of the parent company abroad. As such, when conducting business in the UAE, a Branch Office will be acting on behalf of the foreign parent and as such be linked to all contracts entered into in the UAE.

Depending on the parent company's tax jurisdiction, profits earned by the Branch will be taxable in the home country. (Please speak with a tax advisor for specific advice on your tax jurisdiction).

In order to establish a Branch Office, a National Service Agent (NSA) will need to be appointed. The NSA must be a UAE national (or a 100% UAE owned company). The NSA is usually in charge of dealing with local, and Federal authorities, for the purposes of obtaining necessary documentation for the Branch Office and its staff; such as approvals, licences (including their renewal), labour cards and visas. The NSA is not a shareholder and does not have any rights in the company. The NSA will enter into a service agreement with the Branch Office, under which the agent will provide services in return for the payment of a fixed annual fee, or percentage of the profits or transactions undertaken by the Branch Office. This is a matter for negotiation.

The Branch can only undertake certain business activities. These activities are advised by the relevant governmental departments and fall within the main objects as outlined in the foreign company's legal documents. In addition, a Branch Office cannot trade in products and cannot import good for resale and distribution in the UAE.

Although there is no capital requirement for a branch of a foreign company, the Ministry of Economy requires that the foreign company places a bank guarantee to the value of AED 50,000. This must be deposited for the duration of time the Branch remains registered, and will be called upon if the foreign company leaves the country without undertaking the formalities required before public authorities for the de-registration of a Branch Office. It is not possible to withdraw the sum until de-registration of the Branch Office has been fully completed.

## Professional Service Licence

Professional business is defined as "work based on investing mental talents and acquired information". A Professional Licence/Civil Company is a business for professionals in recognised fields such as doctors, lawyers, engineers and accountants. A civil company can only practice professional business and is 100% owned by professional partners. An NSA is necessary but unlike a Foreign Branch there is no requirement for the bank guarantee.

## Commercial Agent

Companies unwilling or unable to establish their own entity in the UAE, but still interested in providing access to their products within the UAE or seeking to offer their services, may appoint a commercial agent in accordance with the provision of Federal Law No.18 of 1981 regulating Commercial Agencies and amending laws thereof.



# Onshore LLC vs Branch Comparison

	LIMITED LIABILITY COMPANY (LLC)	ONSHORE BRANCH / REP OFFICE
 Ownership	51% (Local Partner) / 49% (Foreign Party)	100% Owned by Foreign Company
 Local Agent / Local Partner	PRO Partner Group (PPG) - Local Partner	PRO Partner Group (PPG) - Local Agent
 Client access	Can do business with all companies in the UAE All activity types, products and services	Can do business with all companies in the UAE All service activities possible. Trading activities restricted
 Government access	Will prequalify for Government projects and work	Will prequalify for Government projects and work
 ADNOC Access (SPC approval)	Available on application	Available on application
 Other regulatory bodies	Available on application	Available on application
 Import and Trading	Can import and trade fully within in the UAE - within their activity range	Cannot import to the UAE. Cannot wholesale or retail trade. Can bring in samples, office equipment or spare parts only
 Office locations	Anywhere in the same Emirate A minimum 14 sq. mtr / 200 sq.ft office is mandatory	Anywhere in the same Emirate A minimum 14 sq. mtr / 200 sq.ft office is mandatory
Visa issuance	Applications direct to Immigration Any issues can be resolved directly with immigration	Applications direct to Immigration Any issues can be resolved direct with immigration
Labour Department	Must be registered with Ministry of Labour, pay staff through WPS and provide health insurance	Must be registered with Ministry of Labour, pay staff through WPS and provide health insurance
 Time frame	Around 30 days, assuming all documents are in place from the Foreign Company and authorised person is available to sign	Around 30 days, assuming all documents are in place from the Foreign Company and authorised person is available to sign

# Things to Consider When Starting a Business in the UAE:

## Choose the Correct UAE Partner

The UAE partner is not obliged to contribute financially or practically to the running of the company, and as the 51 % shareholder, has the power to terminate the businesses operations without consultation if the proper agreements are not in place. For this reason, choosing the correct UAE partner is critical to an organisation's success within the UAE.

The UAE partner can be in the form of an individual Emirati or a 100% Emirati owned company.

Having a UAE company as a partner is often a more secure and robust solution for the foreign party and there are a number of companies which have been established with the sole purpose of assisting foreign entities to establish a business presence in the UAE.

It is also worth noting that, should a business fail, there is a personal risk to the owner, since debt and financial irregularities are considered to be serious offences, and the person may not be allowed to leave the country. This risk is greater if loans have been taken out from UAE based, rather than international banks (whether the business is in a free zone or not).

## Office Space Requirements

It is required by UAE law that all companies have a 12 month commercial lease in Dubai and a minimum of six months in Abu Dhabi on office space (plus warehouse depending on the activity) in order to obtain their trade license. Due to the high demand for office space in the UAE, this is often one of the more substantial costs for companies establishing in the country.



## NEXT STEPS:

If you are looking to establish your company in the UAE and would like further information and a consultation with one of our experts, please contact PRO Partner Group on:



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