

## Doing business in the United Arab Emirates

**AFRIDI & ANGELL**


By Sai Pidatala,  
Afridi & Angell

Level 35 - Emirates Towers  
Sheikh Zayed Road, Dubai  
P.O. Box 9371  
United Arab Emirates  
Tel: +971 4 330 3900  
Fax: +971 4 330 3800  
Email: dubai@afриди-angell.com  
Web: www.afриди-angell.com

The United Arab Emirates (UAE) has enjoyed strong economic, political and cultural ties with India dating back more than a century.

In the economic realm, bilateral trade has been expanding: the total annual trade between the two countries has increased from US\$180 million in the 1970s to over US\$18 billion in 2010. Indeed, the UAE is the second largest global market for Indian products and services and continues to be receptive to Indian investment.

### The law in the UAE

The UAE is a civil law jurisdiction and its federal constitution apportions powers between the federal government and the seven constituent emirates: Abu Dhabi, Ajman, Dubai, Fujairah, Ras al-Khaimah, Sharjah and Umm al-Quwain.

Exclusive legislative jurisdiction for some subjects such as immigration, employment, corporate law, banking and real estate ownership is retained at the federal level. Emirate governments have jurisdiction to legislate in relation to subjects not explicitly on the federal list.

All laws are published in Arabic and if a document has to be submitted to a court, it has to be translated into Arabic.

### Conduct and business rules

In general, the conduct of business in the UAE requires majority local ownership.

The preferred form of business vehicle in the UAE is the limited liability company (LLC). This is due to the flexible management structure, the availability of minority shareholder

protection and the relative ease of formation of an LLC. Unless the LLC is 100% owned by nationals of countries that comprise the Gulf Cooperation Council, at least 51% of it must be owned by UAE nationals or companies wholly owned by UAE nationals.

All businesses require a licence and licensing procedures vary from emirate to emirate.

### Branch offices

A foreign company seeking to establish a presence in the UAE can also establish a branch office to provide services in the UAE. Branch offices are generally not permitted to undertake trading or manufacturing, which are reserved for companies incorporated in the UAE. A branch office must have a UAE national as its agent.

Foreign companies may appoint UAE nationals or UAE companies to distribute their products or services in the UAE.

Agents and distributors must be UAE nationals or companies wholly owned by UAE nationals. Termination of registered agents and distributors is expensive and difficult.

### Free trade zones

The UAE boasts a wide range of free trade zones which have been established in each of the emirates. These special economic zones allow 100% foreign ownership, zero customs duties and taxes and specialized infrastructure services including the provision of office space, warehouse space and business centre capabilities.

Visas for expatriate staff and employees are easily available in free

trade zones.

Free trade zones are administered by free zone authorities incorporated by local decree. These authorities are responsible for issuing free trade zone operating licences and incorporating companies in the zones.

### Zero taxation

Most attractive to foreign investors and those seeking to expand their business in the UAE is the virtual non-existence of a tax regime. Indeed, there is no sales tax or value added tax of general applicability in the UAE.

At the emirate level, however, taxes are imposed on the holders of petroleum concessions and on branches of foreign banks at specifically negotiated rates.

Also, Dubai and some other emirates impose taxes on the sale of alcoholic beverages and on hotel and restaurant sales.

While there are no currency exchange control restrictions in the UAE, the country is ranked 40th out of 183 economies on the ease of doing business global rankings for 2011, in *Doing Business 2011: Making a Difference for Entrepreneurs*, which is a copublication of The World Bank and the International Finance Corporation.

*Sai Pidatala is an associate in the Dubai office of Afridi & Angell, a UAE-based law firm. He can be contacted at spidatala@afриди-angell.com. Afridi & Angell's comprehensive knowledge and experience in the Gulf, Middle East and South Asia is highly sought after by clients including the top law firms in New York, London, Paris and from across Asia. Afridi & Angell has eight partners across three offices in Abu Dhabi, Dubai and Sharjah.*