

The logo consists of the word "SOVEREIGN" in white, bold, sans-serif capital letters, followed by a small trademark symbol (TM). Below the text is a solid red horizontal bar. The entire logo is enclosed in a thin white rectangular border.

**SOVEREIGN**™

SovereignGroup.com

The background of the entire page is a high-angle, wide shot of a city skyline, likely Dubai, featuring numerous skyscrapers and a body of water in the foreground. Overlaid on the right side of the image is a large, detailed, black and white photograph of a modern skyscraper with a distinctive, angular, crystalline facade. The text "DOING BUSINESS IN THE UAE" is superimposed on the left side of the image, with "DOING" and "BUSINESS" in white and "IN THE UAE" in yellow.

# DOING BUSINESS IN THE UAE

# ABOUT THE UNITED ARAB EMIRATES (UAE)

The United Arab Emirates (UAE), situated in the southeast of the Arabian Peninsula on the Persian Gulf, is a federation of seven emirates – the capital Abu Dhabi and Ajman, Dubai, Fujairah, Ras al-Khaimah, Sharjah and Umm al-Quwain. With its world-class infrastructure, strategic location; and business-friendly environment, the UAE is a natural choice for business expansion and new initiatives.

The UAE Government is committed to on-going partnership with the private sector to fortify its position as a leading centre for global businesses and to support effective policies, procedures and legislation to advance the UAE's competitiveness, regional and global leadership – and its future prosperity. As an international business location, the UAE offers the following key advantages:

- Strategic location in heart of Middle East and convenient for Europe, Asia and Africa;
- An eight-hour flight from two-thirds of the world's population;
- Political stability and pro-business government;
- One of the safest places to live in and work in the world;
- World-class infrastructure;
- Clean and modern environment;
- Highly multicultural society;
- Highly ranked in world "Ease of Business" and "Competitiveness" ratings.

Dubai is the second largest emirate and ranks as the UAE's most important port and commercial centre. It has worked to transform itself into a broadly diversified economy. Critical sectors include manufacturing, logistics, financial services, information technology, retail, travel, tourism, healthcare and education, in addition to a strong focus on green technologies. To attract international business it has invested heavily in its transport, telecommunications, energy and industrial infrastructure.

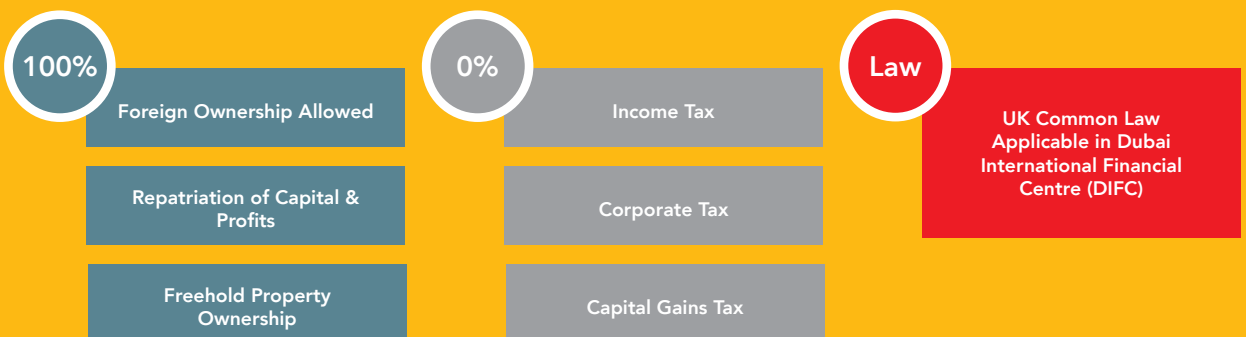


# ADVANTAGES OF DOING BUSINESS IN THE UAE

As the geographic and economic lynchpin of the Middle East, worldwide investors see the UAE as a vital element of their operations. It is well established as the prime destination for multinationals to set up their regional base and serve the high growth markets in the Middle East, Africa and South Asia. It is also the perfect location for new initiatives across diverse sectors.



There are no income or capital taxes in Dubai, except for oil and domestic banking, and no withholding taxes. Companies in Dubai can obtain further significant advantages from the absence of foreign exchange controls, trade barriers or quotas.







# ABOUT SOVEREIGN CORPORATE SERVICES

Sovereign equips its clients with the knowledge and understanding that is essential to successful market entry and growth initiatives in the UAE and Middle East region. We also provide the legal structures and administrative support to maximise your opportunities and achieve long-term sustainability, from the provision of full back-office services to assistance with tax and regulatory compliance.

The asset boom and the vast increase in private and institutional wealth in the region have created a huge demand for specialist financial services. Through our three Middle Eastern offices, we assist individuals and companies with establishing a presence in the UAE and help to steer them through the complexities of entering the market.

The companies, funds and trusts we establish are used for many purposes – active trading, licensing and royalty arrangements, or to hold investments, intellectual property, real estate, ships and aircraft. Sovereign also provides specialist expertise in the ongoing management and administration of the structures we provide.

Sovereign Corporate Services has entered into a strategic partnership with the Government of Dubai through the Foreign Direct Investment Office (FDI), a division of the Department of Economic Development (DED). The FDI has a mandate to assist international companies with market entry into the UAE. This means that our “Corporate shareholder” model for onshore LLCs is accepted and endorsed by both the Government of Dubai and the body that issues trade licences, making the process of incorporating a company in Dubai much simpler (see pages 15 & 16).

# ABOUT SOVEREIGN

The first Sovereign office opened in Gibraltar in 1987. We have since grown into what is now one of the largest independent trust companies in the world. We currently manage over 12,000 structures for a wide variety of clients – companies, entrepreneurs, private investors or high net worth individuals (HNWIs) and their families – and have assets under administration in excess of US\$5 billion.

We have further developed a wide range of supporting services including pensions and retirement planning, asset management, funds formation and management, residency, immigration and citizenship, insurance, yacht and aircraft registration, credit cards, as well as trade mark and intellectual property protection. At a time when transparency and regulation have risen to the top of government agendas, Sovereign is committed to ensuring that its compliance and tax obligations – and those of all its clients – are met.

Sovereign has been a registered agent for the free zones of the United Arab Emirates, including Ras Al Khaimah (RAK) and Jebel Ali, since 1998. We have since further expanded our presence in the Gulf States by opening an office in Bahrain.



# POTENTIAL BARRIERS TO ENTRY IN THE UAE

There are a number of critical considerations, issues and questions confronting companies as they establish, operate and grow a business in the Middle East from a base in the UAE. These include cultural differences, language barriers, influence of Shari'ah law, enforced local ownership rules, as well as choosing the most suitable location and legal entity to match your business requirements.

Today, more than 90% of the urban population of Dubai and more than 75% of the urban population of Abu Dhabi are foreign nationals, the majority from South Asia. English is widely used for business and is the lingua franca of the cities.

Shari'ah is "a principal source of legislation" but many of the laws are secular and Shari'ah is generally not applied to the family law of non-Muslims, or to their inheritance. In addition, there is the DIFC Courts, an independent English-language common law system. Based in the Dubai International Financial Centre (DIFC), it has jurisdiction governing civil and commercial disputes nationally, regionally and worldwide.

Foreign ownership restrictions are contained in the Commercial Companies Law (CCL), which requires that UAE nationals or their wholly owned companies hold a minimum of 51% of the shares of all companies established in the UAE.

A foreign company wanting to do business in the UAE can choose to set up operations as a branch, representative office or registered company, or it can appoint a commercial agent to sell its products in the UAE market or export them. New companies can also choose to conduct their activities from a Free Zone, which is a designated, self-regulated area set up to catalyse economic activity within an emirate and is governed by its own set of rules and regulations. There are around 40 Free Zones in the UAE, with more under development.

The CCL provides for the establishment of the following business entities for foreign investors: joint stock companies (JSC), limited liability companies (LLC), unincorporated joint ventures and branch offices of foreign companies. The CCL does not apply to companies that are established in the free zones.



**English** is widely used for business and is the lingua franca of the cities



There are around **40 free zones** in the UAE, with more under development

Free Zones permit certain exemptions on foreign investment and customs duties. An independent Free Zone Authority governs each free zone and is responsible for issuing operating licences. Investors can either register a new company in the form of a Free Zone Establishment (FZE) or simply establish a branch or representative office of their existing company based within the UAE or abroad.





# ISSUES TO ADDRESS WHEN SETTING UP BUSINESS IN THE UAE

## Capital Repatriation

There are no restrictions on profit transfer or capital repatriation in the UAE. Most Free Zones pledge to maintain this for a substantial term from the time of business establishment.





## **Document Authentication**

Document authentication is an administrative requirement for completing transactions across the Middle East. Documents that originate from outside the UAE must typically be locally notarised, attested and certified. When delivered to the UAE, they must further be translated into Arabic and certified by the UAE Ministry of Foreign Affairs (MOFA).

## **Labour Law**

The UAE Labour Law is generally employer-friendly. The vast majority of the private sector workforce is made up of foreign nationals, who require work visa and residence permit sponsorship from their employer. It is relatively straightforward to terminate the employment of foreign national employees but the approval of the public authorities may be required to terminate the employment of UAE national employees. An "End of Service Gratuity" payment must be paid for employees who work for more than one year.

## **Agreements**

Extreme caution should be exercised in drafting distributor, dealer, agency, franchise or similar agreements. Companies selling their products and services in the UAE need to understand local protections and the agent registration system and to consider the implications if the relationship is not a success.

## **Property Ownership**

Laws and regulations regarding foreign property ownership differ between the Emirates. For instance, the Dubai government has permitted freehold foreign ownership of properties in designated areas of Dubai since 2002. Registration of property with the Land Department is critical to claim full ownership. Abu Dhabi, however, restricts freehold property ownership to UAE nationals and, within certain investment zones, non-UAE Gulf Cooperation Council (GCC) nationals. Non-GCC foreign nationals are only permitted long-term leaseholds within certain investment zones.

# BUSINESS LOCATION – FREE ZONES

There are around 40 Free Zones operating in the UAE, with more under construction. Each Free Zone is designed around one or more commercial categories and only offers licences to companies within those categories.

The main attractions of establishing an entity in one of the UAE's Free Zones is that there are no foreign ownership restrictions and companies are governed by an independent Free Zone Authority (FZA), which is responsible for issuing operating licences and regulating the activities of companies within the Free Zone.

In addition to enabling shareholders, directors and employees to obtain residency in the UAE, the benefits of a Free Zone include:

- 100% foreign ownership;
- 100% repatriation of capital and profits;
- 100% corporate and personal income tax exemption;
- Absence of currency restrictions;
- Abundant and inexpensive energy;
- Modern, efficient communications;
- Logistic efficiencies due to business cluster effect;
- Excellent support services.

Investors can either register a new company in the form of a Free Zone Establishment (FZE) or a Free Zone Company (FZC)\* or simply establish a branch or representative office of their existing or parent company based within the UAE or abroad. An FZE (and FZC) is a limited liability company governed by the rules and regulations of the Free Zone in which it is established. Except for acquiring nationality in the UAE, the provisions of the CCL do not apply to FZEs or FZCs.

*\*the difference between an FZE and an FZC is that an FZE has one shareholder and an FZC has two or more.*



Once a legal presence has been established in the Free Zone, the business will need to lease premises or land and acquire an operating licence from the FZA. Different types of licences apply in the different types of Free Zone. Companies with trade and industrial licences can only conduct business within the Free Zone or abroad. To sell products in the UAE, a UAE official agent is required, and a joint venture needs to be formed.

The disadvantages of a Free Zone company include restrictions on where you can trade in the UAE, restrictions on choice of premises location and restrictions on visa numbers.

Sovereign is a registered agent for the Free Zones of Ras Al Khaimah (RAK) and the Jebel Ali Free Zone (JAFZ) in Dubai and can establish companies in all Free Zones. We can advise on licence type, cost, office space, visas and time scale. Often clients have a preconceived notion that they wish to establish in a particular Free Zone but, after consulting with Sovereign, discover there is a more suitable or more cost effective location.



If you plan to start a business in the UAE, Sovereign Corporate Services are the best partners to choose. The Sovereign team will hold your hand and guide you through each and every step that you have to undertake, both before your business becomes operational and after. Professionalism, responsiveness and excellent relations with the local authorities, banks and business mark the high standard of the services provided. Sovereign, thank you for supporting my client and for justifying our trust!

**Polya Nikolova**  
Attorney-at-law  
Sofia Bar Association, Bulgaria



**Abundant and inexpensive energy**



**Excellent support services**



**100% foreign ownership**



**100% corporate and personal income tax exemption**

# BUSINESS LOCATION – MAINLAND (ONSHORE)

No **territorial restriction** on business activity or the location of the premises





Mainland UAE legal entities are licensed by the Department of Economic Development (DED) and governed by the Commercial Companies Law (CCL). They are required to have a UAE/GCC national sponsor, often referred to as a local partner. UAE/GCC nationals or their wholly owned companies must hold a minimum of 51% of the shares of all companies established in the UAE.

The main benefit of having a business located in mainland UAE is that, unlike the Free Zones, there is no territorial restriction on business activity or the location of the premises. The company will be able to trade anywhere, including all Free Zones and the wider Gulf Cooperation Council (GCC) states, and will have a far wider range of real estate options to choose from. There is also no need for a mainland company to pay the standard 5% customs duty on imported goods.

#### **Limited Liability Company (LLC)**

- Foreign investors are not permitted to hold shares exceeding 49% of the capital. A UAE/GCC national partner must hold the remaining 51% of the shares;
- The minimum share capital is determined by the DED at application (prior to 2009 it was set at AED300,000 (US\$81,750));
- Under the new UAE Commercial Companies Law of 2015, share capital does not have to be fully paid up or deposited with a local bank;
- Shares of LLC companies are not open for subscription by the public;
- Despite the split in shareholdings, profits may be divided in other ratios agreed upon by the two parties. However, notionally, the local partner should receive a minimum of 20% of the profit.

#### **Professional Licence**

- 100% foreign ownership permitted;
- Must appoint a national service agent, who must be a UAE national;
- Applies only to services, such as consultancy;
- Individual applicants must hold a relevant professional qualification.

#### **Branch Office of a Foreign Company**

- 100% foreign ownership permitted;
- Branch must have the same name as the parent company;
- Must appoint a national service agent, who must be a UAE national or a 100%-UAE owned company;
- May only engage in the same activities as the parent company;
- May not carry on trading and manufacturing activities;
- May not carry on banking, insurance, money investment or operate commercial agencies.

#### **Representative Office of a Foreign Company**

- To represent a parent company in the UAE;
- Must only promote activities of a parent company;
- May only carry out marketing and promotion of the parent company's products or facilitate contracts in the UAE for the parent company;
- Not permitted to utilise credit facilities or put forward offers.

# BUSINESS LOCATION – **OFFSHORE COMPANIES**

UAE Offshore Companies should not be confused with UAE Free Zone companies. An Offshore Company is a legal business entity that is set up with the intention of operating outside its registered jurisdiction and/or the location of its ultimate ownership.

There may be many reasons to register an Offshore Company, but the general benefits of utilising an offshore corporate structure include:

- A gateway for international market expansion;
- A stable and business-friendly legal system;
- A more flexible regulatory regime;
- Tax neutrality on international earnings in respect of (depending on jurisdiction) personal or company income, capital gains and inheritance taxes;
- Better access to global funding;
- A vehicle to separate or protect assets, such as Intellectual Property, from operating entities.

The two principal jurisdictions offering Offshore Companies in the UAE are Ras Al Khaimah (RAK) and the Jebel Ali Free Zone (JAFZA). Both are “tax free” jurisdictions that levy no income tax or corporate tax and permit 100% foreign ownership. Offshore Companies are permitted to open multi-currency accounts in the UAE and carry out business internationally. They may not, however, carry on business with persons resident in the UAE or have physical offices within the UAE.

Both RAK and JAFZA Offshore Companies allow corporate shareholders and directors and there is no requirement for shareholders/directors to be physically present in the UAE for incorporation. Offshore Companies are not obliged to maintain books and records.

RAK and JAFZA each have their own specific benefits. RAK is the more cost effective of the two, but JAFZA is the only Offshore Company that is legally permitted to own property situated in Dubai.

It is particularly important to remember that the tax and other benefits obtained by an Offshore Company will depend not only upon the tax legislation in the country of residence – and possibly the domicile – of the beneficial owner, but also upon any relevant anti-avoidance legislation in any country in which the client intends to do business.

The two principal jurisdictions offering Offshore Companies in the UAE are **Ras Al Khaimah (RAK)** and the **Jebel Ali Free Zone (JAFZA)**.

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The British Centres for Business is pleased to work with Sovereign Group in the UAE. Sovereign provides our clients and us with a high level of expertise and support to understand and navigate the often complex nature of company formation in the UAE. When we refer a client to Sovereign we know that they will be looked after quickly, effectively and professionally.

**Joe Hepworth**

Chief Executive Officer  
British Centres for Business, Dubai

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Working with Sovereign to set up a Dubai entity we quickly recognised the benefit of working with a business operating in the Dubai market. Their experience and first-hand knowledge of local nuances proved crucial. Our appointed client lead ensured no request was too much trouble!

**Justin Lee**

CEO, Ghost Design FZE, Dubai



# SOVEREIGN'S "CORPORATE SHAREHOLDER" MODEL

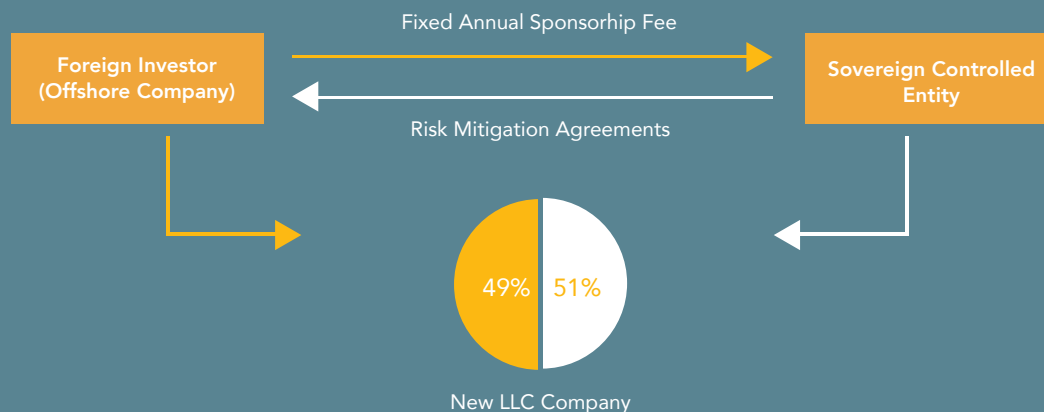
If your business requires you to trade on the UAE mainland with local companies then you will need a DED-licensed company and this will require a local partner. UAE/GCC nationals or their wholly owned companies must hold a minimum of 51% of the shares of all companies established in the UAE.

Many investors are concerned by the foreign ownership restrictions and uncomfortable about relinquishing control of their company to a local partner. To allay these concerns, Sovereign has created a "corporate shareholder" model that allows clients to effectively maintain 100% ownership control of their business while remaining in full compliance with UAE companies law.

Sovereign Corporate Services has created a number of 100% Emirati-owned LLCs (e.g. Sovereign Corporate Shareholder LLC) that it fully manages and controls through powers of attorney and other legal agreements. These companies can act as the 51% local partner and, through a suite of risk mitigation documentation, pass back all management control, financial control and the day-to-day running of the business to the 49% shareholder in return for a "Fixed Annual Sponsorship Fee".

Whilst a foreign individual can hold the remaining 49% in his or her own name, we recommend the use of a foreign (offshore) company. This will ensure that the ownership is held outside of the UAE and is clear of Shari'ah law implications for inheritance and succession planning. Sovereign will not take any commercial role in the new company and its annual fees will be fixed such that there will be no variation dependent on increased turnover or profitability of the business.

The primary benefit of the corporate shareholder model is that the investor will not be dealing with an individual person as a shareholder but rather with an international, fully licensed and regulated company that has no emotional ties to the business and no local vested interests. Sovereign has multiple signatories who are available all year round and, as a company, the Sovereign Corporate Shareholder LLC offers perpetual succession such that the business will not be affected by the ill health or death of a local individual partner. A Sovereign Corporate Shareholder LLC can also act as the local agent even where a 51% shareholder is not required – for example, for a professional licence or branch.





# STRATEGIC PARTNERSHIP WITH GOVERNMENT OF DUBAI

Sovereign Corporate Services LLC (SCS) has entered into a formal, strategic partnership with Dubai FDI, the dedicated investment development agency within the Department of Economic Development.

SCS has signed a Memorandum of Understanding (MoU) with Dubai FDI that sets out a commitment to attract foreign companies to establish and grow in the region and to optimise the services offered through the following cooperation points:

- Act as the ideal business partner to foreign companies;
- Measure and track investment performance;
- Develop businesses and implement investment attraction mechanisms; and
- Highlight success stories and maintain constant contact.

Dubai is the ideal launch pad and complete growth ecosystem for small and medium enterprises across diverse sectors. Its global reputation as a wealth generator and investment stronghold continues to drive the city's growth.

This partnership with Dubai FDI not only guarantees that international companies receive the best service available, but will also ensure that they can be fast-tracked through setting up procedures and introduced to a wider audience in the region.



# SOVEREIGN MARKET ENTRY SERVICES

Any business entering a foreign market faces a number of compliance-related challenges. Making certain that all obligations are met in a timely and efficient manner can be a time consuming and costly process. Sovereign offers specialist expertise in the ongoing management and administration of its clients' companies, from providing full back-office solutions to assistance with tax and regulatory compliance.

- **Bookkeeping and Accounting**

Bookkeeping services will ensure that reliable and accurate books are kept for your company, enabling you to make informed decisions promptly to minimise risks and maximise profits.

- **Payroll Services**

Companies, wherever they are based, must pay the salaries of their employees in a timely manner. They must also ensure their income tax and social security compliance in terms of withholding, calculations and reporting.

- **Bank Account Opening**

All active companies (and most inactive) will require a bank account. There are a large number of local, international and private banks in the UAE so it is often difficult to know which bank to turn to for your banking needs.

- **Visa Services**

All employees and their dependents must have a residency visa in order to reside in the UAE. This visa will be issued by the government body through which your company is registered. The process for applying for visas can be time consuming particularly if you or your employees are not yet in the country. Our team will assist with the entire process from start to finish and with the renewal in the future.

- **Insurance Services**

Sovereign does not itself provide insurance services, as required under UAE law, but we will work with a third party provider to ensure that the company and all employees are properly insured.

- **End of Service (EoS) Gratuity Schemes**

Companies operating in the Middle East are usually obliged to offer their staff an end of service gratuity payment when they leave the company. The level of gratuity is based on the individual's salary and length of service and is payable as a lump sum. Gratuity rules and terminology vary around the GCC region, but generally operate in a similar fashion. Many employers choose not to invest or plan for their end of service gratuity obligations and this can lead to cash flow problems when staff turnover is higher than anticipated, or if the business lacks liquidity at the time of payment.

- **Corporate services**

Through the Dubai office and our international network of international offices, we can assist clients with the setting up of a holding structure to hold the shares of your local UAE company.

- **HR Services**

Local employment law requirements are onerous. Our in-house HR consultant can ensure that your company's processes are fully compliant and that employment records are up-to-date.



In the course of my work I have visited Dubai every year, several times a year, since 1974. I have learnt, over the years that when it comes to dealing with the procedures, and paperwork required to establish yourself, or your business in the UAE, it pays to have good, clear advice on how to navigate the system. I found with Sovereign Corporate Services, you get just that.

There are a lot of companies that will offer to help, but all have a different take on what is required and what to do. However with Sovereign I found no contradictions, just clear and concise advice on the way to proceed. I would have no hesitation in recommending their services in this field.

**Tony Coates**

Sales Director/ Co-owner  
Airberg Ltd., UK/Dubai



Reduce the risk of penalties due to **non-compliance**



An aerial photograph of a modern skyscraper, the H Hotel, in Dubai. The building is a tall, slender tower with a distinctive twisted design, featuring a grid of windows. It stands prominently in the city skyline, with other high-rise buildings visible in the background. The foreground shows a highway with traffic and some lower-level commercial buildings. The sky is overcast with grey clouds.

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