

Corporate Incorporation in the UAE

'BSA was founded by Dr Rashid Bin Shabib in 2001 and is today a dynamic law firm whose character has been shaped through the adaptive innovation of

its talented lawyers. BSA's legal professionals provide a wealth of experience in effectively addressing a diverse spectrum of business needs confronted by a

range of corporate entities throughout the UAE and the GCC nations.

Here Fouad Barbar, Associate, lays down the ground rules.

The United Arab Emirates (UAE) provides a tax free environment for business offering to its investors a wide range of legal frameworks under which they can carry out their activities and enjoy tax-free profit revenues with no capital repatriation conditions.

The advisable legal frameworks are broadly categorized into two types:

- (i) Local Incorporation; and
- (ii) Free Zone Incorporation

Local Incorporation

A local set-up is the best solution for investors wanting to broaden the geographical area in which they would like to operate.

The operation of a company incorporated in Dubai, for example, can cover the entire Emirate of Dubai (In contrast to free zone corporation).

The type of local companies that the investors can opt for depend on the type of activities they intend to carry out. The most common types of local companies are as follows:

1. Limited Liability Company (LLC)

- LLC is the most common corporation for operating commercial activities such as contracting and trading (except for insurance and banking activities).

- In an LLC, the liability of the shareholders is restricted to the share capital of the company that is paid upon incorporation.

- A UAE national should own, at all times, at least 51% shares in an LLC.

2. Branch Office

- Subject to the local authorities' approval and depending on the type of activities involved, a Branch Office for a foreign company can be incorporated in any of the seven Emirates.

- The foreign company will have 100% ownership and will be liable for all debts and losses incurred by the Branch Office.

- Commercial and professional activities can be performed under the umbrella of a Branch Office.

- The Branch Office would be required to appoint a UAE service agent, The agent, however, will not hold any equity but would only be responsible for representing the Branch Office before the local authorities.

- LLCs and Branch Offices are regulated by UAE Federal Law number 8 of 1984, as amended, also known as the Companies Law.

3. Civil Company

- Civil Company is the most common corporation for operating professional activities such as engineering.

- Notwithstanding specific requirements imposed on some activities such as architectural consultancies, foreigners can have 100% ownership in professional companies.

- The shareholders in the civil company are personally liable to the extent of their own assets for any debts arising from the Civil Company.

- Civil Companies are regulated by UAE Federal Law number 5 of 1985, as amended, also known

as Civil Law.

Free Zone Incorporation

Throughout the UAE (except Abu Dhabi) many free zones have emerged in the last few years and have been very successful. Each free zone specializes in a particular line of business (Media City, Dubai International Financial Centre, etc) and is headed by an Authority entitled to issue rules and regulations to be implemented on the free zone companies falling under its jurisdiction.

Free zones are considered to be an "offshore jurisdiction" as goods entering the free zone will not be subject to 5% import tax duty, which will be imposed on goods entering inland UAE. Furthermore, the companies are restricted from carrying out their activities outside the free zone areas.

Free zone companies can be 100 % owned by foreigners and do not require the appointment of a local service agent. Some of the most renowned free zones for industrial and trading activities are:

- Jebel Ali Free Zone (JAFZ)
- Dubai Airport Free Zone (DAFZ)
- Sharjah Airport International Free Zone (SAIF)
- Hamriyah Free Zone
- Ras Al Khaimah Free Zone (RAKFZ)



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