



COMPANY FORMATION IN UNITED ARAB EMIRATES

MAIN FORMS OF COMPANY/BUSINESS IN UNITED ARAB EMIRATES

In order to conduct business in the UAE, a foreign investor is required to establish a formal legal presence (directly or through an agent) within the UAE through any of the following means:

1. Incorporating a Limited Liability Company ("L.L.C.");
2. Establishing a Branch office or Representative office;
3. Establishing a wholly owned entity in one of the U.A.E. Free Trade Zones; and
4. Entering into a commercial agency relationship.

SPECIFIC TAX CONCERNS RELATED TO ESTABLISHING A COMPANY

None. Investing in UAE is 100% tax free, and the government does not impose any taxes through DTT (Double Taxation Treaty) on the business owners planning to setup their business in UAE.

LEGAL ISSUES RELATED TO ESTABLISHING A COMPANY

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LEGAL ISSUES RELATED TO ESTABLISHING A COMPANY

1. A license is a must for conducting any commercial, industrial or professional activity in UAE;
2. Business sites should not be used for residential purposes;
3. Approval is required before re-locating businesses;
4. Sale or display of printed material that goes against the public morality or Islamic teaching is prohibited;
5. Presenting false or misleading documents to any government authority of relevant Emirates in UAE is prohibited;
6. The United Arab Emirates has a comprehensive anti-money laundering system. This position was further enforced by the passing of Federal Law No.4 of 2002 on Money Laundering Criminalization on January 22, 2002 and is compliant with the Financial Action Task Force on Money Laundering (FATF)
7. Approach to payment terms and timing are likely to be different from the approach of the foreign investor. Foreign investors will need to be aware of lock-up periods to manage cash flow.
8. Additional permits are required for opening for work beyond regular working hours
9. Additional permits may be required for other activities such as working during the month of Ramadan, working in offices located in premises for vehicle mechanical testing, installing an ATM outside bank premises, conducting business activity from vehicles or carts, advertisement posters, and for promotional campaigns

CULTURAL CONCERNS RELATED TO ESTABLISHING A COMPANY

Although the local business environment has become very westernized, researching Islamic culture and customs is a must. Business is conducted according to the dictates of religious law, The Sharia, and traditional custom for any business seeking to operate in the UAE.



A few key points to note:

1. Westerners should try to dress conservatively, although within hotels and restaurants a more relaxed approach can be taken.
2. Working hours are different (and limited) during Ramadan and public festivals (Eid).
3. Local government authorization is required for: alcoholic beverages, firearms, fireworks and sparklers, ammunition, explosives, narcotics and medical drugs, agricultural pesticides, pork/pork products, and wireless transmitters.
4. Handshakes are a common form of greeting in the Middle East and shaking hands at the beginning and end of a meeting is usual. However, some Arab men and women will have reservations about shaking hands with people of the opposite gender, as contact between men and women who are not married or related is forbidden by Islam. Non-Muslims should not be offended by this, and should simply wait until a handshake is offered by a member of the opposite gender.
5. Hospitality is very important in Islamic culture and it can be considered impolite to decline offers of refreshments when they are made. It is also customary to treat strangers with the same level of respect as one would treat a friend, as kindness is considered a virtue in Islam.

OTHER COUNTRY-SPECIFIC ISSUES RELATED TO ESTABLISHING A COMPANY

1. There are no restrictions on the transfer of funds into or out of the UAE, except that Israeli currency may not be bought or sold in the UAE.
2. All goods exported or re-exported from the UAE must have proper documentation issued by the Ministry of Economy and the various Chambers of Commerce in the respective individual emirates.
3. Companies set up in the free zones cannot conduct business onshore (outside the free zones) in the United Arab Emirates without first obtaining the necessary license, which in turn requires a company to be set up onshore and for such company to have a 51% UAE national shareholder (subject to certain exceptions).
4. Prohibited business cannot be established in UAE, especially gambling, adult oriented materials, and dubious, immoral and illicit trades like prostitution and drugs.