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PKF UAE VISION
We will be the first choice for companies in their selection of professional advisers

PKF UAE MISSION
We will provide quality service to our clients by focusing on client specific needs and providing solutions to business problems, thereby adding value through expertise whilst maintaining integrity, professionalism and independence
Doing business in the United Arab Emirates

A BUSINESS AND TAX PROFILE
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Noted scientist and thinker Benjamin Franklin once quoted - “When you're finished changing, you're finished”. The vibrantly growing and constantly changing landscape of the United Arab Emirates (UAE) seems to have taken these words to heart, with honest sincerity. The scope and magnitude of how much this country has grown in character, generally in the past decade and particularly in the last three-four years is phenomenal, by even global standards.

It is natural therefore that most businessmen with a keen eye on the new hub for ‘world’ economics and trade, are making a beeline for the UAE. Whether it is the lure of consistently, healthy profits or the zero tax carrot or the booming real estate sector, there is no doubt that conglomerates from both developing and the developed world economies want a piece of the pie.

From being a tiny tear drop on the world map to being the most progressive centre in the world for commerce, trade and tourism, the UAE has come a long way. It is only fair that investors should have a bird’s eye view and then again a bit more of what it takes to be a part of this desert landscape.

Nestled in the following pages is a brief overview of the economic and regulatory landscape of the UAE, along with nuggets of information on some of the pearls on the UAE like the towering Burj Dubai and the grand Dubai World Central Airport, jostling for space with useful information on what it is like to live in the UAE.

We, at PKF in the UAE hope this booklet will help in providing readers with an insight on setting up businesses in the UAE.
PKF in the UAE

PKF UAE is a member of PKF International Limited, an association of legally independent member firms. PKF UAE operates as a branch of a foreign company providing audit and management assurance, business consulting, regulatory and taxation and corporate finance services. We provide an integrated service spanning multiple disciplines to a large number of local, regional and international clients.

With over 30 years presence in the UAE we have offices at Dubai, Sharjah, Abu Dhabi, Jebel Ali Free Zone, the Dubai Internet City and registration with the Dubai International Financial Centre. Through each of our offices, our clients have access to the expertise and experience of more than 100 qualified professionals including Chartered Accountants, Cost Accountants, Certified Public Accountants, Certified Internal Auditors and MBAs.

Range of Services

PKF professionals in the UAE can provide expert advice on various business issues. Our services include:

Audit and Management Assurance Services

- External audit
- Internal compliance audit
- Internal audit - compliance with the requirements of the Dubai Financial Services Authority
- Organisation reviews and system studies
- Due diligence reviews
- Forensic and other investigations
- Training and consulting on IFRS
- Back office support services - accounting and payroll
- Outsourced accounting and payroll services for companies registered in the Dubai International Financial Centre
- Management information systems
Management Advisory Services

- Business practices (process) assessment
- Business risk identification
- Accounting and procedure manuals
- Market analysis and feasibility studies
- Financial projections
- Information memoranda
- Business & share valuations
- Identification and valuation of intangible assets on a business acquisition
- Corporate structuring, acquisitions and disposals
- Joint ventures and strategic alliances
- Advice on partner/shareholder entry/exit
- Fund raising

Offshore and Free Zone Services

- Free Zone and offshore company formation
- Company secretarial services
- Registered agents services
- Entry strategy
- Taxation

Locations in the UAE

DUBAI / DIFC
Al Maidan Tower 2, Suite 301-303, Al Maktoum Street,
P.O. Box 13094, Deira, Dubai, U.A.E.
Tel: (+971) 4 223 6508; Fax: (+971) 4 223 4524
E-mail: dubai@pkfuae.com

DUBAI INTERNET CITY
Office No.217, Bldg. 13, P.O. Box 500364,
Tel: (+971) 4 390 1410/11; Fax: (+971) 4 390 8836
Dubai Internet City, Dubai, U.A.E.
E-mail: dic@pkfuae.com
JEBEL ALI FREE ZONE
Lease office Building 16, Office No.133, 1st Floor, Jebel Ali Free Zone,
P.O. Box 16952, Jebel Ali, U.A.E.
Tel: (+971) 4 881 5452; Fax: (+971) 4 881 5451
E-mail: dubai@pkfuae.com

ABU DHABI
The Blue Tower, 15th Floor, Sheikh Khalifa Street,
P.O. Box 7479, Abu Dhabi, U.A.E.
Tel: (+971) 2 626 1715; Fax: (+971) 2 626 1716
E-mail: abudhabi@pkfuae.com

SHARJAH
Golden Towers, 11th Floor, Al Buhaira Corniche,
P.O. Box 6207, Sharjah, U.A.E.
Tel: (+971) 6 574 0888; Fax: (+971) 6 574 0808

Visit us at www.pkfuae.com
Introduction

Geography

The United Arab Emirates is situated in the East of the Arab world. It overlooks the Gulf of Oman to the East and the Arabian Gulf to the North. The Arabian Gulf and Gulf of Oman are linked by the Straits of Hormuz. The UAE covers an area of approximately 83,600 square kilometers (32,654 square miles), including numerous islands. The coastal area consists primarily of salt marshes. Inland, the topography is predominantly desert, sand dunes and gravel plains with isolated oases, the largest of which are located at Al Ain and Liwa. The Hajar Mountains lie close to the sea on the East Coast.

The largest of the Emirates is Abu Dhabi, with an area of approximately 67,300 square kilometers (26,290 square miles), followed by Dubai 3,900 square kilometers (1,520 square miles), and Sharjah 2,600 square kilometers (1,015 square miles). The areas of the other Emirates range from 260 to 1,700 square kilometers (102 to 664 square miles).

History

The United Arab Emirates (UAE) was established on 2nd December 1971 and is a federation of seven Emirates, namely: Abu Dhabi, Dubai, Sharjah, Ras Al Khaimah, Umm Al Quwain, Ajman and Fujairah.

From the 1850’s until the union of the Emirates in 1971, the British colonial administration maintained influence in the region and each Emirate entered into separate treaties with the British. The Emirates were then collectively known as the Trucial States or Sheikhdoms.

Climate

The climate is characterised by hot and humid summers with temperatures reaching 48°C (118°F) and mild winters with minimum rainfall. The average annual temperature is approximately 24°C (75°F).
**Political System**

There are no elections or legal political parties in the UAE. Power rests with the seven hereditary Sheikhs - also known as Emirs, and hence the area ruled by an Emir is known as an Emirate - who controls the seven traditional sheikhdoms (Abu Dhabi, Dubai, Sharjah, Ajman, Umm Al Quwain, Ras Al Khaimah and Fujairah - each Emirate is named after its principal town) and choose a president from among themselves. Since 1971, the ruler of Abu Dhabi, Sheikh Zayed Bin Sultan Al Nahyan, had been the President. He was re-elected to his fourth consecutive term in late 1991 by his colleagues on the Supreme Council of Rulers “the highest body in the country”, which usually meets informally.

Sheikh Khalifa Bin Zayed Al Nahyan was elected as the President after the death of his father in November 2004. The Deputy Prime Minister is Sheikh Sultan Bin Zayed Al Nahyan. The Vice President and Prime Minister is the ruler of Dubai, HH Sheikh Mohammad Bin Rashid Al Maktoum. In 2008, HH Sheikh Mohammad appointed Sheikh Hamdan Bin Mohammad Bin Rashid Al Maktoum as Dubai Crown Prince and Sheikh Maktoum Bin Mohammad Bin Rashid Al Maktoum as Deputy Ruler of Dubai. There is also a Cabinet, and its posts are distributed among the seven Emirates. (The members of the Cabinet are the government ministers, such as Minister of the Interior, etc.)

The Supreme Commander of the Armed Forces is the President. The Minister of Defence is Sheikh Mohammed Bin Rashid Al Maktoum.

The parliament is known as the Federal National Council (FNC). It was established on 13th February 1972 and is considered a landmark in the country’s constitutional and legislative process. The FNC advises the Cabinet and the Supreme Council but cannot overrule them. According to the constitution, the FNC consists of 40 members who are drawn proportionately from each of the seven Emirates. Each ruler appoints the members for his Emirate.

The UAE was a founding member of the Gulf Cooperation Council (GCC) created at a summit conference in Abu Dhabi in 1981. The members of the GCC comprise Saudi Arabia, Kuwait, Bahrain, Qatar, the Sultanate of Oman as well as the UAE. The country is also a member of the League of Arab States, the Islamic Conference Organisation and the United Nations.
Legal System

The UAE is essentially a civil law jurisdiction heavily influenced by French, Roman and Islamic laws. The increasing presence of international law firms from Common Law jurisdictions has demonstrated the application of Common Law principles in commercial contracts. This, albeit indirectly, has further influenced the UAE legal system.

A number of codified federal laws have been passed to regulate matters such as labour relations, maritime affairs, commercial transactions, commercial agencies, civil transactions, intellectual property and commercial companies. A number of local laws have also been passed in various areas by individual Emirates.

There are two main types of laws in the UAE, federal and local. The federal laws are applicable to the UAE as a whole and are issued either by the legislative body or by the Ministers of each Ministry by virtue of powers conferred upon them. When a Minister passes a law it is known as a Ministerial Order and should theoretically be referred to as a regulation rather than a law.

Local decrees and orders only apply to a particular Emirate. A local decree is passed by the Ruler or Crown Prince of a particular Emirate and a local order is issued by a member of the Royal Family of that Emirate.

Population and Social Patterns

The total population of the UAE as of 2007 was estimated to be 4.40 million. The Emirates have a common cultural heritage but the tribal links are very strong within each Emirate. Abu Dhabi is ruled by the Al Nahyan family, which belongs to the Bani Yas tribe. Dubai is ruled by the Al Maktoum family, which belongs to the Al Bu Falasah tribe.

The other Emirates are also ruled by various families, which belong to powerful tribes of the respective regions.

The three most populated Emirates are Abu Dhabi, Dubai and Sharjah; approximately 85% of the total population belongs to these Emirates.

The official language is Arabic, and all communications with the government must be
in Arabic, although among the expatriate communities various other tongues can be heard. Foreigners will find that English and Hindi / Urdu are widely understood. English is used for all written communication between businesses.
Economy

The GDP per capita for the year 2007 is estimated to be US$ 43,698.

Total GDP for the year 2007 was estimated at AED 698 billion of which the non-oil sector to attract investments of expertise and capital, the governments of the individual Emirates contributed AED 437 billion. Estimates for GDP in 2008 are AED 785.8 billion with non-oil seek to provide an attractive business environment. The GDP by sector for 2005, 2006 and 2007 is as follows:

(AED Million/At Current Prices)

<table>
<thead>
<tr>
<th>SECTORS</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>The Non-Financial Corporations Sector:</td>
<td>427,364</td>
<td>531,185</td>
<td>618,738</td>
</tr>
<tr>
<td>Agriculture, Live Stock and Fishing</td>
<td>11,028</td>
<td>12,241</td>
<td>14,259</td>
</tr>
<tr>
<td>Mining and Quarrying</td>
<td>174,114</td>
<td>224,552</td>
<td>261,564</td>
</tr>
<tr>
<td>*Crude Oil and Natural Gas</td>
<td>173,195</td>
<td>223,422</td>
<td>260,247</td>
</tr>
<tr>
<td>*Quarrying</td>
<td>919</td>
<td>1,130</td>
<td>1,317</td>
</tr>
<tr>
<td>Manufacturing Industries</td>
<td>61,994</td>
<td>73,433</td>
<td>85,536</td>
</tr>
<tr>
<td>Electricity, Gas and Water</td>
<td>7,935</td>
<td>9,522</td>
<td>11,091</td>
</tr>
<tr>
<td>Construction</td>
<td>34,980</td>
<td>45,124</td>
<td>52,561</td>
</tr>
<tr>
<td>Wholesale, Retail Trade and Repairing Services</td>
<td>52,998</td>
<td>62,538</td>
<td>72,845</td>
</tr>
<tr>
<td>Restaurants and Hotels</td>
<td>8,946</td>
<td>10,431</td>
<td>12,151</td>
</tr>
<tr>
<td>Transports, Storage and Communication</td>
<td>32,642</td>
<td>38,517</td>
<td>44,866</td>
</tr>
<tr>
<td>Real Estate and Business Services</td>
<td>35,920</td>
<td>46,121</td>
<td>53,723</td>
</tr>
<tr>
<td>Social and Personal Services</td>
<td>7,607</td>
<td>8,706</td>
<td>10,142</td>
</tr>
<tr>
<td>The Financial Corporation Sector</td>
<td>28,426</td>
<td>35,674</td>
<td>41,554</td>
</tr>
<tr>
<td>Government Services Sector</td>
<td>34,735</td>
<td>39,025</td>
<td>45,458</td>
</tr>
<tr>
<td>Domestic Services of Households</td>
<td>2,382</td>
<td>2,627</td>
<td>3,060</td>
</tr>
<tr>
<td>Less :Imputed Bank Services</td>
<td>7,395</td>
<td>9,280</td>
<td>10,810</td>
</tr>
<tr>
<td>TOTAL</td>
<td>485,512</td>
<td>599,231</td>
<td>698,000</td>
</tr>
<tr>
<td>Total of Non-Oil Sectors</td>
<td>312,317</td>
<td>375,810</td>
<td>437,753</td>
</tr>
</tbody>
</table>
Petroleum dominates the economy of the UAE. At one time an underdeveloped area, by 1985 the region had the highest per capita income in the world US$19,120. The immense wealth has been invested in capital improvements and social services in all seven of the Emirates. Petroleum production is centered in Abu Dhabi and Dubai.

Industrial development is essentially petroleum related and is limited by a lack of trained personnel and raw materials.

To attract investments of expertise and capital, the governments of the individual Emirates seek to provide an attractive business environment. The following are some of the principle features of the economic and business environment in the UAE:

- A coordinated infrastructure that provides all essential utilities to the major centres;
- Excellent communication systems;
- A virtual absence of taxation;
- A well-structured financial sector with no exchange control regulations;
- Free Trade Zones that ensure ease of registration and efficient operating , and
- An attractive social environment, including modern educational, medical and recreational facilities.

Financial Sector

A total of 51 banks with over 768 branches, including 28 locally incorporated foreign banks, have substantially increased aggregate assets, total assets and unclassified assets. Significant growth has also come about in domestic credit and investments, foreign assets, cash and deposits.

The UAE Central Bank

Established in 1980, the UAE Central bank is the main regulatory and supervisory body in the banking industry. It has the power to implement banking policy with regard to directing monetary credits taking into account the UAE’s general policy.

The UAE’s banking and monetary system has made significant progress in recent years due to the Central Bank’s increasingly strict control of financial institutions. In particular, 1998 was a year of impressive growth in the banking sector, attributable to some extent
to adherence to the guidelines laid down by the Central Bank. In the last ten years, the Central Bank has played an important role in supervising the banking industry and has contributed in a measurable way to improving the quality of services and performance of a number of banks.

The Central Bank commitment to creating a stable economic framework ensures that prosperity reaches all the residents in the country. Its relentless efforts are largely Oil and Gas responsible for the emergence of UAE banks as forces to reckon with in the Gulf Region.

UAE Anti Money Laundering Law

The UAE, in compliance with the 1988 United Nations Convention has promulgated a law making money laundering illegal in the State. The law has identified the illegal acts from which income maybe derived. These include narcotics and psychotropic substances; kidnapping, piracy and terrorism; offences committed in violation of environmental law; illicit dealing in firearms and ammunition; bribery, embezzlement and damage to public property; fraud, breach of trust and related offences; and any other related offences stated in the international conventions to which the State is a party.

In the recent global stand taken against terrorism, one of the main components is tracking of funds that support terrorist activities. The enactment of this component in the law adopted in the UAE, which includes proceeds to fund terrorist activities, sets the stage for the UAE to assist in the global fight against terrorism.

Industry

The UAE has the third largest oil reserves in the world. However, oil contributes only one-third of the total GDP.

The UAE’s ideal location - situated at the crossroads of East and West, its long coastline, its sunny climate, its natural beauty and the literacy level and hospitality of its people all augur well for its continued growth.

The Government is very keen to develop non-oil manufacturing in pursuit of its policy of controlled economic diversification. The establishment of high technology and
capital intensive industries manufacturing high value products, while protecting and maintaining the environment, forms the basis of the Government’s strategy towards promoting industrial growth.

Diversification has involved a number of highly imaginative and innovative developments aimed at encouraging investors to establish their enterprises in the UAE and at assisting local business people in making the most of what the UAE offers in terms of infrastructure and other support mechanisms.

**Oil and Gas**

According to Oil & Gas Journal (OGJ), the UAE’s proven oil reserves were 97.6 billion barrels as of January 1, 2007. Abu Dhabi leads the other emirates with 92.2 billion barrels followed by Dubai with 4 billion barrels, Sharjah with 1.5 billion barrels, and Ras Al Khaimah with 500 million barrels. The UAE oil reserves account for 8.5 percent of total world reserves, most of which are located in Abu Dhabi. The Zakum oil field is the largest in the country, and the third largest in the Middle East, with an estimated 66 billion proven barrels.

According to the Oil and Gas journal, the UAE’s proven natural gas reserves were 214 trillion cubic feet as of January 2007. UAE holds the fourth largest proven natural gas reserves in the Middle East after Iran, Qatar, and Saudi Arabia.

Since the first oil flow from the Umm Al Shaif offshore field in 1962, the country has witnessed tremendous growth and development. Oil revenues are, to a large extent, responsible for the superb transformation of the country and the prosperity it enjoys.

A considerable amount of investment is being allocated to the energy sector to improve production, especially of gas and to develop other related industries.

The UAE’s pricing policy, based on a genuine desire to help stabilise the oil market, is formulated through co-operation with fellow Organisation of Petroleum Exporting Countries (OPEC) members, the GCC and Arab countries. Production is limited by quotas agreed within the framework of OPEC.
Construction

Whilst the share of construction sector in total GDP has grown from around 11% in the seventies to nearly 20% in 2007, its size has grown in absolute terms as judged from the value added as well as number of people employed in the sector. This sector is one of the principal reasons behind the growth of non oil sectors in the UAE.

Public sector spending has dominated the construction industry in the past. However, as of today, the private sector has emerged as one of the key drivers of the construction industry.

According to the Ministry of Planning, the number of people employed by the construction sector in the UAE has increased from 262,790 in 1999 to 335,615 in 2005 and continues to grow. The construction sector is one of the highest employing sectors in Dubai, along with the trade and manufacturing sectors.

The construction sector has been facing delays due to shortages in availability of labour, materials etc. Inflation has also been one of the factors severely impacting cash flows of the contracting companies. Cement and steel the key raw materials for construction activity have more than doubled since 2005 levels. Looking to the large number of projects in the pipeline, the contribution of the construction sector to the UAE GDP is expected to increase at a stable rate.

Real Estate

Liberation of property ownership is just one of the factors contributing to the UAE’s booming property market. The total value of real estate deals is rising, particularly in Dubai. During 2007, real estate transactions amounted to over AED 120.16 billion, compared with AED 23.60 billion in 2005. The total number of deals also increased from 5,028 to 7,962 over the same period according to figures published by the Dubai Land Department. Increased transaction and higher prices for prime real estate areas have accounted for an increase in overall land values. The years 2005 and 2006 have seen a huge increase of activity in this sector as investors started realizing higher yields from their property as compared to other avenues.

Abu Dhabi has recently launched a number of large scale real estate projects aggregating to more than US$ 200 billion including Saadiyat Island, Suwwah Island,
Yas Island, Al Raha Beach, Al Reem Island etc. In total, the UAE has real estate projects estimated at US$ 700 billion which is almost 4 times its GDP in 2007.

**Manufacturing**

The UAE has pumped nearly AED 29 billion into manufacturing projects over the past four years and most of the investments have been made by Abu Dhabi.

Food, beverages and tobacco had the lion’s share of the investments, while chemicals, metals and minerals remained a key target of the country’s drive to expand its industrial base and lessen reliance on volatile oil sales.

Official figures showed the new investments covered more than 1,000 projects and national investors controlled nearly 85 per cent of the cumulative industrial capital of around AED 72 billion at the end of 2007.

From nearly AED 43.6 billion at the end of 2003, total investments in the UAE’s non-oil industrial sector surged to AED 72.6 billion at the end of 2007, an increase of AED 29 billion, figures published in the Ministry of Finance and Industry’s 2008 Statistical Industrial Book showed.

**Information Technology**

The UAE’s IT sector has taken off since the opening of the Dubai Internet City (DIC), the first complete Information Technology and Telecommunications centre in the world to have been built inside a free trade zone.

The DIC offers modern, ready-to-operate, fully serviced office space catering to the specific needs of today’s new economy companies. These offices offer cutting edge technology and provide both wired and wireless networks. The DIC offers a huge array of benefits including tax-free environment, 100% foreign ownership, 50-year renewable lease and a single window for all government clearances.

DIC presently has over one and a half million square feet of prime commercial office space, and there are over 850 companies with over 10,000 workers based in it. DIC features a dynamic international community of Information and Communications Technology (ICT) companies including global giants like Microsoft, Cisco Systems,
IBM, HP, Dell, Siemens, Sun Microsystems, Computer Associates, PeopleSoft and Sony Ericsson. Many small and medium businesses (SMBs) and promising entrepreneurial ventures are also part of the community. The cluster comprises companies from a variety of sectors - Software Development, Business Services, Web Based and e-Commerce, Consultancy, Sales and Marketing and Back Office.

Tourism

The sun, sea, beaches, shopping facilities, dramatic scenery, superb hotel accommodation and cuisine, excellent sports and leisure facilities and the warmth and hospitality of its people all combine to make the United Arab Emirates a popular tourist destination.

The country has made substantial investments in this sector and has a fun-filled annual calendar of events. The Dubai Shopping Festival, the Dubai Summer Surprises, the Abu Dhabi Shopping Festival, the Sharjah Ramadan Festival and several other fairs, exhibitions, museums, parks and sporting events all combine to ensure that tourists have a great time. Tourism is no doubt, succeeding in making a significant contribution to the overall diversification programs, having become one of the most important economic sectors in terms of growth.

The UAE is one of the easiest Middle East countries to visit and visas are easily obtained. A very diverse, friendly and helpful population, keeps alive the traditional values of generosity and hospitality. Traditional sports such as camel racing, horse racing and boat racing coupled with pearl diving, falconry, camp-outs in the desert, gold souqs, spice souqs and wind towers all offer tourists an Arabian Experience.

Traditional Arab hospitality and a delightful winter climate complemented by a highly sophisticated infrastructure and crime-free environment, have also contributed in recent years to creating an ideal atmosphere for the development of tourism. The UAE is also endowed with an extensive coastline, sandy beaches and varied landscape, where a wide variety of activities can be indulged, ranging from powerboat races to sand-skiing.

The UAE has also become a much sought after venue for conferences, regional and international exhibitions and major sports events such as the Dubai World Cup, the Dubai Desert Classic Golf Tournament, and polo and cricket competitions.
UAE Stock Exchanges

UAE has three official stock exchanges viz; The Dubai Financial Market established in March 2000, and the Abu Dhabi Securities Market established later on in November 2000 and the Dubai International Financial Exchange (DIFX) which commenced business in 2004. The first two exchanges operate as a secondary market for trading of securities issued by the public shareholding companies, bonds issued by the local or the federal government, public institutions and financial and investment institutions. The main objective of the exchanges is to create a fair, efficient and transparent market place that serves the interest of the national economy.

Both the exchanges are fully integrated and have automated systems, which ensure speed and accuracy in the transfer of share ownership. The individuals and firms, who have been authorized by the UAE Central Bank to carry out brokerage services, can apply for a license at the stock exchanges. Currently there are more than 120 companies listed and traded on the stock exchanges.

NASDAQ Dubai [Formerly known as The Dubai International Financial Exchange (DIFX)]

The NASDAQ Dubai (DIFX) is located in the Dubai International Financial Centre (DIFC), a financial free zone. Th DIFC opened for business in 2004. Financial activities in the DIFC are governed to international standards by an independent regulator, the Dubai Financial Services Authority (DFSA). The NASDAQ Dubai has a license from the DFSA to operate an exchange. The President of the DIFC is His Highness Sheikh Mohammed Bin Rashid Al Maktoum, the UAE Vice President, Prime Minister and Ruler of Dubai. It opened in September 2005.

The exchange opened with four member banks - CSFB, Deutsche Bank, HSBC and UBS. It currently has 22 member firms including market heavyweights like Citigroup, ABN AMRO, Barclays, JP Morgan Securities and Morgan Stanley. For international investors, the NASDAQ Dubai is the main gateway to opportunities in the Gulf Cooperation Council states and the rest of the Middle East and North Africa, as well as, South Africa, Turkey, Central Asia and the Indian sub-continent.

For issuers of shares and other securities in these areas, the exchange offers increased market visibility, unprecedented access to regional and global capital and the ability to
sustain fair valuation. The trading hours of the NASDAQ Dubai are from 2pm to 5pm (10am to 1pm GMT) from Monday to Friday. There are 15 scrips currently listed on the NASDAQ Dubai.

The NASDAQ Dubai intends to become the platform of choice in its region for a range of:
- Equities
- Bonds
- Funds
- Islamic Products
- Index Products
- Derivatives

**Investment Climate**

In general, the government seeks to provide a free-market economy with minimal regulatory restrictions. To attract foreign and local investment, the federal government and the governments of the individual Emirates have developed a modern and sophisticated infrastructure and provide a business environment largely free of taxation and exchange controls. In addition, the UAE in recent years has signed double tax and investment protection treaties with several countries.

The laws and regulations governing foreign investment in the United Arab Emirates are conducive to foreign investment. Although important tariffs in the UAE stand at 5%, over 75% of imports still enter the UAE duty-free, and there are no tariffs on exports. Each Emirate has its own customs authority, while a national committee formulates general policies.

The 2007 report by Canada’s Fraser Institute ranks 141 countries based on 42 criteria of how well they encourage freedom in economic policies such as tax rates, property laws, labour laws and government interference. Gulf economies, of which the UAE is the most open to foreign investment, have surged on a tripling in oil prices in the last five years, encouraging regional and global companies, especially in financial services, to expand their presence.

Dubai has attracted investment by setting up tax-free zones, including a financial services business park. It also opened up its real estate sector to foreign investment in 2002. The UAE came in fifth place globally in the ‘freedom to trade internationally’ category, compared with ranks of 18 and 25 in Germany and the US, respectively.

UAE’s Foreign Investment Law, which is being drafted by the Ministry of Economy as per the mandate given by the Cabinet, will seek to promote a favourable investment
climate and create more job opportunities. The UAE has made significant strides in foreign direct investment performance over the last several years. As one of the lowest taxed countries in the world, with no corporate or income taxes and no sales tax, the UAE has become a lucrative location for FDI vis-a-vis other regional and international countries.

Foreign companies investing in the UAE can benefit from cost efficiencies in power, gas and water. Low tariffs, low currency risk, extremely low financial risk, no restrictions on repatriation of profits or capital, and numerous double taxation agreements are the attractive features of the UAE as an FDI destination.
Trade Policy

Imports and Exports

Imports are quota free but must be licensed by the Ministry of Commerce and Industry. Customs duties are administered by the Department of Customs. In the case of companies an import license is granted only when the UAE owned share capital is not less than 51%. There is 100% import duty on alcoholic beverages and 50% import duty on tobacco products. Most foodstuff items and books are exempted. Machinery, equipment and raw materials may also be exempted under the Law for Organisation of Encouragement of Industry or when imported by the companies engaged in activities designated as Economic Development Projects. All imports must be handled by registered UAE agents.

There are no restrictions on exports, except for items of historical value, which are subject to permission from the Ministry of Culture and Heritage. There are no export duties.

Trade with Israel is prohibited.

Customs Duties

The UAE has a unified customs duty rate of 5% on dutiable imports. The duty is levied on the basis of the cost, insurance and freight (CIF) value of the imported goods as evidenced by the manufacturer’s or supplier’s invoice.

Special Investment Opportunities

The UAE imposes virtually no foreign exchange restrictions. Equity capital, debt capital, interest, dividends, branch profits, royalties, management and technical service fees and personal savings may be freely remitted abroad.
The government does not impose debt-to-equity ratio requirements on corporations. The UAE has created several free trade zones. Foreign companies establishing businesses in the free trade zones are offered special concessions, including exemption from the requirement of having local ownership or a local sponsor.
Structure of Business Entities

Federal Commercial Company Law

Until 1984, the UAE did not have a federal commercial company Law. Instead, the government of each Emirate formulated practices and procedures concerning the establishment of business organizations within its Emirate.

As a result of the absence of codified commercial legislation, Federal Commercial Company Law No. 8 of 1984 was promulgated and implemented in full in early 1993.

Under the Commercial Companies Law, Federal Law No. 8 of 1984, UAE nationals must own a minimum of 51% of all public and private shareholding companies and limited liability companies. In practice, many public and private shareholding companies, especially those engaged in insurance and banking, are expected to be wholly owned by UAE nationals, and defines seven categories of business organisation, which can be established in the UAE. It sets out the requirements in terms of shareholders, directors, minimum capital levels and incorporation procedures. It further lays down provisions governing conversion, merger and dissolution of companies.

The various categories of business organisation defined by the law are:

- Public Shareholding Company
- Private Shareholding Company
- Limited Liability Company
- General Partnership Company
- Limited Partnership Companies
- Partnership Limited by shares
- Partnership-en-commandite
- Joint Ventures
- Sole Proprietorships
- Branches of Foreign Companies
- Representative Offices of Foreign Companies
Partnership companies are limited to UAE nationals only. The Dubai government does not presently encourage the establishment of partnerships-en-commandite or share partnership companies.

The Commercial Agencies Law restricts commercial agencies to UAE nationals or companies owned wholly by UAE nationals.

**Public and Private Shareholding Companies**

The law stipulates that companies engaging in banking, insurance or financial activities should be run as public shareholding companies. Foreign banks, insurance and financial companies, however, can establish a presence in Dubai by opening a branch or representative office.

Shareholding companies are suitable primarily for large projects or operations, since the minimum capital required is AED 10 million (US$ 2.725 million) for a public company, and AED 2 million (US$ 0.545 million) for a private shareholding company. The chairman and a majority of directors must be UAE nationals and there is less flexibility of profit distribution than is permissible in the case of limited liability companies.

**Limited Liability Companies**

A popular, and frequently, the most appropriate method of establishing a business in the UAE by foreign investors is to form a Limited Liability Company (LLC).

A Limited Liability Company can be formed by a minimum of two and a maximum of fifty persons whose liability is limited to their shares in the company’s capital. Such companies are recognised as offering a suitable structure for organizations interested in developing a long-term relationship in the local market.

The legal minimum share capital is AED 150,000. However, in Dubai, the minimum capital is currently AED 300,000 contributed in cash or in kind. While foreign equity in the company may not exceed 49%, profit and loss distribution can be prescribed. Responsibility for the management of a Limited Liability Company can be vested in the foreign or national partners or a third party.
No LLC may engage in insurance or banking or investment of money on behalf of others. The names and holdings of all shareholders are a matter of public record.

**General Partnerships**

A General Partnership is formed by two or more UAE nationals who are jointly and severally liable for the partnership’s debts. No names other than those of the actual partners may be included in a partnership’s name.

A partnership interest may be transferred only with the approval of all partners or in accordance with conditions stated in the partnership agreement. The management of the partnership must rest with one or more managers who must be natural persons and who may or may not be partners.

A partnership is dissolved on the death, insanity, bankruptcy or withdrawal of one of its partners, unless the remaining partners decide unanimously to continue the partnership and their decision is registered in the commercial register.

**Limited Partnerships**

A limited partnership comprises one or more general partners who are jointly and severally liable for the partnership’s debts and one or more limited partners whose liability for the partnership’s debts is limited to their contribution to the partnership’s capital. No minimum capital contribution is required by the law. All general partners must be UAE nationals. A limited partner may not participate in the management or act in the name of the partnership. The death, insanity, bankruptcy, withdrawal or dismissal of a limited partner does not result in the dissolution of the partnership unless otherwise provided in the partnership agreement.

**Partnership Limited by Shares**

A partnership limited by shares is a company that has both general partners with unlimited liability and partners whose liability is limited by the value of the share capital for which they have subscribed. The company must have a minimum capital of AED 500,000. General partners in partnerships limited by shares must be UAE nationals. An annual audit is required.
Joint Venture Company

A joint venture is a contractual agreement between a foreign party and a local party licensed to engage in the desired activity. The local equity participation in the joint venture must be at least 51%, but the profit and loss distribution can be prescribed. There is no need to license the joint venture or publish the agreement. The foreign partner deals with third parties under the name of the local partner who - unless the agreement is publicised - bears all liability. In practice, joint ventures are seen as offering a suitable structure for companies working together on specific projects.

Branch Office of a Foreign Company

A very popular way for foreign companies to benefit from 100% foreign ownership is to open a branch office of the parent company. A branch office is legally regarded as part of its parent company and does not have a separate legal identity from that of its parent company. Therefore, the name of the branch office will be the same as that of the parent company.

Branch offices are nevertheless required to have a UAE national as a service agent. Only UAE nationals or companies 100% owned by UAE nationals may be appointed as local service agents (which should not be confused with the term “commercial agent”). Local agents are not involved in the operations of the company but assist in obtaining visas, labour cards, etc and are paid a lump sum and/or a percentage of profits or turnover.

One of the conditions for establishing a branch office in the UAE is that it may only be engaged in activities similar to those of the parent company. It is important to note that a branch office is permitted to carry on the business of importing products of its parent company, provided that the parent company is involved in the manufacture of such products.

Representative Offices of Foreign Companies

A representative office of a foreign company is legally distinct from the branch office in that the former is only allowed to promote its parent company’s activities. Therefore, if a parent company deals in the sale and / or production of certain products, if it opens a representative office in the UAE, the office will only be able to promote the sale or
production of such products and facilitate contacts in the UAE, as distinct from a branch office, which can conduct their sale or production itself.

In addition to the above limitations, representative offices have other restrictions in that they are not allowed to obtain credit facilities or put forward offers.

As in the case of a branch office, it is necessary when establishing a representative office to appoint a local service agent.

**Sole Proprietorships**

In setting up a professional firm, 100% foreign ownership, sole proprietorships or civil companies are permitted. Such firms may engage in professional or artisan activities but the number of staff members that may be employed is limited. A UAE national must be appointed as local service agent but he has no direct involvement in the business and is paid a lump sum and/or percentage of profits or turnover. The role of the local service agent is to assist in obtaining licenses, visas, labour cards, etc.

**Establishing a Business**

A business must be registered with the municipality or the relevant Economic Department and the Chamber of Commerce of each Emirate in which activities of the business are conducted, and with the ministry of Economy and Commerce. In addition, the following businesses require approval from the specified federal ministries and agencies:

- Banks, financial institutions and exchange companies must obtain approval from the Central Bank
- Insurance Companies and related agencies must obtain approval from the Commissioner of Insurance at the Ministry of Economy and Commerce
- Manufacturing businesses must be approved by the Ministry of Finance and Industry
- Medicinal products must be approved by the Ministry of Health
- Printing, Publishing & Broadcasting activities must be approved by the Ministry of Information & Culture
- Educational activities are governed by the Ministry of Education
Special procedures apply in each Emirate regarding registration of businesses engaged in oil and gas production and related industries.

The requirements for registering a company, including the time required, fees payable, number of shareholders and minimum capital depend on the particular type of business entity being established.

**Annual Requirements for Businesses**

All companies must renew their registration with the Ministry of Economy, Municipality or Economic Department and the Chamber of Commerce annually. Registration fees are levied and vary according to the type of entity being registered and the government authority concerned.

Companies engaged in the oil, gas and petrochemical sector and banks are the only entities required to file tax returns. However, the following businesses must have their accounts audited annually:

- Banks (local banks and branches of foreign banks)
- Insurance companies and agencies
- Public and private shareholding companies
- Limited liability companies
- Branches of foreign companies
- Partnerships limited by shares
- Other companies whose articles require annual audits
Licensing

Types of Licenses

The basic requirement to conduct business activity in the UAE is to obtain one of the following three categories of licenses:

Trade Licenses

Are the licenses under which the natural or juridical person is licensed to practice any trade activity for the purpose of profit making through buying and selling of goods and services. These licenses are given to (for example) wholesale or retail trade enterprises, financial consulting offices, banks, insurance companies, contractors, hotels, transport and storing establishments.

Industrial Licenses

Are the licenses under which the natural or juridical person is licensed to practice any investment activity the object of which is to discover natural resources or to transform raw materials in terms of its structure or appearance into manufactured or semi-manufactured products, or to transform the semi-manufactured products into fully manufactured products by using mechanical power, and segregate the products, filling, assembling or packing them.

Professional Licenses

Are the licenses under which the natural or juridical person is licensed to practice any profession in which he depends on his physical or mental efforts rather than depending on a cash capital. This license is given to practice some professions such as auditing, consultancy services and studies, business, medical and educational services as well as other personal services.
These licenses are all issued by the Economic Department or similar nominated Department of the respective Emirate. However, licenses for some categories of business require approval from certain ministries and other authorities: for example, banks and financial institutions from the Central Bank of the UAE; insurance companies and related agencies from the Ministry of Economy and Commerce; manufacturing from the Ministry of Finance and Industry; pharmaceutical and medical products from the Ministry of Health.

More detailed procedures apply to businesses engaged in oil or gas production and related industries.

Practising some trade activities (e.g. jewellery and insurance) requires the submission of a financial guarantee issued by a bank operating in the UAE.

Completion of Licensing Procedure for Practicing Business Activities

Licensing procedures for business projects involve the following:

A. Selection of the Legal Form

Suitable for the business project as per the type of business activity, which will be practiced, the amount of invested capital and other important considerations already referred to in this section in the light of which the firm's deed is prepared, signed by the concerned parties and attested by the Notary Public.

B. Obtaining Special Approval

This applies to certain activities, which require obtaining special approvals from some competent authorities. If the required activity is conducting ordinary business, procedure of licensing may be started without the need for obtaining any such special approval.

C. Submission of License Application

The applicant, whether an individual or representative of a company under incorporation, shall submit to the Department of Economic Development the application duly filled in
with all the particulars indicated in the required forms. The necessary documents should also be attached to the application as per the legal form to be assumed by the firm. The procedure in the Department involves a lot of measures, which may be summarized as follows:

Receipt of the application, checking of the same, initial approval, preparation of business site, technical inspection, checking and fees payment. The applicant shall then be given two sealed copies of the license, one to be used for inscription in the Commercial Register and the other for registration with the Dubai Chamber of Commerce & Industry.

Inscription in the Commercial Register

Articles 2 & 5 of Federal Law No. 5 of 1975 concerning the Commercial Register stipulate that every merchant, branch manager, managers of commercial companies and the agents of foreign companies must inscribe their companies in the Commercial Register in accordance with the terms and conditions determined by the law.

Here is a statement of the types of activities, which must be inscribed in the Register and those, which are not subject to this inscription.

A. Firms which must be Inscribed in the Commercial Register

These are the companies which practice business activities such as agricultural works, fishing, discovery of natural resources, industry related activities, activities related to electricity production, gas and water, construction, building and contracting activities, wholesale and retail traders, supermarkets, department stores, trade related services, machines and equipment hiring, hotels, showrooms, transport, storage and communication, finance, insurance and real estate.

B. Firms not subject to Inscription in the Commercial Register

These are the firms which practice professional activities such as services, legal consultants, accountants, engineering, architectural and technical consultants, administrative and economic services and consultations, other services such as photocopying, translation, shorthand, advertising, companies management, secretarial, exhibition organizers, public cleaning services, social services, education and social
welfare, medical and health services, veterinary services, cultural and recreational services as well as personal and domestic services.
Free Zones in the UAE

Major Advantages

Establishing a business entity in one of the UAE’s Free Trade Zones (FTZs) can be an attractive option for foreign investors. To date the free zones have been successful in attracting a large number of companies and foreign direct investment, as well as expanding net non-oil exports.

The UAE free zones have been among the strong pillars of the country’s economic performance attracting much foreign investments, creating thousands of jobs, and facilitating the needed technology transfer of technology into the country. Together, the free zones account for more than half of the country’s non-oil exports and underpin the UAE’s ranking as the third most important re-export centre in the world.

The major advantages in setting up in a free zone include:

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<th>Advantage</th>
<th>Description</th>
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<tr>
<td>100% foreign ownership</td>
<td>Full repatriation of capital &amp; profits</td>
</tr>
<tr>
<td>100% tax exemption</td>
<td>Extended leases</td>
</tr>
<tr>
<td>Quick approval procedures</td>
<td>Abundant &amp; inexpensive energy</td>
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An independent Free Zone Authority (FZA) governs each free zone, and is the agency responsible for issuing FTZ operating licenses and assisting companies with establishing their business in the FTZ.

Investors can either register a new company in the form of a Free Zone Establishment (FZE) / Free Zone Company (FZCO) or simply establish a branch or representative office of their existing or parent company based within the UAE or abroad. An FZE is a limited liability establishment, incorporated in a Free Zone, owned by one natural or juridical person, whereas an FZCO is a limited liability company incorporated in a Free Zone by more than one shareholder, generally up to five. FZE/FZCOs are governed by the rules and regulations of the Free Zone in which they are established. There is a minimum
capital requirement for an FZE/FZCO ranging from AED 150,000 to AED 1,000,000 depending upon the selected Free Zone. Under Federal Law No. 15 of 1998, except for acquiring nationality in the UAE, the provisions of the Commercial Company Law do not apply to FZEes / FZCOs, provided that the Free Zones have special provisions regulating such companies.

**FTZ Licenses**

Once a legal presence has been established in the Free Zone, the business will need to lease premises or land and acquire an operating license from the FZA. Different types of licenses apply in the different types of free zones, however, in general companies with trade and industrial licenses can only conduct business within the Free Zone or abroad. To sell their products in the UAE, a UAE official agent is required. Services and products can be obtained from and within the UAE without an agent.

Other types of license available are service licenses (e.g. banking, insurance, air shipment etc) and national industrial licenses. For the former the services offered must be the same as those stipulated in the parent company’s license in the UAE or abroad. The share capital of a company applying for a national industrial license must be at least 51% GCC and 40 % of the sale value of the product must be value-added in the UAE.

These licenses can be renewed annually as long as a lease agreement is in force with the FTZ.

**Procedures for setting up a company in the Free Trade Zone**

The procedures for establishing a business in any Free Trade Zone are a specialized process. An investor is required to fill out a questionnaire from the relevant Free Zone Authority, which will assist in assessing the company’s requirements.

Having submitted the questionnaire, the authorities will give a license application, planning documents, and a consumer request for electricity. Provisional approval is given along with a specimen lease agreement. After the company representative and the authority have met and finalized details of the project, the actual documents, which will include company or personal details, are speedily processed.
Synopsis of various Free Zones in the UAE

Given hereunder is a synopsis of some of the Free Zones in the UAE along with their unique characteristics:

Given hereunder are the various Free Zones established in the Emirate of Dubai:

| 1. Jebel Ali Free Zone                           | 14. Dubai Multi Commodities Center                      |
| 2. Dubai Cars & Automotive Zone                  | 15. Jumeirah Lake Towers                                |
| 3. Gold & Diamond Park                           | 16. Dubai Flower City                                   |
| 4. Techno Park                                   | 17. Dubai Airport Free Zone                             |
| 5. Dubai Internet City - Tecom                    | 18. Dubai Healthcare City                               |
| 6. Dubai Media City - Tecom                       | 19. Dubai Silicon Oasis                                 |
| 7. Dubai Studio City - Tecom                      | 20. Dubai International Financial Center                |
| 8. Int’l Media Production Zone - Tecom            | 21. International Humanitarian City                    |
| 9. Knowledge Village - Tecom                      | 22. Dubai Logistics City                                |
| 10. Dubai International Academic City - Tecom    | 23. Dubai Maritime City                                 |
| 11. Dubai Outsource Zone - Tecom                  | 24. Dubai Textile City                                  |
| 12. Energy & Environment Park - Tecom             | 25. Heavy Equipment & Trucks City                       |

Given hereunder are the various Free Zones established in the Emirate of Sharjah and the Northern Emirates:-

| 1. Sharjah Airport Free Zone                   | 5. Fujairah Media Zone / Creative City                   |
| 2. Hamriyah Free Zone                          | 6. Ahmed Bin Rashid Free Zone (UAQ)                      |
| 3. Ajman Free Zone                             | 7. Ras Al Khaimah Free Zone                             |
| 4. Fujairah Free Zone                          | 8. Rak Media City (RAKIA)                               |

Given hereunder are the various Free Zones established in the Emirate of Abu Dhabi:-

| 1. Abu Dhabi Airport Free Zone                  | 3. Two Four 54                                      |
| 2. Free Trade and Logistics Zone (Taweelah)     |                                                  |
Labour Laws

Federal Labour Law

The Labour Law of the United Arab Emirates is mainly contained in Federal Law No. 8 of 1980 on Regulating Labour Relations, as amended. In addition, there are several Ministerial orders and Cabinet decisions, which provide regulations pertaining to the Labour Law. These collectively cover all aspects regarding employer/employee relations in the UAE and are essential reading for any person wishing to set up business in the UAE.

The Labour Law governs most aspects of employer/employee relations, such as hours of work, leave, termination rights, medical benefits and repatriation. It is protective of employees in general and overrides conflicting contractual provisions agreed under another jurisdiction, unless they are beneficial to the employee. The Ministry issues a model form of labour contract in Arabic which is widely used, but other forms of contract are enforceable, provided they comply with the Labour Law.

Trade unions do not exist. In the case of a dispute between employer and employee, or in interpretation of the Labour Law, the Ministry of Labour and Social Affairs will initially act as an adjudicator, in an effort to resolve matters. If a party wishes to appeal any such decision it can take its case to court. Strikes and lockouts are forbidden.

Working Hours and Holidays

The normal maximum working hours are eight hours per day or forty-eight hours per week. However, these hours may be increased to nine hours daily for people working in the retail trade, hotels, restaurants and other such establishments. Similarly, daily working hours may be reduced for difficult or dangerous jobs. Many businesses work on a two-shift system (for example, 8am - 1pm and 4pm - 7pm). As in all Muslim countries, Friday is the weekly day of rest. In practice, commercial and professional firms work 40-45 hours a week and government ministries about 35. The weekend for office workers
was traditionally Thursday afternoon and Friday, but a number of organizations have changed over to a five-day week with Friday and Saturday as the weekend. During the Muslim holy month of Ramadan, normal working hours are reduced by two hours per day.

There are 10 days of public holidays (paid) in any year. The employee’s annual leave is two days for every month if his service is more than six months and less than a year. In every completed year of service after the first, an employee is entitled to 30 days annual paid leave. This is in addition to public holidays, maternity leave for women and sick leave. Overtime is used extensively and additional pay is required for manual and lower ranking staff.

**Employee Pension and Social Security Benefits**

The Pensions & Social Securities Law, Federal Law No. 7 of 1999, concerns nationals employed in both the public and private sectors. It contains 79 Articles and provides (amongst other things) for certain contributions to be made by the employee and the employer to the Public Authority of Pensions and Social securities. For a person employed in the public sector these contributions are equivalent to 5% of the contributory pension salary to be paid by the employee and 15% of the contributory pension salary payable by the employer. As for the private sector, the Government shall bear 2.5% of the (15%) share payable by the employer as contributions to the Authority.

The Law also provides for the amount to be paid as a pension to eligible nationals on reaching the retirement age of sixty, or disability pension in the case of an employee becoming disabled and thereby unable to work. It further covers the amount of pension payable to beneficiaries on the demise of a secured person.

**Special Requirements for Foreign Nationals**

In order to employ any expatriate employee in the UAE, an application must be made to the Ministry of Labour & Social Affairs. The application has to be approved by the Ministry prior to the employee entering the UAE. It should be noted that new businesses are required to register or open a file with the Ministry before they can recruit staff. In addition to obtaining the Ministry’s approval to employ non-UAE nationals, certain immigration procedures need to be followed as explained below.
After an employer obtains the Ministry’s approval to employ an expatriate the following four steps need to be taken:

1. The sponsor (employer) obtains an employment visa for the employee’s entry into the UAE.

2. The employee undergoes a medical test.

3. A labour card for the employee is obtained from the Ministry of Labour and Social Affairs.

4. A residence permit for the employee is obtained. Residence permits are usually granted for periods of three years; however, the immigration authorities may issue them for lesser periods subject to a minimum of one year.

Where the intended employee is a UAE national, an employment contract may be entered into at any time. Employment contracts for non-nationals must be drawn in the format approved by the Ministry on an application made by the employer. Employment contracts for national employees need not, however, be in writing and the terms and conditions of employment may be proved by any means of proof admissible by law. A labour permit for an expatriate employee will not be issued by the Ministry of Labour unless a formal written labour contract is filed with the Ministry.
Taxation

Taxation of Corporates

Each Emirate has its own decrees on corporate taxation.

With the exception of banks and oil companies no corporate income tax is payable by businesses in the UAE. Oil companies pay up to 55% tax on UAE sourced taxable income whereas banks pay 20% tax on taxable income. The taxable income of banks is as per the audited financial statements whereas that of oil companies is as per the concession agreement. Oil companies also pay royalties on production.

Taxation of Individuals

Individual Income tax is not levied in the UAE.

Withholding Taxes

Withholding taxes are not levied in the UAE.

Municipal Taxes

Municipal taxes are imposed on hotel services at rates ranging from 5% to 10%.

Tax Treaties

In order to increase economic development of the country by encouraging cross border transactions, the Government of the UAE has entered into Tax treaties with several countries including Canada, China, Egypt, France, Germany, India, Pakistan, Poland, Turkey and New Zealand. This would enable the foreign entities to reduce the tax incidence on the UAE sourced income.
UAE has entered into double taxation avoidance agreements (DTAAs) with 47 countries and is in negotiations with at least 15 more countries. A list of Countries with whom the UAE has signed DTAAs is given in Annexure B.
Books of Account

The commercial transactions law (federal Law No. 18 of 1993) provides that a business enterprise must keep such commercial books as the nature and scope of its business requires this. The books of account are to give a true and fair view of the state of affairs of the company.

Method of Accounting

UAE companies are required to maintain their books of account on an accrual basis.

Financial Statements

The following businesses must have their accounts audited annually:

- Banks (local banks and branches of foreign banks)
- Insurance companies and agencies
- Public and private shareholding companies
- Limited liability companies
- Branches of foreign companies
- Partnerships limited by shares
- Other companies whose articles require annual audits

For public shareholding companies, the board of directors is responsible for preparing annual accounts and reports on the activities of the companies during the financial year. A company’s accounts and report on activities must be signed by the chairman and presented by the board of directors to the general meeting. The general meeting must be held within four months after the end of the company’s financial year.

A company’s financial year must be specified in its articles of association.
Accounting Principles

The fundamental accounting concepts include going concern, consistency, prudence, matching and the historical convention.

Accounting practices and principles are not codified in the UAE. Companies generally follow the International Financial Reporting Standards (IFRS) and best industry practices for financial reporting.

Financial Reporting

Federal Commercial Companies Law No. 8 of 1984, together with certain ministerial decisions, requires that public and private shareholding companies, limited liability companies and branches of foreign companies file annual audited financial statements with the Ministry of Economy and Commerce. In certain Emirates, limited liability companies and branches of foreign companies may be required to file audited accounts to renew their trade licenses.

Within three months of their year-end, banks must file with the Central Bank their audited accounts, together with certain other forms and returns as specified by the Central Bank. Insurance companies and agencies must file their audited accounts with the Commissioner of Insurance at the Ministry of Economy and Commerce within four months from the end of their financial year.

The local authorities prescribe that all companies must present their financial statements in accordance with the International Financial Reporting Standards (IFRS).

Accounting Profession

The accounting profession is well represented in the UAE, with most of the large international accounting firms being present in the major centers. The registration of accountants and auditors is governed by Federal Law No. 22 of 1995. The audits required by statute may be undertaken only by auditors who are registered in the Federal Register of Accountants and Auditors.

The Accountants & Auditors Association was established to cope with the overall
economic development in the UAE; particularly in the field of commerce and industry which is manifested in the issuance of all economic legislations. The main objective of the association is to undertake the necessary measures for developing and consolidating the rules and standards for the practice of the profession of accounting and auditing in the country in general.
Entry Visas and Work Permits

The laws governing immigration requirements are mainly contained in Federal Law No. 6 of 1973 regarding the Entry and Residence of Expatriates as amended by Federal Law No. 13 of 1996, the immigration Law.

The general rule regarding foreign visitors to the UAE is that all visitors, except transit passengers who do not leave the airport, citizens of the GCC countries (Qatar, Kuwait, Saudi Arabia, Bahrain and Oman) and British citizens, need to obtain a visa in order to enter the UAE. In order to apply for any visa or permit, it is necessary to obtain the sponsorship of either a UAE resident (who maybe a foreigner) or other legal entities in Dubai such as companies or hotels. If the visa or permit is being arranged by a hotel or local sponsor, it is usually deposited at the airport for collection by the visitor on arrival.

There are several types of visas and permits one may apply for. The type that a person will need will primarily depend on the individual’s purpose of entry into the UAE. Each permit or visa has its own requirements and procedures. However, there are general conditions which all applicants must satisfy in order to obtain a visa or permit, as listed below:

- The applicant must hold a valid passport or document allowing him to enter the country and return to his country of residence
- The official authorities have approved his entry for the purpose sought
- The applicant has a foreign or local sponsor who is resident in the UAE
- The applicant is not banned from entering the UAE
- The applicant has not previously been deported from the UAE, unless special permission has been obtained for his entry.
Business Hours

The official weekend is on Thursdays and Fridays. Some multinationals close on Fridays and Saturdays, to overlap with companies doing business outside of the Arab world. However, most of the smaller private companies only close on Friday, although Thursday may be a half-day.

Government offices open at 7.30 a.m. and close at 2.30 p.m. Private offices tend to keep longer hours, many coming back to work in the evening after an extended mid-day break whilst others are open from 8 a.m. to 6 p.m. Shop hours are similar in their opening times, but remain open until 9-10 pm. Department stores, boutiques, the souks and many food shops remain open on a Friday, apart from Prayer Times (11.30-1.30), while larger shops re-open on a Friday afternoon around 4pm.

During Ramadan most work is accomplished in the early hours of the morning or much later in the evening after the day’s fast is broken (at sunset).

Currency

The monetary unit of the Emirates is the Dirham (Dh or AED), which is divided into 100 fils. Dirham notes are generally issued in denominations of 1000, 500, 200, 100, 50, 20, 10 and 5 while coins are issued in denominations of 1 Dirham and 50, 25, 10 and 5 fils. The Dirham is closely linked to the US Dollar via IMF Special Drawing Rights. For the past several years the government has fixed the UAE Dirham to the US Dollar at a rate of approximately 3.67 UAE Dirhams to 1 US Dollar.

Transportation and Communications

Taxis are the main source of public transportation, although local bus services exist in some Emirates. Rental cars are available, including rental from internal car rental companies. A temporary driving license, which may be obtained through the car rental company, is required.

The UAE currently has seven international airports; the principal ones are located in Abu Dhabi, Dubai and Sharjah. Excellent connections are available to other Middle Eastern countries and most international centers.
Telecommunications and postal facilities provide efficient telephone, facsimile, telex and mail services.

**Property Tax**

A municipal tax is levied in most of the Emirates on annual rent paid on both residential and commercial premises, at varying rates from 2.5% to 10%.

**Education**

All schools in the UAE are regulated by the Ministry of Education. There are private and government run or public schools in the UAE. The major urban centers have private English and American schools staffed by expatriate teachers. In addition, German, French, Japanese and Dutch schools are available. These schools generally provide kindergarten and primary education; although some of the English and American schools provide secondary education as well.

The main university in the UAE is the UAE University in Al Ain. Established in 1977, it offers a wide range of courses taught in the Arabic language.

Other universities in the UAE are the Ajman University, the American University in Dubai and Sharjah. In addition to these universities, there are a number of educational establishments and polytechnics, which offer higher diploma courses and degrees, which are normally taught in the English language, such as the Dubai Polytechnic and Aviation College.

**Dubai Knowledge Village**

Dubai Knowledge Village (DKV or KV) is a Free Zone in Dubai which focuses on educational organizations with a range of companies and services from consultants to universities and training institutes. DKV was launched in September 2003 and has grown rapidly since then. There are universities from a number of countries with a branch in DKV, including Australia, Belgium, Canada, India, Iran, Ireland, Pakistan, Russia, UK; providing educational facilities for students from all nationalities.

DKV has been a very successful initiative, providing expats with many tertiary level
study opportunities. Before DKV was launched, university level education was very limited and most expats (and nationals) sent their children to colleges overseas after finishing secondary school.

**Dubai Academic City (DAC)**

Dubai Academic City (DAC) was established after the successful development of Knowledge Village (DKV / KV) near Dubai Internet City. Its official launch was May 2006. The intention is for Academic City to be a base for schools, colleges and universities, while Knowledge Village will house training institutes and educational service organizations. The DAC area is expected to cover 129 million sq ft and be completed by 2012.

**Dubai International Academic City**

The Dubai International Academic City (DIAC) is contained within DAC. DIAC is the free zone for tertiary institutes. By 2015, DIAC expects to have almost 40,000 students attending 40 different institutes. The DIAC located in the Dubai Academic City is the world’s only Free Zone dedicated to higher education.

A regional base for premier international higher education institutions, DIAC is the world’s first dedicated tertiary cluster development. Spread across an area of 25 million square feet, the DIAC campus provides an intellectually inspiring environment for students and faculty.

This thriving knowledge community was founded as part of a long-term economic strategy to develop the region’s talent pool, to accelerate its move into a knowledge economy.

There are currently 32 international universities of higher learning from diverse regions including USA, Australia, India, Pakistan, Iran, Russia, Belgium, UK and France operating out of DIAC, catering to over 12,000 students.

Eventually, Dubai Academic City will be the place for schools, universities and colleges while Dubai Knowledge Village will be more focused on training institutes and academic support services.
Medical Facilities

Health care in the UAE is very advanced and the services provided by both public and private medical establishments are of high standards. As the medical profession is regulated by the Department of Health, the quality of medical staff has been maintained at a high level. The country provides a subsidized national health service to all its residents who hold a medical card.

Dubai Health Care City

DHCC is a highly regulated institution with a long-term vision for providing for high-quality healthcare, medical education and research in the region. The four entities involved in delivering DHCC’s vision are:
- Dubai Healthcare City Free Zone (DHCC FZ)
- Center for Healthcare Planning and Quality (CPQ)
- Harvard Medical School Dubai Center (HMSDC)
- Dubai Harvard Foundation for Medical Research (DHFMR)

Dubai Healthcare City, the world’s first healthcare free zone, has two complementary communities, namely the Medical Community and the Wellness Community. The Medical Community, occupying an area of 4.1 million square feet, focuses on clinical services for disease treatment and prevention, while the Wellness Community, 19 million square feet, completes DHCC’s healthcare continuum by housing hospitals, outpatient clinics, luxury spa resorts, and the entire spectrum of wellness services.

Housing

Various types of housing accommodation are available, including spacious villas set in their own grounds, villa and bungalow developments located in compounds and high quality one, two and three bedroom apartments. Many compounds have swimming and sports facilities, and all accommodation has either centralized or individual unit air-conditioning.

Villas appropriate for mid-level executives generally rent for between US$30,000 and US$70,000 per year. High-quality apartments between US$50,000 and US$100,000 per year, depending on the size and location.
Each Emirate has its own policies regarding the ownership of real estate by non-UAE nationals. In Abu Dhabi, for instance, only UAE nationals are permitted to own real estate, whereas Sharjah allows some foreign nationalities such ownership. However, companies incorporated in the UAE can generally own real estate provided they are 100% locally owned.

Nevertheless, expatriates may rent or lease property, although long-term leases do not generally exceed a term of 50 years.

**Dubai Palm Island**

The Dubai Palm Islands are three man made islands in the shape of palm trees attached to the Dubai coastline via the trunk of each palm. The first to be constructed is The Palm, Jumeirah which was expected to be fully developed by the end of 2008, but construction delays will probably set that back to sometime in 2009. All three islands will add substantial amounts of shoreline to the Dubai coast. On the islands will be a range of accommodation including private villas and apartments for rent or sale, hotel resorts, holiday apartments. Other amenities will include shopping centers, restaurants and water sports facilities.

**The Burj Dubai**

The Burj Dubai has been designed to be the centerpiece of a large-scale, mixed-use development that will include 30,000 homes, nine hotels such as the Burj Dubai Lake Hotel & Serviced Apartments, 0.03 km² (0.01 sq mi) of parkland, at least 19 residential towers, the Dubai Mall, and the 0.12 km² (0.05 sq mi) man-made Burj Dubai Lake.

The silvery glass-sheathed concrete building will give the title of Earth’s tallest free-standing structure to the Middle East — a title not held by the region since 1311 AD when Lincoln Cathedral in England surpassed the height of the Great Pyramid of Giza, which had held the title for almost four millennia.

**Dubai Mall**

The Dubai Mall, one of the world’s largest shopping and entertainment destinations, developed by Emaar Properties PJSC and located in the AED 73 billion mega-project **PKF – Doing business in the UAE – Living in the UAE**
Downtown Burj Dubai, is putting finishing touches to several retail and entertainment concepts that are a first for the region.

The Dubai Mall, with a total site area in excess of 12.1 million sq ft, is setting a new dimension in mall development with its various construction components truly epic in proportion and scale. The structural steel used in The Dubai Mall is double that deployed for the Eiffel Tower (7,300 tonnes), and the stone and tile works of 1.2 million sq ft already laid are approximately 18 times the size of a football field measuring 69,000 sq ft. The net leasable floor area will be equivalent to the size of 50 football fields put together.

The Dubai Mall is the flagship project of Emaar Malls Group, the shopping mall subsidiary of Emaar Properties. As part of Emaar’s Vision 2010 to be one of the most valuable companies in the world, Emaar Malls has aggressive expansion plans to develop and operate shopping malls in key emerging markets across the Middle East and North Africa region, the Indian Subcontinent and South Asia.

**Dubai World Central International Airport**

Dubai World Central International Airport is a colossal new airport under construction near Jebel Ali, South of Dubai, in the United Arab Emirates. Previous working names have included “Jebel Ali International Airport” and “Jebel Ali Airport City”. It will be officially known as Al Maktoum International Airport. It has been named after the late Sheikh Maktoum bin Rashid Al Maktoum, the former ruler of Dubai. It will be the main part of Dubai World Central, a planned residential, commercial and logistics complex scheme. World Central is the world’s first truly integrated logistics platform, with all transport modes, logistics and value added services, including manufacturing and assembly, in a single bonded and Free Zone environment.

It will be the world’s largest passenger and cargo hub, ten times larger than Dubai International Airport and Dubai Cargo Village combined. The airport will have an annual cargo capacity of 12 million tons, more than three times that of Memphis, today’s largest cargo hub, and a passenger capacity of more than 120 million – almost 30% more than Atlanta, currently the world’s busiest passenger airport.
The region’s biggest airport, Dubai World Central will include:

- 6 parallel runways, 4.5 km in length, each separated by a distance of 800 meters.
- Three passenger terminals including two luxury facilities one dedicated to airlines of The Emirates Group, the second to other carriers, and the third dedicated to low cost carriers.
- Multiple concourses
- 16 cargo terminals with a 12 million ton capacity
- Executive and Royal jet centres
- Hotels and shopping malls
About PKF

PKF International

PKF International is among the top international business advisory networks, measured by turnover and quality. The present International organisation was formed in 1969 and originally consisted of four member firms: Australia, Canada, the United Kingdom and United States. Added to the sustained growth in the number of PKF member firms, this solidity has provided the foundations for the global sharing of expertise, experience and skills and the development of services that meet the evolving needs of all types of clients, from the individual up to the transnational company. At present it has 230 legally independent firms in 400 locations in 120 countries with an aggregate annual turnover of US$ 1.7 billion.

The mission of PKF is to provide the highest quality professional services to all clients by:

- Having a close network of member firms each firmly established and respected in its own country, providing an international perspective but delivering services with a local focus
- Ensuring that there is a member firm in each mature and emerging market
- Providing appropriate technical guidance and support to enable member firms to excel
- Taking responsibility for the speedy dissemination of information and advice to all members
- Adopting compatible information systems and technology
- Making it easy for member firms to access the expertise of others
- Encouraging the free interchange of staff
- Guaranteeing a seamless and consistent service for all clients with transnational needs
PKF International

A selection of countries in which PKF International Ltd has representation in.

AFRICA

Angola, Cameroon, Cote D’ivoire, Gambia, Ghana, Kenya, Liberia, Mauritius, Mozambique, Morocco, Namibia, Niger, Nigeria, Rwanda, Senegal, Sierra Leone, South Africa, Swaziland, Tanzania, Togo, Tunisia, Uganda, Zambia

ASIA

China, Fiji, India, Indonesia, Japan, Korea, Malaysia, Papua New Guinea, Philippines, Singapore, Taiwan, Thailand, Vanuatu

AUSTRALIA

Australia, New Zealand

CARIBBEAN AND WEST INDIES

Antigua, Bahamas, Bermuda, Dominican Republic, French Antilles, Grenada, Guyana, Jamaica, Nevis, Puerto Rico, St. Kitts, St. Lucia, St. Vincent, Trinidad & Tobago, Turks and Caicos

CENTRAL AMERICA

Belize, Costa Rica, El Salvador, Guatemala, Honduras, Panama

EUROPE

Austria, Belarus, Belgium, Channel Islands, Croatia, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Georgia, Germany, Greece, Hungary, Ireland, Isle Of Man, Italy, Kazakhstan, Latvia, Luxembourg, Malta, Netherlands, Norway, Poland, Portugal,
Romania, Russia, Serbia, Slovak Republic, Slovenia, Spain, Switzerland, Turkey, Ukraine, United Kingdom

MIDDLE EAST

Bahrain, Egypt, Jordan, Kuwait, Lebanon, Saudi Arabia, Sultanate of Oman, Syria, United Arab Emirates, Yemen

SOUTH AMERICA

Argentina, Bolivia, Brazil, Chile, Colombia, Ecuador, Nicaragua, Paraguay, Peru, Uruguay, Venezuela

NORTH AMERICA

Canada, Mexico, United States of America
PKF UAE Publications

As part of the firm’s continuing service to clients, PKF-UAE has produced a number of publications for their information and benefit. These are as follows:

Practice Profile

A profile of PKF in the UAE

Statement of Credentials

Details of the firm, clients, services and the team

Doing business in the UAE

A guide to the UAE including economic and social background; the regulatory environment; basic business structures; grants and incentives (including free zones); taxation; and employment

Free Zones in the UAE

A guide to the major Free Zones in the United Arab Emirates including the salient features and costs

PKF Update

A quarterly newsletter detailing news from PKF-UAE and matters of interest in the region

All the foregoing publications can be obtained from any of the UAE offices
## ANNEXURE A

Useful Contact Numbers                               P.O. Box  Telephone

### ABU DHABI

**Government Departments**
- Chamber of Commerce: 662 (2) 621 4000
- Economic Department: 853 (2) 622 7222

**Federal Government Ministries**
- Economy & Commerce: 901 (2) 626 0000
- Finance and Industry: 433 (2) 672 6000
- UAE Central Bank: 854 (2) 665 2220
- UAE Offset Group: 908 (2) 626 3000

### DUBAI

**Government Departments**
- Chamber of Commerce & Industry: 1457 (4) 228 0000
- Department of Tourism & Commerce Marketing: 594 (4) 223 0000
- Department of Economic Development: 13223 (4) 222 9922

**Federal Government Ministries**
- Economy & Commerce: 3625 (4) 295 4000
- Finance & Industry: 1565 (4) 393 9000
- UAE Central Bank: 448 (4) 393 9777
- Jebel Ali Free Zone: 17000 (4) 881 3000
- Dubai Airport Free Zone: 2525 (4) 299 5555
- Dubai Internet City: 73000 (4) 391 1111
- Dubai Media City: 53777 (4) 391 4555
**AJMAN**

Chamber of Commerce 662 (6) 742 2177
Economic Department 870 (6) 744 6244
Ajman Free Zone 932 (6) 742 5444

**SHARJAH**

Government Departments
Chamber of Commerce and Industry 580 (6) 554 1444
Economic Department 829 (6) 573 4444

Federal Government Ministries
Economy & Commerce 3803 (6) 574 5000
UAE Central Bank 645 (6) 559 2592
Sharjah Airport International Free Zone 8000 (6) 557 0000
Hamriya Free Zone 1377 (6) 526 3333

**FUJAIRAH**

Chamber of Commerce and Industry and Agriculture 738 (9) 222 2400
Fujairah Free Zone 1133 (9) 222 8000

**RAS AL KHAIMAH**

Chamber of Commerce and Industry and Agriculture 87 (7) 233 3511
Economic Department 10510 (7) 227 1222
UAE Central Bank 5000 (7) 228 4444
Ras Al Khaimah Free Zone 10055 (7) 228 0889

**UMM AL QUWAIN**

Chamber of Commerce and Industry and Agriculture 436 (6) 765 2400
Ahmed Bin Rashid Free Zone 279 (6) 765 5882
ANNEXURE B

List of UAE Tax Treaties

The Government of the United Arab Emirates has signed an Agreement for the Avoidance of Double Taxation and The Prevention of Fiscal Evasion with respect to Taxes on Income with several countries including:

- The Kingdom of Belgium, 1996.
- The Islamic Republic of Pakistan, 1993.
• The Royal Government of Thailand, 2000.
• The Government of Bosnia and Herzegovina, 2006.
• The Government of The Kingdom of Spain, 2006.

The Government of the United Arab Emirates has signed an Agreement for the Promotion and Protection of Investments with several countries including:

• The Government of the Kingdom of Sweden, 1999.
• The Government of The Republic of Finland, 1996.
• The Government of Romania, 1995.
• The Government of The Republic of Poland, 1993.
• The Government of The United Kingdom of Great Britain and Northern Ireland, 1992.
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