PKF International Limited

# Doing Business in the UAE

LOCAL KNOWLEDGE, GLOBAL EXPERTISE

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# Foreword

Former British Prime Minister – Winston Churchill once said - “To improve is to change; to be perfect is to change often.” The vibrantly growing and constantly evolving economic landscape of the United Arab Emirates (UAE) seems to have taken these words to heart, quite literally. The scope and magnitude of how much this country has grown in character has been breath-taking, even by global standards.

It is natural therefore that most businessmen with a keen eye on the new hub for ‘world’ economics and trade, are attracted to the UAE. Whether it is the lure of consistent profits, the zero-tax regime or the enigmatic real estate sector, there is no doubt that conglomerates and businessmen from both developing and 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. With the prestigious World Expo slated for this year, all eyes will be on Dubai and its wave makers over the next few years. in 2019, Dubai lead the middle east region in quality of living for the 7th consecutive year as per the Mercer Quality of Living Index. Abu Dhabi ranked just a shade below Dubai. Abu Dhabi has also been the first port of call for globally renowned international artistes and entertainers for the last decade or so. The UAE has benefited on the crest of popularity of Abu Dhabi and Dubai as two of the world’s most preferred destinations for tourism and relocation.

It is only fair that investors, both existing and potential should have a more than just a bird’s eye view of what it takes to be a part of this vibrant 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 Khalifa, the grand Dubai World Central Airport or Abu Dhabi’s signature entertainment destination, Yas Island, jostling for space with useful information on what it is like to do business 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 is a member of PKF International Limited, a network of legally independent firms. PKF in the UAE provides audit and management assurance, business consulting, regulatory and taxation and corporate finance services. We provide an integrated service spanning multiple disciplines to many local, regional and international clients.

With 45 years presence in the UAE we have offices at Dubai, Dubai International Financial Centre(DIFC), Sharjah, Abu Dhabi, Abu Dhabi Global Market(ADGM), Jebel Ali Free Zone, Dubai Internet City and Hamriyah Free Zone. 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, CMAs and MBAs.

## Range of services

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

### Audit, Assurance & Advisory

- Statutory audit
- Other assurance services including Agreed-upon Procedures
- Compilation of financial statements
- Agreed-Upon Procedure for Real Estate Regulatory Authority (RERA)
- In-Country Value (ICV) certification for ADNOC
- Training, consulting and implementation of International Financial Reporting
- Standards (IFRS)
- Internal audit including compliance for Dubai Financial Services Authority (DFSA)
- regulated entities
- Business risk identification
- Internal control review
- Risk management review
- Finance and Accounting Procedures Manual
- System and Operating Procedures Manual
- Due diligence reviews
- Forensic and other investigations
- Delegation of authority matrix

## Corporate Finance

- Financial due diligence
- Market analysis and feasibility studies with financial forecasts
- Business & share valuations
- Identification and valuation of intangible assets on a business acquisition - Purchase Price Allocation (PPA)
- Impairment reviews
- Preparation of Business Plans and Information Memoranda
- Fund raising
- Advice on partner/share holder entry/exit
- Review of financial models
- Sale of business

## Business Process Outsourcing

- Bookkeeping and accounting services including specialized reporting as per client requirements including assistance with backlog
- Payroll and HR management and processing, including pay slips, payroll payments, end of service benefits, leave management etc.
- Confidential processing of payroll including direct payment to senior personnel of an entity and summarized accounting
- Short term placement of accounting staff
- Outsourced accounting and payroll services for companies registered in the DIFC.
- Fixed asset management including verification, tagging and generation of fixed asset register
- Inventory verification and reporting - ongoing/onetime

## Structuring Services

- Entry strategy
- Free Zone, mainland and Offshore company formation
- Identification of local sponsor
- Administration services including company secretarial services
- Registered agents' services

## Tax Advisory and Compliance

- Tax Advisory Services
- VAT and Excise Tax Implementation support for new businesses or new transactions
- VAT and Excise Tax registrations, amendment in registration and deregistration
- Assistance in preparing and filing of VAT and Excise Tax returns / Declarations
- Diagnostic reviews and health checks for VAT and Excise
- Represent and / or liaison with relevant authorities on taxation matters
- Tax Agency Services
- Assistance in evaluation, preparation and filing of reports under UAE Economic Substance Regulations (ESR) and Country by Country reporting (CbCr) regulations
- Cross-Border tax advisory
- Tax due diligence
- Training on tax matters

## Locations in the UAE


### DUBAI

18th Floor, Rolex Tower, Near Financial Centre
Metro Station,
P.O. Box 13094, Sheikh Zayed Road, Dubai, U.A.E.

Tel: (+971) 4 388 8900
Fax: (+971) 4 355 2070
E-mail: dubai@pkfuae.com

### DUBAI INTERNATIONAL FINANCIAL CENTRE (DIFC)

710, Currency House Tower 2, Dubai International
Financial Centre,
P.O. Box. 13094, Dubai, UAE.

Tel: (+971) 4 385 7285
Fax (+971) 4 325 7294
E-mail: difc@pkfuae.com

### DUBAI INTERNET CITY

Office No.120, Bldg. 10
P.O. Box 500364, Dubai Internet City, Dubai, U.A.E.

Tel: (+971) 4 449 5430
Fax: (+971) 4 390 8836
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

### ABU DHABI AIRPORT FZ

Business Centrer, Building No. 141A
Abu Dhabi Airport Business City
Abu Dhabi International Airport

Tel: (+971) 2 626 1715
Fax: (+971) 2 626 1716
E-Mail: abudhabi@pkfuae.com

### ABU DHABI GLOBAL MARKET

PKF Accountants & Business Advisers LLP
Al Maqam Tower, 35th Floor
Al Maryah Island, Abu Dhabi Global Market Square

Tel: (+971) 2 626 1715
Fax: (+971) 2 626 1716
E-Mail: abudhabi@pkfuae.com

### SHARJAH

Golden Tower, 11th Floor, Al Buhaira Corniche
P.O. Box 6207, Sharjah, U.A.E.

Tel: (+971) 6 574 0888
Fax: (+971) 6 574 0808

### HAMRIYAH FREE ZONE

Office No. E2-115G-22
P.O. Box. 51464, Hamriyah Free Zone,
Sharjah, UAE

Tel: (+971) 4 388 8900
Fax: (+971) 4 355 2070
E-mail: dubai@pkfuae.com


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## United Arab Emirates

# 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 kilometres (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 kilometres (26,290 square miles), followed by Dubai 3,900 square kilometres (1,520 square miles), and Sharjah 2,600 square kilometres (1,015 square miles). The areas of the other Emirates range from 260 to 1,700 square kilometres (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 exercised 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 characterized 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 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 control 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.

Known as the Father of the Nation for his role in forming the United Arab Emirates, the late HH Sheikh Zayed bin Sultan Al Nahyan was the first President of the UAE. He served this position since the formation of the UAE on 2 December 1971 until he passed away in 2004. He also served as the Ruler of the emirate of Abu Dhabi from 1966 to 2004. HH Sheikh Khalifa Bin Zayed Al Nahyan was elected as the President in November 2004. HH Sheikh Mohammed bin Zayed Al Nahyan, is the Crown Prince of the Emirate of Abu Dhabi and Deputy Supreme Commander of the United Arab Emirates Armed Forces. The Deputy Prime Ministers are HH Sheikh Saif Bin Zayed Al Nahyan & HH Sheikh Mansour Bin Zayed Al Nahyan.

The Vice President and Prime Minister is the ruler of Dubai, HH Sheikh Mohammad Bin Rashid Al Maktoum. He is also the UAE's Minster of Defence. In 2008, HH Sheikh Hamdan Bin Mohammad Bin Rashid Al Maktoum was appointed as Dubai's Crown Prince and HH 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 Justice, Minister of Health, etc.

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. The Federal National Council is the fourth federal authority in terms of order in the hierarchy of the five federal authorities stated in the constitution, namely: The Supreme Council of the Federation, Federation President and Vice-President, Federation Cabinet, The Federal National Council, and The Federal Judiciary Constitution.

According to the constitution, the FNC consists of 40 members who are drawn proportionately from each of the seven Emirates. They are distributed in the following manner:

- 8 seats for each of the emirates of Abu Dhabi and Dubai
- 6 seats for each of the emirates of Sharjah and Ras Al Khaimah
- 4 seats for each of the emirates of Ajman, Umm Al Quwain and Fujairah

Each ruler appoints the members for his Emirate. The first indirect elections took place in 2006, with an aim to have a wholly elected council. The council carries out the country's main consultative duties and has both a legislative and supervisory role provided by the constitution.

Half of the members are elected by the electoral bodies, while the other half is appointed by the council. This mechanism was adopted and implemented in 2006, since the beginning of the first phase of the program of political empowerment of HH Sheikh Khalifa bin Zayed Al Nahyan, President of the UAE.

The term of membership in the FNC is four Gregorian years. The Council holds an annual regular session for a period of not less than 7 months from the third week of October every year.

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 Organization 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. The Islamic Sharia Law is followed in all matters of inheritance. An exception to this rule has been made in the case of financial free zones of Dubai International Financial Centre (DIFC) and Abu Dhabi Global Market (ADGM), where common law is applicable.

Several 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. Many 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.

Although the UAE federal constitution permits each emirate to have its own judicial authority, all emirates other than Dubai and Ras Al Khaimah have brought their judicial systems into the UAE Federal Judicial Authority. Dubai has retained its own independent courts (and judges), which are not a part of the UAE Federal Judicial Authority. Dubai's courts will first apply federal laws, such as the Companies Law or the Civil Code, as well as the laws and decrees enacted by the Ruler of Dubai, where federal law is absent or silent.

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.

## DIFC Courts

Founded in 2004, the Dubai International Financial Centre Courts (the "DIFC Courts") are an independent common law judiciary based in the Dubai International Financial Centre (DIFC) with jurisdiction governing civil and commercial disputes. The DIFC Courts do not have jurisdiction over criminal matters. All criminal matters are referred to the appropriate external authority. The DIFC Courts are comprised of international judges from many common law jurisdictions such as England, New Zealand and Malaysia. The DIFC Court's procedural rules are largely modelled on English civil procedure rules and as the official language of the DIFC Courts is English, all proceedings are conducted in English.

In a significant move, the Dubai government recently expanded the jurisdiction of the DIFC Courts which allow any parties, even those not incorporated within the DIFC free zone, to use the DIFC Courts to resolve commercial disputes. Previously, only companies based in the DIFC or those that had an issue related to the DIFC could use the DIFC Courts. Now, parties in the region and internationally can agree to use the DIFC Courts in the event of a dispute. However, the parties should agree to incorporate the jurisdiction of the DIFC Courts into their contracts prior to taking the dispute to the DIFC Courts.

The expansion of DIFC Courts jurisdiction represents an important policy shift and has given the business community unprecedented access to the DIFC Courts. The move has been welcomed by the legal and business communities, because international parties are more likely to resolve their disputes in what may appear to them as, a more familiar forum which uses the Common Law English model.

## Population and social patterns

The total population of the UAE as of 2019 was estimated to be 9.77 million (Source: World Bank). 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.

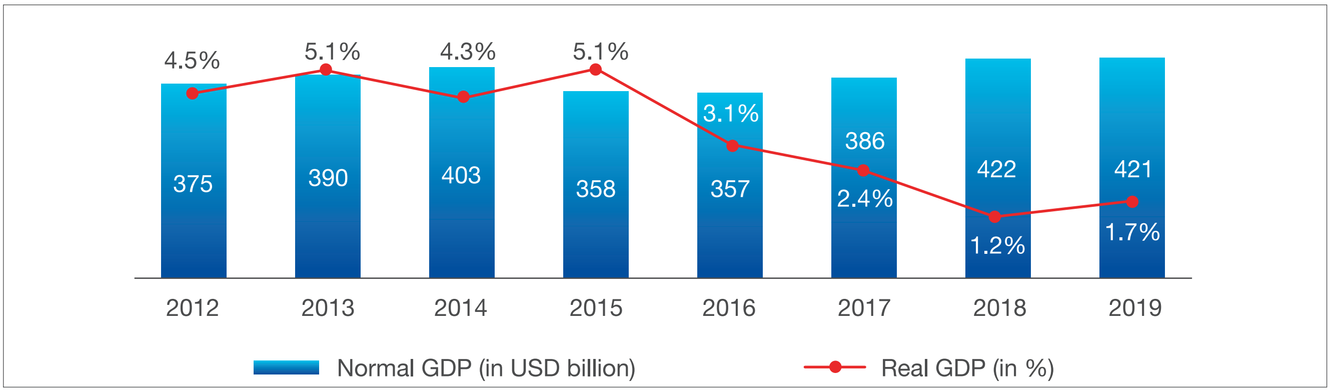
The official language is Arabic, and all communications with the government must be in Arabic, although among the expatriate communities' various other tongues can be heard. Foreigners will find that English, Hindi, Urdu and Malayalam are widely understood. English is used for all written communication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

# Economy

The UAE's economy rebounded from the global recession supported by tourism and hospitality sectors, and a recovery in construction and real estate markets. Nominal GDP increased at an average of 4.8% during the 2012-2014 period and was estimated to be USD 403 billion in 2014. However, nominal GDP decreased sharply in 2015 owing to lower oil prices and was largely flat through 2016. The economy bounced back in 2017 and 2018 before flattening in 2019. Real GDP growth that averaged 4.7% during 2012-15 dropped to 2.1% during 2016-19.

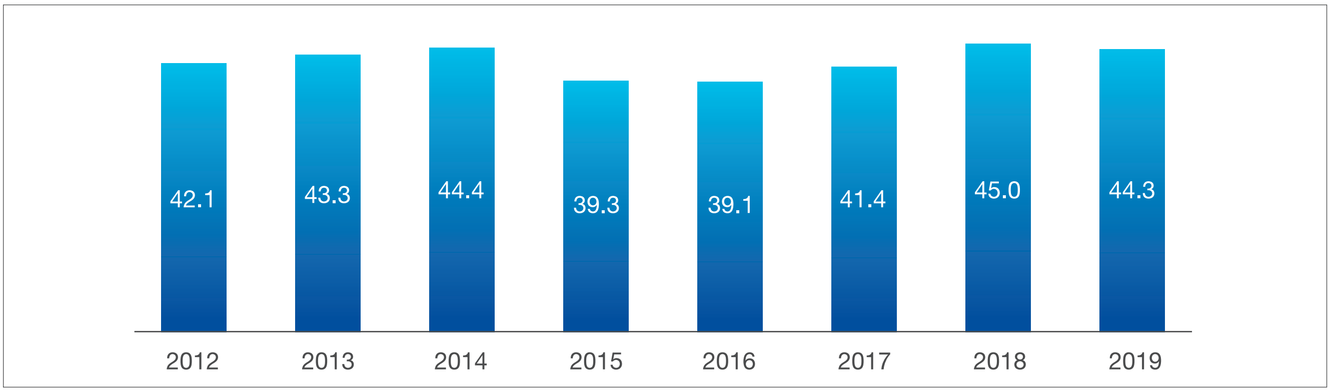
In line with global economy, UAE too is projected to record overall negative real GDP growth in 2020. According to the IMF, UAE's real GDP growth is forecast to slip to -3.5% in 2020. However, IMF forecasts a stronger rebound in the subsequent year with UAE's real GDP growth projected at 3.3%.

## UAE Nominal and Real GDP (2012-2019)




*Source: UAE Federal Competitiveness and Statistics Authority*

## Per Capita GDP (in USD 000's)




*Source: UAE Federal Competitiveness and Statistics Authority*

While nominal per capita GDP has decreased in 2019, the UAE remains amongst the leading countries in terms of per capita GDP in purchasing power parity terms. UAE's per capita GDP for the year 2019 was estimated at around USD 44,300.

Total GDP at current prices for the year 2019 as reported by Federal Competitiveness and Statistics Authority was USD 421.1 billion. The UAE's economy has benefited from diversification with the non-oil sector contributing 75% of the GDP in 2019 as compared to 61% in 2012.

The GDP by sector for 2017, 2018 and 2019 was as follows:

## GDP by Sector (in USD million)

| Sectors | 2017 | 2018 | 2019 |
|---|---|---|---|
| Agriculture, Livestock and Fishing | 2,971 | 3,035 | 3,078 |
| Mining and Quarrying: | 78,962 | 109,717 | 105,393 |
| Manufacturing | 35,300 | 36,874 | 36,727 |
| Electricity, Gas, Water, Waste Management | 15,098 | 15,902 | 16,784 |
| Construction | 34,810 | 36,087 | 35,497 |
| Wholesale & Retail Trade, Automotive Repairs | 51,275 | 51,870 | 52,481 |
| Transports and Storage | 23,072 | 23,661 | 24,706 |
| Accommodation and Food Service Activities | 8,668 | 8,745 | 8,687 |
| Information and Communication | 11,562 | 11,801 | 12,173 |
| Financial and insurance activities | 36,473 | 36,003 | 36,688 |
| Real Estate Activities | 24,618 | 22,524 | 21,971 |
| Professional, Scientific and Technical Activities | 11,827 | 12,556 | 12,828 |
| Administrative and Support Service Activities | 7,803 | 8,063 | 8,223 |
| Public Administration and Defense; Social Security | 27,068 | 28,552 | 28,743 |
| Education | 5,827 | 5,986 | 6,100 |
| Human Health and Social work Activities | 5,077 | 5,397 | 5,564 |
| Arts, Recreation and Other Service Activities | 2,614 | 2,680 | 2,765 |
| Activities of Households as Employers | 2,581 | 2,762 | 2,734 |
| **TOTAL** | **385,606** | **422,215** | **421,142** |

*Source: UAE Federal Competitiveness and Statistics Authority*

Petroleum dominates the economy of the UAE. However, with the decline in oil prices, contribution of the oil sector to the UAE's economy reduced to just 25% in 2019 from 40% in 2012. Petroleum production is centred in Abu Dhabi and Dubai. The immense wealth accumulated through windfall gains in oil has been invested in capital improvements and social services in all seven of the Emirates.

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 well-structured financial sector with no exchange control regulations
- Free Trade Zones that ensure ease of registration and efficient operations
- An attractive social environment, including modern educational, medical and recreational facilities.
- The economy is moving away from its tax-free image - Excise was introduced from October 2017 and VAT from January 1, 2018.
- As part of the UAE's commitment as a member of the OECD Inclusive Framework, and in response to an assessment of the UAE's tax framework by the European Union Code of Conduct Group on Business Taxation, the UAE also issued Economic Substance Regulations (Cabinet of Ministers Resolution No. 31 of 2019), (the "Regulations") on 30 April 2019. This is yet another positive governmental regulation in enhancing UAE's image as a globally relevant jurisdiction for foreign investment.

Despite having short term growth, and depending largely on how much economic activity expands, prospects for the long-term health and stability of the economy will depend on the progression of Abu Dhabi's Economic Vision of 2030 and Dubai's Strategic Plan of 2021. Local governments across other emirates have also formulated emirate-specific growth strategy plans with the view to make the respective emirate develop economically.

Growth trends differ among Emirates as higher oil production and increased infrastructure spending are the main drivers of growth in Abu Dhabi. On the other hand, Dubai is benefitting from its leading position as the regional trade hub, with growing links to Asia and improved competitiveness.

## World Expo 2020

The awarding of the World Expo proved to be an immediate catalyst for Dubai's construction sector as huge investments were made in building hotels and facilities on the expectation that millions of visitors would participate in the event. Approximately USD 6.9 billion of infrastructure projects were undertaken in relation to Expo 2020.

The main event for the Expo will focus around the planned 438-hectare site, the largest ever created for a World Expo. Before COVID-19, experts at Robert Walters Middle East had estimated a potential USD100-USD150 billion in foreign direct investment as a result of the Expo. Further, the Expo to led to a flurry of development across Dubai and thereby created thousands of new jobs, attracting expat talent and helping drive the demand for real estate. However, with the postponement of the Expo to 2021, the economic and financial impact of the pandemic along with the uncertainty in the recovery period, makes it difficult to ascertain the likely impact of the Expo on Dubai's and UAE's economy at large.

The construction, tourism, hospitality and leisure sectors are likely to be the key sectors potential to benefit from the Expo. Technological innovators in conventional and alternative energy as well as engineering, urban planning and logistics will also likely see a host of in-region opportunities.

## Financial sector

According to the UAE Central Bank's Banking Indicators bulletin published in May 2020, a total of 59 commercial banks (including wholesale banks), comprising of 21 national banks and 38 foreign banks (including six GCC banks) were operational in the country. Gross assets with banks in the UAE totalled AED 3,165.7 billion as of May 2020, 8.7% higher as compared to the previous year. Despite COVID-19, bank's assets have increased by 2.7% between January and May 2020. Significant growth was attributed to domestic credit, investments and bank deposits.

Following the merger of First Gulf Bank (FGB) with National Bank of Abu Dhabi (NBAD) on April 1, 2017, the new bank First Abu Dhabi Bank became UAE's largest bank and one of the largest in the MENA region with total assets in excess of AED 670 billion (or $180 billion). As expected, the NBAD-FGB merger encouraged more mergers in the banking sector in the UAE as the operating environment became challenging amid weaker economic growth. In May 2019, a three-way deal saw merger of Abu Dhabi Commercial Bank (ADCB), Union National Bank (UNB) and Al Hilal Bank, creating the country's third largest bank.  In January 2020, Dubai Islamic Bank completed the acquisition of Noor Bank to become one of the largest Islamic banks in the world with total assets exceeding AED 275 billion. According to Moody's investors service, the consolidation in the UAE's banking sector increase banks' pricing power, reduce pressure on their funding costs and increases their ability to meet sizeable investments. As per a recent report from Fitch Ratings, financial institutions in the UAE could be forced to consolidate due to the current COVID-19 crisis as banks could be especially vulnerable to a deterioration of credit profiles. According to S&P, Islamic banks are likely to be more vulnerable than the conventional banks due to their higher exposure to the real estate sector (on account of asset backing principle inherent to Islamic finance).

Capitalizing on improved quality of loan portfolio, banks were able to increase credit albeit at a moderate pace. Banks' reported non-performing loans (NPLs) as a share of total loans percentage remained was 5.7% in 2019 as compared to 5.9% in 2014.

UAE's banking sector has remained resilient despite economic challenges and COVID-19 While the UAE banking system remained profitable with improved cost efficiency benefitting from efficiency gains on account of the recent mergers, asset quality represented a challenge with an increase in non-performing loans ratio which were partially offset by good provisioning levels. However, the UAE Central Bank expects the challenges posed by the COVID-19 pandemic to affect the operating environment for banks through 2020.

According to the Governor of the UAE Central Bank, the banking industry is safe and secure in the UAE and the overall confidence in the UAE banks is justifiably strong. However, credit rating agency Moody's Investors Service, in June 2020, changed the outlook of the banking sector in UAE to negative from stable. This change reflects potential material weakening in the standalone credit profiles of the banks attributed to a challenging operating environment due to the COVID-19 outbreak, low oil prices and pre-existing economic challenges. However, Moody's Investors Service affirmed the individual ratings on the banks reflecting the solid capitalization, funding and liquidity.

The USD 70 billion support scheme (amounting to 17% of GDP) provided by the UAE Central Bank is likely to limit the impact on the economy and to the banks caused by the coronavirus outbreak. Further, the support scheme (including USD 13.6 billion in zero cost collateralized funding) is likely to mitigate the extent of the deterioration in asset quality by keeping liquidity issues from becoming solvency issues. Further, the Central Bank's relaxation of minimum regulatory buffers (including a USD 43 billion liquidity injection through reduced cash reserve requirement and lower liquidity buffer requirements) will support banks' liquidity and ease potential funding challenges.

The Central Bank of the UAE has made important progress in strengthening its financial stability approach, revamping the regulatory framework and developing macro prudential policies. In 2019, The Central Bank of the UAE enhanced its NPL reporting (by excluding interest in suspense portion related to loans) to align its methodology with international best practices, in consultation with the International Monetary Fund.

## 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 regarding directing monetary credits taking into account the UAE's general policy.

The main responsibility of the Central Bank (CBUAE) is formulation and implementation of banking, credit and monetary policies to ensure the growth of the national economy of the UAE in a balanced manner. The Central bank maintains a fixed exchange return of the dirham against the US dollar to ensure the free convertibility of the national currency into foreign currencies, in addition to its role as "Bank of Banks" and the Government's bank and its financial adviser.

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. Over the 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 many 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 responsible for the emergence of UAE banks as forces to reckon with in the Gulf Region.

The repo rate (certificates of deposit rate) is the CBUAE's main policy rate for the injection of liquidity and follows the same trajectory as the Fed Funds rate. In March 2020, the CBUAE cut rates by 50 basis points (to 1.5%) in line with the US Federal Reserve as an emergency monetary policy response to limit the coronavirus impact on growth.

## Anti-Money-Laundering (AML) & combating the financing of terrorism and illegal organizations law – AML law

The UAE, in compliance with the 1988 United Nations Convention, promulgated a law, making money laundering illegal in the Country. In October 2018, UAE issued Federal Decree Law No. 20 of 2018 on AML Law. The AML Law included a number of components recommended by Financial Action Task Force (FATF) aimed at enhancing UAE's effectiveness in identifying and preventing attempts at money laundering and terror financing. This was followed by Cabinet Decision No 10 of 2019 concerning the Implementing Regulations of the AML Law. 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 UAE 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.

The law also outlines the scope of duties of the Anti-Money Laundering and Suspicious Cases Unit and Financial Information Unit (AMLSCU) at the Central Bank of the UAE. As per the law, all banks, moneychangers and other financial institutions have a personal obligation to report any unusual transactions to the AMLSCU.

## The UAE bankruptcy law

The UAE government issued a new bankruptcy law in 2016. The UAE's erstwhile insolvency regime was contained in Federal Law 18 of 1993 - The Commercial Code. Its provisions were largely untested and generally needed a revamp. The Bankruptcy Law's scope and process was enhanced via Federal Decree-Law No. (23) of 2019, amending certain provisions of the Federal Decree-Law No. (9) of 2016. The amendments came into force in January 2020 and some of the prominent changes include:

- Article (4) Paragraph (1) now allows any regulated company to apply to the Financial Restructuring Committee (FRC) which was previously restricted to only financial institutions licensed in the UAE. This amendment enables the applicability of the legislation to a broader range of business entities.
- Revision to Article (24) now imposes the duty on the trustees to prepare and present a list of all the known creditors. This list would enable the Court to establish the grading of creditors' dues and determine which creditors have a greater preference.
- The revision of Article (29) which allows the Court to appoint one or more controllers from among the creditors to supervise the implementation of the protective composition procedure. This ensures that creditors can monitor and observe the process applied by the law and ensure that the process is secure and transparent.
- Amendments to Article (32) paragraph (2) states that "the creditors of the debts secured by a mortgage may exercise their foreclosure rights if their debts are due, upon approval of the court."
- Article (45) earlier stated that the voting rights on the draft Protective Composition Plan would only be of ordinary creditors; this has now been amended to include privileged creditors whose debts have been accepted.

Several procedural amendments were also announced which included:

- Notices of bankruptcy could now be served electronically
- Amendments to Articles (42) and (103) allows usage of electronic channels to deliberate insolvency plans and vote thereon.

The changes further regulate and facilitate the process of resolving bankruptcy matters between debtors and creditors, thereby making the business environment in the UAE more investor-friendly and transparent.

### Crowdfunding – regulated by UAE Central Bank

The UAE Central Bank (CBUAE) recently issued the "Loan – Based Crowdfunding Activities Regulation" ("Regulation"). The Regulation has regulated a new activity for the first time in UAE (onshore) and it has set out the rules to issue crowdfunding licenses under the CBUAE.

Crowdfunding a rapid growth industry globally, with great potential for both investors and businesses looking for funding. It is a tech enabled financial service that covers a wide range of ways to allow capital seekers to raise funds from a large number of capital givers through online crowdfunding platforms acting as intermediaries, instead of raising finance from traditional funding sources like banks or mutual funds.

### Effective Date

The Regulation was issued on 14 October 2020 and published in the official gazette on 28 October 2020. The Regulation confirms that it shall come into force after one month from publication, which means that the Regulation is currently in force.

## Scope of Regulation

The Regulation licenses and regulates loan-based crowdfunding only, being platforms, which connect lenders and borrowers and assist administering the resulting loans.

Platforms providing for other types of investment, including equity and donation-based crowdfunding, do not fall within the Regulation.

## Highlights

- The coverage of the Regulation is fairly wide and it considers a company to be carrying out crowdfunding activities in the UAE, even if it is not based in the UAE if it:
  - is incorporated in the UAE or hosted in the UAE; or
  - uses an address in the UAE for correspondences; or
  - provides crowdfunding to clients residing in the UAE.

  DIFC and ADGM based platforms could potentially need to consider this Regulation.
- The crowdfunding company must be a company incorporated in UAE under the Companies Law (excluding the Joint Partnership and Simple Commandite companies).
- Capital requirements range from AED 300,000 to AED 1 million depending on the category of the license. The crowdfunding company will also be required to submit a bank guarantee equal to the value of the paid-up capital.
- The level of governance rules and oversight that would apply to the crowdfunding company are similar to that of a regulated financial entity. This includes the management fit and proper criteria, risk governance framework, internal controls, conflict of interest and auditing.
- The crowdfunding companies will also be required to comply with applicable Emiratization requirements from time to time.
- Each platform which facilitates loan-based crowdfunding will be grouped by volume, with larger platforms being a Category 1 (AED 5 million cumulative loans facilitated in a year) and smaller platforms being a Category 2 (below AED 5 million cumulative loans facilitated in a year). The category of the platform will dictate the minimum capital requirements of the crowdfunding company.
- The borrower in crowdfunding must be a UAE registered company. The borrower cannot be an individual, sole proprietorship or a company registered outside of the UAE.
- There are no specific restrictions on who can be on boarded as a lender. However, the Regulation has grouped lenders according to their financial position:
  - retail lender (who is not a market counterparty); or
  - market counterparty, who can evidence assets of over AED 2 million outside of their primary residence and self-attest to being treated as a market counterparty.
- The Regulation places various obligations on the crowdfunding company, from assessing the suitability of lenders, anti-money laundering, borrower diligence and risk assessment through to loan administration.
- The Regulation also contains very clear disclosure requirements to both borrowers and lenders, which the crowdfunding company must comply with.

- With regard to specific lending, individual and cumulative limits are imposed on lending depending on the classification of the relevant lender (either retail or market counterparty) together with limits on borrowing (AED 10 million per borrower in any calendar year).
- The Regulation has introduced the concept of client money provisions and requirements relating to controlling client money. To the extent that a crowdfunding company receives any funds in relation to the crowdfunding activities, such funds are required to be received and held in segregated accounts held with UAE banks, with such accounts to be audited on a regular basis.

The Regulation is a welcome addition to the UAE's financial industry and is likely to further enhance the variety of funding options for customers.

## THE NEW STORED VALUE FACILITIES REGULATION – FINTECH

Over the past few years, there has been rapid development in the FinTech space. In response to such developments, the UAE Central Bank ("CBUAE") has issued the Stored Value Facilities Regulation ("Regulation"), dated 30 September 2020 (released in November 2020). The Regulation was published in the Official Gazette on 15 October 2020 and comes into effect on 15 November 2020. The Regulation replaces and repeals the 'Regulatory Framework for Stored Values and Electronic Payment Systems' (the "Framework") previously issued by the Central Bank in 2016. The transition period is one year from the effective date of the Regulation.

The scope of the Regulation includes licensing and the ongoing supervisory and oversight requirements and related enforcement action in relation to the provision of Stored Value Facilities ("SVF") in the UAE. DIFC and ADGM continue to be outside the remit of this Regulation. However, if financial institutions in either DIFC or ADGM, intend to conduct SVF related business in the UAE onshore, such financial institutions would be required to obtain a license of the Central Bank.

The key highlights are essentially a more streamlined application process for licensing, inclusion of the regulation and licensing of activities in relation to crypto-assets and virtual assets, the ability to obtain a license without having to partner with commercial banks, regulation of cross border offerings of SVFs into the UAE and recognition of e-KYC processes for such business activity. Additionally, a requirement has been introduced for the provision of independent assessments in seven areas by qualified assessors (these areas are corporate governance and risk management; float management; technology risk management; payment security management; business continuity management; business conduct and Customer protection; and AML/CFT control systems).

The following are the salient features of the Regulation:

**Licensing and Scope:** Issuing and operating SVFs continues to be a regulated activity which requires a license form the CBUAE with the exception of "single purpose SVF" (such as closed loop payment schemes). This was the position under the Framework and has been confirmed under the new Regulation.

**Scope of SVF:** Unlike the Framework, the Regulation now includes crypto-assets within the scope of SVF business and within the definition of virtual assets. The Regulation defines crypto-assets to include "cryptographically secured digital representations of value or contractual rights that use a form of distributed ledger technology and can be transferred, stored or traded electronically". Accordingly, anyone issuing or operating in the crypto-asset space outside the financial free zones or on a cross border basis, would need to be appropriately licensed or approved, depending on its existing regulatory status. Such amendment to the existing position reflects the positive regulatory response to the technological advancements and the rapid developments in this area. Moreover, the definition of an SVF, now includes device based and non-devise based SVFs. This appears to be a variation from the Framework, which included only device based SVFs.

**Overseas SVF schemes:** CBUAE has expanded its authority over licensing and supervision of 'overseas SVF schemes'. The Regulation provides guidance on factors to be considered by CBUAE on whether an oversees SVF scheme falls could fall within the scope of the Regulation and attract licensing requirements. The Regulation additionally provides that the factors set out in the Regulation are neither exhaustive nor conclusive and that CBUAE will use a holistic approach to judge each case on its merits and take into account the particular circumstances and all relevant facts.

**Exemptions:** The Regulation has set out some exemptions from CBUAE licensing requirements. These include certain cash reward schemes, certain bonus points schemes, SVF for purchase of certain digital products, and SVFs where the Float (essentially customer funds paid to the SVF provider in return for the SVF) does not exceed AED 500,000 and number of customers do not exceed 100 customers. The exemption must be applied for with CBUAE who shall decide on the application of the exemption.

**Eligible applicants:** A key requirement for submitting a licensing application to CBUAE is that the applicant must be a company incorporated in the UAE, including free zones but excluding DIFC and ADGM. Traditionally, licensed firms were required to be incorporated in the mainland, without the ability to retain 100% ownership. This positive change will open up the licensing process to many global players that wish to enter the UAE market. This is an important change from the previous requirement for firms that intended to operate as a retail payment service provider, could only do so by partnering with commercial banks.

**Governance:** The Regulation places stringent requirements regarding corporate governance, general risk management and internal control, and accounting systems. Similar to other categories of licenses offered by CBUAE to financial institutions, the board of directors, senior management, and the controlling shareholder of the licensed SVF business must be approved by CBUAE.

**Compliance Requirements:** The licensed SVF business must comply with the risk management policies and procedures for the management protection of customer money (which is defined as Float under the Regulation) as well as the requirements regarding business conduct, customer protection, technology and specific risk management policies and procedures for managing the risks arising from the operation.

**AML and CFT:** The Regulation sets out anti money laundering and countering the financing of terrorism procedures. Each licensed SVF business must conduct KYC for onboarding customers. In general, the electronic know your customer (eKYC) process currently adopted by licensed banks is acceptable for SVF account opening.

**Principal Business:** The principal business of a licensed SVF business must be the issuance of SVF only. Any exception to this rule must be approved by CBUAE.

**Licensed Banks:** Licensed banks do not require an additional license to provide SVF schemes. However, they are required to obtain certain approvals if they plan to issue an SVF and carry out the SVF business. Additionally, there are separate requirements, obligations and exemptions for banks in relation to corporate governance, information and accounting systems, risk management and internal control systems, safekeeping and management of the Float.

**Outsourcing:** Licensed SVF businesses may outsource activities and processes to service providers, including independent third parties, or companies within their group. Such outsourcing must be approved by CBUAE.

The UAE is at the forefront of innovation and the issuance of the Regulation is timely to create a stimulus in the payments industry in the UAE in accordance with international standards. It will provide an easier access to international SVF providers to the UAE market.

## DIFC insolvency law overview

The DIFC introduced a new insolvency law (DIFC Insolvency Law No. 1 of 2019 and associated DIFC Insolvency Regulations 2019), with effect from 13 June 2019. The new law improves and complements the restructuring tools currently available to debtors and creditors. Specifically, the new rehabilitation (debtor-in-possession) and administration processes enhances the existing procedures — such as company voluntary arrangements, receiverships, and liquidations.

The four key features of the law are summarised below.

### Facilitating Cross-Border Coordination:

Part 7 of the DIFC Insolvency Law adopts the UNCITRAL Model Law on Cross-Border Insolvency — thereby encouraging cooperation and coordination between multi-jurisdictional insolvency proceedings. This would assist a more coordinated approach in cases of restructurings and insolvencies for cross-border businesses operating in the DIFC. Further, this is in line with DIFC's larger goal to achieve recognition as an international hub for financial services.

### Introduction of Rehabilitation Regime

Part 3 of the law introduces rehabilitation regime, whereby a company which cannot pay its debts and there exists a reasonable likelihood that the creditors and shareholders can reach an amicable agreement — the debtor can apply for rehabilitation. The company's directors are required to notify the court in writing about their plans of making a proposal to the creditors under the regime. The law requires the company to appoint an insolvency practitioner who confirms that the proposed plan is reasonably likely to succeed. The creditors are then allowed to vote on the rehabilitation plan proposed by the debtor. The plan requires both 75% of creditors in each class that are present and voting to support the plan, and the approval of the court. In certain cases, the court may determine that the plan does not impact a particular class of creditors and hence their votes would not be required.

### Appointing Independent Administration

Part 4 of the DIFC Insolvency Law permits the court to appoint an independent administrator (an insolvency practitioner), in case a debtor has filed for rehabilitation and evidence of misconduct exists. The administrator is authorised to manage the company's affairs, business, and property to facilitate a voluntary arrangement, a rehabilitation plan, or a scheme of arrangement under the DIFC Companies Law.

### Streamlining Winding Up

Part 6 of the DIFC Insolvency Law has updated the existing rules and procedures for the winding up of companies. The focus has been on modernising and streamlining the procedures related to winding up.

## Industry

The UAE is an important producer of energy and as of 2019 was ranked eighth and ninth globally in terms of total proven reserves of oil and natural gas respectively (Source: BP Statistical Yearbook 2020). More than 90% of the UAE reserves are held Abu Dhabi, followed by Dubai and Sharjah. The UAE has been able to maintain its proven reserves over the last decade primarily due to enhanced oil recovery (EOR) technologies increasing extraction rates of mature oil projects. However, oil sector contributed only around one-fourth of the total GDP in 2019.

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 many innovative developments aimed at encouraging investors to establish their enterprises in the UAE and at assisting local businessmen in making the most of what the UAE offers in terms of infrastructure and other support mechanisms.

## Oil and gas

Oil revenues are, to a large extent, responsible for the rapid transformation of the country and the prosperity it enjoys. Since the first oil flow from the Umm Al Shaif offshore field in 1962, the country has witnessed tremendous growth and development. According to Organization of Petroleum Exporting Countries [OPEC] Annual Statistical Bulletin, the UAE had 97.8 billion barrels of oil as reserves as of 2019, making up 6.3% of global oil reserves. The UAE has been able to maintain its proven reserves over the last decade primarily due to enhanced oil recovery (EOR) technologies increasing extraction rates of mature oil projects combined with higher oil prices making more reserves commercially viable. Abu Dhabi has the largest oil reserves among the Emirates with 92.2 billion barrels, followed by Dubai with 4 billion barrels and Sharjah with 1.5 billion barrels. According to data from OPEC, UAE's oil production has increased from 3.0 million barrels per day in 2015 to 3.1 million barrels per day in 2019. The UAE plans to increase crude oil production capacity  to 5.0 million barrels per day by 2030 *(Source: US Energy Information Administration)*.

The UAE has 6,091 billion cubic meters of natural gas reserves, accounting for 3% of global natural gas reserves. The UAE ranks seventh largest in natural gas reserves globally, following Russia, Iran, Qatar, the United States, Saudi Arabia and Turkmenistan. Most of these reserves are located in Abu Dhabi, with marginal amounts found in Sharjah, Dubai, and Ras-Al-Khaimah.  Despite its large natural gas reserves, UAE has been a net importer of gas since 2008 due to surging domestic demand. Most of the imported supply comes from Qatar and is used to fuel desalination and power plants. The natural gas imports from Qatar has not been affected by the growing diplomatic dispute, however, UAE is focused on becoming self-sufficient in gas supply by 2030. Recently, in 2020, UAE discovered 80 trillion cubic feet of gas resources at the Jebel Ali reservoir, the world's largest natural gas discovery since 2005. Dubai and Abu Dhabi will jointly develop the gas fields and will push the country to being self-sufficient in energy.

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 stabilize the oil market, is formulated through co-operation with fellow Organization of Petroleum Exporting Countries (OPEC) members, the GCC and Arab countries. Production is limited by quotas agreed within the framework of OPEC.

## Nuclear power

- **The UAE is a signatory of the Non Proliferation Treaty (NPT) and it ratified a safeguards agreement with the International Atomic Energy Agency (IAEA) in 2003. In 2009 it signed the Additional Protocol.**
- **The UAE embarked upon a nuclear power programme in close consultation with IAEA and with huge public support.**
- **It accepted a $20 billion bid from a South Korean consortium to build four commercial nuclear power reactors, total 5.6 GWe, by 2020 at Barakah.**
- **Unit 1 of the country's first nuclear power plant was connected to the grid in August 2020.**

Since commencing studies in collaboration with other members of the Gulf Cooperation Council (GCC), the UAE has proceeded with plans to set up on its own an ambitious nuclear power programme. In April 2008 the UAE independently published a comprehensive policy on nuclear energy. This projected escalating electricity demand from 15.5 GWe in 2008 to over 40 GWe in 2020, with natural gas supplies sufficient for only half of this. Imported coal was dismissed as an option due to environmental and energy security implications.

Renewables would be able to supply only 6-7% of the needed power by 2020.Nuclear power "emerged as a proven, environmentally promising and commercially competitive option which could make a significant base-load contribution to the UAE's economy and future energy security." This led to creation of a regulatory framework and selection of a site between Abu Dhabi city and Ruwais, at Barakah.

Accordingly, and as recommended by the IAEA, the UAE established a Nuclear Energy Program Implementation Organization which in 2009 set up the Emirates Nuclear Energy Corporation (ENEC) as an Abu Dhabi public entity, initially funded with $100 million, to evaluate and implement nuclear power plants within UAE (specifically in the emirate of Abu Dhabi). The UAE announced that it would "offer joint-venture arrangements to foreign investors for the construction and operation of future nuclear power plants" similar to existing Independent Water and Power Producer structures which are 60% owned by the government and 40% by the JV partner(s). The UAE set up a model of managing its nuclear power program based on contractor services rather than more slowly establishing indigenous expertise.

In November 2013 the Dubai Electricity & Water Authority said that it had a target of 12% of its electricity supply capacity to be nuclear by 2030, primarily from Abu Dhabi's Barakah plant, but also possibly from a Dubai plant at some stage. This target is part of Dubai's Integrated Energy Strategy 2030, arising from its Supreme Council of Energy set up in 2009 as an independent legal entity to oversee all matters relating to Dubai's energy sector.

In October 2016 ENEC and Korea Electric Power Co.(KEPCO) signed a joint venture agreement for "long-term partnership and cooperation" in the UAE's nuclear energy programme. The two companies also announced establishment of Barakah One PJSC, an independent subsidiary jointly owned, to be a long-term partnership enhancing the operation of the nuclear power plant and to "represent the commercial and financial interests" of the Barakah project.

The UAE expects that the four 1400 MWe nuclear units at Barakah will produce 25% of its electricity at a quarter the cost of that from gas. It plans to export electricity to Gulf neighbours via the regional power grid.

- A new UAE energy plan announced in January 2017 involves investment of $163 billion by 2050 to achieve half of its energy being from nuclear power and renewables.
- In July 2018 the UAE Department of Energy issued an electricity generating license for the four units at Barakah.
- In February 2020, Federal Authority of Nuclear Regulation (FANR) issued an operating licence for unit 1. Fuel loading commenced shortly afterwards and the unit was connected to the grid in August 2020.
- In July 2020, ENEC announced that construction of unit 2 was completed, and that units 3 and 4 were 92% and 85% complete respectively.

*(Source: https://www.world-nuclear.org/)*

## Construction

The construction sector has now become one of the key non-oil sectors and an important component of the UAE's economy. The industry in the UAE emerged in Dubai in the 1950s, when the ruling Sheikhs of Abu Dhabi and Dubai decided to transform Dubai into a permanent haven for coastal shipping and launched the Dubai Creek Improvement project. A project valued at that point at GBP 600,000 funded by Creek Bonds, bought by leading merchants in the region.

In the late 1950s, Sheikh Zayed bin Sultan Al Nahyan, the ruler of Abu Dhabi supported western oil exploration which earned Abu Dhabi around USD 70 million a year in the 1960s. As oil revenues increased, Sheikh Zayed undertook massive construction programs, building schools, housing, hospitals and roads. The industry has expanded over the years contributing an average 9% of the GDP (2010-2019). The sector has been one of the principal reasons behind the growth of non-oil sectors in the UAE. The ability to attract large overseas investments, notably in the construction industry has resulted in an influx of foreign investors into the UAE.

Dubai's non-oil sector was the most affected by the global recession due to linkages to global trade and financial markets and by the steep fall in the real estate prices. The global correction in real estate markets had led to large decline in house prices and construction activity worldwide. Consequently, The UAE's construction industry witnessed a major slowdown in the aftermath of the global financial crisis and the Dubai World debt crisis in 2008/2009. By the end of 2012, revival in consumer confidence, easing liquidity concerns, increase in real estate prices and improvement in real estate activity benefitted the construction sector. The continuous growth in population, along with major government investments has resulted in many projects in healthcare, leisure, hospitality and residential sectors.

The country's construction market continues to grow at a faster pace than the wider economy, fuelled by infrastructure spending mainly in Dubai. However, over the past couple of years (2017 onwards), the sector has witnessed a slowdown due to lack of new projects and weakening cashflow. The impact of COVID-19 has accelerated the challenges for the sector despite being exempted from the lockdown during the nationwide sterilization campaign. Social distancing and other precautionary measures being adopted by contractors has added time and costs to the projects, thereby impacting profitability. The pandemic has also resulted in slowdown in projects being awarded. According to MEED Projects, until July 2020 only projects worth USD6.9 billion were awarded in the UAE compared to USD25.4 billion awarded in full year 2019. According to GlobalData, in real terms, UAE construction sector was expected to post 4.3% growth in 2020, higher than the 3.3% growth posted in 2019. However, following the COVID-19 outbreak and subsequent knockdown of oil prices, GlobalData now expects construction output to contract by 1.9% in 2020 and recover to 3.8% in 2021.

## Real estate

The UAE's real estate market had enjoyed an unprecedented boom and is considered the most active of all real estate markets in the Gulf Cooperation Council (GCC) region. The real estate and business services sector in nominal terms registered a CAGR of 18% during 2001 - 2008. In 2007, the real estate sector showed a strong growth of 36% year-on-year, with the sector contributing 12% to the GDP. The sector was buoyed by increasing investments in infrastructure, due to the country being positioned as an attractive tourist destination in addition to the increase in residential and non-residential real estate. There was significant foreign investment in Dubai's real estate sector with foreigners accounting for 30% of the transactions in Dubai during 2008, up from an average of 10% between 2001 and 2007.

However, the U.S. subprime mortgage market collapse led to a global credit crunch. This crisis almost froze credit flow, resulting in a collapse in asset and oil prices. Banks had to rein in soaring credit growth and rebalance their books in the face of falling asset prices and expectations of rising loan defaults. The slowdown in economic activity led to many expatriates leaving the UAE. This adversely affected housing demand and in effect resulted in the Dubai real estate sector witnessing significant price correction given the higher degree of speculative investments. On the other hand, the real estate market of Abu Dhabi was less affected by the global economic recession.

The real estate market in Dubai started showing signs of recovery towards the end of 2011 with the market witnessing stability in property prices and rents. The market recovery gained momentum in 2013 with the total amount of real estate transactions in Dubai increasing 53% year-on-year to AED 236 billion (USD64.3 billion). The increased interest of GCC nationals to have their second homes in Dubai is boosting the demand of Dubai real estate. Some non-gulf residents especially Chinese and Indians have also been investing in Dubai real estate to make most out of the current situation. Consequently, the total amount of real estate transactions recorded in Dubai in 2016 increased to AED 259 billion (USD70.6 billion). Further, the supportive government polices such as decreased mortgage rates and extension of a two-year visa offer (for property value over AED

1 million) are also contributing to increased real estate demand. These factors have led to sustained growth in real estate transactions that reached AED 285 billion by 2017. The market continued the growth momentum with property sales transaction volumes reaching a 11-year high in the twelve months to November 2019 (Source: Property Finder).

Despite being among the key sectors for the UAE's economic growth over the past two decades, the real estate industry was witnessing slowdown in value growth over the past few years. However, with COVID-19 and the resultant postponement of Expo 2020 (considered to be a major catalyst for the sector's future growth) has further added to the instability, characterized by projects delayed, lower demand, decline in sale values and rental yields, thereby reflecting an unfavourable investment climate.

While uncertainty over the revival in demand could remain until 2021, experts believe that since the market was already in the late downturn stage of the cycle, the possibility of the market making a bottom and thereafter stabilize/revive remains high. To some extent, this is being reflected in the transactions and GDP data published for Dubai. Despite the impact of COVID-19, real estate market in Dubai witnessed transactions worth AED 72.5 billion in the first half of 2020. According to Dubai Statistics Centre, the real estate sector registered a growth of 3.7% in the first quarter of 2020 compared to Q1 2019, implying gradually revival in demand backed by government stimulus packages and initiatives. While number of transactions have reduced, the real estate activity is still buyout with nearly 90% of residential projects in the UAE that were under construction before the COVID-19 pandemic still proceeding (Source: Knight Frank). On the other hand, for projects that were under planning, developers are likely to adopt a 'wait and watch' approach. Considering a broad economic recovery in the UAE, real estate firm Chestertons MENA expects to see greater stability in residential rents and sales prices in 2021.

## New Real Estate legislation for Dubai

The Government of Dubai has issued new legislation on certain real estate related matters. A brief overview is given below:

### *Law No. 19 of 2020 concerning Dubai Interim Registration Law*

The amendment deals mainly with the circumstances in which a challenge to a previous decision by Dubai Land Department (DLD), cancelling a sale and purchase agreement registered on the interim register, can be brought (noting that such a challenge is not permitted where such decisions were undertaken in compliance with relevant laws).

### *Law No. 20 of 2020 concerning Dubai Real Estate Institution (DREI)*

Confirms the dissolution of DREI and transfer of employees, responsibilities and services of DREI to DLD.

### *Law No. 32 of 2020 regarding Land Designated for Educational Use*

Confirms that the ownership of certain land plots designated for educational use (as defined in the Law), shall be transferred to the Knowledge Fund.

Real Estate Developers (as defined in the Law) are entitled to retain ownership of such plots provided that 75% of the plot's market value is paid to the Knowledge Fund. Also sets out the framework for such payment, including the ability to pay in instalments over a maximum period of 34 years.

### *Law No. 33 of 2020 regarding the Judicial Committee for Liquidation of Cancelled Real Estate Projects in Dubai*

Extends the jurisdiction of the Judicial Committee to incomplete real estate projects (as well as cancelled projects). The Law also widens the authorities of the Judicial Committee and sets out procedures for the Real Estate Regulatory Authority's transfer of matters to the Judicial Committee for consideration and resolution.

### *Administrative Decision 67 of 2020 regarding regulatory conditions and procedures for engaging in real estate appraisal practice in Dubai*

The Director General of DLD has issued this administrative decision and it has been published in the official gazette to regulate the licensing of appraisal practice in Dubai and the duties and obligations of the appraiser.

### Decree regulating the sale of inherited residential properties by heirs

In August 2020, HH Sheikh Mohammed Bin Rashid issued Decree 23 of 2020 Regulating the Sale of Inherited Residential Properties by Heirs in Dubai (**"Decree 23"**).

Decree 23 is applicable to all residential properties located in Dubai (except for residential properties granted under the Mohammed bin Rashid Housing Establishment). It does not make a distinction between properties that are located in designated and non-designated areas for foreign ownership, and is therefore applicable to all nationalities.

The Decree aims to protect family members in the event of sale of residential properties that are subject to inheritance orders (specifically senior citizens, minors, bachelorettes, divorcees, widows and individuals with special needs), to ensure that the sale of the property is not detrimental to their rights and interest.

Dubai Land Department (DLD) is authorised to approve an application of sale submitted by any of the heirs, and transfer title to a purchaser. DLD may also authorise sale of a property by auction (if appropriate). Following a sale, the DLD will distribute sale proceeds to the heirs, in accordance with their individual entitlement pursuant to the inheritance order. In the event of a dispute between the heirs, they may file a claim before the Special Judicial Committee which has exclusive jurisdiction to review and decide on such disputes.

Decree 23 is effective from the date of its publication, and repeals all provisions in any other laws in force that are contradictory to the provisions of the Decree. Any dispositions or actions that contradict with the provisions of the Decree will be void, shall not be registered in any official record, and shall not create any rights or obligations.

## Manufacturing

The manufacturing sector is a key component of the UAE's diversification strategy and government-led focus on the sector has driven the growth in trade and exports as well as contributed significantly to employment opportunities within the region. The key factors that support manufacturing businesses in the UAE include ease of doing business, import and export capabilities, ports and airports, protection of intellectual property, government incentives, trade relations and industrial policies.

The manufacturing sector is among the key non-oil sectors and its contribution to UAE's GDP has increased from 7.9% in 2010 to 8.7% in 2019 (Source: UAE Federal Competitiveness and Statistics Authority). The UAE's manufacturing sector also accounts for close to half of the country's non-oil exports. The key manufacturing industries across different emirates are summarised below:

**Abu Dhabi:** Petroleum and petrochemicals, gas processing, desalinisation of sea water and electricity

**Dubai and Sharjah:** Industrial production is diversified comprising of petrochemical, chemical products, metallurgy (aluminium), plastics and rubber, construction materials, agribusiness (including food and beverage processing), publishing and printing, paper and textile.

**Ras Al Khaimah:** Cement plants, marble works and a pharmaceutical facility.

**Fujairah:** Cement plants, stone crushing and mining.

According to a report by the Dubai Chamber of Commerce and Industry, the UAE is expected to pursue its diversification program through large-scale investments in the manufacturing sector. It is estimated that the manufacturing sector will contribute 25% to the country's overall GDP by 2025. While Dubai has targeted services and light industries, Abu Dhabi believes its competitive advantage lies in heavier manufacturing industries, due to the availability of cheap energy. The development of free zones has also supported investment in the country's manufacturing sector. The largest and most high-profile of the free zones for manufacturing are Jebel Ali Free Zone (in Dubai) and Khalifa Industrial Zone (in Abu Dhabi).

In June 2016, Sheikh Mohammed launched Dubai Industrial Strategy 2030 with a view to transform Dubai into a global platform for knowledge-based, sustainable and innovation-focused manufacturing businesses. The Strategy aims to increase the total output and value-addition of the manufacturing sector and has identified six priority sub-sectors –aerospace, maritime, aluminium and fabricated metals, pharmaceuticals and medical equipment, food and beverages and machinery and equipment.

Further, manufacturing sector in Dubai is expected to benefit with the development of Dubai Industrial City ("DIC"), a non-free zone manufacturing hub that focuses on six industrial sectors namely machinery and mechanical equipment, transport equipment and parts, base metals, chemicals, food and beverages and mineral products. DIC is a 560 million square feet large industrial and manufacturing hub in Dubai which is a part of Dubai Wholesale City and presently houses 200 operational factories. Major companies operating in DIC include Unilever, BASF Kanoo, Arabian Automobiles Company, Al Futtaim Logistics, Dofreeze, Assent and Terrazzo.

Abu Dhabi Government too has focused on prioritising the industrial sector as part of its move to boost the economic contributions of the non-oil sectors in line with the Abu Dhabi Economic Vision 2030. The Industrial Development Bureau (IDB) has been established to develop and regulate the manufacturing sector in Abu Dhabi. As part of Abu Dhabi's Economic Vision 2030, non-oil activities are expected to contribute over 60% of the emirate's GDP. The industrial sector is recognised as one the emirate's engines of future growth and is a critical component of meeting the diversification goals.

## Information technology

The UAE government's increased focus on attracting global Information Technology (IT) firms and its efforts to promote e-governance and provide online services have been key contributing to the growth in the IT sector. Moreover, the UAE has also been investing in telecommunication and IT infrastructure as well as human resource as part of a strategy to develop the UAE into a premier regional hub for IT.

Growth in information and communication technology (ICT) spending in the UAE has been relatively flat. The share of information and communication to the country's GDP was has averaged 2.9% over the last five years (2015-2019), almost at the same level as of 2010. This could be attributed to lower oil prices having resulted in governments and corporates prioritizing their ICT spending while weak consumer confidence has impacted retail sales of smartphones and personal computers (PC). IT spending in the UAE has increased at a CAGR of 2.3% between 2014 and 2018 (Source: Dubai Chamber of Commerce and Industry) driven by digitization of the UAE economy and growing adoption of Internet of Things (IoT) technologies. In 2019, IDC estimated the industry to grow at 3.9% with hardware sales such as mobile phones, laptops, tablets, desktops, monitors, projectors and IT peripherals decreasing and software and IT services segment witnessing a growth.

According to BMI, there will be downward pressure on PC sales, especially in the consumer segment, where desktops and notebooks are being cannibalized by smart-phones and tablets. It is also expected that there will be significant investment in high capacity servers for data centres and will be a key growth driver in the hardware segment of the IT market. This will, in turn, boost value growth in the software and services sectors, specially cloud-based services. Major innovations and advancements in sectors such as Internet of things (IoT), 3D printing and augmented/virtual reality are likely to drive market growth in the future. The usage and application of IoT is rising across transportation, utilities and smart cities projects. Further, growing demand for outsourcing and managed services would result in increased job opportunities in the UAE.

The growth of the IT sector in the UAE is dependent on two things: infrastructure development and human resource development. However, expenditure on IT infrastructure has always been one of the priorities of the UAE government and the private sector and it is now focusing on recruiting world-class IT expertise. There is a clear trend towards optimizing infrastructure and enhancing efficiency among SMEs (small and medium enterprises) and large enterprises.

## Tourism

The sun, sea, beaches, shopping facilities, scenery coupled with a developed hospitality sector and excellent sports and leisure facilities 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, campouts 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.

Dubai, for example, welcomed 16.73 million overnight visitors in 2019, an increase of 5.1% over the previous year. Tourist arrivals continued through the first couple of months with Dubai witnessing 3.27 million overnight tourists during January-February 2020. With the Expo 2020 expected to attract over 25 million visitors, the outlook for the sector was strong. However, COVID-19 had a major impact on the sector's growth prospects and according to industry experts, the sector will witness some recovery in Q1 2021 and achieve pre-COVID-19 levels only by late 2021. Going forward, Dubai government's robust advertising campaigns along with the postponement of Expo 2020 to October 2021, the emirate is expected to attract large volumes of tourists. Following the opening of the air travel from July 2020, Dubai Airport has witnessed an increase in travellers with authorities expecting tourism numbers to peak in November well in time for the winter season in Dubai. Abu Dhabi is a relatively smaller market for tourism. While total tourist arrivals in Abu Dhabi were 11.35 million in 2019, it mainly comprised of same-day visitors (8.53 million) while overnight visitors were only 2.83 million. Abu Dhabi has set a target of growing its annual tourists visiting the emirate to 7.9 million by 2030. The Department of Culture and Tourism – Abu Dhabi has launched various initiatives to aid growth of the tourism sector in the emirate of Abu Dhabi.

## UAE stock exchanges

The UAE has three official stock exchanges viz; The Dubai Financial Market (DFM) established in March 2000 and the Abu Dhabi Securities Market (ADX) established later on in November 2000, and the Dubai International Financial Exchange (now known as NASDAQ Dubai) 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 marketplace 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 150 companies listed and traded on the DFM and ADX with a combined market capitalization of USD 285 billion.

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

The NASDAQ Dubai is located in the Dubai International Financial Centre (DIFC), a financial free zone. The 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 – Credit Suisse, Deutsche Bank, HSBC and UBS and over the years many international heavy weights like Citigroup, Barclays, JP Morgan Securities and Morgan Stanley have become a part of NASDAQ Dubai. For international investors, the DIFX 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 10 am to 2 pm (6 am to 10 am GMT) from Sunday to Thursday. There are eight equity securities currently listed on the NASDAQ Dubai. In addition, sukuk and conventional bonds are also listed on the exchange. Exchange-traded funds, derivatives, exchange-traded commodities as well as Real Estate Investment Trusts (REITs) can also be listed and traded on NASDAQ Dubai.

In addition to the three stock exchanges, there is a commodity exchange in Dubai, which is Dubai Gold and Commodities Exchange (DGCX). Dubai has historically been an international hub for the physical trade of not only gold but also many other commodities. DGCX commenced trading in November 2005 as the region's first commodity derivatives exchange. DGCX is majority owned by Dubai Multi Commodities Centre (DMCC), a strategic initiative of the Government of Dubai, with a mandate to enhance commodity trade flows through the Emirate by providing the appropriate physical, market, financial infrastructure and services required. The trading hours of the DGCX are from 7am to 11:30 am (GMT +4) and the exchange is regulated by the Securities and Commodity Authority.

## 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.

Currently, there are four major laws affecting foreign investment in the UAE: the new UAE Commercial Companies Law introduced in 2015, the UAE Commercial Agencies Law, the UAE Industry Law, and the Government Tenders Law.

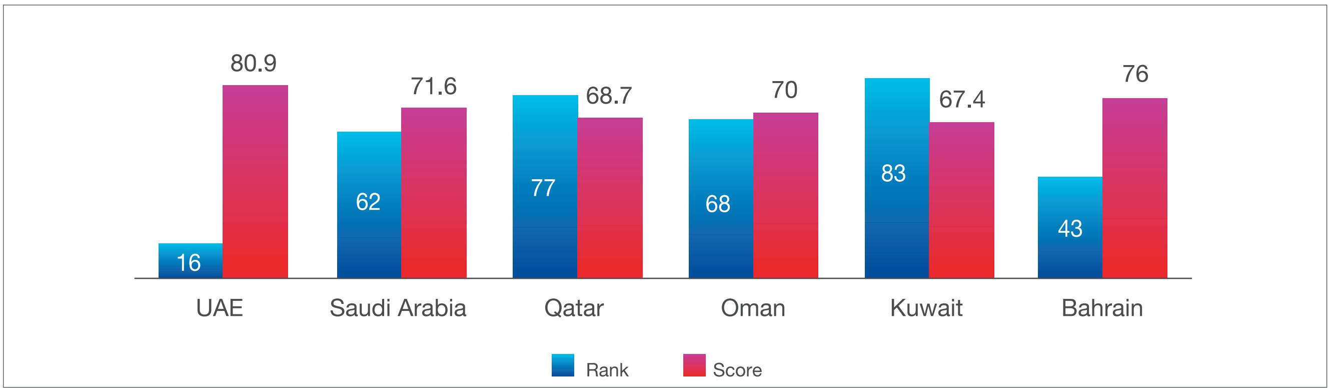
A new law called the Foreign Direct Investment Law (the FDI Law), was issued in September 2018. The FDI Law is meant to develop, foster and nurture foreign investment in accordance with the policies of the UAE.

This was followed by the announcement on July 2019 of the relaxation of foreign ownership restrictions for 122 business activities, specifically in the manufacturing, agricultural and services categories (Positive List), pursuant to the FDI Law. On 17 March 2020, the UAE Cabinet issued Cabinet Resolution No. 16 of 2020 containing the full FDI Positive List and the requirements for establishing FDI companies in the UAE mainland, reinforcing the UAE's commitment to become the leading foreign investment destination in the region.

However, 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 chart below provides the world ranking of ease of doing business of UAE and comparative economies basis different parameters like starting a business, dealing with construction permits, registering property, taxes, etc.

The chart below provides the world ranking of ease of doing business of UAE and other GCC economies based on ten different parameters like comprising starting a business, dealing with construction permits, getting electricity, registering property, getting credit, protection of minority interests, taxes, trading across borders, enforcing contracts and resolving insolvency. UAE was one amongst the 10 most improved economies in World Bank's latest Doing Business survey and improved its overall ranking to 23 from 34 in the previous year.

Comparison of overall Doing Businesses Ranking and Score Comparison for GCC Countries




*Source: World Bank Doing Business database 2020*

As one of the lowest taxed countries in the world, with no corporate or income taxes, the UAE has been a lucrative location for FDI vis-a-vis other regional and international countries. Foreign companies investing in the UAE can also 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 Organization 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.

The UAE's non-oil foreign trade grew by 0.5% in 2018 to AED 1536.1 billion. This rise came as a result of the non-oil exports growth by 9.7% to reach AED 637.6 billion, and the decrease of imports by 5.1%

| | |
|---|---|
| **Top 5 Exports by UAE** | Crude Petroleum ($58.1B), Refined Petroleum ($32.3B), Gold ($15.4B), Jewellery ($12.2B), Diamonds ($10.2B). |
| **Top 5 Imports by UAE** | Gold ($27.3B), Broadcasting Equipment ($15.5B), Jewellery ($13.4B), Refined Petroleum ($12.8B), Cars ($11.3B) |
| **Top 5 Export destinations of UAE** | India, Japan, China, Saudi Arabia, Oman |
| **Top 5 Import origins of UAE** | India, USA, China, Germany, UK |

*Source: OEC.World*

Trade with Israel had been prohibited. However, in August 2020, the UAE and Israel, announced a historic agreement to normalize diplomatic relations between the two countries. The agreement enables the two countries to develop commercial, diplomatic and security ties. The deal is likely to open trade opportunities between the two countries. As per media reports, The Economy Ministry of Israel expects exports to the UAE to grow exponentially from USD300,000 currently to an annual USD300 million to USD500 million.

## Customs duties

Customs (import) duties are levied generally at a rate of 5% but there are many items which are duty exempt, such as medicines, most food products, capital goods and raw material for industries etc. Imports by free zone companies are also exempted unless products move outside the zone. If the products are moved outside the zone, customs duty is levied at 5%.

| Categories | No. items |
|---|---|
| Restricted (subject to special approval of relevant UAE authorities) | 15 |
| Prohibited | 12 |
| Duty Free / Exempt | 70 categories<br>(734 items) |

By law, 70 categories of goods have been exempted from tariffs including medicines, agricultural machinery, pesticides, fertilizers, periodicals, wood, unstrung pearls, un-worked silver and gold, iron and steel for use in construction, and raw or partially worked materials for use by local manufacturers. There are 734 items exempt from the customs duty under the customs tariff, for example, certain animals, vegetables, plants, chemicals, and medicines, certain diamonds, silver, and gold, as well as carriages and accessories for those who are disabled. Helicopters, cruise ships and excursion boats are also exempt.

After the introduction of the new uniform customs tariff on 1 January 2003, all non-Gulf Co-operation Council (GCC) products, except for those exempted, are subject to 5% customs duty, while the product of GCC countries shall enter each other's markets free of customs duties. Products are considered as originating in a GCC country if the value added to such product in the said country is more than 40% of the value of the product in question and if the factory that manufactured the product is at least 51% owned by GCC nationals.

In the event of re-export to non-GCC countries, a customs deposit has to be made and this will be refunded when proof of re-export is given to the authorities. In the event of re-export to GCC countries, customs duty at 5% will be levied at the first point of entry. The provisions of the GCC Customs Union have applied since 1 January 2003.

By law, all commercial or non-commercial enterprises, Customs Zone or Free Trade Zone entities require a license issued by a duly authorized authority to do business in the UAE: only entities with Trading Licenses may distribute products in the import markets that are considered customs zones. Exporters may appoint an exclusive agent licensed to operate within the specified custom zone market to distribute their products.

## 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.

## 100% foreign direct investment in mainland UAE

The Foreign Direct Investment (FDI) Law was introduced in 2018. Further the FDI Law has been annulled in December 2020 and the new Decree Law 26 of 2020 amending certain provision of the CCL has been introduced in September 2020.

## UAE Consumer Protection Law

The new Federal Law No. 15 of 2020 on Consumer Protection (the "new Consumer Protection Law") issued on 10 November 2020 repeals the previous Federal Law No. 24 of 2006.

The new Consumer Protection Law covers all goods and services within the UAE, including free zones and all related operations carried out by suppliers, advertisers or trade agents, including ecommerce transactions if the supplier is so registered in the UAE.

Summary of the key provisions:

### *Consumer Privacy*

Concept of privacy and data security for consumers has been introduced along with implications for unauthorised use of consumers' data. Suppliers and businesses now have an obligation to safeguard their consumers' data, avoid using consumer data and information for marketing and promotion, and protect consumers' religious values, customs and traditions when providing a commodity or receiving any service.

### *E-Commerce*

All e-commerce providers registered within the UAE shall be required to provide the consumers and competent authorities with their names, legal status, address, licensing authorities and sufficient information in Arabic on the services they provide, specifications, terms of contracting, payment and warranty terms. Information made available to consumers, data, advertisements, contracts and invoices must be in Arabic, and other languages may also be used alongside Arabic at the discretion of the suppliers. These obligations do not apply to ecommerce providers based outside the UAE.

### *Penalties*

The new Consumer Protection Law stipulates more punitive penalties on suppliers. Suppliers who falsely advertise products or services can face imprisonment of up to two years and a fine not exceeding AED 2 Mn. This penalty also applies to suppliers who do not remedy a defective product by repairing or replacing the products or services without charge. Penalties will be doubled in the event of recurrence.

It is intended that stricter penalties will offer further protection to consumers and ensure suppliers compliance with these new obligations.

Companies have a one-year transition period to comply the provisions of new law from the date it came into force.

The Cabinet will issue the Executive Regulation of this law upon a proposal from the Minister within six months from the date the new law was published in the Gazette, on 15th November 2020. The Executive Regulation, therefore, is expected to come into force by 15th May 2021.

# Structure of Business Entities

There are various legal structures available for the establishment of businesses in the UAE. These are addressed under the following main legislations:

- Federal Law No. 2 of 2015 on commercial companies as amended (the "CCL")
- Federal Decree-Law No. (26) of 2020 Amending Some Provisions of the Federal Law No. (2) of 2015 On Commercial Companies
- The UAE Civil Transactions Law, Federal Law No. 5 of 1985 (the "Civil Code")
- Local Order No. 63 of 1991 on Licensing Professionals and Tradesmen in the Emirate of Dubai

## Federal commercial company law

The UAE President HH Sheikh Khalifa bin Zayed Al Nahyan issued a new decree ("Decree") amending the Federal Law No 2 of 2015 on Commercial Companies ("Companies Law").

The Decree introduces substantial amendments to the Companies Law which generally regulates legal entities established "onshore" in the United Arab Emirates – i.e., outside the free zone areas ("Amendments").

### UAE National Ownership

The Amendments to the Companies Law have removed the requirement for a limited liability or joint stock company to be owned 51% by UAE national(s). With these changes, companies can be established onshore without a UAE national shareholder. Abu Dhabi mainland licensing authority has recently drawn up an updated list of commercial and industrial activities that will allow 100 per cent ownership to non-UAE nationals. The new list has expanded the available activities (and includes trading, logistics and contracting activities) for 100% foreign ownership that can be conducted by limited liability companies.

The list provided by Dubai mainland licensing authorities allows majority of the commercial and industrial activities to have 100 per cent foreign ownership. Meanwhile, they are also considering extending 100% foreign ownership to mainland limited liability companies, which include commercial and services related activities on a case-to-case basis.

Similarly, Sharjah Economic Development Department ("SEDD"), the Department of Economic Development in Ajman ("Ajman DED") has confirmed that they will also allow around 1000+ activities under 100% foreign ownership. The list will be shared by them shortly. Meanwhile the Department of Economic Development in Ras Al Khaimah (“RAK DED”) have also issued their own list of activities available for 100% foreign ownership.

Existing mainland companies covered under this provision should be able to adjust their position in line with the new regulations and new companies can incorporate as per the new provisions in place, subject to the approval from the licensing authorities and other relevant body with 100% foreign ownership.

### Local Agent

It will no longer be a requirement to appoint a UAE national as the local service agent for branches of foreign companies. Foreign companies can now register branches in the UAE without a local service agent. This requirement will be effective from April 2021.

### Categories of Business Activities

It will be permissible to establish companies without any UAE national ownership participation in the majority of business activities however in keeping with other regional states that already allow some unrestricted foreign ownership. There will be certain commercial activities, where the government may still require a prescribed level of Emirati ownership and control. This will definitely apply to companies in strategically important sectors such as oil and gas exploration, utilities and transport, as well as state-owned entities which we would expect to be exempt from the new Amendments.

### Nationality of Directors

The Amendments also removed the requirement for the chairman and a majority of the Board of Directors of private and public joint stock companies to be Emirati which opens up board membership and should improve corporate governance.

## Civil Code

The Civil Code provides for formation of three forms of civil or professional entities, namely:

- Service companies (work company/company to perform work)
- Speculative venture partnerships
- Mudaraba companies

The comparison chart below shows the key differences between the principal types of companies available to set up in the UAE based upon the provisions of the CCL and the Civil Code.

| Forms of Commercial Companies | Structure of partners / shareholders | UAE Nationality Requirements | Minimum Capital |
|---|---|---|---|
| Joint Liability Company | Two or more partners having joint and unlimited liabilities. | All the partners | None |
| Simple Commandite Company | One or more general partners having joint and unlimited liabilities. One or more limited partners who owe limited liabilities. | All the partners | None |

| Forms of Commercial Companies | Structure of partners / shareholders | UAE Nationality Requirements | Minimum Capital |
|---|---|---|---|
| Public joint stock company | At least Five (5) Founder Members | Shareholders having a 51% or more share in the capital; the majority of the members in the board of the directors and the Chairman of the board of directors. | AED 30,000,000 |
| Private joint stock company | Two (2) but not exceeding two hundred (200) shareholders with limited liabilities. | Shareholders having a 51% or more share in the capital; majority of the members in the board of directors and the Chairman of the board of directors. | AED 5,000,000 |
| Limited liability company | Two to fifty partners with limited liabilities. A single natural or corporate person may incorporate and hold a Limited Liability Company | Partners having a 51% or more share in the capital. A foreigner can be the manager of the company. | None |
| Single Owner Limited - liability company | One person with limited liability. A single natural or corporate person may incorporate and hold a Limited Liability Company | There is no restriction on the nationality of the shareholder for a single owner limited liability company in mainland UAE except for sanctioned countries or few restricted activities. | None |
| Civil Company | Two or more partners who owe joint and unlimited liabilities. | Not required | None |

The more popular and frequently used forms of business are discussed below:

## Public and private Joint Stock 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.

Joint Stock companies are suitable primarily for large projects or operations, since the minimum limit of the issued capital of a Public Joint Stock Company is AED Thirty Million and AED Five Million in case of Private Joint Stock Company. The chairman and a majority of directors in either of these entities must be UAE nationals and there is less flexibility of profit distribution than is permissible in the case of limited liability companies.

A Public JSC must have at least 5 founder members and its management should be vested in a board of directors consisting of a minimum of three to a maximum of eleven persons whose term of office may not exceed three years. In addition, at least 51% of the shares of the PJSC should be held by UAE nationals. The founders shall subscribe to shares from 30% to 70% of the issued capital of the company, prior to the invitation to the Public Subscription to the remaining shares of the company. The Law stipulates that the companies engaged in banking, insurance or financial activities should be run as public share holding companies.

A Private Joint Stock Company is a company where the number of the shareholders is at least two shareholders, but not exceeding two hundred shareholders. Notwithstanding the minimum limit of the number of shareholders as set forth in Clause 1 of this Article, a single legal person may incorporate and hold a Private Joint Stock Company.

## 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 recognized as offering a suitable structure for organizations interested in developing a long-term relationship in the local market.

A single natural or corporate person may also incorporate and hold a Limited Liability Company. The holder of the capital of the company shall not be liable for the obligations of the company other than to the extent of the capital as set out in its Memorandum of Association. There is no restriction on the nationality of the shareholder for a single owner limited liability company in mainland UAE except for sanctioned countries and few restricted activities. The provisions of Limited Liability Companies contained in this Law shall apply to such person(s).

As per the new UAE Commercial Company Law, the minimum capital requirement has been abolished and the capital level can be fixed depending on each business' individual requirements.

With the introduction of the new Decree Law, the activities identified by mainland Licensing Authority of each Emirate for 100% foreign ownership will allow expatriates to set up limited liability company in mainland UAE without the involvement of UAE national as nominee partner.

No LLC may engage in insurance or investment of money on behalf of others. The names and holdings of all shareholders are a matter of public record.

## Joint Liability Company

A Joint Liability Company is a company which consists of two or more partners who are natural persons, to be jointly responsible in all their monies for the obligations of the company.

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 joint partner shall have the capacity of a trader. Such partner shall be deemed to conduct the commercial activities in person in the name of the company. The declaration of the bankruptcy of a Joint Liability Company means the declaration of bankruptcy of all the partners by the power of the Law. 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.

## Simple Commandite Company

A Simple Commandite Company is a company which consists of one or more joint partners liable, severally and jointly, for the obligations of the company and having the capacity of traders, and one or more silent partners not liable for the obligations of the company other than to the extent of their respective shares in the capital. Silent Partners shall not have the capacity of a trader. Any natural person or corporate person may be a Silent Partner in the Simple Commandite Company.

The management of the company shall be limited to the Joint Partners. Decisions shall be unanimously passed by the Joint Partners, unless the Memorandum of Association of the company provides for majority. No variation of the nature of the business of the company or amendment to its Memorandum of Association shall be valid without the consent of all the Acting and Silent Partners.

## 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.

As per the new Decree Law, Branch of foreign company no longer requires a UAE national to act as the local agent.

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 only allowed to carry out professional or service related activities and not trading activities in UAE.

## Representative Offices Of Foreign Companies

A representative office of a foreign company is 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 per the new Decree Law, Representative Office of a foreign company no longer requires a UAE national to act as the local agent.

## Sole proprietorships

In setting up a professional firm, 100% foreign ownership through sole proprietorships is 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.

## Civil company (recognized professions)

A civil company is also a business partnership for professionals in recognized fields such as doctors, lawyers, engineers, etc. A civil company can only practice professional business and is 100% owned by the professional partners, whatever their nationalities.

*A civil company for engineering must have one partner who is a UAE National, who owns no less than 51% of the business and must be an engineer of the same type as the business's activity.*

A foreign company can be a partner in a civil company, as long as the foreign company is in the same profession as the civil company.

Most civil companies require a Local Service Agent (LSA) if there is no UAE-National partner in the business. The local service agent is a UAE National who manages licensing requirements and other government-related matters for your business, in exchange for an annual fee.

## Amendments to the UAE Agency Law

On 31 May 2020, Federal Law No. 11 of 2020 was published in the United Arab Emirates ("UAE") Official Federal Gazette No. 679, and entered into force on 1 June 2020. Federal Law No. 11 of 2020 implements the anticipated changes to the Federal Law No.18 of 1981 Regulating Commercial Agencies (the "UAE Agency Law") announced by the UAE Cabinet General Secretariat in January 2020 and, in addition to some minor amendments to the UAE Agency Law, makes a fundamental modification to which types of UAE legal entities can register a commercial agency arrangement at the UAE Ministry of Economy.

### *Previous position*

Previously, only UAE nationals or companies wholly owned by UAE nationals could qualify for registration as a commercial agent at the UAE Ministry of Economy and hence only UAE nationals, or companies wholly owned by UAE nationals, could avail the protections afforded to registered commercial agents under the UAE Agency Law.

These national ownership requirements naturally discouraged local UAE family businesses, which had existing registered commercial agencies as part of their business portfolio, seeking external investment either through a private placement or an initial public offering due to the fact that any private or public offering would have to be restricted to UAE nationals in order to maintain and comply with the 100% UAE national ownership requirement.

This requirement has now been removed as a consequence of the amendments to the UAE Agency Law introduced by Federal Law No. 11 of 2020, which has essentially introduced two additional legal entities that may qualify for registration as a commercial agent in the UAE. Now, post the enactment of Federal Law No. 11 of 2020, in order for a commercial agency arrangement to be registered at the UAE Ministry of Economy, the agent must now be:

- a UAE national; or
- a UAE public joint stock company ("PJSC") owned, at least, 51% by UAE nationals; or
- a UAE private entity owned by a PJSC meeting the requirements of (2) above; or
- a UAE private entity that is 100% owned by UAE nationals.

The additional registration criteria previously required for effecting registration at the UAE Ministry of Economy has not changed under Federal Law No. 11 of 2020 (i.e., the relevant commercial agency arrangement must be exclusive, either in respect of an Emirate or Emirates or the entire UAE and the commercial agency agreement must be notarised and accompanied by certain supporting documents).

The Minister of Economy will, in due course, issue a resolution on the procedures and controls necessary for the engagement of a PJSC or private companies owned by a PJSC (meeting the national ownership criteria) in commercial agency activities in the UAE but, in principle, local family businesses are now able to convert their private companies into a PJSC in order to seek foreign equity investment without the risk of losing their registered commercial agent status (assuming, of course, that at least 51% of the shares in the PJSC are and continue to be held by UAE nationals).

The enactment of Federal Law No. 11 of 2020 represents the most significant change to the UAE Agency Law since 2010. This latest amendment constitutes a milestone in encouraging local companies with commercial agencies in their business portfolio to access the equity markets for additional funding and investment, which in turn will act as a stimulus to the local capital markets.

## 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, some businesses require approval from the specified federal ministries and agencies. A sample list of businesses and their approving authorities are given below:

- Banks, financial institutions and exchange companies must obtain approval from the Central Bank
- Insurance Companies and related agencies must obtain approval from the Insurance Authority
- Manufacturing businesses must be approved by the Ministry of Economy (Industrial Section)
- Medicinal products must be approved by the Ministry of Health and health Authorities in each respective Emirate
- Printing, Publishing & Broadcasting activities must be approved by the National Media Council
- Educational activities are governed by the Ministry of Education and Knowledge & Human Development Authority (KHDA) (for Dubai)

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
- Other companies whose articles require annual audits

With the introduction of Economic Substance Regulations (ESR) in the UAE in 2019, with effect from 2020, companies are also required to file annual notifications to the UAE Ministry of Finance and Federal Tax Authority to confirm whether they are carrying out any relevant activities under the ESR. (see page 53 for more details)

## Listing shares of UAE and foreign public joint stock companies

To list shares of a public joint stock company incorporated in the UAE or a foreign public joint stock company for trading in the UAE, the company should be licensed by the Securities and Commodities Authority (SCA). It shall then choose a stock market in the UAE and apply for listing on it. The listing requirements are contained in the SCA's listing rules and subsequently in the respective stock market's requirements.

**For locally incorporated companies** - the company should have been incorporated for not less than two years with financial statements issued for each year and audited by an auditor registered in the schedule of working auditors and authorized to audit the accounts of joint stock companies. The Paid-Up Capital should not be less than 50% of Shareholders' Equity, which may not be less than AED 30 million. The Shareholders' Equity, for each category of shares the company issues, shall be equal. The Shareholders' Equity may not be less than the Paid-Up capital upon applying for listing.

**For foreign joint stock companies** - the company issuing the securities shall be compliant with all the provisions of its country Federal Law. It should be a public joint stock company. The company should be listed in the stock exchange of its mother country, or it is working under the umbrella of an authority that has similar responsibilities of ESCA. The company should have been incorporated for not less than two years with financial statements issued for each year and audited by approved auditor. The company should have a minimum Paid up Capital of AED 40 million and number of shareholders should be at least 100. The net assets of the company shall be more than 120% of its Paid-up Capital or it should have realized net profits which can be distributed to its shareholders at a minimum average of 5% of the Paid-up Capital, during the two years prior to the submitting of the listing application.

In either type of company, whether locally incorporated or a foreign company, it must satisfy any additional requirements and regulations and furnish any additional documents and/or information that SCA or the respective stock market may require. The company that fails to abide by the SCA and/ or stock market's rules and regulations may be suspended or de-listed after due process.

# 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; manufacturing from the Ministry of Finance and Industry; pharmaceutical and medical products from the Ministry of Health / Department of Health and Medical Services.

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

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

### Freelance permits

A few free zones in Dubai (like Dubai Media City and Dubai South), Umm Al Quwain and Ajman issue freelance permits to individuals in specific license categories. Broadly these permits are meant for professionals in fields like media, education and technology. They provide a cost-effective solution for these professionals, who also have the option of sponsoring their families under such permits. Such permit holders are allowed to act as independent contractors / consultants to UAE based entities.

## 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.

# Free Zones in the UAE

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.

In the absence of tax incentive opportunities, the UAE free zones have been among the strong pillars of government incentives and the country's economic performance attracting much foreign investments, creating thousands of jobs, and facilitating the needed 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:

| | |
|---|---|
| 100% foreign ownership of the enterprise | Full repatriation of capital & profits |
| 100% tax exemption | Extended leases |
| Quick Approval Procedures | Abundant & inexpensive energy |

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/FZCO 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 50,000 to AED 1,000,000 depending upon the selected Free Zone. Recently, most free zones have even relaxed / abolished the capital requirement to attract more investors. 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 FZEs / FZCOs, provided that the Free Zones have special provisions regulating such companies.

## Free Trade Zone licenses

Once a legal presence has been established in the Free Zone, the business needs 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, 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.

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.

## List of various Free Zones in the UAE

Given hereunder are lists of most of the important free zones in the UAE. The first list contains the various Free Zones established in the Emirate of Dubai, the second enumerates Free Zones established in the Emirate of Sharjah and the Northern Emirates and the third list gives various Free Zones established in the Emirate of Abu Dhabi:

### Dubai

- Jebel Ali Free Zone (JAFZ)
- Dubai Cars and Automotive Zone (DUCAMZ)
- Dubai Internet City (DIC) – DDA*
- Dubai Media City (DMC)– DDA*
- Dubai Studio City – DDA*
- Dubai Design District (D3)– DDA*
- Dubai Knowledge Park – DDA*
- Dubai International Academic City – DDA*
- Dubai Outsource City – DDA*
- Dubai Production City - DDA*
- Dubai Science Park- DDA*
- Dubai World Trade Centre (DWTC)
- Dubai Multi Commodities Centre (DMCC)
- Meydan Free Zone
- Dubai Airport Free Zone (DAFZ)
- Dubai Healthcare City
- Dubai Silicon Oasis (DSO)
- Dubai International Financial Centre (DIFC)
- International Humanitarian City
- Dubai South
- Kiklabb (Queen Elizabeth II)

**DDA – Dubai Development Authority*

## Sharjah and the Northern Emirates

- Sharjah Airport International Free Zone (SAIFZ)
- Sharjah Media City Free Zone (SHAMS)
- Umm Al Quwain Free Zone (UAQFZ)
- Fujairah Creative City
- Ras Al Khaimah Economic Zone (RAKEZ)
- Sharjah Publishing City (SPC)
- Hamriyah Free Zone (HFZ)
- Ajman Free Zone
- Fujairah Free Zone
- RAK Maritime City
- International Free Zone Authority
- Sharjah Research, Technology and Innovation Park (SRTI Park)

## Abu Dhabi

- Abu Dhabi Airport Free Zone (ADAFZ)
- ADPC- Khalifa Port and Industrial Zone
- Khalifa Industrial Zone Abu Dhabi (KIZAD)
- Abu Dhabi Global Market (ADGM)
- twofour 54
- Zonescorp
- Masdar City

# 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. There are special labour related regulations applicable in some of the free zones 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 (now known as Ministry of Human Resources & Emiratisation - MOHRE) will initially act as an adjudicator, 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.

Under the UAE Labour Law, any employee (national or expatriate) who completes one year or more in continuous service shall be entitled to gratuity at the end of the service. The gratuity is calculated at 21 day's wages for each year of the first five years or 30 day's wages for each additional year on condition that the total of the gratuity shall not exceed the wages of two years. (Except in the Jebel Ali Free Zone, where the gratuity calculation basis is 7 days instead of 21 days).

## Special requirements for foreign nationals

In order to employ any expatriate employee in the UAE, an application must be made to the Ministry of Human Resources & Emiratisation (MOHRE). 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 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 were usually granted for a period of three years, however recently the labour law was amended to allow residence permits only for two years. However, employees under free zone companies' visas would continue to enjoy three-year residence permits.

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.

## DEWS (Difc Employee Workplace Savings) plan

DEWS is a progressive end-of-service benefits scheme for expatriate workers. It was introduced within the DIFC in early 2020 to restructure the currently defined employee benefit scheme into a funded, professionally managed and defined contribution plan. This will align with international standards.

DEWS also offers employees working in the DIFC a voluntary savings plan, allowing them to secure their financial future with ease.

For employers, the DEWS solution is targeted to:

- Attract and retain the best professional talent into the region by offering employees the ability to earn returns on their benefits from a regulated and reputable plan administrator
- Create greater cash flow certainty with end-of-service benefits (EOSB) entitlements spread over their employees' tenure
- Have access to a world class, cost-effective solution that will be based on their current salary rather than the final salary
- Always have clarity about their EOSB liability to employees, with assurance of no further obligation once paid

For employees or members, the DEWS solution will:

- Have visibility of their EOSB entitlement and certainty of payment
- Benefit from a facility to make voluntary savings on top of employers' contributions to secure their long-term savings goals
- Have a choice as to how their savings will be managed, catering to a range of risk appetites and including Sharia compliant options
- Have their contributions professionally managed in a cost-effective and flexible manner with the opportunity to earn returns

## UAE labour protection for expats

The UAE provides an attractive environment for foreign workers of 200 different nationalities, adopting comprehensive strategies to protect their rights and improve both their working and living conditions.

### Accommodation for workers

In this context, and as part of its commitment to improve the standards of workers' accommodation in line with international standards, in 2013 UAE approved the Manual of the General Criteria for Workers' Accommodation. The decision emphasizes employers' responsibilities to provide workers with accommodation commensurate with international labour standards. Each facility operating in the country has to upgrade its workers' accommodation conditions to comply with these standards. In implementation of this decision, Abu Dhabi has invested about Dh20bn ($5.4bn) in 23 workers' "cities" which can provide accommodation for 385,000 workers.

These complexes have been built in line with the new manual which stipulates that all accommodation must include its own medical clinic equipped with full services, parking, yards, walkways, mini-market, green spaces and playgrounds.

### Freedom of movement in labour market

Other innovations in the efforts to protect workers' rights are aimed at introducing greater flexibility and freedom of movement in the labour market and establishing a balanced contractual relationship between employer and worker.

At the same time, access to effective legal remedies in the event of a labour dispute has been vastly improved. In particular, the MOHRE has set up a collective labour disputes committee, with representatives of workers and employers in each labour office.

The committees must issue a decision on a dispute within two weeks of referral. Their decisions can be challenged before an appeal court within 30 days of issuance.

## Working hours

The three-month mandatory midday break rule for labourers is strictly enforced and entered its tenth consecutive year in 2014. It is compulsory for all companies to give a two-and-a-half-hour break from 12.30pm to 3pm for all labourers who work in the open air, such as on construction sites.

The Ministerial decision also states that daily working hours must not exceed eight hours per day or night shift, and that overtime should be paid to those working additional hours in a 24-hour period, as per Federal Law No. 08 of 1980.

Ministry inspectors hold workshops before and during the ban period to create awareness of the rules, and make regular visits to ensure compliance by both the employers and workers.

The MOHRE orders all employers to put up signs in Arabic and other languages about the banned hours, while in the case of daily exemptions, employers must ensure there is enough cold water for all workers.

Work which must continue non-stop for technical reasons is exempt from the ban, but employers are still required to provide facilities to cater for the health and safety of workers; including access to first aid supplies and cold water.

Companies which violate the midday summer break will face penalties which include having the classification of their firms downgraded by the Ministry, and a fine of Dh15,000 for each violation.

## Wage Protection System

In yet another significant stride in this regard, the MOHRE launched the Wage Protection System (WPS) to safeguard payment of workers' wages via transfers through selected financial institutions. These transfers will be regulated by the government.

Furthermore, foreign workers are guaranteed the right to send their savings to their home nation.

The UAE MOHRE also introduced a comprehensive range of protection measures covering both pre- and post-departure needs of workers, beginning in their country of origin (for instance, protecting workers from illegal recruiters and setting up a contract validation system), continuing after their arrival in the country (through measures like curbing abuse and non-payment of wages), and on their return and re-integration to their home country.

## Electronic labour cards

The UAE MOHRE replaced plastic labour cards and paper employment contracts with electronic ones from 2014. The new electronic labour card and employment contract were in line with the directives of His Highness Shaikh Mohammad Bin Rashid Al Maktoum, UAE Vice-President and Prime Minister and Ruler of Dubai, towards making Dubai a smart city.


# Taxation

## Taxation of businesses

Each Emirate has its own decrees on business taxation.

Except for banks and oil companies, no tax is payable by businesses in the UAE, whatever their legal structure. 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

Currently, there are no withholding taxes in the UAE.

## Base Erosion and Profit Shifting ('BEPS') in the UAE

In May 2018, UAE became the 116th jurisdiction to join the Inclusive Framework (IF) on BEPS with a commitment to implement the anti-BEPS minimum standards.

The IF was established in January 2016, after the G20 Leaders urged the timely implementation of the BEPS package released in October 2015 and called on the OECD to develop a more inclusive framework with the involvement of interested non-G20 countries and jurisdictions, including developing economies.

### Measures adopted

Following its commitment to remedy EU concerns and implement BEPS related measures, UAE has undertaken following steps:

- After joining the OECD's IF on BEPS in May 2018, the UAE signed the Multilateral Convention ('MLI') in June 2018 to implement tax treaty related measures to prevent BEPS in lines with BEPS Action Plan 6. After signing the MLI in June 2018 to implement tax treaty related measures to prevent BEPS, the UAE deposited its instrument of ratification for the MLI to Prevent BEPS with the OECD's Secretary-General in May 2019.

This underlines UAE's strong commitment to prevent the abuse of tax treaties and BEPS by multinational enterprises;

- Introduced Country-by-Country Reporting regulations in lines with BEPS Action Plan 13 which is discussed in detail in the following sections;
- Introduced Economic Substance Regulations (ESR) in lines with BEPS Action Plan 5 which is discussed in detail in the following sections.

### Other relevant facts

Also, in March 2019, the OECD and the UAE signed a renewal of the Memorandum of Understanding and agreeing to extend their collaboration in providing regional seminars on international taxation for a further three years, until 2021.

## Transfer pricing

Currently, there are no specific transfer pricing regulations in the UAE.

However, although businesses in the UAE are not required to prepare transfer pricing studies, the UAE Ministry of Finance ('MoF') by way of a Cabinet of Minister's Resolution No 32 of 2019 (referred to as 'Resolution') has issued a regulation in July 2019 with respect to submission of reports by multi-national companies i.e. on Country-by-Country Reporting ('CbCR').

This was introduced as an important step towards aligning with OECD's BEPS Action Plans and affirming its commitment in addressing concerns around the shifting of profits to "no or nominal tax jurisdictions" without corresponding local economic activities.

### Amended Resolution

On 4 June 2020, the UAE MoF has amended the Resolution vide Cabinet Resolution No. 44 of 2020 ("UAE CbCR" / "Amended Resolution"), thereby repealing the Resolution. It has also been provided that UAE MoF shall issue necessary Executive Resolutions for the implementation of provisions of the UAE CbCR.

### Applicability of UAE CbCR

The Amended CbCR shall be applicable only to UAE headquartered Multinational Enterprise Group ('MNE Group') whose consolidated revenues exceed AED 3,150,000,000 in the Fiscal Year ('FY') immediately preceding the Reporting Fiscal Year.

### Notification and Reporting Obligations

*Notification Filing:*

- Each Ultimate Parent Entity ('UPE') of the MNE Group whose tax residence is located in the UAE shall notify the UAE MoF that it is the Reporting Entity;
- Such Notification is required to be filed no later than the last day of Groups Reporting Fiscal Year;

*Reporting:*

- Each Reporting Entity shall submit a Report to the UAE MoF concerning its Reporting Fiscal Year;
- Such Report is required to be submitted no later than 12 month grace period after the last day of Reporting Fiscal Year of the MNE Group;
- The obligation of filing of the CbC Report shall take effect on 1 January 2019.

*Obligations of Constituent Entity ('CE') of the MNE group (other than UPE):*

- Amended Resolution has done away with the requirement of secondary filing of the CbC Report by CE of the MNE group which is tax resident in the UAE;
- On similar lines, CE of the MNE group which is tax resident in the UAE is also not required to file the annual notification with the UAE MoF.

### Consequences of non-compliance

Non-compliance with CbCR Resolution may result in levy of administrative penalties as under:

| Violations | Administrative Penalty |
|---|---|
| Failure to file the CbC Report within the stipulated deadline | AED 1,000,000<br>**AND**<br>AED 10,000 for each day for which the failure continues with the maximum penalty of AED 250,000 (referred as 'additional penalty') |
| Failure to maintain documentation and information for minimum five years from the date of reporting | AED 100,000 |
| Failure to provide any information called for by Competent Authority under the Regulations | AED 100,000 |
| Failure to report the information in a complete and accurate manner | From AED 50,000 to AED 500,000 |
| Failure to submit the annual notification by UPE within the stipulated timeline | AED 1,000,000<br>**AND**<br>AED 10,000 for each day for which the failure continues with the maximum penalty of AED 250,000 (referred as 'additional penalty') |

Amended Resolution clarifies that except in the case of additional penalty (as referred above) which may be levied, the total penalty shall not exceed AED 1,000,000 for any particular Reporting Fiscal Year.

## Economic Substance Regulations (ESR)

UAE MoF issued the Cabinet of Ministers Resolution No.31 of 2019 concerning economic substance regulations in the UAE on 30th April 2019 (referred to as 'the Regulations').

In order to support UAE businesses in understanding the scope / application of the Regulations and provide further clarity / guidance on certain provisions of the Regulations (say, on how the Economic Substance Test can be said to have been met, meaning of certain expressions used in the Regulations for the purpose of economic substance test, etc.), MoF has also issued Ministerial decision no. 215 for the year 2019 (referred to as 'the Guidance'), Cabinet Resolution No. 58 of 2019 on Regulatory Authorities, FAQs, Flowchart, Relevant Activities Guide ('Guide') and other related guidance.

## Amended Regulations and Guidance

On 10 August 2020 and 19 August 2020, the UAE MoF has amended the Regulations and the Guidance vide Cabinet Resolution No. 57 of 2020 ('Amended Regulations' or 'UAE ESR') and Ministerial Decision 100 of 2020 ('Amended Guidance') respectively, thereby repealing and replacing the Regulations, the Guidance, Cabinet Resolution No. 58 of 2019 on Regulatory Authorities and amending the FAQs and Guide.

## Key Specifics of UAE ESR

Given below are the key specifics of the UAE ESR:

- UAE ESR requires all in-scope UAE entities that carry on prescribed Relevant Activities (listed hereunder) to have demonstrable economic substance in the UAE;
- It shall apply to the following entities that carry out any of the prescribed Relevant Activities:
  - All corporate legal entities (incorporated inside or outside the UAE) with separate legal status; and
  - Partnerships which are registered and operating in the UAE without having a separate legal status.

These in-scope entities are required to maintain an adequate economic presence in the UAE relative to the activities they undertake.

Even entities under the process of liquidation / winding up which carry out any of the prescribed Relevant Activities and derives income therefrom, are required to comply with the Amended Regulations till the date they are actually liquidated / wound up;

- These Amended Regulations does not apply to natural persons, sole proprietorship concerns, trust and foundations. Additionally, following entities are specifically Exempt from UAE ESR, provided these entities submit prescribed documents / evidences (along with the notification form) to their concerned Regulatory Authority:
  - Investment Funds. However, a self-managed fund may still have to evaluate the applicability of these Amended Regulations (under Investment Fund Management Business);
  - Entity which is tax resident outside the UAE;
  - Entity wholly owned by a UAE Resident (citizens and individuals with residency permit), which is not part of MNE Group and activities of such entity is only carried out in the UAE;
  - Branches of foreign entities subject to tax outside the UAE;
- All Licensees and Exempt Licensees are subject to UAE ESR from earlier of the following:
  - Financial year commencing from 1 January 2019; or
  - For financial year commencing after 1 January 2019, from date of commencement of Relevant Activity;
- Connected Person are defined as an entity that is a part of the same Group as the Licensee or the Exempted Licensee. Further, a Group is defined as two or more entities related through ownership or control such that they are required to prepare consolidated financial statements for financial reporting purposes under the accounting standards applicable thereto;

- Following business activities are considered as ‘Relevant Activities’ under the UAE ESR:
  - Banking Business
  - Insurance Business
  - Investment Fund management Business
  - Lease - Finance Business
  - Headquarters Business
  - Shipping Business
  - Holding Company Business
  - Intellectual property Business (“IP”)
  - Distribution and Service Centre Business
- Broadly, an entity is required to satisfy following ‘key criteria to demonstrate economic substance’ with respect to Relevant Activity carried on by it:
  - Conduct relevant ‘core income generating activities’ in the UAE (indicative list provided in the ESR);
  - Should be ‘directed and managed’ in the UAE in relation to that relevant activity; and
  - With reference to the level of activities performed in the UAE:
    - Must have adequate number of qualified full-time employees in the UAE
    - Must incur an adequate amount of operating expenditure in the UAE
    - Must have adequate physical assets in the UAE

## Compliance requirements

As per provisions of UAE ESR, Compliances are required to be made as under:

- Information Notification Filing -
  - Notify the Regulatory Authority whether the entity is carrying on prescribed Relevant Activities along with required details;
  - Notification is required to be submitted within six months from the end of financial year of the Licensee / Exempt Licensee;
- Economic Substance Report -
  - Entities carrying out a Relevant Activity are required to submit a report to its Regulatory Authority along with required details which includes type of relevant activity conducted, amount and type of income, operating expenses, assets, employee information and so on;
  - Report is required to be submitted within 12 months from the end of financial year of the Licensee;

### Consequences of non-compliance

Non-compliance with ESR may result in levy of penalties and in certain cases suspension, revocation or non-renewal of company licenses. The same is summarized below:

| Type of Offence | Administrative Penalty |
|---|---|
| Failure to submit the Notification (or any relevant information or documentation) | AED 20,000 |
| Failure to submit the Economic Substance Report and any relevant information or documentation required to be submitted<br><br>**OR**<br><br>Failure to meet the Economic Substance Test for each year | AED 50,000<br><br>(AED 4,00,000 for repeat offence in FY immediately following the FY in which first offence was committed) |
| Furnishing of inaccurate information wilfully | AED 50,000 |

## Municipal taxes

Municipal taxes are locally known as municipal fees. Municipal fees are charged in all the Emirates. In Dubai and in most of the other Emirates, a 7% municipal fee is charged on hotel revenues and entertainment. In all the Emirates, except Abu Dhabi, income from renting commercial premises is taxed at a rate of 10 %. Municipal taxes on renting of residential premises range from 1% in Ajman, 5% in Dubai and in Abu Dhabi – 5% for all premises other than Residential Villas, and 7.5% for Residential Villas. It is calculated as a percentage of the yearly rental charges.

## Value Added Tax (VAT)

The UAE introduced VAT with effect from January 1, 2018. VAT was introduced at a rate of 5% with some limited exceptions including healthcare and education that are zero rated. The VAT Executive Regulations (ER) set out the rules for application of the VAT Law. Amended version of ER was issued in June 2020 with certain crucial change in the conditions for zero rating of export of services.

Some of the key features of the VAT regime are given below:

- **Mandatory Registration Threshold –**
  - The mandatory registration threshold is in line with the Common VAT Agreement of the States of the Gulf Cooperation Council for businesses with a taxable turnover exceeding USD 100,000 [AED 375,000].
  - However, for non-resident suppliers making taxable supplies in the UAE to persons not registered for UAE VAT, the registration threshold is nil;
- **Tax Grouping:**
  - Tax grouping is a benefit provided under provisions of the UAE VAT Law where two or more Persons are registered with the FTA for Tax purposes as a single Taxable Person;
  - Registration as a tax group is possible only in case where two or more Persons are in association as a result of their economic, financial and regulatory practices in Business;

- Such request for registration as a tax group will be required to be made by the Representative Member that may be internally identified and appointed by the related businesses;
- Effect of tax group registration includes the following:
  - Business carried on by a member of the Tax Group shall be deemed to be carried on by the representative member and not by any other member of the Tax Group;
  - Supplies made by a member of the Tax Group to another member of the same Tax Group may be disregarded i.e. shall be considered to be outside the scope of UAE VAT;

- **Record Keeping and Compliances -**
  - VAT records are required to be maintained for a minimum period of 5 years after the end of tax period to which they relate. However, where the taxable person owns real estate, it should retain the required records relating to the real estate for a period of 15 years after the end of the tax period to which they relate;
  - VAT returns will be required to be filed on a periodic basis, which is usually on a monthly / quarterly basis [depending on the size of business]
- Types of supplies under provisions of UAE VAT and corresponding rate of VAT – These include
  - Standard Rated Supplies i.e. subject to VAT at the rate of 5%;
  - Zero Rate Supplies i.e. subject to VAT at the rate of 0%;
  - Exempt Supplies i.e. supplies which are specifically exempt from UAE VAT;
  - Out of Scope Supplies i.e. supplies which are not under the scope of UAE VAT.
- **Zero Rated Supplies –** Certain supplies which are subject to VAT at the rate of 0% includes the following:
  - Direct or indirect export of goods or services to outside UAE, subject to availability of requisite documents and fulfilment of prescribed conditions;
  - International transport of passengers and goods which starts or ends in the UAE or passes through the UAE and related services;
  - Supply of certain air, seas and land related means of transport used for such international transportation;
  - Supply of specified educational services and related goods and / or services;
  - First supply (including lease) of a newly constructed or converted residential building within 3 years of the completion of the construction or conversion;
  - Crude oil and natural gas;
  - Aircraft or vessels designated for rescue and assistance by air or sea;
  - Supply of certain Healthcare services, and supply of relevant goods and services;
  - Certain investment precious metals (say, gold, silver and platinum of 99% purity and tradeable in global bullion markets). Although jewellery made from these precious metals will still be subject to VAT at 5%. However, in case where the jewellery is sold to another VAT registered taxable person, then the recipient is required to account for VAT under Reverse Charge Mechanism;

- **Exempt Supplies –** The following supplies shall be exempt from Tax:
  - Financial services (that are specified in the ER);
  - Supply of residential buildings through sale or lease, other than that which is zero-rated;
  - Supply of bare land; and
  - Supply of local passenger transport.
- **VAT Designated Zones -**
  - FTA has issued a cabinet decision listing down certain Designated Zones (DZ) in the UAE that have limited benefits in the form of special VAT treatment, subject to fulfilment of certain conditions. These DZs include popular free zones like Jebel Ali Free Zone (JAFZ), Dubai Airport Free Zone (DAFZ), Sharjah Airport International Free Zone (SAIFZ) and Abu Dhabi Airport Free Zone (ADAFZ).
  - DZ specified under the cabinet decision shall be treated as being outside the UAE, provided following conditions are fulfilled:
    - It must be a specific fenced geographic area;
    - It must have security measures and Customs controls in place to monitor the entry and exit of individuals and movement of goods to and from the Designated Zone;
    - It must have internal procedures regarding the method of keeping, storing and processing of goods within the Designated Zone;
    - Its operator must comply with the procedures set out by the FTA;
  - Given below are certain tax implications for supplies made from / to DZ:
    - No VAT is required to be charged for transfer of goods between designated zones, subject to fulfilment of prescribed conditions;
    - Transfer of goods from one entity to another within the same DZ, will not be subject to VAT, subject to fulfilment of prescribed conditions;
    - Supply of goods from UAE Mainland to DZ shall not be in the nature of export of goods;
    - For supply of services, being in a DZ offers no locational advantages i.e. VAT is required to be charged at the standard rate of 5% on such supply of services.
- **VAT under Reverse Charge Mechanism –**
  - A non-resident making supply of goods or services in the UAE may be required to register for VAT and charge UAE VAT;
  - In order to simplify and avoid registration obligation for non-resident suppliers, the provisions of reverse charge mechanism have been incorporated as a simplification measure;
  - Accordingly, in case where supplies are made by a non-resident supplier to VAT registered recipients in the UAE, such VAT-registered recipient will be required to self-account for the VAT in respect of the goods or services received.
  - This VAT accounted for under reverse charge mechanism may then be recovered by the recipient as

input tax in accordance with the applicable normal input tax recovery rules.

- **Special refund schemes:**
  - *VAT refund scheme for tourist visitors –*
    - This scheme was made effective from 18 November 2018;
    - Refund of VAT incurred on purchasing goods is available under this scheme subject to fulfilment of prescribed conditions;
  - *Business Visitors Scheme –*
    - Foreign businesses who meet the prescribed eligibility conditions can make an application with the FTA for refund of VAT incurred in the UAE;
    - The period of each Refund claim shall usually be 12 calendar months;
    - The minimum amount of VAT for which a refund claim may be submitted under this scheme shall be AED 2,000;
    - FTA started accepting refund applications effective 1 April 2019 for calendar year 2018. For the subsequent calendar years, the refund application can be made on and from 1 March following the calendar year end;
    - Further, The FTA will only process refund applications for 6 months from the date businesses can first make a claim.
- **Refund of VAT Paid on Goods and Services Connected with Expo 2020 Dubai –**
  - Official Participant is defined as countries and intergovernmental organizations which have received and accepted the official invitation from the UAE to participate in the Expo 2020 Dubai engaged in a non-commercial capacity as an exhibitor;
  - These Official Participants of Expo 2020 who will be incurring VAT on Goods and Services connected to the Expo 2020 as per normal UAE VAT rules, can avail refund of such VAT incurred in the UAE;
  - Two methods by which such VAT refund can be availed:
    - Official Participant not registered for UAE VAT - Refund application can be made through the Bureau by submitting a special refund application. Time limit for such application shall be as under:
      - In case where total VAT value to be claimed is AED 10,000 or more for a calendar month - Within 15 days of the end of such calendar month;
      - In case where total VAT value to be claimed is less than AED 10,000 for a calendar quarter - Within 15 days of the end of such calendar quarter
    - Official Participant is registered for VAT – Refund may be claimed through its regular UAE VAT return;
  - Also, for reclaiming certain category of VAT refunds, the Official Participant shall require a 'Certificate of Entitlement' as prescribed under provisions of UAE VAT Law;

Tax authority in the UAE has been regularly updating taxable persons with new / updated VAT guides, public clarifications, bulletin and so on to assist / support businesses in undertaking the required compliances.

## Excise

In lines with the GCC unified agreement for development of national regimes for Excise Tax, the UAE implemented an Excise Tax on certain excise goods effective from October 2017.

As per provisions of UAE Excise Tax Law, Excise Tax is an indirect tax levied on specific excise goods which are either:

- Imported into the UAE;
- Produced within the UAE; or
- Stockpiled in the UAE (where excise tax has not previously been paid on the goods in the UAE and stockpiling is undertaken for business purposes).

It is intended to be levied on goods which are considered harmful to the health of the general public. The aim of Excise Tax is therefore to discourage consumption of those specific goods by the general public.

### Who is responsible for paying?

Excise Tax is payable by any of the following persons that undertake the activities listed above:

- Importers of excise goods;
- Producers of excise goods;
- Persons releasing goods from an excise tax designated zone;
- Stock pilers of excise goods, in certain cases; and
- Warehouse keepers, in certain cases.

### Excise goods and applicable rates

Effective 1 October 2017, UAE Excise Tax was initially levied on carbonated drinks, tobacco products, energy drinks. However, the UAE Cabinet adopted Cabinet Decision No. 52 of 2019 to expand the list of excise taxable products to include sweetened beverages, electronic smoking devices and liquids used in electronic smoking devices and tools, starting 1 December 2019. Accordingly, the excise tax rates to be applied in the UAE are as follows:

### Compliance requirement

Excise Tax returns are required to be filed on a monthly basis on or before 15th day of the following month. Excise tax payment is also required to be made within this due date.

### Other comments

| Excise Goods | Tax Rate |
|---|---|
| Tobacco and tobacco products | 100% |
| Liquids used in electronic smoking devices and tools | 100% |
| Electronic smoking devices and tools | 100% |
| Carbonated drinks | 50% |
| Energy drinks | 100% |
| Sweetened drinks | 50% |

Tax authority in the UAE has been regularly updating taxable persons with new / updated guides, public clarifications, excise tax scenarios and so on to assist / support businesses in undertaking the required compliances.

Excise Tax is different and separate from the Value Added tax (VAT) of 5% that is implemented on and from 1 January 2018. The introduction of the Excise Tax meets two fundamental Government policy objectives, to raise Government revenues and discouraging consumption of goods considered harmful to health or the environment.

## Other taxes

There is no transfer pricing regime or other federal or state taxes in the UAE other than those mentioned in the foregoing section.

## 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 more than 100 countries. This would enable the foreign entities to reduce the tax incidence on the UAE sourced income.

As per latest statistics provided by the MoF, UAE's Double Tax Avoidance Agreements ('DTA') network ranks first in the Middle East and North Africa. Further, UAE now ranks among the top major global financial and commercial centres in terms of DTA and Bilateral Investments Treaties (BITs) agreements.

UAE's vast network of DTA agreements extends worldwide and includes around 63% of the world's countries. A list of some of the countries with whom the UAE has signed DTAAs is given in **Annexure B**.

### Investment Protection Agreements

The UAE has also signed 78 agreements for the protection and promotion of investments with a quarter of the world, including most of the UAE's trading partners. These agreements aim to protect the UAE's investments from non-commercial risks, facilitate the transfer of profits and revenues and organize conflict resolution.

The Investment Protection Agreements aim to:

- Protect UAE investments from non-commercial risks and those related to the transfer of profits and revenues in convertible currency.
- Organize conflict resolution, if required.
- Establish investments within the state's signatories to the agreement, and grant licenses to Emirati investors.
- Stipulate the rules and regulations to grant UAE investors with fair and immediate compensations in the case of expropriation of investments, as per the law, without discrimination. All compensations should be based on the market value of the investment.

## Tax compliance and reporting

### Foreign Account Tax Compliance Act ('FATCA')

In order to increase the income tax reporting by US taxpayers with respect to assets / financial accounts held in offshore accounts / locations and through Non-US entities, the United States enacted FATCA in 2010.

In order to improve international tax compliance and in preparation to implement the FATCA, the UAE signed a Model 1 B Inter-Governmental Agreement ('IGA') with the United States of America ('USA') on 17 June 2005.

The IGA obligates the UAE to identify and obtain relevant information with respect to US Reportable Accounts and requires annual exchange of this information with the USA on an automatic basis within the prescribed timelines.

In order to give effect to such exchange of information requirements, the IGA further contains rules of reporting system for the UAE based financial institutions to identify and obtain relevant information with respect to US Reportable Accounts and facilitate automatic exchange of such information in accordance with the FATCA requirements.

Further, the IGA includes an extensive list of definitions of terms, financial accounts, person, entity, the US taxpayer and timelines / procedures of exchanging information according to a consolidated form and determining how and when information is exchanged, provided that procedures are implemented by mutual consent in case difficulties or doubts arise in respect of the interpretation of the agreement.

## Common Reporting Standards

The UAE signed the Agreement on Mutual Administrative Assistance in Tax Matters ('the Convention') in April 2017 to become the 109th signatory to the agreement. The Convention follows the UAE's commitment to implement international standards and requirements of the exchange of information for tax purposes, and its membership of the Global Forum on Transparency and Exchange of Information. The Agreement aims to promote transparency and cooperation in the field of taxation among these member states, following G20 directives to strengthen the international taxation system and create a transparent environment for taxation, which has become an international priority to address tax evasion.

The UAE also signed the Multilateral Competent Authority Agreement (MCAA) in April 2017 which contains the rules on the exchange of information between the UAE Competent Authority and partner jurisdiction Competent Authorities.

The Convention and MCAA were the legal instruments for the implementation of CRS and acted as a step towards activating the exchange of information for tax purposes in 2018. The MCAA regulates the automatic exchange of financial account information on individuals residing in the UAE for tax purposes.

The signing of the MCAA and the UAE's compliance with international requirements in the area of multilateral agreements on tax cooperation strengthens the UAE's position as a global financial and trading centre, as well as enhance its competitiveness in the field of taxation. To date, the UAE has signed more than 100 bilateral agreements to avoid double taxation, 8 MOUs / agreements on the exchange of information for tax purposes, in addition to signing FATCA and MCAA CRS agreements, which includes bilateral cooperation in the exchange of tax information.

# Financial Reporting and Auditing

## Accounting records

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 situation of the company.

The Commercial Companies Law (Federal law No. 2 of 2015) mandates that every company must keep its accounting books in its head office for a period of at least 5 (five) years from the end of the financial year of the company.

Other than this, the Federal Tax Authority (FTA) also requires maintenance of books and records under other laws / regulations:

- As per the FTA, VAT records are required to be maintained for a minimum period of 5 years after the end of tax period to which they relate. However, where the taxable person owns real estate, it should retain the required records relating to the real estate for a period of 15 years after the end of the tax period to which they relate.
- Under the UAE ESR, a Licensee should ensure to maintain appropriate and adequate records of all the utilized resources and incurred expenditures. Any relevant information that evidences the Licensee's compliance with the ESR must be maintained for a period of 6 years.

## 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 in the UAE include going concern, consistency, prudence, matching and the historical convention.

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

## Financial reporting

The Commercial Companies Law No. 2 of 2015, 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.

Most free zone authorities in the UAE also require companies registered in the respective free zones (other than branches of foreign companies) to annually submit annual audited financial statements within 3 months from the end of their financial year.

The local authorities prescribe that all companies must present their financial statements in accordance with IFRS.

### Reporting under Common Reporting Standards

The Common Reporting Standard (CRS), developed in response to the G20 request and approved by the OECD Council on 15 July 2014, calls on jurisdictions to obtain information from their financial institutions and automatically exchange that information with other jurisdictions on an annual basis. It sets out the financial account information to be exchanged, the financial institutions required to report, the different types of accounts and taxpayers covered, as well as common due diligence procedures to be followed by financial institutions.

In accordance with the Cabinet Resolution Number 9 of year 2016, UAE Signed the Multilateral Convention on Mutual Administrative Assistance in Tax Matters (MAC) on April 21 2017, that would enable the UAE to fulfil its commitment to begin automatic exchange of financial account information furthering the aim of preventing tax evasion.

The UAE has also signed the Multilateral Competent Authority Agreement (MCAA), to activate the system of exchange of tax information in accordance with the Common Reporting Standards (CSR). The confidentiality, safeguards and the existence of the necessary infrastructure for an effective exchange are all covered by the MCAA. Both these agreements are legal instruments for implementation of the international OECD Standard of Automatic Exchange of Information (AEOI) - CRS for tax purposes.

The UAE CRS Regulations are published by the UAE Financial Institution's Regulators:

- UAE Central Bank
- Securities and Commodities Authority
- Insurance Authority
- DIFC
- ADGM

The first reporting due date for the CRS in the UAE is 30 June 2018 and consequently by 30 June of the year following each reporting period. Reporting is an annual event.

The following are the effective dates for the implementation of the CRS in the UAE:

- Pre-existing Accounts to be subjected to due diligence procedures are those in existence as at 31 December 2016.
- New Accounts to be subjected to due diligence procedures are those opened on or after 1 January 2017.
- The first CRS reporting period ends on 31 December 2017.
- The review of Pre-existing High Value Individual Accounts at 31 December 2016 must be completed by 31 December 2017.
- The Reportable Pre-existing High Value Accounts need to be reported by 30 June 2018.
- The review of Pre-existing Lower Value Individual Accounts at 31 December 2016 must be completed by 31 December 2018.
- First exchanges of information by the UAE Competent Authority to the Reportable jurisdictions will occur on or after 30 September 2018.

Under the CRS, the UAE has opted for the "widest approach": Reporting Financial Institutions are required to perform due diligence procedures and report information on all accounts held by an account holder who is resident for tax purposes in a jurisdiction other than USA or UAE. The USA is excluded because jurisdictions will be reporting to USA under FATCA.

## Reporting under FATCA

In 2010, the United States enacted FATCA to increase income tax reporting by US taxpayers on assets held in offshore accounts and through Non-US Entities. FATCA imposes new reporting and withholding obligations on foreign financial institutions and certain other foreign persons which must be complied with in order to avoid a 30 percent US withholding tax on certain US source payments and 'pass thru' payments that such non-US persons receive. Intergovernmental Agreements (IGAs) have been agreed to as part of an effort to facilitate compliance with FATCA by Financial Institutions located in countries whose internal laws (e.g., privacy laws) impose requirements on Financial Institutions that are inconsistent with those imposed by FATCA and as a method of encouraging other countries to cooperate with the implementation of FATCA.

The IGAs have been modelled in two forms: Model 1 and Model 2. The two forms are primarily distinguished from each other based on the reciprocity and reporting requirements. Model 1A requires a reciprocal relationship between the US and the partner jurisdiction under which Foreign Financial Institutions (FFIs) in that partner jurisdiction would be required to report to their respective regulators which would in turn report to the IRS and vice versa. Model 1B does not require a reciprocal relationship between the US and the partner jurisdiction. Model 2 on the other hand requires FFIs intending to comply with FATCA requirements to directly report to the IRS in accordance with the requirements of FATCA.

The UAE has been added to the US Treasury's IGA list, as having substantively agreed to a Model 1 IGA as of 21 May 2014 pursuant to IRS Announcement 2014-17 and the U.S. Treasury Department's website. The result of this decision is that FFIs within the UAE must comply with the requirements of the IGA with effect from 1 July 2014.

Subject to the provisions of Article 3 of the UAE-US IGA, the UAE shall obtain the information specified in Article 2 of the IGA with respect to all U.S. Reportable Accounts and shall annually exchange this information with the United States on an automatic basis.

FFIs in the UAE will benefit from the UAE IGA between the UAE and the US since FATCA's withholding requirements will not apply to such FFIs provided they are compliant with the UAE IGA.

With many US tax obligors living / maintaining financial accounts in the UAE, FATCA compliance is important to both UAE financial institutions and to US individuals and entities holding accounts with such institutions. All customers of FFIs within the UAE will need to be aware that they are likely to be asked if they have any US connections and to make declarations in respect of the existence of such connections. US persons will be braced to expect greater due diligence requirements from FFIs when opening accounts and a more rigorous on-boarding process.

FFIs have the largest burden of having to first determine if FATCA applies to them and then ensure their systems can collect the necessary information. FFIs would also need to be aware of their counterparties' FATCA compliance and ensure their terms and conditions do not inhibit compliance with FATCA. This includes having in place mechanisms for monitoring account balances and changes in status of accounts and account holders to stay in line with FATCA. Also, FFIs within the UAE must be mindful of the relevant time frames in order to avoid being in contravention of FATCA requirements and exposing itself to any form of withholding charge.

## Accounting profession

The accounting profession is well represented in the UAE, with most of the large international accounting firms being present in the major centres. The registration of accountants and auditors is governed by Federal Law No. 12 of 2014. 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 the practice of the profession of accounting and auditing in the country in general.

As per UAE's Ministerial Resolution No. 635 of 2016 concerning mechanisms of continuous education and training for auditors' profession, Auditors registered in the list of certified practicing auditors' profession shall be obligated to conduct 30 hours of training each year for the purpose of education and training and renewal of registration.

Training programs can be on one of the following topics:

- Economic and commercial legislations applicable in the UAE.
- Financial accountings, cost accounting and government accounting.
- Accounting and auditing standards.
- Profession disciplines and regulations.
- Preparing balance sheet and financial reports.
- Qualitative monitoring standards on accounting and auditing bureaus.
- Any other programs requiring professional training.

# Living in the UAE

## 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 specific GCC countries (Kuwait, Saudi Arabia, Bahrain and Oman) and other specified countries, need to obtain a visa in order to enter the UAE. Citizens of GCC countries named above and citizens of the below countries can get visa on arrival:

| | | | | | |
|---|---|---|---|---|---|
| Andorra | Chile | Honduras | Lithuania | Norway | Singapore |
| Argentina | Costa Rica | Hong Kong | Luxembourg | China | Slovakia |
| Australia | Croatia | Hungary | Malaysia | Poland | Slovenia |
| Austria | Cyprus | Iceland | Maldives | Mauritius | Spain |
| Bahamas | Czech Republic | Ireland | Malta | El Salvador | Sweden |
| Barbados | Denmark | Islands | Mexico | Portugal | The Vatican |
| Belgium | Estonia | Italy | Monaco | Romania | Ukraine |
| Brazil | Finland | Japan | Montenegro | Russia | United Kingdom |
| Brunei | France | Kazakhstan | Nauru | St. Vincent & the Grenadines | United States of America |
| Bulgaria | Germany | Latvia | Netherlands | San Marino | Switzerland |
| Canada | Greece | Liechtenstein | New Zealand | Seychelles | Uruguay |

Visitors from countries not listed above will need to arrange a visa in advance of travel.

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, ranging from tourist visas for 30 days to residency visas for two years (three years for free zone residency visas). 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.

## Long-term residence visas (golden visa)

In 2019, the UAE implemented a new system for long-term residence visas, popularly called the Golden Visa system. The new system enables foreigners to live, work and study in the UAE without the need of a UAE national as a local sponsor / partner and with 100 per cent ownership of their business on the UAE's mainland. These visas will be issued for 5 or 10 years and will be renewed automatically.

The criteria for the various categories of expatriates entitled to apply for a UAE long-term residence visa under the following four categories of persons are as follows:

**1. Fund investor / UAE company investor / UAE property investor**

- Those investing at least AED 10 million into UAE companies and investments are eligible for a renewable 10-year residence visa.
- If the investor must have investments in the UAE, with a total value of no less than AED 10 million (provided that the non-real estate part of such investment constitutes no less than 60% of the total investment).
- Those investing at least AED 5 million into property in the UAE are eligible for a renewable 5-year residence visa.
- The amount invested should be wholly owned by the investor and not loaned and proven by supporting documents. It is also mandated that the investment should be retained for at least three years. The long-term visa can also be extended to include the spouse, children, as well as one executive director and advisor, subject to the approval of the authorities;

2. **Entrepreneurs**

    — Those owners of previous projects worth AED 500,000 of a "technical or future" nature and who desire to start a business in the UAE are eligible for a renewable 5-year residence visa.

    — The visa in this case can also be extended to include the spouse, children, as well as three executive directors, subject to the approval of the authorities;

3. **Specialized Talents**

    — Those with "excellence, skills, leadership or outstanding performance and talent in the fields of science and knowledge" and who desire to work in the UAE are eligible for a renewable 10-year residence visa.

    — Certain roles, including physicians, scientists, creative intellectuals and artists, inventors, elites and executives have been defined by the UAE Government.

4. **Students**

    — Students with extremely high attainments in prior exams and "promising scientific potential" who desire to study in the UAE are eligible for a renewable 5-year residence visa.

The applications will be evaluated by two committees for the long-term visas according to the criteria set out above and as amended from time to time by the UAE Government. Application acceptance started in February 2019.

## Retirement visas

In September 2018, the UAE Cabinet approved a law to provide long-term visas for a 5-year period to retired residents over the age of 55 with applications starting in 2019.

The applicant must meet one of the following criteria:

- invest in a property worth AED 2 million
- financial savings of at least AED 1 million
- active monthly income of at least AED 20,000

The visa is renewable every 5 years if the applicant continues to meet the eligibility criteria.

In August 2020, Dubai announced that the coverage of the retirement visas would be widened to offer these visas to citizens from countries around the world provided they meet criteria. The move aims to make Dubai a preferred retirement destination.

## Wills and estate planning

With a number of creative wealth management options available across the world, wills and estate planning is one area that has gained unprecedented attention in recent times. The demand for Wills across the UAE has increased manifold as expats and individuals having assets in the UAE have realized the important of protecting their family while living away from home or having assets in a jurisdiction outside their home country.

The UAE laws provide non-Muslim expats with the option to choose the distribution of their assets in the UAE through a duly registered will in Dubai, Abu Dhabi and other Emirates. There is significant increase in interest in will writing by Muslims as well, although will writing options for Muslims in the UAE remain limited due to the mandatory application of Shariah Law to their assets.

As the Muslims are allowed to write guardianship Wills, this option has been exercised by these residents with more frequency.

The government departments in the UAE have been quick to address this demand while keeping up with the latest global trends in this area. DIFC Courts Wills Service Centre and Wills Registry for non-Muslims at Abu Dhabi Judicial Department (ADJD) have each introduced Will registration for non-Muslims through video conferencing. This has ensured that non-Muslims can register their Wills from the comfort of their homes without having to visit the relevant registration offices. This option is available to everyone either living inside or outside the UAE. The Will registration through video conferencing is an entirely new concept and the UAE has been quick to adopt it, courtesy its modern legislation which has catered for the use of modern technology.

## Features of different types of wills in the UAE:

### *Notary Public Wills*

- UAE courts adhere to Sharia Law in respect of the distribution of assets of a non-Muslim UAE expat where he or she dies without a Will in place (intestate).
- The UAE law allows the non-Muslims to choose the laws of their home country to apply to their inheritance. This can be done through a clearly drafted Will.
- These Wills are signed before the Notary Public (Courts) in the respective Emirates. This option is suitable for individuals having assets in any of the Emirates in the UAE.

### *DIFC Wills*

- DIFC Courts Wills Service (formerly known as DIFC Wills Service Centre) has been set up specifically to cater for the requirements of non-Muslims owning assets in the UAE and worldwide.
- The eligibility criteria are that the individual must be a non-Muslim and over 21 years.
- The assets can be situated in the UAE or worldwide.
- According to the DIFC Wills and Probate Registry Rules (New DIFC WPR Rules), Registrar is no longer required to hold on to the hard copy of a will executed by the testator in wet ink. Upon the successful registration of a valid will, the Registrar will retain a copy in electronic format whereas the testator is required to keep the hard copy.
- The DIFC Wills service is available for both residents and non-residents.

### *ADJD Wills*

- ADJD has introduced a separate office for Non-Muslim will registration since August 2017.
- The entire process can be completed online.
- ADJD Wills are not limited to Abu Dhabi and assets located in any of the seven Emirates.
- The Testator, Executors, Trustees and Witnesses must be 21 years or more.
- Wills not originally drafted in Arabic language must be translated into Arabic by a sworn translator and signed at the Abu Dhabi Registry in Arabic or bilingual form.
- ADJD Wills also cover the guardianship of minor children and the testator is allowed to appoint permanent and temporary guardians to provide care for the children in the event of death of both the parents.

## Emirates ID

Emirates ID card (also called the National Identity Card) is an identification card, issued by the Emirates Identity Authority (EIA) (EIDA), that all UAE citizens (optional for diplomats) and residents are mandatorily required to obtain. It is mandatory to produce the Emirates ID card for most government services. This is the equivalent to a social security number of the individuals and determines the identity for many services, including residency, labour, social security, immigration and healthcare, among others. The ID card is targeted to replace all other identification cards including the labour card. Recently it is being used an e-gate card for entering and exiting the country and is being linked to the country's immigration, labour, healthcare and law enforcing agencies. The card is renewable every three years, depending on the validity of the person's visa.

The UN had singled out the Emirates Identity Authority in its e-Government Survey 2014 for its world-class biometric enrolment of the entire population. The United Nations' report includes a special box item in which it describes the Emirates ID's biometric enrolment programme as "one of the world's best biometric programmes".

In a report from the UN titled 'e-Government Survey 2014: e-Government for the Future We Want' and published by the United Nations Department of Economic and Social Affairs (UN DESA) among other plaudits, the world body summarized the achievements of Emirates ID as follows:

> *"The deployment of the Emirates ID Authority's Biometric Enrolment by the Emirates ID Authority as part of the National ID Registration Programme is recognized as one of the world's best biometric programmes."*

## Business hours

The official weekend is on Fridays and Saturdays. However, most of the smaller private companies only close on Friday, although Saturday 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 9-10pm. 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. Since February 2002, the UAE Dirham is pegged to the US dollar (USD) at 1 USD = AED 3.6725.

## Transportation and communications

Transport has rapidly become a strategic priority. The objective is to make the UAE a major transport hub between Europe and South-East Asia. Accordingly, public funds were invested in developing port and airport infrastructure, airlines, and shipping companies and agencies. The country has largely succeeded in this.

The governments of each emirate have invested vast resources in developing port and airport infrastructure, which have also been among the leading sub sectors attracting foreign investment, albeit always based on minority shareholdings. Transport not only plays an important role in the economy of the UAE, but the transport network has effectively become central to the entire region.

## Taxis and Buses

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

## Marine transport

Abras are traditional means of water transport in the United Arab Emirates, considered as one of the oldest modes of transportation. The Dubai RTA also has a water taxi system to provide alternative means of transport to the general public. The aim is to encourage the public on using marine transport such as Abra, the Water bus, the water taxi and Dubai Ferry.

The Dubai Water Canal Project was also completed in late 2016. This environmentally friendly lifestyle development is comprised of three distinct zones: The Water Network, The Green Network and The Public Realm. This water network is made up of three bodies of water: The Canal, which runs 2.9 kilometres connecting Business Bay to the Arabian Gulf; The Arabian Gulf coastline that provides captivating beach frontage, and the Crystal Lagoon in Safa Park, which brings the coastal experience inland with beach and water access. The Green Network connects Safa Park to the new Jumeirah Beach Park, offering a leisure experience. The Public Realm is the developable land located along the Canal. A network of food and beverage and retail outlets positioned along the five-kilometre boardwalk will enhance the existing fabric of Jumeirah, one of Dubai's most established, and popular residential communities.

Plans are also underway to connect the waterways in Abu Dhabi city. Initial routes include Reem Island and along the Abu Dhabi Corniche. Routes will later extend to Yas Island, Al Raha and Saadiyat Island.

## Metro

The Dubai Metro (Red Line) was launched in September 2009 and has swiftly become the lifeline on thousands of daily commuters in Dubai. The Green Line was launched in 2011.  Guinness World Records has declared Dubai Metro to be the world's longest fully automated metro network with a route length of 75 kilometres (47 mi). The Dubai Roads and Transport Authority's masterplan includes 421 kilometres (262 mi) of metro lines up to 2030 to cater to the expected above 4.1 million population of the city. There are plans for 268 kilometres (167 mi) of light rail tracks to act as a feeder system for the Metro, with the Al Sufouh Tram plying between Dubai Marina and Palm Jumeirah already a reality. Blue, Purple, Pink and Gold lines are proposed to be added in the near future. A new Route 2020 is also on its way to extend The Dubai Metro – Red Line all the way to the Expo 2020 site.

## Rail transport

Etihad Rail is developing 1,200 kilometres (750 mi) railway network across the United Arab Emirates. The first stage would be 270 kilometres (170 mi) freight line, linking Ruwais to the Shah gas field, in cooperation with Abu Dhabi National Oil Company.

Etihad Rail's 1,200 km network will extend across the United Arab Emirates, from the border of Saudi Arabia to the border of Oman. The network will run from Ghweifat to Abu Dhabi, Dubai and the Northern Emirates with major connecting points in between, including Al Ain and Madinat Zayed. Etihad Rail will have an extensive national network with freight terminals, distribution centres and depots located close to major transport hubs, warehouses, and storage facilities across the UAE, including Mussafah, Khalifa Port, Jebel Ali Free Zone, Port of Fujairah of and Saqr Port.

The Etihad Rail network will also connect with the GCC network and this - once fully established - will cover the five GCC countries of The Kingdom of Bahrain, The State of Kuwait, Oman, Qatar, The Kingdom of Saudi Arabia and UAE

A longer mixed-use railway is also planned, crossing the UAE via Dubai, Sharjah, Umm Al Quwain, Fujairah, Ras Al Khaimah, and Ajman. Links to Saudi Arabia and Oman are planned. In the longer term, a dedicated passenger rail link design for speeds up to 200 km/h is being considered between Abu Dhabi and Dubai.

Etihad Rail is in line with the objective to further diversify the UAE economy as set by the UAE Vision 2021 and Abu Dhabi Economic Vision 2030.

UAE Vision 2021 sets the key themes for the socio-economic development of the UAE, specifically calling for a shift to a diversified and knowledge-based economy. A national railway network to connect the UAE's key centres of trade and population is an integral component of this vision.

Abu Dhabi Economic Vision 2030 forms a roadmap for the Emirate of Abu Dhabi. It aims to increase GDP contribution from non-oil sectors to over 60% by 2030 with 12 strategic industry sectors identified - including transportation and logistics, and with Etihad Rail being one of the key economic projects for growth and diversification.

## Hyperloop

The hyperloop concept, in which a magnetically levitated pod is propelled through a near-vacuum tube at speeds of up to 1,200 kilometres an hour, was proposed in 2013 by Elon Musk, the American engineer and entrepreneur.

Hyperloop Transportation Technologies (HTT), a US company, is supposed to be a third of the way through a six-month feasibility study to explore locations for stations and tracks after signing an agreement with Abu Dhabi's Department of Municipal Affairs and Transport in November 2016. The Office of His Highness Sheikh Falah Bin Zayed Al Nahyan has signed a strategic partnership agreement with Hyperloop Transportation Technologies (HTT), as part of its support for the project to link the cities of Abu Dhabi and Al Ain via Hyperloop technology.

Parallelly, California based - Hyperloop One, a competitor to HTT, is conducting a feasibility study with McKinsey & Co. and the Bjarke Ingels Group, which will be sponsored by the Dubai Roads and Transport Authority. As part of that announcement, Hyperloop One unveiled its concept for the futuristic transport system that it claims can travel at roughly 700 mph and take passengers from Dubai to Abu Dhabi in 12 minutes, which is normally a two-hour drive.

## Air transport

The UAE has international airports in most emirates, the principle ones located in Abu Dhabi and Dubai. Excellent connections are available to other Middle Eastern countries and most international centres.

### *Al Maktoum International Airport*

Dubai World Central International Airport is a colossal new airport near Jebel Ali, south of Dubai, in the United Arab Emirates. It is 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 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

## Telecommunications

Telecommunications and postal facilities provide efficient telephone, facsimile, telex and mail services. The UAE was the first country in the region to introduce GSM mobile and the first to offer third generation (3G) mobile data services. The UAE has a fast, efficient telecommunications network regulated by the UAE Telecommunication Regulatory Authority (TRA).

The telecommunications sector is currently served by two telecommunications operators, Emirates Telecommunications Corporation (Etisalat) and Emirates Integrated Telecommunications Company PJSC (du).

In terms of the individual indicators analysed, the UAE ranked first among Arab states in:

- Business-to-consumer Internet use
- E-Participation Index
- Internet access in schools
- Secure Internet servers
- Low software piracy rates
- Percentage of software installed

Internationally, the UAE is ranked:

- First in ICT use and Government efficiency
- First in mobile network coverage, in terms of the percentage of the population covered
- First in the importance of ICT to the Government's vision of the future
- First in the impact of ICT on access to basic services
- Second in impact of ICTs on new services and products
- Second in Government procurement of advanced technology products
- Fourth in laws relating to ICT
- Fifth in the impact of ICT on new organizational models
- Seventh in mobile phone subscriptions per 100 inhabitants
- Seventh in firm level technology absorption
- Seventh in business-to-business internet use
- Eighth in use of virtual social networks
- Eighth in the availability of latest technologies

*As per the World Economic Forum*

## Education

All schools in the UAE are regulated by the Ministry of Education in association with the Knowledge and Human Development Authority (KHDA) and the Abu Dhabi Education Council (ADEC). There are private and government run or public schools in the UAE. The major urban centres 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 many 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.

Other knowledge centres in and around the Emirate of Dubai are given in brief below:

### Dubai Knowledge Park

Dubai Knowledge Park [DKP or KP – previously known as Knowledge Village] 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. KP was launched in September 2003 and has grown rapidly since then. There are universities from a number of countries with a branch in KP, including Australia, Belgium, Canada, India, Iran, Ireland, Pakistan, Russia, and UK; providing educational facilities for students from all nationalities.

### Dubai International Academic City [DIAC]

The Dubai International Academic City [DIAC] is the world's largest free zone fully dedicated to higher education, housing the biggest global and local internationally accredited universities, and attracting students from all around the world. 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.

There are currently more than 25 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 27,500 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 and Medical Services (DOHMS), 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.

The UAE now has 40 public hospitals, compared with only seven in 1970. The Ministry of Health is undertaking a multimillion-dollar program to expand health facilities and hospitals, medical centres, and a trauma centre in the seven emirates. To attract wealthy UAE nationals and expatriates who traditionally have travelled abroad for serious medical care, Dubai has developed the Dubai Healthcare City, a medical free zone that offers international-standard advanced private health care and provides an academic medical training center. A similar concept is also under way in Sharjah.

The World bank ranked Dubai and Abu Dhabi as being the 2nd and 3rd, respectively, most popular medical tourism destinations in the region, behind Jordan.

## Paternity Leave

Following a new law in 2020, male employees in the UAE's private sector are now granted a paid "parental leave" for a period of five working days. This makes UAE the first Arab country to have a paid paternity leave policy for private sector. The leave can be availed anytime within 6 months of the birth of the child.

## 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$20,000 and US$ 50,000 per year. High-quality apartments between US$35,000 and US$80,000 per year, depending on the size and location. The global effects of the pandemic have also impacted the property rates. It is expected that property rates would drop in the key emirates of Abu Dhabi and Dubai.

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.

## Other attractions in the UAE

### Burj Khalifa

Burj Khalifa is a skyscraper in Dubai and is currently the tallest man-made free-standing structure in the world at 828 m (2,717 ft.] and more than 160 stories. The total cost for the project was about US$ 1.5 billion.  Burj Khalifa holds the following records:

- Tallest building in the world
- Tallest free-standing structure in the world
- Highest number of stories in the world
- Highest occupied floor in the world
- Highest outdoor observation deck in the world
- Elevator with the longest travel distance in the world
- Tallest service elevator in the world.

The Burj Khalifa is designed to be the centrepiece 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 $km^2$ (0.01 sq. mi) of parkland, at least 19 residential towers, the Dubai Mall, and the 0.12 $km^2$ (0.05 sq. mi) man-made Burj Khalifa Lake.

The silvery, glass-sheathed concrete building gives 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 Downtown Burj Dubai, is home to several retail and entertainment concepts that are a first for the region. The Dubai Mall is the flagship project of Emaar Malls Group, the shopping mall subsidiary of Emaar Properties.

The Dubai Mall, with a total site area in excess of 12.1 million sq. ft. has set 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). The net leasable floor area is equivalent to the size of 50 football fields put together.

### Yas Island

Yas Island is an island in Abu Dhabi. The island is the site of a US$36 billion development project by Aldar Properties. It occupies a total land area of 2,500 hectares. The island holds the Yas Island Circuit, which hosts the Formula One Abu Dhabi Grand Prix since 2009. It also features attractions such as Ferrari World, hotels including Yas Marina Hotel, a water park, and Yas Mall, the Abu Dhabi destination retail development of 300,000 sq. m retail area; links and parkland golf courses, lagoon hotels, marinas, polo clubs, apartments, villas and food and beverage outlets that has created a new tourist destination. Yas Island was named the World's leading tourism project at the World Travel Awards in November 2009. The Yas Marina Circuit is the venue for the Abu Dhabi Grand Prix. Yas Marina is the second Formula One track in the Middle East, with the first being in Bahrain.

## Mall of the World

Dubai is bundling a lot of "world firsts" for the Mall of the World development – its most ambitious project since the emirate's economic revival began in earnest since early 2012. The project is to be the retail and hospitality showpiece development for the Expo 2020 in Dubai, alongside the planned mega convention centre and related infrastructure that will be rolling out of the design board shortly.

The Mall of the World is to be located along Shaikh Zayed Road. But in its conceptualization, the project – which will be managed by Dubai Holding - will be nothing less than a city-within-a-city and also include 100 hotels. Apart from being the largest mall in the making by occupying 8 million square feet, it is being billed as the world's first "temperature-controlled (pedestrian) city" and with 48 million square feet spread. This will be through a glass dome enclosure that will be open up during the winter months, a high season for the city's retail, leisure and hospitality sectors. On completion, it will be a year-round destination that is projected to pull in 180 million visitors annually.

Dubai's economic turnaround was fast-tracked by retail and hospitality twinned with the ever-expanding reach of Emirates airline and its jumbo-sized order book. With the Mall of the World announcement, Dubai has been creating projects that were driving these sectors forward towards the Expo 2020.

## Dubai Opera House

The iconic dhow-shaped building of Dubai Opera is a masterpiece of contemporary design, and a stylish tribute to Dubai's maritime history. Located at what's billed as 'the most prestigious square kilometre in the world', Dubai Opera is the radiant centre of culture and arts in Downtown Dubai and the shining pearl of The Opera District.

With its unique 2000-seat multi-format theatre, Dubai Opera is a definitive international destination for performing arts and world-class entertainment productions. In Theatre mode, the space is suitable for large-scale drama productions, musicals, ballets, lectures, and conferences, seating up to 2,000 people, depending on configuration. When transformed into a concert hall, a series of towers and reflectors on stage and overhead are designed to create an acoustic shell around the orchestra, enabling an impeccable acoustic environment for a perfect sound quality. The building's unique architecture allows to also host a variety of events such as weddings, trade shows, art galleries and exhibitions, receptions and parties, using its "flat floor" mode.

## Saadiyat Cultural District

Saadiyat Island is set to become the cultural heartbeat of Abu Dhabi in the coming years. An entire district on Saadiyat Island is devoted to culture and the arts. Unprecedented in scale and scope, Saadiyat Cultural District will be a live canvas for global culture, drawing local, regional and international visitors with unique exhibitions, permanent collections, productions and performances. Its iconic institutions will be housed in buildings drawing a statement of the finest architecture at the beginning of the 21st century

The Louvre Abu Dhabi (opened in November 2017), the Guggenheim Abu Dhabi, and Zayed National Museum (both still in early planning and construction phases) will all be located here, turning the island into the UAE's new cultural and artistic hub.

## Theme Parks

Theme parks have become the latest addition to the to-do lists of all tourists that visit the UAE. Conceptually, themed entertainment parks have always been a part of the UAE – from Wild Wadi in Dubai, Hilly Fun City in Al Ain to Dreamland Aqua Park in Umm Al Quwain. However, these have been to cater to the local populace rather than appeal to tourists. However, in the last few years, some strong new entrants have upped the ante and have quickly become a must visit attraction for tourists. Some of the bigger names are included below:

### *Ferrari World*

Topping the list is the fast and furious Ferrari World in Abu Dhabi. Located in Yas Island, it's a destination themed entirely on the famed Italian car manufacturer Ferrari. Making the ride extra special, the amusement park gives tourists the chance to experience the world's fastest rollercoaster. Ferrari World also holds the record for the largest space frame structure ever built. Tourists can also check out a miniature world of tiny Ferraris and a virtual tour of the Ferrari factory. The park is situated under a 200,000 sq. m. roof. The theme park is home to Formula Rossa, the world's fastest roller coaster. Ferrari World Abu Dhabi was named the "Middle East's Leading Tourist Attraction" at the World Travel Awards 2015.

### *Warners Bros. World, Abu Dhabi*

Warner Bros. World™ Abu Dhabi, the world's first ever Warner Bros. branded indoor theme park. The park features characters from Warner Brother's franchises, such as Looney Tunes, DC Comics, Hanna-Barbera, and others. The park is located on Yas Island near Ferrari World and Yas Waterpark and is the third Warner Brother's theme park. The park contains 29 rides, restaurants, attractions, shops and shows. The theme park is indoor and fully air-conditioned, as is typical of most major theme parks in the region due to the extreme heat in the summer. The facade features a 61-metre-tall (200 ft) tower inspired by the iconic Warner Bros. Water Tower in Burbank, California. Warner Bros. World Abu Dhabi is organized into six themed areas; Gotham City, Metropolis, Cartoon Junction, Bedrock, Dynamite Gulch and Warner Bros. Plaza.

### *Dubai Parks and Resorts*

Dubai Parks and Resorts is touted as the Middle East's largest integrated leisure and theme park destination located in Dubai. Spread over 25 million square feet, it features more than 100 rides and attractions, and consists of three theme parks: Motiongate Dubai, Bollywood Parks Dubai and Legoland Dubai and one water park: Legoland Water Park. It also encompasses Riverland Dubai, a themed retail and dining destination, as well as the Polynesian-themed family resort, Lapita Hotel Dubai. It officially opened in December 2016.

### *IMG Worlds of Adventure*

IMG Worlds of Adventure is an indoor amusement park in Dubai. It is Dubai's first mega themed entertainment destination. The park is divided into four "epic zones". Two of the four zones represent global brands Cartoon Network and Marvel, while IMG Boulevard and the Lost Valley – Dinosaur Adventure zones are original concepts created by the IMG Group. IMG Worlds of Adventure is the largest temperature controlled indoor themed entertainment destination in the world, covering an area in excess of 1.5 million square feet. With the capacity to welcome more than 20,000 guests a day, the destination features roller coasters, thrill rides, and other attractions based on popular Cartoon Network characters, iconic Marvel Super Heroes and animatronic dinosaurs. Other facilities include a variety of themed retail stores and dining venues, and a 12-screen cinema complex. Situated within City of Arabia, IMG Worlds of Adventure has swiftly become a must-visit international destination, bringing the best of family entertainment to Dubai's growing leisure industry.

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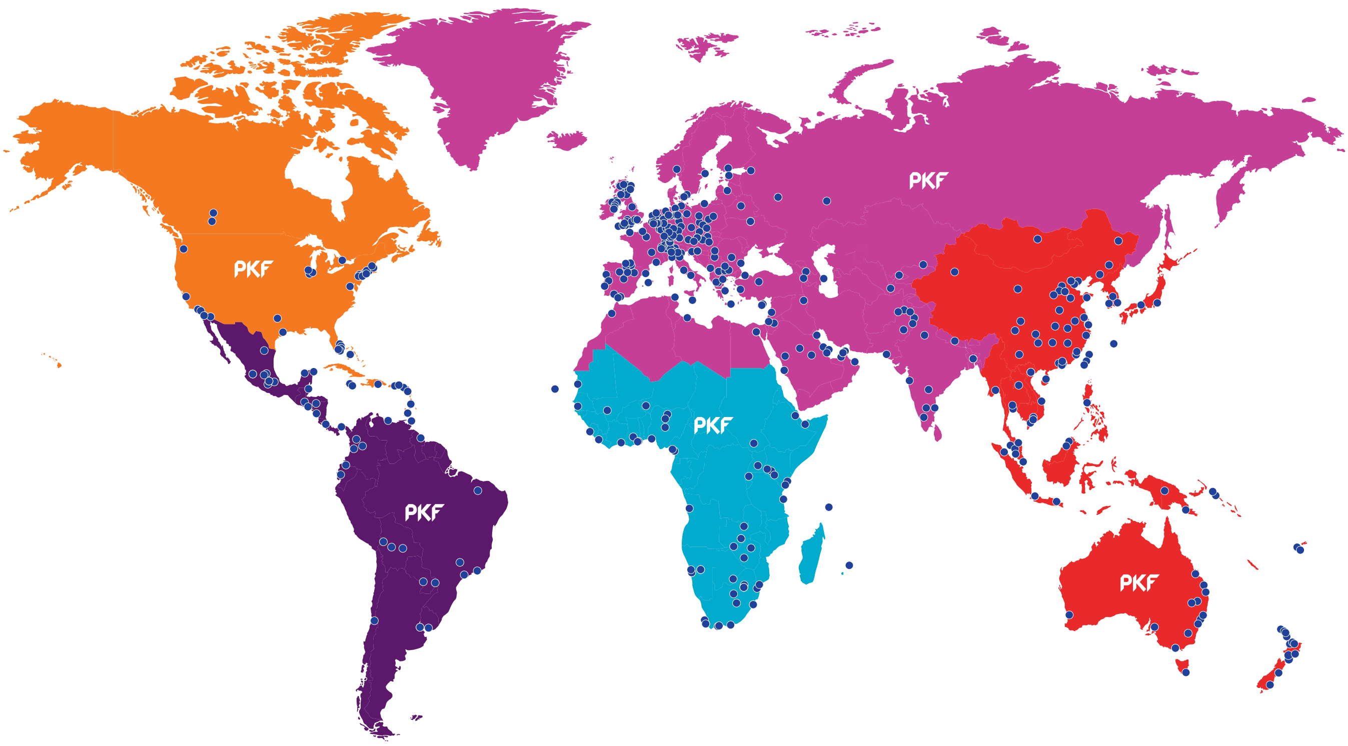
Our presence on 6 continents gives us both the local perspective and the global reach to provide easy-to-follow recommendations every step of the way.

As the leading independent global accounting and advisory brand, collaboration is central to the PKF experience. While all members maintain full independence, our shared network allows us to offer every accounting and advisory service a company could need throughout its lifetime, producing tailor-made solutions in a complex economy.



# PKF International

## Africa

Algeria, Angola, Botswana, Cameroon, Cape Verde, Côte d'Ivoire, Djibouti, Egypt, Ethiopia, Gambia, Ghana, Kenya, Lesotho, Liberia, Malawi, Mauritania, Mauritius, Morocco, Mozambique, Namibia, Niger, Nigeria, Rwanda, Seychelles, Sierra Leone, Somalia, South Africa, South Sudan, Swaziland, Tanzania, Tunisia, Uganda, Zambia, Zimbabwe

## Asia

Afghanistan, Armenia, Azerbaijan, Bangladesh, Brunei Darussalam, Cambodia, China, Hong Kong, India, Indonesia, Japan, Kazakhstan, Kyrgyzstan, Laos, Macau, Malaysia, Mongolia, Myanmar, Nepal, Pakistan, Philippines, Republic of Korea, Singapore, Taiwan, Tajikistan, Thailand, Uzbekistan, Vietnam

## Oceania

Australia, Fiji, New Zealand

## Caribbean and West Indies

Antigua and Barbuda, Bahamas, British Virgin Islands, Dominican Republic, Grenada, Guyana, Jamaica, Puerto Rico, Saint Kitts and Nevis, St Lucia, Trinidad And Tobago

## Europe

Austria, Belarus, Belgium, Bulgaria, Croatia, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Georgia, Germany, Gibraltar, Greece, Hungary, Ireland, Italy, Jersey, Latvia, Lithuania, Luxembourg, Malta, Montenegro, Netherlands, North Macedonia, Norway, Poland, Portugal, Romania, Russian Federation, Serbia, Slovakia, Slovenia, Spain, Sweden, Switzerland, Turkey, Ukraine, United Kingdom

## Middle East

Bahrain, Israel, Iraq, Jordan, Kuwait, Lebanon, Libya, Oman, Qatar, Saudi Arabia, United Arab Emirates

## North America

Canada, Mexico, United States of America

## Central America

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

## South America

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


# 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.


# Other International Publications

## PKF Worldwide Internationally Mobile Employee Guide

PKF is experienced in assisting internationally mobile employees and we understand the issues, complexities and goals surrounding international assignments at both the individual, and organizational levels.

## PKF International Worldwide Tax Guide 2020-2021

The PKF Worldwide Tax Guide 2019-20 (WWTG) is an annual publication that provides an overview of the taxation and business regulation regimes of the world's most significant trading countries. On a country-by-country basis, each summary addresses the major taxes applicable to business; how taxable income is determined; sundry other related taxation and business issues; and the country's personal tax regime.

## OECD BEPS Actional Plan Status Update Report

An update on the implementation of the OECD BEPS 15-point action plan by country

# Annexure A

| Useful Contact Numbers | P.O. Box | Telephone |
|---|---|---|
| **Abu Dhabi** | | |
| Government Departments | | |
| • Chamber of Commerce | 662 | (2) 621 4000 |
| • Economic Department | 853 | (2) 815 8888 |
| Federal Government Ministries | | |
| • Economy | 901 | (2) 613 1111 |
| • Finance | 433 | (2) 672 6000 |
| • The UAE Central Bank | 854 | (2) 665 2220 |
| • The 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) 282 1111 |
| • Department of Economic Development | 13223 | (4) 445 5555 |
| Federal Government Ministries | | |
| • Economy | 3625 | (4) 314 1555 |
| • Finance | 1565 | (4) 393 9000 |
| • The UAE Central Bank | 448 | (4) 393 9777 |
| • Jebel Ali Free Zone | 17000 | (4) 881 3000 |
| • Dubai Airport Free Zone | 2525 | (4) 299 5555 |
| • Dubai Creative Clusters Authority | | (4) 390 0500 |
| • Dubai Media Commodities Centre | 48800 | (4) 424 9600 |

| Useful Contact Numbers | P.O. Box | Telephone |
|---|---|---|
| **Ajman** | | |
| Chamber of Commerce | 662 | (6) 747 1222 |
| Economic Department | 870 | (6) 744 6244 |
| Ajman Free Zone | 932 | (6) 701 1555 |
| **Sharjah** | | |
| Government Departments | | |
| • Chamber of Commerce & Industry | 580 | (6) 530 2222 |
| • Economic Department | 829 | (6) 512 2222 |
| Federal Government Ministries | | |
| • Economy | 3803 | (6) 528 1222 |
| • The UAE Central Bank | 645 | (6) 559 2592 |
| • Sharjah Airport International Free Zone (SAIF Zone) | 8000 | (6) 557 0000 |
| • Hamriyah Free Zone | 1377 | (6) 526 3333 |
| **Fujairah** | | |
| Chamber of Commerce & Industry and Agriculture | 738 | (9) 223 0000 |
| Fujairah Free Zone | 1133 | (9) 222 8000 |
| **Ras Al Khaimah** | | |
| Chamber of Commerce & Industry and Agriculture | 87 | (7) 207 0222 |
| Economic Department | 10510 | (7) 204 4444 |
| The UAE Central Bank | 5000 | (7) 228 4444 |
| Ras Al Khaimah Free Zone | 10055 | (7) 204 1111 |
| | | (7) 800 7111 |
| **Umm Al Quwain** | | |
| Chamber of Commerce & Industry and Agriculture | 436 | (6) 765 1111 |
| Ahmed Bin Rashid Free Zone / UAQ Free Zone | 279 | (6) 764 7272 |

# Annexure B

## List of UAE Tax Treaties

The Government of the United Arab Emirates has signed Agreements for the Avoidance of Double Taxation and The Prevention of Fiscal Evasion with respect to Taxes on Income with more than 110 countries. A list of DTAs in force / under negotiation are given below:

Albania
Algeria
Andorra
Angola
Antigua and Barbuda
Argentina
Armenia
Austria
Azerbaijan
Bangladesh
Barbados
Belarus
Belgium
Benin
Bermuda
Bosnia and Herzegovina
Brazil
Brunei Darussalam

Bulgaria
Burundi
Cameroon
Canada
China
Colombia
Comoro Islands
Costa Rica
Croatia
Cyprus
Czech
Ecuador
Egypt
Equatorial Guinea
Estonia
Ethiopia
Fiji
Finland
France

Gambia
Georgia
Germany
Greece
Guinea
Holland
Hong Kong
Hungary
India
Indonesia
Iraq
Ireland
Italy
Japan
Jersey
Jordan
Kazakhstan
Kenya
Saudi Arabia*
Korea

Kosovo
Kyrgyzstan
Latvia
Lebanon
Libya
Liechtenstein
Lithuania
Luxembourg
Macedonia
Magnolia
Malaysia
Maldives
Mali
Malta
Mauritania
Ireland
Italy
Japan
Jersey
Jordan

Kazakhstan
Kenya
Saudi Arabia*
Korea
Kosovo
Kyrgyzstan
Latvia
Lebanon
Libya
Liechtenstein
Lithuania
Luxembourg
Macedonia
Magnolia
Malaysia
Maldives
Mali
Malta
Mauritania
South Africa

Spain
Sri Lanka
Sudan
Switzerland
Syria
Tajikistan
Thailand
Tunisia
Turkey
Turkmenistan
Uganda
Ukraine
United Kingdom
United Mexican States
Uruguay
Uzbekistan
Venezuela
Vietnam
Yemen

** Tax treaty is the first bilateral tax treaty signed between two GCC member states. It came into force on 1 April 2019 and became effective on and from 1 January 2020*

The Government of the United Arab Emirates has also signed 78 Agreements for the Promotion and Protection of Investments with several countries. The list is given below:

Albania
Algeria
Andorra
Angola
Antigua and Barbuda
Armenia
Austria
Azerbaijan
Bangladesh
Belarus
Belgium – Luxembourg Economic Union
Belize
Benin
Britain (UK)
Burundi
Cambodia
China
Colombia
Comoro Islands
Costa Rica
Czech
Egypt
Equatorial Guinea
Estonia
Ethiopia
Finland
France
Georgia
Germany
Greek
Guinea
India
Italy
Jordan
Kenya
Korea
Kosovo
Kyrgyzstan
Lebanon
Malaysia
Maldives
Mali
Mauritania
Mauritius
Moldova
Mongolia
Montenegro
Morocco
Netherlands
Nigeria
Pakistan
Panama
Paraguay
Poland
Portuguese
Romania
Russia
Rwanda
Saint Kitts and Nevis
Senegal
Serbia
Singapore
Slovak
Sudan
Sweden
Switzerland
Syria
Tajikistan
Thailand
Tunisia
Turkey
Turkmenistan
The United Mexican States
Uganda
Ukraine
Uzbekistan
Vietnam
Yemen

right people
right size
right solutions

**PKF International Ltd.**
Studio 215-216, Great Western Studios, 65 Alfred Road, London, W2 5EU, United Kingdom
Telephone: +44 20 3691 2500





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