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Setting up your Business in Dubai

Dubai, being the premium commercial centre in the region, with an innovative and dynamic business culture, modern infrastructure and business environment, is the best place to do business in the Middle East. Dubai provides investors a strategic location, tax-free environment and progressive economy.

In the UAE, the Federal Government has rules and regulations for the setting up of companies and operating businesses and, within this framework, each Emirate provides investors with its own range of options.

Municipal Zone OR “Onshore” Dubai

The Department of Economic Development (“DED”) is the main authority which issues licenses to businesses. The types of business activities are categorized as follows:

- **Commercial Licence:** this licence is issued to companies or establishments engaged in carrying out commercial activities (such as trading, import/export, wholesale, retail etc).
- **Professional Licence:** this licence is issued to individuals and firms (such as artisans and craftsmen) who practice and earn an independent livelihood or craft from using professional skills, their physical efforts or aided by some tools and equipment (eg: carpentry, steel works, typing)
- **Industrial Licence:** this licence is issued to companies which carry out all or any types of manufacturing.
- **Tourism Licence:** this license issued to companies which provide tourism facilities and services including hotels, travel agents, tourist restaurants, boats and floating restaurants etc.

Depending on the activity of the entity proposed to be set up, additional approvals may be required to be obtained from other departments and organizations.

Types of companies under the Municipal Zone or “Mainland” Dubai

Limited Liability Company (“LLC”): An LLC is the most common (but not the only) form of business entity in the UAE. An LLC can be formed by a maximum of 50 persons whose liability is limited to their shares in the company’s capital. In accordance with the CCL, a foreign entity/individual may participate in a locally incorporated LLC to the extent of 49% of its share capital and the remaining 51% should be held by a UAE National individual or a UAE Company which is 100% owned by UAE Nationals. A number of collateral arrangements are usually agreed which generally offset the effect of the minimum local shareholding. In addition, there is recent legislation permitting direct foreign investment.

Civil Company: A Professional Services Company or a Civil Company is the type of company that can be set up with a professional license and undertakes a specific profession as its activity. The partners of a civil



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company have 100% ownership in their business. A professional service company is required to appoint a UAE National as a Local Service Agent on terms to be agreed.

Private Corporation Company: A Private Shareholding Company may be set up by its founders whose number shall not be less than 3 and they should subscribe all its capital (minimum AED 2 million).

Public Corporation Company: A Public Shareholding Company is a company that has its capital (minimum AED 10 million) divided into equal value and tradable shares, and each partner is liable to the extent of his respective share in the capital.

Branch or Representative Office of a Foreign Company: A branch of a company already registered in a foreign country or a free zone to carry out (or promote) the activities of the company. A branch of a Foreign Company is generally not licensed to carry out trading activities.

Foreign Direct Investment Company: A Foreign Investment Company is a company where foreign investors can enjoy up to 100% of the capital. Foreign Investment Companies are licensed by the competent licensing authorities in accordance with the provisions of the Foreign Direct Investment Law and registered the Foreign Investment Companies Register.

Requirements:

- The activity of the company should be from the “Positive List” outlined in the Foreign Direct Investment Law.
- The business should add value to the economy of the country and protect the environment and maintain public health & safety
- The company should comply with all the requirements stated in the Foreign Direct Investment Law (and its amendments)

The details of the activities stated in the Positive List and the extent of permitted foreign ownership are decided by the licensing authority of each Emirate in UAE.

A Negative List (of the activities not permitted) is listed in the Foreign Direct Investment Law. These include: petroleum activities, security & military sectors, banking and financing activities, insurance services, , labour supply and recruitment services, water and electricity services, , land and air transport services, printing and publishing services, and commercial agents services..

A Positive List with a total of 122 economic activities across 13 sectors was released earlier this year.

Free Zone Companies

There are many Free Zones in Dubai and in the UAE. These Free Zones are by and large classified on the basis of the activities they permit. Each Free Zone is administered autonomously by its own administrative authority. Free Zones permit 100% foreign ownership and a company licensed in a Free Zone is permitted to carry out its business within that zone.

Some of the benefits of being in a free zone are: no requirement of a UAE national as a partner or a local agent, high quality standards and flexibility required by foreign companies, one stop licensing & administrative service centers, no recruitment or currency restrictions.



Offshore Companies

An Offshore Company is an entity registered with the primary purpose of doing business outside its jurisdiction. The two main offshore jurisdictions in UAE are the Jebel Ali Free Zone and the Ras Al Khaimah Free Zone. An offshore company is usually set up in a favorable jurisdiction where there are no corporate or personal income taxes, reporting requirements or restrictions on companies' employment policies. The main restriction on an offshore company is that (being exempt from taxes and restrictions) they may not conduct business within their place of incorporation. However it is permitted to invest in companies in UAE, own property in UAE and have bank accounts. Setting up an offshore company does not entitle you to hold a residence visa in the UAE.

HOW CAN JAMES BERRY & ASSOCIATES HELP YOU?

JBA is one of the longest established legal consultancies in Dubai, contributing to the impressive growth which has been seen in this region. For over 30 years, our extensive experience has given us genuine in-depth knowledge of the local laws and procedures, which, coupled with existing international legal expertise, ensure that we provide our clients with up to date, tailored advice. Our reputation has been built over many years, and we have now developed a diverse client base ranging from global corporations to private individuals, all of whom benefit from our high standards of professionalism and legal knowledge.

JBA began specialising in primarily corporate and commercial matters, and has developed into a multi-disciplined firm after recognizing an increasing need to provide private individuals with technical legal advice on personal matters. The result is a firm that can cater for all legal requirements, from dealing with high value commercial transactions, to sensitive private law matters such as property investments, family issues, personal estate-planning and employment issues.

By utilizing JBA's global professional associations outside the Middle East, and our association of Middle Eastern law firms, we are able to provide ample and effective coverage for our clients around the world. JBA lawyers are well-versed in current trends and challenges faced by the industry and the structures and solutions utilized to respond to such issues;

JBA recognizes that, whilst the process of a transaction requires meticulous professional attention, what matters just as much to the client is the outcome. We are skilled in ensuring that our client's expectations are managed and fulfilled to the highest standards at a reasonable cost and within a realistic timescale.

Currently, our firm caters for clients in the following areas:

Corporate Commercial: The corporate and commercial department specializes in all legal disciplines of a corporate or commercial nature. This includes corporate mergers & acquisitions, management buy-outs, business incorporations with local and Free Zone licenses, international trade and finance, real estate and commercial property, e-commerce, I.T., and intellectual property, energy and construction law and dispute resolution.

Private Client: The private client department offers a wide range of personal legal services, including residential property transactions, advice to investors on "off plan" properties, disputes with developers, family and estate-planning services and administration of estates.



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