

UAE: WHICH ENTITY TO USE?

INTERNATIONAL BUSINESS COMPANIES

Dubai, through its Jebel Ali Free Zone, the RAKIA Free Zone and the RAK Free Trade Zone, offer an International Business Company (IBC) regime.

These companies are ideal for any type of business that does not require a local office such as:

- ✓ Passive investment activity (e.g holding of shares)
- ✓ Holding real estate
- ✓ Trading Activities outside the UAE

IBC's cannot:

- ✓ Rent office space
- ✓ Apply for staff visa and they
- ✓ Trade with parties inside the UAE.

Characteristics:

- ✓ no requirement for the owner or manager to visit the UAE in person
- ✓ no requirement to deposit capital in a bank account
- ✓ no public record

URL: www.bybloservedubai.ae

T.: +971 (0) 45509347

E.: cc@bybloservedubai.ae

Bayswater Tower, Level 18, Office 1812, Business Bay, Dubai UAE

- ✓ no audit requirement or requirement to submit financial statements

Just like local and free trade zones, IBCs can benefit from some of the tax treaties concluded by the UAE. If a **local corporate bank account** is required

to benefit from the strong client confidentiality rules applicable in the UAE, then using a local IBC will prevent otherwise significant attestation charges.

FREE ZONES

The main advantages of setting up in one of the free zones in the UAE are:

- ✓ 100% foreign ownership
- ✓ Guarantee for 15-50 years against future imposition of corporation tax
- ✓ No exchange controls
- ✓ Import duty free if the goods are not supplied to the local market
- ✓ Streamlined procedures.

Each FTZ is focus on particular industries and services. For example, Jebel Ali free trade zone focuses on manufacturing, heavy industry and distribution. It also encompasses Dubai Cars and Automotive City, and Dubai Gold and Diamond Park. A full list of Dubai free trade zones is available upon request.

To operate in a FTZ, all businesses need a licence. The type of licence depends primarily on the nature of the activity undertaken. Generally, in most FTZs a combination of the following types of licences are available to the foreign investor:

- a) Trading Licence
- b) Industrial Licence
- c) Services Licence

As FTZs have their own laws and regulations, accounting and audit requirements can differ between free trade zones. As an example, Jebel Ali free zone and Dubai Airport free zone require limited liability entities to file annual financial statements with an audit report within 3 months of the end of the entity's financial year. However, limited liability entities in the Dubai Technology and Media free zone are not subject to the same requirements.

A LOCAL LLC

A LLC is incorporated outside a freezone. LLCs can be formed with a minimum of 2 and a maximum of 50 persons whose liability is limited to their shares in the company's capital. The capital requirement is AED300,000.

Characteristics:

- ✓ 51% local partner (known as sponsor)
- ✓ No requirement to file annual accounts
- ✓ No audit requirements (unless the business is sold or liquidated)

BRANCH OFFICE

Foreign companies as well as freezone companies can establish a branch office in the UAE through which they can service the local market after paying an import duty. A local service agent is required.

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REPRESENTATIVE OFFICE

If the scope of the activities in the UAE is limited a representative office can be considered. Such representative offices undertake marketing and promotional activities only and are not permitted to trade. A local service agent is also required.

WHICH ENTITY TO CHOOSE?

With our professional experience in the field for over 10 years and the positive feedback from our clients worldwide, we consider ourselves specialists on corporate and tax planning. We can assist you on every step of the way to set up your new business or expand in Dubai and the UAE.

Please feel free to contact us for free consultation and face to face meeting.

Contact Details:

Chryso Christofidou

Tel: +971 (0) 45509347

Email:

cc@bybloservedubai.ae

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Level 18, Office 1812,
Business Bay,
Dubai UAE

