

AUSSEN WIRTSCHAFT REPORT

FREE ZONES
IN THE UNITED ARAB EMIRATES

FOREIGN TRADE CENTER ABU DHBAI
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Information from
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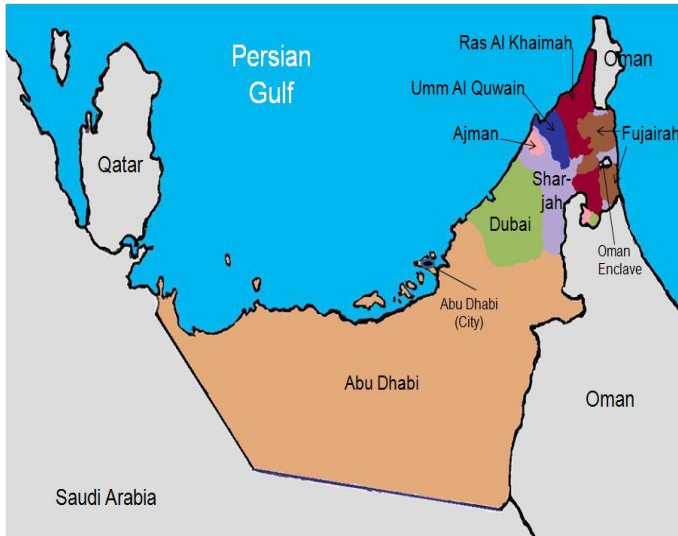
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Note: In order to make it easier to read, gender-specific designations are only given in their masculine form.

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1 GENERAL OVERVIEW



The best foundation for a successful company formation in the United Arab Emirates (UAE) is comprehensive information and expert advice. The brochure Free Zones in the UAE provides an initial overview of the legal requirements, expected costs and design options for doing business in the UAE.

Thanks to local authorities' extensive support of domestic and foreign investors, the Emirati economy is thriving even in times of the COVID-19 pandemic and other crises. The country therefore regularly receives top marks from international investors for the investor-friendly business climate; also in comparison to the other countries of the Middle East and the Gulf Cooperation Council (GCC).

The UAE is considered one of the safest countries in the world with an extremely low crime rate. The currency is tied to the USD at a fixed exchange rate and is freely convertible. 1 EUR corresponds to approx. 4.2 AED as of March 2022. Over the past five years, the AED exchange rate has fluctuated between 3.9 - 4.6 against the euro.

With a few industry-specific exceptions, the UAE currently has no direct taxes on corporate profits or income taxes and no restrictions on profit or capital repatriation. In 2018, a value added tax (VAT) of 5% was introduced for the first time. Import taxes on goods (import tariffs) are also extremely low at 5%. In February 2022, the introduction of a corporate tax was decided. This is to come into force in summer 2023 and will tax corporate profits above a certain minimum threshold at 9%. Nevertheless, the tax burden in the UAE remains far behind European standards. In recent decades, investors have also benefited from very liberal immigration policies.

Many foreign investors have already established a company in one of the 50+ free zones in the UAE. Free zones are particularly attractive because investors can hold a 100% stake in the company without having to involve a local shareholder. Recently, however, 100% foreign ownership has also become possible for many activities outside of the free zones. Another major advantage lies in the comparatively simple process of founding the company, the attractive locations, guaranteed tax benefits and good administration. With the planned introduction of a corporate tax, free zones, in which companies are exempt from tax, will experience an upswing again.

This brochure provides in-depth information on the main UAE Free Zones, their fees and the process of incorporating a company in the UAE.

Note: Due to the current economic situation in connection with COVID-19, the start-up costs listed in the following report are constantly changing. The costs listed are therefore primarily intended to provide a general overview.

2 THE MAIN CORPORATE FORMS IN THE UAE

In the UAE, the following company forms should be distinguished: Onshore, Freezone and Offshore Companies:

- **Onshore Companies** are companies based on the mainland, ie on the territory of the UAE, but outside one of the many free zones (see section 3). Until recently it was necessary for a GCC citizen to be the majority shareholder in an onshore company. This strict regulation was recently softened. 100% foreign participation is now also possible for many activities on the mainland. However, some activities in the area of critical infrastructure are excluded from this. Whether 100% foreign ownership is possible for a specific activity must therefore be agreed in detail with the authority.

The following corporate forms can be used as an onshore company: Limited Liability Company; Partnership; Limited Partnership; Public and Private Joint Stock Company. There is also the option of founding a branch.

- **Freezone Companies** are companies based in a free zone. The main advantage so far has been that no local business partner was needed. In addition, most free zones offer suitable infrastructure for business activities and make it easier to set up a company. A significant advantage is also the guaranteed exemption from tax liability in the UAE.

Which company forms can be used as a free zone company depends on the regulations of the respective free zone. A free zone Limited Liability Company (FZ-LLC) can be formed practically anywhere. A branch is also usually possible. Some free zones also allow the formation of partnerships.

- **Offshore companies** are legal subjects like other companies. However, they do not have a company headquarters on the mainland, but only exist - if you will - on paper (see below under section 12). Offshore companies can still be incorporated in the free zones in Ras Al Khaimah (RAKICC), Dubai (JAFZA) and Ajman (AFZ), but are increasingly losing popularity.
- In some cases, midshore and dual license companies are also offered, which try to combine the advantages of different company forms (eg in the RAKEZ free zone).

Here you will find the main advantages and disadvantages of the different company forms at a glance:

	advantages	disadvantage
Onshore Company	Activity can be carried out anywhere in the UAE. End customers can be supplied without any problems.	Local business partner is still required in some cases. The so-called "Wage Protection System" applies. Tax burden (9% corporate tax from 2023, further taxes are expected to follow in the coming years).
Freezone Company	100% foreign participation is always possible.	No direct sales to end users in the UAE unless they have the necessary license; a service agent is required for this. Activity restricted to free zone.

	advantages	disadvantage
	<p>Large selection of free zones with specializations and suitable infrastructure.</p> <p>Tax exemption (apart from VAT).</p> <p>Ease of setting up a business and visas.</p> <p>Often favorable conditions.</p>	<p>Different rules and laws of the respective free zone.</p>
Offshore Company	<p>No minimum share capital required.</p> <p>Tax exemption.</p>	<p>No permanent visa for the UAE possible.</p> <p>No activity permitted within the UAE (exception: property ownership and management).</p> <p>Bad international reputation, shareholder structure that is easy to disguise.</p> <p>Double tax treaty not applicable.</p> <p>Difficulty opening commercial bank accounts in the UAE.</p>
Midshore Company	<p>100% foreign participation is always possible.</p> <p>Ease of setting up a business and visas.</p> <p>Tax exemption (apart from VAT).</p> <p>Double taxation treaty applicable.</p>	<p>Stronger regulation compared to offshore companies.</p> <p>Formation and maintenance costs are higher than Offshore Companies.</p> <p>Only available in selected free zones.</p>

3 BENEFITS OF FREE ZONES

A free zone is a clearly defined piece of land that is legally distinct from UAE territory and is subject to special tax, customs and import regulations. In most cases, a company was founded in one of the free zones in order not to need a local business partner (ie, a GCC national) as the majority shareholder (sponsor) (see above for the new foreign ownership regulation). Further advantages are the simpler founding process of the company, the attractive locations, the mostly good administration and the guaranteed tax advantages (50 years of tax exemption in the free zones vs. 9% corporation tax on the mainland and potential further taxes). While services and goods from a Freezone Company cannot be sold directly to end users in the UAE, they can be sold to licensed companies. Furthermore, many free zones offer excellent logistics solutions for the re-export of goods. Due to the geographically good location, the Emirates have long served as a transshipment point for goods from Asia and Europe.

Initially, most of the companies in the free zones were engaged in import-export business. However, a large majority of companies now do business with customers within the UAE (through local service agents or direct contracts with license holders). While freezone companies are legally considered "foreign", they have the significant advantage over overseas companies that being based in the Emirates also allows them to take advantage of double taxation treaties and other trade privileges. A company headquarters in the country is particularly important when doing business with Arab companies, since entrepreneurs operating from abroad are taken less seriously and are sometimes even excluded from tenders in the public sector.

In contrast to Freezone Companys, companies operating outside the free zone on the mainland (so-called Mainland Companys) required a local shareholder until recently. This rule was recently softened by a new foreign ownership rule. Under the new rule, hundreds of activities are now permitted for purely foreign investment. However, in certain areas of critical infrastructure, a local shareholder who holds at least 51% of the shares in the company is still required. Even though we have already founded mainland companies with 100% foreign shareholders, the whole area of foreign ownership is still somewhat new territory. It is therefore advisable to coordinate the process closely with the Emirati authorities.

Some free zones have existed for several years, others are new or are still in the construction phase. It is expected that this number will continue to increase in the future. There are major differences between the various free zones, but they offer all of the following benefits:

- Always 100% foreign shareholders
- Corporate tax exemptions for 50 years
- No taxes on personal income or capital
- 100% repatriation of capital and profits
- Duty-free for import or export
- Attractive working environment thanks to modern office buildings and infrastructure
- Liberal labor law and visa regulations
- Less bureaucracy in the recruitment process (the labour-intensive wage protection system is not yet applicable)
- Availability of offices, storage facilities and production areas. In some free zones also direct port connections, airport connections, and future rail connections
- Partial: Exemption of certain transactions from sales tax VAT (for free zones that have been designated as "Designated Zones").

4 CHOOSING THE BEST FREE ZONE

Arguably one of the most important decisions entrepreneurs need to make is choosing the right free zone to set up their business in the UAE. Most free zones within the UAE cater to different types of business, so not every free zone is equally suitable. There are essential factors to consider such as the permitted activities, the availability of offices and storage facilities, connections to ports/airports, the documents required in the incorporation process and visa applications, and the incorporation process itself. The costs for construction, the annual renewal of the license, rent for office or storage facilities can also vary significantly.

Each free zone has its own "laws" and regulations, effectively making it a state within a state, although UAE federal law or the law of the relevant emirate often apply in the background (eg Dubai Law in the DMCC, see below). Therefore, it is difficult to obtain any information or even confirmation of the existence of Freezone Companys. This can sometimes prove to be disadvantageous when it comes to credit reports. Since 2020, however, a central company register has been set up in the UAE, which shows the most important company data (name, address, etc.) and is intended to make information easier.

Careful examination of the ideal company location is also necessary because – with a few exceptions – a company cannot move from one free tradezone to another at will. In this case, the company would first have to be liquidated and then re-established in the newly selected free zone.

In order to select the optimal location for founding a company, the following factors should therefore be considered:

- type and scope of planned business activity;

- Personnel and visa requirements for the proposed company;
- budget for starting a business;
- Logistical location and infrastructure;
- Licensing of the free zone in relation to the intended activity;
- The process of setting up a company and the necessary documents and costs;
- size and rental costs of required office, storage or industrial space;
- Recurring costs (e.g. for annual license renewal);
- scope of services offered;
- Hidden Fees;
- other specific regulations.

5 FREE ZONES IN ABU DHABI

With an area of 67,340 km² and 2.8 million inhabitants, Abu Dhabi is the largest emirate in the UAE. It is the seat of government and, thanks to its oil wealth, the financially strongest emirate. With the "Abu Dhabi Economic Vision 2030", ambitious goals were formulated for the coming years. Geographically, Abu Dhabi borders the Kingdom of Saudi Arabia and the Sultanate of Oman. Abu Dhabi has two seaports (Mina' Zayed and Khalifa Port) and two international airports in Abu Dhabi City and Al Ain.

Abu Dhabi is a logistics hub for the most important European, Asian, African and West American economic centers. It has an excellent and constantly expanding air transport network. The road connections to Saudi Arabia are being expanded to six lanes, and the first section of a rail connection to all Emirates as well as to Saudi Arabia and Oman has already been completed.

The discovery of oil in 1958 and the proactive investment of oil revenues in infrastructure and sovereign wealth funds enabled Abu Dhabi to transform itself into a modern emirate with impressive economic development. Abu Dhabi is one of the richest cities in the world. Unsurprisingly, the oil sector is responsible for the majority of economic output. However, other sectors are becoming increasingly important, such as healthcare, finance, media, tourism, etc.

Abu Dhabi has created various free zones. Some of the most well-known are Abu Dhabi International Airport (ADAFZ), Khalifa Industrial Zone (KIZAD) in the immediate vicinity of Khalifa Port, Abu Dhabi Global Markets (ADGM) Free Zone, TwoFour54, which specializes in the media industry, and the Masdar City Free Zone. The huge industrial area of Abu Dhabi Industrial City (ZonesCorp) offers companies a variety of industrial services, but is not technically a free zone (businesses require a controlling interest from a GCC citizen).

5.1 Abu Dhabi Airports Freezone (ADAFZ) – Webpage:www.adafz.ae



Source: <http://business-dubai.com/services/business-setup/Abu-Dhabi-Airport-Freezone/>

ADAFZ Free Zone offers business incorporations at Abu Dhabi International Airport, Al Bateen Executive Airport and Al Ain International Airport.

The free zone includes the so-called Abu Dhabi Airport Business City at Abu Dhabi International Airport, with three areas: the business center, the logistics park and the industrial park. The area is approximately 11 km² in total and includes land, storage facilities, offices and "flexidesks".

The following business activities are essentially permitted: Trade, services and industrial production in the following areas:

- Aeronautics, maintenance, aerospace, aircraft interiors and airport services
- Aircraft Operations, Repair (MRO)
- Logistics, transport, storage facilities, sales & storage
- Technology & ICT (Information and Communication Technology)
- Refrigeration - Food and Beverage
- trade
- Production & Assembly
- advisory
- Pharmacy
- Wholesale

The registration fees and the share capital of the company depend on the specific activity. Basically, the minimum capital is AED 150,000 and can go up to AED 1,000,000.

During the COVID pandemic, start-up costs were reduced substantially. As a rough guide you can assume the following costs:

Process	Estimated Costs
Company formation (registration, license)	Approx. AED 25,000 - AED 65,000
Renting an office space	from about 10,000 AED for a Flexidesk
License Renewal	Approximately AED 15,000 - AED 50,000
Work Visa	from AED 5,000 basic costs plus deposits, depending on nationality and area of activity

5.2 Khalifa Industrial Zone Abu Dhabi (KIZAD) – Webpage: www.kizad.ae



Source: <http://www.smeadvisor.com/featured/the-industrial-zone-of-tomorrow/>

The concept of the Khalifa Industrial Zone (KIZAD), which opened in 2012, is to build a huge international industrial zone that brings together various sustainable industries. This makes KIZAD an integral part of the "Abu Dhabi Economic Vision 2030". Adjacent to the Khalifa Port in Abu Dhabi, KIZAD is strategically located between Abu Dhabi and Dubai. The industrial area has an area of 418 km² and, in addition to the most modern deep-sea ports, also has a first-class infrastructure. The KIZAD Free Zone provides the following licenses:

- **Industrial license:** Allows import of raw materials, manufacture, machining, assembly, packaging and export of intermediate and/or finished products and also other industrial activities as listed in the industrial license.
- **Commercial License or General Commercial License:** Issuing licenses related to trading activities import, export, distribution, warehousing, warehousing of products and special items mentioned in the license and also other trading activities mentioned in the trading license. A general trade license may be granted if the total number of products is more than 17 or the number of groups exceeds 3.
- **Service License:** Issuing permits for services such as management and economic consulting, marketing services, logistic services such as freight and forwarding, restaurants, food trade, catering services, travel agencies and others published in the service license.

The minimum capital is AED 150,000. Company formation fees depend on the license selected and can be summarized as follows:

The fees for setting up a company have recently been greatly reduced or even waived entirely. A list of the current tariffs can be found at <https://www.kizad.ae/our-offerings/tariffs/>.

Below is a rough guide:

Process	Estimated costs
Company formation (registration, license)	n/a
Renting an office space	starting at AED 12,000 for a “Flexidesk”
License Renewal	AED 5,000 - AED15,000
Work Visa	from AED1,500

5.3 Abu Dhabi Global Market (ADGM) – Webpage: www.adgm.com



Source: <http://www.iesve.com/consulting/projects/projectdetail?building=abu-dhabi-global-market-adgm-square&id=3074>

The Abu Dhabi Global Market (ADGM) Free Zone, located on the 114-hectare Al Maryah Island northeast of Downtown Abu Dhabi, is a financial services free zone. ADGM's goal is to strengthen Abu Dhabi's role as a global hub for business and finance, connecting the economies of countries in the Middle East, Africa and South Asia.

There are three independent agencies within the ADGM: The Registration Authority (RA), the Financial Services Regulatory Authority (FSRA) and the ADGM courts. Their job is to ensure operations are in line with international procedures and recognized by major global financial centers.

In the ADGM, an investor can set up a company in three different categories:

- In finance;
- non-financial; and

- at retail.

The necessary documents, costs and the share capital of the company must be provided during the incorporation process. In addition to the usual corporate forms, ADGM now also offers partnerships and special purpose vehicles (SPV).

The fees for starting a business vary depending on the chosen field of activity and the corresponding category. Another factor is the office required, which is not leased directly by the free zone but by a third party on Al Maryah Island. The fees can be summarized as follows (further details on fees can be found below [link](#)). Here you will find an overview for rough orientation:

Process	Estimated Costs
Company formation (registration, license)	up to AED 15,000
Renting an office space	variable
License Renewal	up to AED 13,100
Work Visa	starting at around AED 3,500

The minimum capital contributions are determined individually and depend on the desired business activity.

Anyone who wants to offer financial services has the choice between DIFC (see point 6.7) and ADGM. Categories B and C also appear attractive compared to other older free zones.

5.4 TwoFour54 Abu Dhabi – Website: www.twofour54.com



Source: <http://www.thenational.ae/business/industry-insights/media/more-clients-set-up-shop-at-abu-dhabis-twofour54-free-zone>

At the end of 2008, the free zone Twofour54 Abu Dhabi was presented. The unusual name is based on the latitude and longitude of the location of the free zone. The duty-free media area is a subsidiary of Media Zone Authorities Abu Dhabi (MZA). The Twofour54 Free Zone was intended to create a business hub for local, regional and international media companies, start-ups and independent media professionals. More than 5,000 people from the creative industries sector are now based in the free zone, including subsidiaries of well-known companies such as CNN, Bloomberg and Skynews Arabia. The free zone also offers business licenses for individual entrepreneurs (freelancers) in the media sector. The following companies with the media sector focus can be founded:

- Content production (advertising, game development, graphic design as well as film, radio, TV or music production);
- Publishing and broadcasting (publication of books, magazines, newspapers and TV or radio broadcasting);
- other business activities (branding agency, public relations, events, exhibitions, marketing or communications).

No minimum capital is required. The fees for setting up a company have recently been greatly reduced or even waived entirely:

Process	Estimated costs
Company formation (registration, license)	n/a
Renting an office space	depending on location and size
License Renewal	dependent on activity
Work Visa	4,140 AED (excl. VAT and immigration fees)

5.5 Masdar City Freezone - Webpage: www.masdar.ae



Source: www.masdarcityfreezone.com

Masdar City lies east of the capital Abu Dhabi and borders Abu Dhabi International Airport to the west. The Masdar City Freezone was originally created to accommodate environmental technology companies alongside the planned energy self-sufficient “eco-city”. The location could be of particular interest to companies active in the solar energy sector. The completion date for the entire project is 2025. The large-scale project will cover an area of six square kilometers. It is aimed at around 48,000 residents and around 1,500 companies from the energy and ecological sectors.

The vision for Masdar City is to establish itself as a world market leader in the field of renewable energies. The aim is, among other things, to cover the energy requirements of Masdar City entirely from renewable energy sources. Last but not least, Master City should develop into a global center for innovation, research and product development in the fields of energy and sustainability.

The free zone offers licenses for the fields of activity such as:

- Renewable energy;
- Marketing and events;
- Health services;
- Development services in the field of real estate;
- Regional branches as well as trading and holding companies

The minimum capital for a company formation is AED 50,000, the actual deposit of which must be proven. There is no minimum capital for branch companies:

Process	Estimated costs
Company formation (registration, license)	Between 2,500 - 31,000 AED
Renting an office	starting at AED 13,500 for a “Flexidesk” start at 1,550 per sqm for a commercial office starting at AED 2,400 per sqm for an executive office
License Renewal	starting at AED 11,000
Work Visa	starting at around AED 3,500

6 FREE ZONES IN DUBAI

With an area of 4,114 km², Dubai is the second largest emirate in the UAE after Abu Dhabi. The emirate developed into a hub for global trade early on and now has around 3.3 million inhabitants.

In the last 15 years, Dubai has changed rapidly and has grown into a major business center with a dynamic economy. So it's no coincidence that the highly acclaimed World Expo 2020 - which actually takes place from autumn 2021 to March 2022 - is in Dubai.

Due to its strategic location, Dubai serves as the largest re-export center in the Middle East. The economy is now diversified and no longer dependent on – already dwindling – oil reserves. Dubai is more diverse and focuses more on trade, services, tourism and of course the financial sector. Incidentally, Dubai is one of the most important port and trading centers in the UAE. The excellent infrastructure, international orientation and liberal economic policy are the key factors why investors feel strongly attracted to Dubai.

There are now more than 30 free zones in Dubai. Some of the most popular are the Jebel Ali Freezone (JAFZA), Dubai Airport Freezone Authority (DAFZA), DMCC Freezone, Dubai Silicon Oasis Authority with a focus on the high-tech sector, IFZA Freezone, Dubai Media City (DMC), Dubai International Financial Center (DIFC) and the Dubai South Free Zone.

6.1 Jebel Ali Freezone Authority (JAFZA) - Webpage: www.jafza.ae



Source: www.jafza.ae

The Jebel Ali Freezone is the oldest free zone in the UAE. It extends over an area of over 60 km² and for a long time was responsible for almost 25% of direct investments in Dubai. The core of JAFZA is the port of Jebel Ali, the largest port in the Middle East and one of the busiest ports in the world. With newly built port terminals, goods turnover of up to EUR 100 billion is to be implemented.

Due to the good connection to the road network and the proximity to Dubai International Airport, onward transport is particularly easy. There are also sufficient storage facilities on the port site. The new Al Maktoum Airport can also be reached directly from JAFZA.

Jebel Ali Free Zone offers various general areas of activity:

- Trade;
- Services;

- Logistics;
- Industrial production

Recently, no minimum capital has been required for founding a company, only sufficient capital. Various office spaces are available to investors for settling within the free zone.

Here is a rough overview of the costs you can expect:

Process	Estimated costs
Company formation (registration, license)	between 10,000 - 30,000 AED
Renting an office	starting at AED 2,000 per m ²
License Renewal	depending on the type of license
Work Visa	starting at AED 4,000

The great advantage of this free zone is the direct connection to the largest port in the Gulf and now also to the new Al Maktoum Airport (formerly World Central). The disadvantage is the immense size and the associated bureaucratization of all processes.

6.2 Dubai Airport Freezone Authority (DAFZA) – Webpage: www.dafza.ae



Source: www.dafz.ae

Dubai Airport Free Zone (DAFZA) focuses on import and export trade. DAFZA was founded in 1996 and is located directly at Dubai International Airport (DXB). More than 100 airlines fly to more than 200 destinations on all continents. Short-term slumps in the COVID-19 pandemic have already been forgotten. The free zone offers modern infrastructure, fast freight handling and its own logistics center.

DAFZA issues various licenses in the areas of:

- Trade in goods (import-export, re-export, storage etc);
- Services;
- Industry (manufacturing, packaging and shipping);
- Ecommerce

DAFZA also offers a dual license. This allows registered companies to obtain a DED (Dubai Department of Economic Development) license without having a physical presence on the mainland (ie outside a free zone).

The available facilities vary from a low-cost “flexidesk”, an office space of 50 m² (incl. parking space) to large warehouses with an area of 350 m². Here is a rough overview of the costs:

Process	Estimated Costs
Company formation (registration, license)	starting at AED 40,000
Renting an office	starting at around AED 50,000 for "Flexidesk" packages (incl. license, etc.) starting at approx. 110,000 AED for a 50 m ² office package (incl. license, etc.)
License Renewal	starting at around 20,000 - 30,000 AED
Work Visa	from about 4,000 AED

The advantage of this free zone is the logistics and the connection to the largest airport in the Middle East. The high rents are a disadvantage.

6.3 DMCC (Dubai Multi Commodities Center) Freezone – Webpage: www.dmcc.ae



Source: www.dmcc.ae or <http://www.multivu.com/players/uk/7658051-DMCC-ranked-best-free-zone-in-the-world/>

Established in 2002, DMCC is now one of the largest and fastest growing free zones in Dubai. It offers a wide range of activities in the different sectors such as:

- Energy;
- Media & Marketing;
- Healthcare;
- Education;
- Automotive transportation;
- Technology and telecommunications;
- Finance;
- Professional services; and
- Support Services.

The required documentation and fees depend on the activity selected.

The minimum capital for a company in the DMCC Free Zone is AED 50,000 which must be paid into a company bank account in the UAE within three weeks from the date of incorporation. After that, it can be fixed at any time.

Process	Estimated costs
Company formation (registration, license)	Packages starting at around AED 35,000
Rent of an office space	starting at AED 17,500 for a “Flexidesk”; AED 28,500 for service desk; AED 50,000 for serviced offices and AED 80/sqft for regular offices
License Renewal	starting at AED 22,000 depending on the activity
Work Visa	starting at AED 3,500

This free zone is suitable for start-ups and is relatively unbureaucratic in the founding process. Since the introduction of a new online portal in autumn 2021, there have been occasional administrative problems. However, these have now been remedied. Office rentals are relatively affordable, although no larger offices are available in the DMCC itself (although these can be rented in nearby towers). The location, which has a very high volume of traffic during peak times, could be disadvantageous. The journey time to DXB Airport can sometimes be up to 90 minutes.

6.4 Dubai Silicon Oasis Authority (DSOA) – Webpage: www.dsoa.ae



Source: www.dsoa.ae or <http://www.masala.com/dubai-silicon-oasis-installs-smart-street-solution-220473.html>

The Dubai Silicon Oasis Authority (DSOA), founded in 2004, is intended to provide significant support for the development of the Emirate of Dubai into the “Smartest City in the World”. Today, the free zone DSOA has more than 2,400 settled companies.

The DSO community covers 7.2 km² and offers luxury residential complexes, office buildings, educational facilities, research and development centers and industrial areas. The industry focus of the DSOA is mainly on the high-tech sector with activities such as IT, telecom, electrical engineering, electronics or mechanical engineering. The technology park has a good infrastructure with advanced telecommunications equipment, electronics and road networks.

The DSOA offers different licenses in the following areas:

- Services;
- Trade (esp. import and export, re-export); and
- Industry

The minimum capital is AED 100,000. The bank must issue a confirmation letter stating that the required capital has been deposited.

Process	Estimated costs
Company formation (registration, license)	starting at around AED 20,000
Renting an office space	starting at AED 850 to AED 2,600 per m ² for offices (depending on size)
License Renewal	starting at around AED 15,000

Work Visa	AED 3,500 – AED 4,200
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The DSOA offers an unbureaucratic start-up process, but the room rents are high. The mix of sectors is partly restrictive, licensing is handled individually but in a fairly uncomplicated manner.

6.5 IFZA website: www.ifza.com



Source: www.ifza.com

The IFZA is the newest free zone in Dubai and was founded by European entrepreneurs. It advertises with European standards at favorable conditions, a combination that convinces many investors. The IFZA has therefore recorded particularly strong growth in recent years.

IFZA offers different licenses in the following areas:

- Services;
- Trade (esp. import and export, re-export); and
- Industry

The required documentation and fees depend on the activity selected, but remain among the cheapest in the UAE.

Process	Estimated costs
Company formation (registration, license)	approx. AED 10,000 - 20,000 (depending on the discount)
Renting an office space	Offices (depending on size) Flexidesks from just AED 6,000 per year
License Renewal	starting at around AED 10,000

Work Visa	AED 3,500 – AED 4,200
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The IFZA offers a very pleasant, unbureaucratic founding process. The only downside is the location, which is still a bit outside of the city center.

6.6 Dubai Media City (DMC) – Webpage: www.dmc.ae



Source: www.dmc.ae

Dubai Media City (DMC) opened in 2001. Both global and regional media companies as well as media independent professionals are based in the DMC. More than 25,000 people now work at DMC. The free zone focuses on the following areas:

- Advertising and communication;
- Media and marketing services;
- Media support services;
- Events management;
- Event support services;
- Media consulting;
- New media
- Freelancers; and
- Non-profit organizations

Since 2015, the DMC has been subject to the Dubai Creative Clusters Authority (DCCA) and its regulations. In addition to the DMC, other free zones that offer business start-ups in similar sectors are subject to the DCCA: Dubai Internet City ([link](#)), Dubai Outsource City ([link](#)), Dubai Studio City ([link](#)), Dubai Production City ([link](#)), Dubai Knowledge Park ([link](#)), Dubai International Academic City ([link](#)), Dubai Science Park ([link](#)), Dubai Design District d3 ([link](#)) and the Emirates Towers District.

The required minimum capital in the DMC depends on the respective activity and the corresponding license. In general, the minimum capital is AED 50,000. Below is a rough overview of the costs:

Process	Estimated costs
Company formation (application, registration, license)	starting at around AED 30,000 depending on the activity
Renting an office space	Variable
License Renewal	depending on the activity
Work Visa	Variable

The DMC together with the Dubai Internet City and the Dubai Knowledge Village have long been the most popular free zones in Dubai, not least because DMC is the only location with its own Internet provider, so that one can get away from the otherwise dominant provider Etisalat. However, it is difficult to find free office space, the waiting lists are now quite long.

6.7 Dubai International Financial Center (DIFC) – Webpage: www.difc.ae



Source: www.difc.ae or <http://alldubai.ae/dubai/dubai-international-financial-centre/>
Source: www.arabnews.com/node/1653316/corporate-news

Established in 2004, the Dubai International Financial Center (DIFC) is a renowned international financial center. It is regulated by an independent regulator, the Dubai Financial Services Authority (DFSA), which oversees the licenses and operations of all banking and financial institutions in the DIFC. The regulator was designed along the lines of London and New York. More than 2,600 companies are now based in the DIFC. The stock exchange NASDAQ Dubai is also based in the DIFC.

The DIFC is unique in that it has a legislative system consistent with English common law. This construction gives DIFC its own corporate law, commercial law and internal regulations. The free zone DIFC, as part of its autonomy, has created an independent court system. The DIFC courts have exclusive jurisdiction over all civil and commercial disputes within the DIFC and for companies incorporated in the DIFC. Lawyers need their own license to be able to represent in the DIFC, a lawyer's license in one of the Emirates is not sufficient.

In addition to the DIFC Court, the DIFC also has its own international arbitral tribunal, the DIAC, whose arbitration rules were recently revised.

The DFIC offers licenses in different areas of the financial sector:

- Banking (investment banking, private banking);

- Capital market;
- Insurance;
- Fund management;
- Private equity;
- Etc

The fees for setting up a business in the DIFC depend on the type of business. The specific job and the resulting costs are determined by the authorities during the recruitment process.

Capital requirements depend on the regulatory category and range from \$10,000 or 6/52 of annual spend to \$10,000,000 or 18/52 of annual spend.

The incorporation process in the DIFC is quite complicated and involves considerable effort, as are the negotiations with the DIFC, the Dubai International Financial Center Authority (DIFZA) and the Dubai Financial Services Authority (DFSA). It can therefore take up to nine months for the license to be completed.

In addition to the fees for the incorporation process, there are other DFSA fees. These differ depending on the financial services offered and range from \$8,000 to \$70,000. Additional costs arise from office and visa.

In view of the enormous differences, it is not possible to give a serious overview of the general costs. It is strongly recommended to consult a legal advisor who has experience with the DIFC and the incorporation process prior to incorporation in the DIFC.

6.8 Dubai South Freezone – Webpage: www.dubaisouth.ae



Source: <http://dubaibusinesscenters.com/dubai-south-free-zone/>

The Dubai South Freezone (formerly Dubai World Central) is a business location strategically developed by the Dubai government. The free zone is a leader in world trade and also a hub for aviation. Dubai World Central (DWC) has been renamed Dubai South to more clearly reflect the Free Zone's strategic position.

Dubai South Freezone covers an area of over 140 km² adjacent to Jebel Ali Port. The Free Zone headquarters are close to Al Maktoum International Airport, logistics centers, business parks, the aviation industry, industrial parks, residential districts and exhibition centers. The international airport of the Dubai South Free Zone is strategically located and enables logistics services and deliveries from the GCC countries to the Middle East to Europe and Asia. By 2022, Al Maktoum International Airport is expected to be the largest airport in the world in terms of passenger and cargo capacity. In addition, Dubai South will host World Expo 2020, which has been postponed to 2021 due to the COVID-19 situation.

Dubai South Freezone licenses the following areas:

- Logistics;
- Business;
- Trade;
- Education; and
- Services

The minimum share capital is basically AED 300,000, but the actual payment does not have to be proven.

Process	Estimated costs
Company formation (registration, license)	starting at AED 15,000
Renting an office space	starting at AED 17,000 for a "Flexidesk" starting at AED 1300 per m ² for office
License Renewal	starting at AED 13,000
Work Visa	around AED 3,000 – 4,000

6.9 OTHER FREE ZONES IN DUBAI

a. Dubai World Trade Center - Webpage: www.dwtc.com/en/free-zone

Located in the heart of Dubai, the Dubai World Trade Center (DWTC) free zone offers an ideal environment for startups, SMEs and large companies to reach local, regional and global markets. The office space can be rented by companies from all sectors that need a first-class business address. The free zone is regulated by the DWTC Authority and offers licenses for business activities, event management, services and trade.

b. Dubai Healthcare City - Website: www.dhcc.ae

Founded in 2002, the free zone Dubai Healthcare City (DHCC) combines the most important healthcare services under one roof. The network of businesses ranges from hospitality to consulting firms to healthcare retail stores. The DHCC has its own regulatory authority, which is intended to make it easier to set up a company. The DHCC is aimed at doctors and companies in the health, wellness and beauty sectors.

c. Dubai Industrial City - Website: www.dubaiindustrialcity.ae

Dubai Industrial City (DIC) is a free zone aimed at local and international manufacturing and logistics companies. It is strategically linked to two major highways, Emirates Road and Mohammad Bin Zayed Road. DIC currently has over 750 business partners and around 200 production sites. There is ample industrial land, warehouses, workers' housing, commercial office space and showrooms to facilitate business formation and operations.

d. International Humanitarian City - Webpage: www.ihc.ae

The International Humanitarian City (IHC) was formed in 2003 through the merger of Dubai Aid City (DAC) and Dubai Humanitarian City (DHC). It is the only non-profit, independent, humanitarian free zone hosting UN agencies, international NGOs, intergovernmental organizations and commercial companies. Being based in Dubai makes it possible to provide quick assistance in all corners of the world. In 2011, IHC tripled in size and moved to its current strategic location, 18 km from Al Maktoum Airport and 21 km from Jebel Ali Port. The IHC supports humanitarian relief efforts and enables members and aid organizations to conduct fundraisers in the UAE.

7 FREE ZONES IN RAS AL KHAIMAH

The emirate of Ras Al Khaimah, whose name literally means "top of the tent", is the northernmost of the seven emirates. It is located near the Strait of Hormuz and one hour from Dubai (Airport DXB).

Ras Al Khaimah borders the Emirates of Umm Al Quwain, Sharjah and Fujairah, and the Sultanate of Oman. Due to its long coastline, Ras Al Khaimah has established itself as an important trading point since ancient times. Ras Al Khaimah makes up only around 3% of the total area of the UAE. The population is estimated at around 390,000 inhabitants.

Ras Al Khaimah's topography varies from the low sandy plains in the east to the mountain range of the Hajar Mountains along the Gulf in the northern part of the emirate. Besides agricultural land and green valleys, the emirate also has sulfur deposits near the mountains. South of the city of Ras Al Khaimah is the international airport that connects the emirate with India, Pakistan and other countries in Southeast Asia.

Lacking relevant oil resources, Ras Al Khaimah focuses on industrial sector development, tourism, real estate, trade, agriculture and services. There is one free zone, the Ras Al Khaimah Economic Zone (RAKEZ), which emerged in early 2017 from the merger of the former two free zones, Ras Al Khaimah Economic Zone (RAKEZ) and RAK Investment Authority (RAKIA). RAKEZ offers a diverse range of licenses and fields of activity, which have moderate costs compared to free zones in Abu Dhabi and Dubai.

The Ras Al Khaimah International Corporate Center (RAKICC) is also located in Ras Al Khaimah, where offshore companies can be founded (which is otherwise only possible with an authority in Dubai and Ajman).

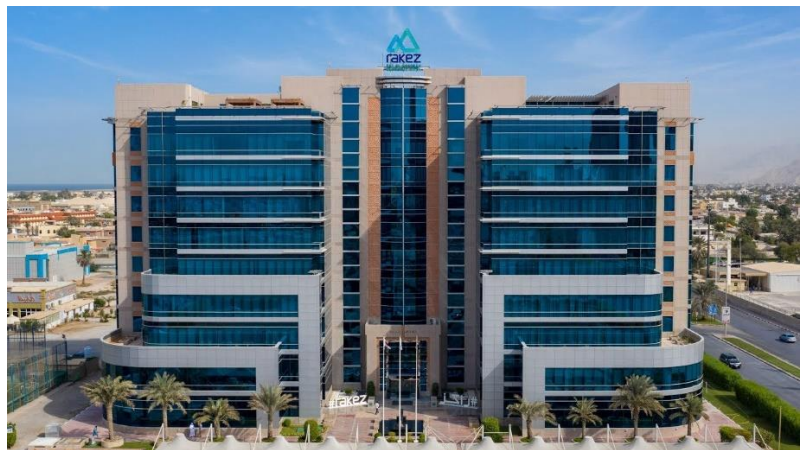
Ras Al Khaimah is popular with investors and expats not least because of its high quality of life. In addition, the cost of living is significantly lower than in Dubai, which can still be reached quickly in just under an hour.

7.1 Ras Al Khaimah Economic Zone (RAKEZ) – Webpage: www.rakez.com



Source: www.rakez.com

Source: <https://medium.com/@markson542/rak-free-zone-725115e42ac5>



RAKEZ, which was formed in 2017 from the merger of RAK FTZ, founded in 2000, and RAKIA, founded in 2005, has grown into a major business and commercial district in the Middle East.

More than 14,500 companies from over 100 countries are now based in RAKEZ. RAKEZ offers companies a total of six office, commercial and industrial zones (Al Hamra Industrial Zone, Al Ghail Industrial Zone, Al Hulaila Industrial Zone, RAKEZ Academic Zone, RAKEZ Business Zone, RAKEZ Media Zone) that companies from one variety of sectors offers the corresponding infrastructure (see next page).

RAKEZ offers licenses in a wide variety of areas. Businesses can be established with a commercial license, consulting/services license, industrial license, trading license, media license, or an educational license. Recently, a dual license has also been introduced. RAKEZ also offers a wide range of enterprise infrastructure, starting with flexidesks, flexi offices, regular offices or executive offices, up to large storage facilities and commercial premises.



Source: www.rakez.com

A certain minimum capital of the company is generally not required in RAKEZ, but can be prescribed individually by the authority (eg, AED 150,000 for an industrial license). Proof of payment of the share capital is usually not required.

RAKEZ regularly offers (reduced) total (flat rate) packages for business start-ups, which include all start-up costs.

Process	Estimated costs
Company formation (registration, license)	starting at around 15,000 - 20,000 AED
Renting an office space	starting at around AED 7,500 for a "Flexidesk"
License Renewal	starting at around AED 6,000
Work Visa	starting at 3,000 – 4,000 AED

8 FREE ZONES IN SHARJAH

Sharjah is the third largest emirate in the UAE, just ahead of Ras Al Khaimah. It includes the capital Sharjah and other smaller towns and exclaves such as Klabah, Dibba Al-Hisn and Khorfakkan. Sharjah

has an area of 2,590 km², which is 3.3% of the UAE. Today the emirate has a population of more than 1.4 million inhabitants, bordering on the north of the emirate of Dubai.

Long known as the industrial backbone of the UAE, Sharjah has made a name for itself as a cultural capital. In 1998 the city was named the cultural capital of the Arab world by UNESCO and in 2014 it was included in the category of "capital of Islamic culture". The culture is promoted by the current Sheikh of Sharjah. The projects concern the preservation of cultural heritage, active interaction with other cultures, construction of museums and other cultural, scientific or artistic centers, but also the establishment of a TV channel whose focus is - how could it be otherwise - culture.

In the Emirate of Sharjah there are also important administrative and commercial centers (such as branch offices of the UAE Ministry of Finance or Ministry of Foreign Affairs). Sharjah is linked to the world via the international airport, but the emirate also relies heavily on maritime trade through the ports of Khalid, Khorfakkan and Hamriyah. 40% of all industrial companies in the UAE are based in Sharjah. The majority of these companies are involved in the petrochemical, textile, leather, food and non-metal industries.

There are two main free zones in Sharjah, the SAIF zone at the international airport and the Hamriya Freezone with its own port.

8.1 Sharjah Airport International Freezone (SAIF Zone) – Webpage: www.saif-zone.com



Source: www.saif-zone.com

The most popular free zone in Sharjah is that of Sharjah International Airport, the SAIF Zone. Despite its convenient location, SAIF Zone is only a few minutes drive from Sharjah city centre.

The SAIF Zone is located just 120 km from Khorfakkan Port on the Indian Ocean, practically the only port outside of the Strait of Hormuz besides Fujairah. Sharjah is therefore particularly attractive for investors as it is the only emirate that has ports on the West and East Gulf Coasts and thus has direct access to the Indian Ocean.

The SAIF Zone offers various facilities from flexidesks and offices, to storage facilities and industrial parks. It offers licenses for the following activities:

- **Business:** The commercial license permits any business dealings such as import, export, distribution, consolidation, warehousing, as well as warehousing of specific items listed in the license. The product lines are limited to a maximum of three.
- **Trade:** The general commercial license can be obtained under a commercial license and allows a variety of products to be distributed.
- **Industry:** The industrial license permits the import of raw materials, manufacturing, machining, assembly and packaging and the export of finished products.
- **Services:** The service license enables the holder to only provide services as specified in the license. All types of services are permitted unless otherwise restricted or prohibited by federal or local authorities.

The minimum capital is AED 150,000. Fees vary by license, activity, and facility selected.

Process	Estimated costs
Company formation (registration, license)	starting at around 15,000 – 20,000 AED
Renting an office	starting at around AED 15,000 for an executive desk, AED 40,000 for an executive office and AED 55,000 for warehouses
License Renewal	varies by activity
Work Visa	starting at 3,000 – 4,000 AED

8.2 Hamriya Freezone - Webpage: www.hfza.ae



Source: <http://www.namaccountants.com/free-zone-company-formation/sharjah-free-zone/hamriyah-free-zone.html>

In addition to the SAIF Zone, there is also the Hamriyah Freezone, which has its own port and is home to important industrial companies. The Hamriyah Free one (HFZA) manages an area of approximately 22 km² with high quality industrial and commercial space. More than 60,000 people in 4,000 companies from 125 nations are currently employed there. Due to the well-developed land, sea and air routes, the HFZA has a strategically favorable location for investors. In addition, the Hamriyah Free Zone has a 14-meter-deep port that mainly serves the chemical and construction industries.

Companies also have numerous warehouses, production facilities and office spaces available in the HFZA, which are cheaper compared to Dubai.

Process	Estimated costs
Business incorporation package including flexidesk/office	starting at AED 40,000
Renting an office	"Flexidesk" from AED 17,000. Offices from AED 34,000
Renewal package including office	starting at AED 40,000
Work Visa	about AED 4,000

9 FREE ZONES IN AJMAN



Source: www.afz.gov.ae/photos-gallery

Located between Sharjah and Ras Al Khaimah, Ajman is the smallest emirate with an area of 260 km² and 540,000 inhabitants. Ajman is located on the coast of the Arabian Gulf and includes two exclaves: Manama and Masfut. Both are fertile regions and support widespread agricultural development in Ajman. Manama is located in the foothills of the Hajar Mountains and is around 60 kilometers east of Ajman City. Masfut, on the other hand, is located directly in the Hajar Mountains and is about 110 km south of Ajman City. For historical reasons, these exclaves are located within the territories of other emirates, after Bedouin tribes subordinate to the Sheikh of Ajman settled there.

The largest parts of Ajman are highly developed. They have sprawling suburbs stretching almost to the E311 highway, and light industrial areas and storage facilities in the northeast. The harbor has been dredged and lined to create a modern port facility. The free zone AFZ is also located there.

Ajman is primarily home to the textile industry. Next to that is the economy characterized by manufacturing, construction, wholesale and retail trade, real estate transactions, services, transport as well as warehousing and communication.

Construction of Ajman International Airport in the Al Manama area started in 2008. The airport was scheduled to be completed in 2011 to handle over two million passengers a year. The project has been deadlocked for a long time, but is now set to be completed soon.

Ajman Freezone (AFZ – Webpage:www.afz.ae) was founded in 1988. The industrial development of Ajman is due to the multitude of companies that Ajman has been able to attract. The port serves over 1,000 ships per year and has established itself as an important maritime hub.

The AFZ provides complete packages for

- Trade licenses;
- Industrial licenses;
- Electronic Commerce; and
- Services

Smart offices, executive offices, storage facilities or commercial properties can also be used.

The fees of the AFZ depend on the license, the line of business and whether costs are paid immediately or in installments.

Process	Estimated costs
Business formation package including office	starting at 20,000 AED (incl. "Flexidesk")
Renewal package including office	starting at 15,000 – 20,000 AED
Work Visa	from about 3,500 AED

AFZ also offers offshore companies, making it the third emirate after Dubai and Ras Al Khaimah in which such companies can theoretically still be founded. However, offshore foundations are generally declining sharply.

10 FREE ZONES IN UMM AL QUWAIN



Source: www.uaqftz.com

Umm Al Quwain is a small emirate between Ras Al Khaimah and Ajman along the western coast of the UAE. The emirate covers an area of 755 km² and has only about 80,000 inhabitants. Driving through the narrow streets of the capital Umm Al Quwain, one gets the impression that time has stood still here. International tourism is not particularly developed yet, but the emirate is very popular with visitors from the region. One of the main attractions is the "Dreamland", the largest water park in the UAE. In addition, Umm Al Quwain offers a naval club and the Aeroclub, a renowned skydiving center.

The emirate also offers a free zone (UAQ FTZ) for business start-ups in various fields. It is accessible within an hour from either Dubai International Airport or Sharjah Airport. The largest and best-stocked liquor store in the Emirates, Barracuda, is also a major source of income.

UAQ FTZ (Webpage: www.uaqftz.com) has direct access to the small port and is located 45 km north of Dubai, between Ajman and Ras Al Khaimah.

In the UAQ FTZ, licenses can be obtained in the following areas:

- Trade;
- Business;
- Business advice; and
- Services

In addition, the Free Zone grants freelancers a license that allows them to work in the technology, media and film sectors. UAQ FTZ also offers offices, storage facilities and commercial land.

The minimum capital is AED 300,000; however, proof of the actual payment of the share capital is not required to set up a company.

Process	Estimated costs
Company formation (application, registration, license)	Approx. AED 25,000 - AED 40,000
Renting an office space	starting at around AED 10,000
License Renewal	AED17,000 - AED35,000
Work Visa	from about 3,500 AED

11 FREE ZONES IN FUJAIRAH



Source: https://en.wikipedia.org/wiki/Fujairah_City

Fujairah is located on the east coast of the United Arab Emirates. It is the only one of seven emirates whose entire coastline is not on the Gulf but on the Indian Ocean (i.e. outside the Strait of Hormuz). Consisting of a landscape of mountains, prairies, seacoasts and deserts, the emirate covers an area of 1,166 km². The population is about 250,000.

Fujairah is connected to all major UAE cities by expressways and is only 90 minutes from Sharjah, two hours from Dubai and three and a half hours from Abu Dhabi.

Industries such as cement, quarrying and mining are located in the Emirate of Fujairah. The Port of Fujairah, which is adjacent to the Fujairah Freezone (FFZA - Webpage:www.fujairahfreezone.com) is the main connection to international shipping. Fujairah has emerged as a major oil bunker in recent years as fears of Iran blocking the Strait of Hormuz have prompted numerous investments in oil storage facilities outside the Gulf. The port facilities include tank farms, repair facilities, technical equipment, spare parts and other storage rooms.

Due to the favorable location, resident companies gain easy access to all Arabian Gulf ports, the Red Sea, Pakistan and India through weekly feeder ships. Fujairah Free Zone is also located near Fujairah International Airport. These accesses to the important world trade routes make the FFZA particularly attractive.

There are the following types of licenses:

- Trade license for import and export of goods and goods.

- Bonded warehouse license: The bonded warehouse license is issued when renting storage facilities. This license allows the use of the warehouse as a major distribution center, warehousing and packaging of goods.
- Production license to manufacture and produce industrial goods.

Facilities range from flexidesks to offices to storage facilities and commercial lots. The required capital is AED 150,000 and must be proven with a bank statement.

Process	Estimated costs
Company formation including establishment	starting at AED 27,000 for a virtual office starting at 35,000 for a "Flexidesk" starting at AED 50,000 for a small office
License renewal including setup	starting at AED 18,000 with a "Flexidesk" starting at AED 25,000 for a small office
Work Visa	from AED 3,500 plus e-channel registration (one-time per company) of approx. AED 7,000

In addition to the FZZA, there is also the Fujairah Creative City Freezone (FCC – Webpage:www.creativecity.ae), which was founded in 2007 and aims to bring regional and international television and radio providers to Fujairah. The FCC offers the following licenses, among others:

- Marketing and media services;
- Music and entertainment;
- Consultancy;
- Broadcasting;
- Production/movie; and
- Information technology services.

12 OFFSHORE COMPANIES

Offshore companies are legal entities like other companies. In contrast to onshore companies, however, these do not have their registered office on the mainland, but only exist – if you will – on paper.

Due to the shareholder structure, which is easy to disguise, offshore companies have had a bad international reputation for a long time. Under certain conditions, however, such a corporate structure can make sense. Offshore companies offer various advantages, such as confidentiality, tax optimization or asset protection.

From a confidentiality perspective, it makes sense to conduct business on behalf of a legal entity, such as an offshore company. For example, in many jurisdictions, names of officers may be excluded from company documentation. Also, most offshore financial centers will not pass on the beneficial owners or officers within the offshore companies to third parties. Exceptions are made when an act of terrorism or criminal activity has occurred and is being investigated.

Offshore companies also offer significant asset protection; they effectively shield the assets from the public. They also offer some legal protection. If assets are held by the foreign offshore company, this means that they are no longer associated with your name.

There are three offshore authorities in the UAE: Ajman Offshore, RAK International Corporate Center (RAKICC Offshore) and Jebel Ali Free Zone Authority (JAFZA Offshore). RAKICC Offshore and JAFZA Offshore are primarily of practical relevance.

Nota bene: The process of founding offshore companies is becoming more and more difficult every year. Currently it is also almost impossible to get a bank account with an offshore company. Any foundation should therefore be preceded by a consultation with a lawyer or the authorities.

12.1 JAFZA Offshore: <https://jafza.ae/>

Government Fees	Fees are approximately AED 10,000.
Shareholder	The company must have at least one shareholder. This can be a company or a natural person.
Directors and Secretary	At least one board of directors must be appointed. In addition, at least one secretary must be appointed.
Official secrecy	Yes
Audit requirement	No
Annual general meeting	Yes
Personal presence required	Yes, shareholders/directors must visit the register to have their signatures authenticated. If the shareholders/directors are unable to come to Dubai, they can appoint a power of attorney in favor of a third party to represent them before the register.

12.2 RAKICC Offshore: <https://www.rakicc.com/>

Each company must have an agent and registered office in Ras Al Khaimah.

Government Fees	Fees are around AED 3,000 – 5,000.
Shareholder	The company can have at least one shareholder. This can be a company or a natural person.
Directors and Secretary	At least one board of directors must be appointed. In addition, at least one secretary must be appointed.
Official secrecy	Yes
Audit requirement	No
Annual general meeting	Yes
Personal presence required	Basically no (but depends on the notary)

13 FAQ (FREQUENTLY ASKED QUESTIONS)

This section contains the most frequently asked questions and provides additional information on setting up a business in the UAE. Since the tax law consideration is decisive for the choice of the company form and the location, it is recommended to seek advice from experts in international company law and tax law, despite the extensive tax exemption in the UAE.

a) What is a free zone?

A free zone is a clearly defined piece of land that is legally distinct from UAE territory and is subject to special tax, customs and import regulations. In most cases, a company was incorporated in one of the Free Zones to avoid the need for a local business partner (ie a GCC national) as the controlling shareholder (sponsor). This requirement has been changed by new foreign ownership rules (see details above). In addition, most free zones offer tax benefits and the convenience of a one-stop shop with a single point of contact - saving time, money and effort.

b) What corporate forms are available to me?

Since each free zone has its own set of rules, the answer may vary from free zone to free zone. A Freezone Limited Liability Company (FZ-LLC) can be formed in most free zones. If there is only one shareholder, one speaks of a Freezone Establishment (FZE) or Sole Proprietorship. In addition, in most free zones there is the possibility of setting up a branch. Unlike for the FZ-LLC, no minimum capital is usually required for branches. Recently, some free zones also offer partnerships and limited partnerships, comparable to partnerships or limited partnerships.

c) How many shareholders are required for incorporation?

In principle, at least one shareholder is required to set up a company in the free zone (see FZE). A maximum of 50 shareholders can be involved in an FZ-LLC.

d) Is it necessary to rent an office?

Yes, every company based in a free zone is obliged to rent at least one so-called flexidesk, ie a desk in a shared open-plan office (even if this is not required for business activities). Of course, instead of a flexidesk, offices, warehouses or industrial areas can also be rented. The office also serves as a company contact address for the company and must be included in company documents. It is important, however, that a "flexidesk" is not recognized as a permanent establishment (tax permanent establishment) under international tax law.

e) What is the minimum capital for a Freezone Company?

The required minimum capital depends on the rules of the respective free zone. In order to be particularly attractive, some free zones have dispensed with it entirely. Other free zones require a minimum capital to set up a business (eg AED 150,000 in the KIZAD free zone in Abu Dhabi). The proof of the share capital is also handled differently. Some free zones require a specific bank statement, while others are more liberal.

f) Does the company need a local director or secretary?

No, in free zones the company does not need a local director or secretary. All organs of the company may be of foreign origin.

g) Are businesses affected by VAT in the UAE? Are you affected by the recently introduced corporate tax?

A 5% sales tax (VAT) was introduced in the UAE at the beginning of 2018. In principle, all Freezone companies that exceed the annual turnover threshold (AED 375,000 in taxable turnover) are also affected. They have to collect and pay 5% VAT on their sales. Excluded are exports and sales within certain free zones (so-called Designated Zones). Even before that, 5% duty was levied on goods brought from free zones to the "mainland" (customs duty).

Companies in free zones are exempt from corporate income tax for 50 years.

h) Is there an opportunity for a Freezone Company to conduct business on the "mainland" such as opening an office or retail?

Yes, this possibility exists. The Freezone Company must register a branch and use a local service agent who must be a citizen of the UAE or at least one of the GCC countries.

i) What does "Economic Substance" mean for a UAE based and registered company?

In 2019, the so-called Economic Substance Rules (ESR) were introduced in the UAE. Following international standards, the ESR aim to prevent harmful tax practices in the UAE. In essence, it is about the fact that only those companies may be subject to the tax system of the UAE - and are therefore tax-exempt - that actually operate a company in the UAE (i.e. have "economic substance" in the UAE).

The ESR apply to companies registered and licensed in the UAE (including Freezone and Offshore Companies) engaged in any of the following business sectors:

- banking, insurance, investment fund management;
- lease financing;
- as a holding company or headquarters;
- Shipping;
- intellectual property; or
- in sales and services

If a company carries out a relevant activity (see above), it must inform the authorities about the business activity in the UAE within six months after the end of the financial year (= reporting obligation). In addition, if a company generates income from a relevant activity and no exemption applies, it must demonstrate to the UAE authorities that it actually has economic substance in the UAE. To do this, the company must submit a report on the economic substance in the UAE within twelve months of the end of the financial year (= reporting obligation).

If you have any further questions about this publication, you are welcome to contact the experts at the Strohal Legal Group or the Abu Dhabi Foreign Trade Center at any time.

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