

The UAE – the place to be!

A closer look at the status quo and future developments

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About Strohal Legal

- International business law firm
- HQ in Ras Al Khaimah, offices in Singapore and Thailand, Dubai office under establishment
- Historically, we are the only international law firm with an onshore license in Ras Al Khaimah
- Strong ties to DACH region and South-East Asia
- Focus on Business Law, Corporate/M&A, International Taxation and Energy Law



More information can be found on our website: www.slglaw.cc



About myself



Jakob Kisser
Managing Partner

- Born and raised in Austria
- Business Lawyer for 20 years
- Focus on Corporate/M&A
- Growing and developing an international business law firm with focus on UAE, DACH and South-East Asia



What is (already) great

- **The life**
 - Sun, sea, endless supply of leisure activities. World Happiness Report ranks the UAE as no. 1 in the Arab region and no. 25 worldwide, ahead of Spain and Italy.
- **The people**
 - Unique population mix with people from really ALL corners of the world. There simply is no other comparable place.
- **The safety**
 - The UAE are currently rated as the second-safest country in the world (after Iceland).



What is (already) great

- **The opportunities**

- 25th most competitive economy globally, No. 1 in the MENA region, 16th worldwide in “Ease of Doing Business”, UAE embraces all new business developments.

- **The stability**

- Long-term political stability, diplomatic relations to almost the entire world, peace treaty with Israel, Qatar relations normalized.

- **The taxation**

- Even with the new corporate tax, the UAE will retain an exceptionally low tax rate for decades to come.

And this is only the status-quo ...



Major Strategies to make the UAE even greater

- **UAE Future Strategy**
 - Definition of Future Priority Sectors and Implementation Mechanisms to position the “UAE as **the destination of the futures**”
- **UAE Centennial Plan**
 - Plan for 5 decades after 2021 until 2071. Four pillars: future-focused government, excellent education, diversified knowledge economy, happy and cohesive society
- **Energy Strategy 2050**
 - Launched in 2017, the USD 160bn strategy is the principal framework for renewable energy and wider sustainability initiatives in the UAE. Goals by 2050: 44% renewable energy, 38% from natural gas, 12% from clean coal and 6% nuclear, reducing the carbon footprint of power generation by 70%.
- **Hydrogen and Ammonia Strategies**
 - UAE to become a leading global producer and supplier



Major Strategies to make the UAE even greater

- **Net Zero Plan**
 - UAE plans achieving net-zero greenhouse gas emissions by 2050 as first country in the MENA region.
- **Transportation & Mobility**
 - Intelligent transport, air taxis, self-driving transport, hyperloop, public transport solutions, fuel cells, Etihad Railway to connect all 7 emirates
- **Food and Water Security, Green Growth Agenda**
 - Self-sufficiency through domestic production
- **Infrastructure Mega-Projects (“as usual”)**
 - Dubai Commerce City, District 2020 (former Expo site), Wynn project at Marjan Island etc etc
- **Digital Transformation Strategy**
- **Strategy for Artificial Intelligence**



Major Strategies to make the UAE even greater

- **Space Projects**

- National Space Program
- First success: Hope Probe Mars mission 2021
- Project Mars 2117 aims to bring humans to the Red Planet and establish a first permanently inhabited “Martian” scientific city

- **Dubai 2040 Master Plan**

- Plan for next major developments, population surge from 3.3 to 5.8 m in 20 years
- Major transformation of public transport (metro, intelligent transport, air taxis, self-driving transport, hyperloop, public transport solutions, fuel cells, Etihad railway will connect all 7 emirates)

Any many many more ..



Major Strategies to make the UAE even greater

To sum it up:

- The UAE will remain extremely dynamic.
- The UAE aim to be pioneers in all the key challenges of our time.
- The UAE will embrace any new technologies and business fields which help achieving its goals.
- As a consequence, the UAE aims to provide favourable conditions to anybody that can contribute in this regards: businesspeople, investors, workforce, advisors, facilitators.



Consequences I – Compliance

- As a consequence of the blacklistings by the EU Commission as “non-cooperative tax jurisdiction”, increasing international pressure to comply with international standards, and the continuing integration of the UAE in the international community, **more and more compliance regulations** are implemented.
- **Banks are partly becoming very strict** to regulate access to the UAE financial markets; many businesses see close scrutiny and accounts are often simply closed without providing much explanation.
- Government income from taxation is on the rise, so **UAE authorities now have an inherent interest to learn more about taxable businesses.**



Consequences I – Compliance

- **Economic Substance Regulations** (ESR) were implemented in 2019 to ensure that UAE entities are not (mis-)used to artificially attract profits that are not adequate to the economic activity undertaken in the UAE.
- UAE licensed entities must **disclose their ultimate beneficial owner** and maintain registers for shareholders, directors and UBOs.
- Under the **Common Reporting Standards** account data is automatically transmitted to the responsible tax office in the account holder's country of origin.

Consequences I – Compliance

- UAE signed the **OECD's Multilateral Instrument** (MLI) which combats aggressive tax avoiding practices, such as Base Erosion and Profit Shifting.
- Under the EU Mandatory Disclosure Act certain cross-border tax arrangements must be notified to the authorities and such information is exchanged between member states.
- **OECD Transfer Pricing Rules** will be implemented: intercompany transactions only at arm's length and supported by appropriate documentation.
- Data Protection Law 2021

Consequences II – Taxes

- 5% VAT was introduced on 1 January 2018. There are rumours about an increase to 10%.
- On 31 January 2022 the long awaited corporate tax was announced, effective for financial years commencing on or after 1 June 2023.
- Except for Bahrain (which keeps the 0% tax rate), the UAE has introduced the lowest corporate income tax rate within the GCC region at a standard rate of 9%.
- UAE CT regime introduces a tier system with 3 rates:
 - All annual taxable profits up to AED 375,000: 0%
 - All annual taxable profits above AED 375,000: 9%
 - All multinational enterprises under the BEPS 2.0 framework (i.e. consolidated global revenues in excess of AED 3.15 billion): rate as per OECD Rules (generally: 15% minimum rate).

Consequences II – Taxes

- The following income shall be in general tax exempt:
 - Dividend income earned by UAE company from its qualifying shareholdings (to be defined in the law)
 - Capital gains
 - Profits from group reorganization
 - Profits from Intra-group transactions
 - There will be no UAE withholding tax on domestic and cross-border payments.
- Personal income will not be subject to any tax (for now)

Consequences III – Liberalisation

- The UAE have recently implemented major steps towards liberalisation and accommodation of foreigners
- Foreigners can hold 100% of the shares in onshore companies in most business sectors – this challenges the business model of Free Zones
- Citizenship is possible for skilled professionals
- Retirement visa
- Unmarried couples can live together
- Work week shifted and reduced from 6 to 4.5 days (in public sector)
- Alcohol consumption for non-muslims
- Marjan Island Wynn with “gaming area”
- Very liberal travel regulations

Consequences IV – Opposition, Competition and other Risks

- Dependency on foreign workers showed its downside during Covid –between 800k-1.2m have left the country, GDP decline in 2020 was at 6.1%
- Growing competition, particularly from Saudi Arabia
 - The UAE has to invest to maintain its comparative advantages
 - KSA has launched vision 2030 and introduced regulations to increase foreign investment
 - Programme HQ provides major benefits to companies that establish a regional HQ in KSA such as a 50y tax break, exemptions from mandatory Saudi employment etc
 - Judicial reforms aiming to increase confidence to investing in KSA



Consequences IV – Opposition, Competition and other Risks

- Some of the UAE moves, such as opening a pathway to citizenship to expatriates and abolishing regulations that provide Emiratis access to income from being local sponsors, may impact the delicate social contract between Emiratis and their government.
- Finally, in addition to the OCED, the EU, the Financial Action Task Force etc, there is increased scrutiny and pressure from the EU home states such as Germany and Austria. The DTA between Germany and UAE has expired, Austria and UAE have agreed on a new DTA with substantially negative consequences.

Notwithstanding any of the foregoing, there will be countless ...



Business and investment opportunities



General Data

- 60% more Dubai business licenses issued in Q1 2022 compared to Q1 2021
- UAE achieves 3.8% GDP growth in 2021, highest in the region (after 6.1% minus in 2020)
- Forecast for 2022 is 5-6% GDP growth, with a plan to double economy by 2031.
- Population is back to almost 10m
- COVID slowed things down but tourists, finance, people and projects are coming back into the country



Renewable energy projects

- Renewable energy projects can differ in size and form and range from a 2 GW solar park to a small desalination plant
- Companies benefit from cheap energy, electricity and labour costs
- Investor friendly environment
- COVID slowed things down but projects are coming into the country again



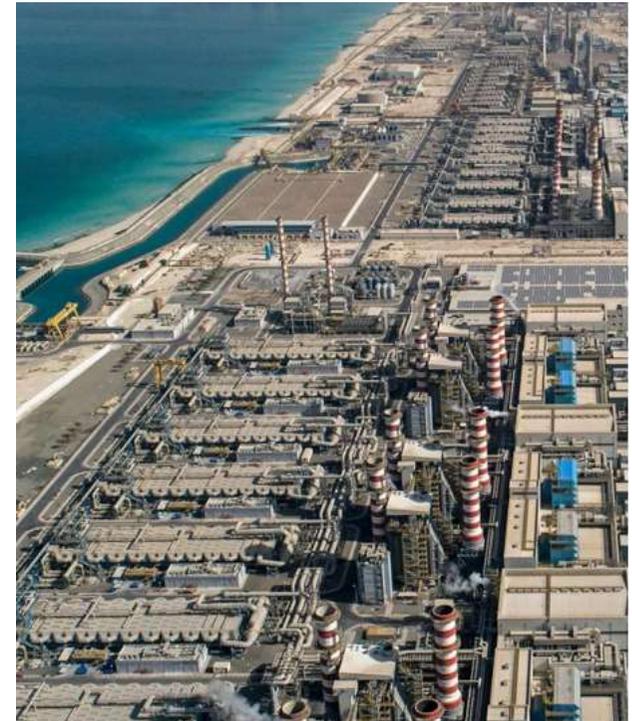
Hydrogen

- UAE wants to become a global player in the hydrogen market
- Almost perfect conditions for hydrogen production
- Several hydrogen alliances with European partners were concluded (eg, Germany, recently also Austria)
- UAE hydrogen market is still insignificant but expected to grow
- Business opportunities for companies of different industries (automotive, aviation, chemical etc)



Desalination

- Desalination technology could solve one of the world's biggest problems: fresh water scarcity
- Already, 42% of the UAE's total water requirement come from desalination plants
- The desalination process consumes a lot of energy
- Desalination plants could be fed with green electricity from renewable energy sources



Fishfarming

- Shift to onshore fishfarming
- Increased demand
- Major interest in the entire region
- New technologies increase rewards and profits notwithstanding higher costs
- Plays into the food autarcy strategy as well as environmental protection due to negative effects of offshore farms (antibiotcs, waste)



Blockchain / Crypto

- UAE embrace the new technology
- Blockchain Strategy aims to integrate blockchain technologies into government processes
- Dubai issued its first law governing digital assets and formed the Virtual Asset Regulatory Authority
- First major players like Binance, the world's largest cryptocurrency exchange, and FTX Europe will set up regional HQ in Dubai
- DMCC Launches Crypto Centre to Champion Cryptographic and Blockchain Technologies in Dubai



Or a combination of all of the above

- Sustainable onshore farming project by SAN Group in Ras Al Khaimah
- Solar powered electricity production
- Production of hydrogen
- Water desalination
- Fish food production in insect farm
- Onshore fishfarm and vegetable farming
- Circular processes and recycling

After proof of concept: enormous opportunities for large scale projects with state owned companies in the region (if you don't have 200m USD to invest, use crowdfunding, utility tokens or a SPAC for funding 😊)





Thank you for your attention



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Strohal Legal Group

Strohal Legal Group is an international business law firm focusing on the Gulf region (GCC) and Southeast Asia (ASEAN) advising clients on local and cross-border M&A transactions and corporate, business, and labour law matters, company establishments, energy and climate change law as well as tax law matters.

Our energy practice focuses on advising investors on energy projects in the region and on supporting them on regulatory matters. We are further convinced that climate change will, after all, also impact the legal landscape. To stay one step ahead we are therefore already engaged in the various aspects of climate change law.

