



EXPLORING THE BENEFITS OF OFFSHORE INCORPORATION IN THE UAE

There are several types of corporate structures available in the UAE, including free zones, onshore companies, and offshore companies. **Offshore incorporation** can be a great way to gain a foothold in the Middle East and take advantage of all the opportunities it has to offer. The UAE has a well-developed legal system and a competitive tax system that makes it a popular destination for those looking to set up an offshore company. Furthermore, the UAE is also considered an international finance hub that offers an advantageous business environment with access to a global network of business partners and resources.

What is Offshore Incorporation?

Offshore incorporation is a process by which a company is established outside the country of residence of its beneficial owner. It is usually done to take advantage of the more favorable tax and legal regulations offered by the foreign country. Offshore companies do not have a company headquarters on the mainland, thus are not subjected to the UAE tax regime and can only be used in certain constellations. From a security standpoint, it is in one's best interest to manage business operations through a legal organization like an offshore company.

What is Offshore Incorporation?

Offshore incorporation in the UAE can help companies expand their operations into the Middle East and benefit from the country's advantages. Offshore companies in the UAE can choose to incorporate under the United Arab Emirates' tax laws, which are more relaxed than those of other countries. These countries include the US, UK, and many other common offshore incorporation jurisdictions. Offshore companies in the UAE can benefit from being able to operate as a foreign company with fewer regulations than mainland or free zone companies. Some of the general benefits include:

1. Tax benefits

By setting up an offshore company, businesses can potentially avoid or reduce taxes in their home countries. This is due to the fact that many offshore jurisdictions have much lower corporate tax rates than the countries where their owners reside. Offshore companies offer the greatest flexibility and the most attractive tax structure, as they are exempt from taxes in the UAE.

2. Simplified formation and administration processes

Offshore companies also offer significant benefits through simplified administration processes. Establishing an offshore business can be done quickly and easily, resulting in lower costs for either setting up or keeping up the company. Companies operating offshore do not need to fulfill any auditing or financial requirements, which leads to less expenditure when it comes to constant upkeep and running expenses.

3. Asset Protection

When you set up an offshore business, it is considered a distinct corporate body in a different jurisdiction, which means it is governed by a different set of laws. By doing so, you can protect your company and its assets from unwanted circumstances.

4. Comprehensive Legal Framework

The UAE offers a secure and structured legal framework for businesses looking to incorporate in the country. The UAE Companies Law regulates the formation, operation, and dissolution of companies in the UAE. The law provides a clear and concise framework for businesses to operate within, and offers protection for all stakeholders involved in the company. There is also a strong anti-corruption regime in place, which helps to ensure that businesses are operating in a fair and transparent environment. For example, businesses can take advantage of the country's intellectual property laws, which provide protection for patents, trademarks, and copyrights.

5. Confidentiality

It makes sense to conduct business on behalf of a legal entity, such as an offshore company. For example, in many jurisdictions, the names of executives may be excluded from company documentation. Also, most offshore financial centers will not pass on information about the beneficial owners or officers within the offshore companies to third parties. Exceptions are made for terrorist or criminal activities and investigations in this regard.

Setting Up an Offshore Company in the UAE

Setting up an offshore company in the UAE is a straightforward process. Companies are required to register with the UAE Offshore Companies Registry, and there are a number of documents that must be submitted in order to complete the registration process. Here are some of the key documents needed to start your company:

- A business plan;
- Bank statements;
- Your address or copy of utility bills;
- Copies of all shareholders' passports;
- Three options for your business name which comply with local business naming rules; and
- A description of your business activities.



Offshore Authorities in the UAE

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 and are the two most popular jurisdictions.

RAK Offshore

The RAK International Corporate Centre is an amalgamation of two International Business Company registries known as the RAK International Companies and the RAK Offshore. This is a highly regulated and compliant jurisdiction that provides cutting-edge and low-cost services. The International Business Companies incorporated within this jurisdiction are generally utilized for asset management and protection, possessing shares in both local and overseas organizations, owning assets, and having bank accounts with local and global financial institutions. The main aspects of RAK offshore formation include:

Government Fees	Approx. AED 3,500– 5,000.
Shareholder	The company must have at least one shareholder. This can be a company or a natural person.
Directors and Secretary	At least one director 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)



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JAFZA Offshore

JAFZA provides a broad selection of services that can accommodate the requirements and budget of any company looking to extend its reach. Along with a diverse selection of license types and activities, JAFZA offers five different formation types: International trade, Formation of holding companies, Owning real estate, Registration of copyrights and patents, and International consulting services.

Government Fees	Approx. 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 director 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 Registrar.

Disadvantages

Although having an offshore company can provide you with many advantages, there are still several regulatory compliance requirements set out by authorities that you need to adhere to. Companies must also follow international standards, such as the OECD's Common Reporting Standard. In addition, businesses must also comply with the UAE's anti-money laundering and counter-terrorism financing regulations. Some of the other drawbacks of setting up an offshore business include:

1. Not getting a permanent residence permit in the UAE.
2. Being unable to do any business activity within the UAE (except property ownership and management).
3. Bad international reputation, and shareholder structure that is easy to disguise.
4. Not benefitting from any double taxation treaties.
5. Experiencing difficulties with opening a business bank account in the UAE.

Offshore Companies only offer a limited scope of application, essentially only usable for real estate projects, or for international transactions without reference to the owner's country of origin or residence. Moreover, 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.

Conclusion

Offshore incorporation in the UAE offers a number of unique benefits to businesses looking to capitalize on the country's business-friendly regulations and access to a vast regional market. It provides an opportunity to reduce the cost of setting up and running a business while protecting the company's assets and allowing access to tax relief. However, each company must have an agent and registered office in the UAE. Strohal Legal Group has extensive experience in the process of setting up businesses in the UAE, whether it be a free zone, mainland, or offshore company. If you require additional information regarding our business formation and registration services, please reach out to our team.

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 & climate law as well as tax law matters. Through our country desks and partner firms in Austria, the Ukraine, and Russia, the firm is also well connected in Europe.

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