Dubai for Business*

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freemont oneworld GROUP
GLOBAL BUSINESS SERVICES

Contents

Foreword

In recent times, Dubai has emerged as one of the most significant IFCs in the world.

Dubai and the UAE offer unrivalled tax planning opportunities to international businesses, impressive network of double tax treaties with no withholding taxes on dividends and interest paid and no corporation, income and capital gains taxes.

It is a white listed jurisdiction fully compliant with international regulations and, at the same time, offers business incentives and opportunities that exist only in mature industrial and financial hubs.

Our *Freemont Oneworld Group* can assist you in every step you take - be that to set up shop in Dubai and the UAE or guide your entry.

We render our clients integrated, one stop, boutique professional services. And we do our work with them in harmony and in strict confidence.

Our publication *"Dubai for Business"* covers, in brief, business aspects of Dubai and the UAE and we are confident that we can assist to make things happen for you!

George Philippides
Chairman

January 2020

1 Major Business Centre

The UAE has a vibrant free economy with a significant proportion of revenues arising from exports of oil and gas. Successful efforts have been made to diversify away from dependence on hydrocarbons and a solid industrial platform has been created together with a strong services sector. The establishment of free zones has been an important feature of this diversification policy and the reform of property laws gave a major boost to the real estate and tourism sectors.

The Global Competitiveness Report 2018 published recently by the World Economic Forum (WEF) ranks the UAE as the 27th country in the world in terms of competitiveness (see below).

The UAE has established a council of competitiveness to enhance efforts to achieve sustainable development through the setting up of legislative frameworks and the provision of developed infrastructure that will further enhance the country's status as a regional and global hub for investments. The council continues its communication with government agencies and the private sector through workshops and meetings, to coordinate efforts and explore ways to further enhance the competitive advantages of the UAE.

Economic and fiscal policy

Since the early 1980s, the two main economic objectives set by the UAE government have been to reduce reliance on hydrocarbons and boost private sector investment. This strategy is being followed diligently in an effort to offset the country's vulnerability to fluctuations in oil prices and to propagate economic growth and stability.

The fact that there are no restrictions on current and capital account transactions helps to implement these objectives as does the fact that foreign entities repatriate dividends, profits, interest or royalties without restrictions, with the exception of foreign banks which are required to obtain the Central Bank of UAE's approval.

The UAE aims to promote free trade with minimum restrictions on foreign trade and investment.

The policy of the UAE government to encourage foreign investment is evidenced with new and impressive industrial and commercial developments frequently announced.

As far as taxes are concerned, the UAE does not impose corporation, personal income, capital gains and withholding taxes. VAT was introduced in the UAE at 5 percent in January 2018 for onshore activities.

Infrastructure

Infrastructure in the UAE is second to none. Telecommunications, including mobile telephony and land lines as well as internet access are at least as good as that of the world's largest international business hubs. The road network is constantly upgraded and ports and airports are of world class standards. The UAE is creating one of the world's biggest and most efficient cargo handling centres. To date, the government has invested heavily in infrastructure development, and it has also opened up its utilities and other infrastructure to increase private sector involvement.

Security and stability

The UAE is enjoying political stability. This has enabled the implementation of sound economic policies reinforcing the country's social structure to develop one of the most tolerant, prosperous, secure and safe societies in the world. Dubai and Abu Dhabi have been ranked the top two cities in the Middle East region for quality of life, according to latest editions of global surveys. Long time investors include a wide range of multinational companies headquartered across the globe.

Dubai to host World Expo 2020

Dubai has won the right to host the 2020 World Expo, sparking national jubilation as the business and tourism hub secured an extra recognition for its growing economy.

Five years after the economic crisis, Dubai became the first Middle East location designated to host the 2020 World Expo, fending off competition from Ekaterinburg in Russia, Izmir in Turkey and Sao Paulo in Brazil in the international vote held in Paris.

Expos dating back to the Great Exhibition of 1851 in London, are held every 5 years and allow nations to create pavilions to showcase national developments in science and culture.

"Expo 2020 will trigger higher levels of tourism, economic and investment activity in the UAE, further boosting the business environment" said Khalid Howladar, Dubai senior credit officer at Moody's rating agency.

According to the World Bank, Dubai and the UAE provide the easiest and quickest way for foreign investors looking to set up in the Arab world.

A revival of trade and tourism, bolstered by the UAE's status as a haven in the turbulence of the Arab spring, has helped lift economic growth. The Expo will cement the country's preeminence, with Dubai's commercial sector anticipating an estimated €28,8bn economic boost and the creation of nearly 300.000 jobs.

What Dubai Offers

- Pro-business government regulations
- Confidentiality and asset protection
- Global headquarters centre
- Distinguished and unique lifestyle
- Best retail hub and experience
- Talented and diverse labour pool
- World class logistics and IT infrastructure
- Strategic location on the trade routes of East and West
- Excellent network of nearly 100 double tax treaties
- Tax free environment including:
  - no income taxes
  - no corporate taxes
  - no limit on repatriation of profits

Global Competitiveness Index 2018

Rank	Economy	Score
1	United States	85.6
2	Singapore	83.5
3	Germany	82.8
4	Switzerland	82.6
5	Japan	82.5
6	Netherlands	82.4
7	Hong Kong SAR	82.3
8	United Kingdom	82.0
9	Sweden	81.7
10	Denmark	80.6
21	Belgium	76.6
22	Austria	76.3
23	Ireland	75.7
24	Iceland	74.5
25	Malaysia	74.4
26	Spain	74.2
27	**UAE**	**73.4**

The UAE with a value of 73,4 (out of maximum 100) is now ranked 27th in the World Economic Forum's Global Competitiveness Index, a few places behind the United Kingdom and ahead of most EU member countries. The UAE's strong economic growth owes much to the government's (particularly in Dubai) focus on competitiveness. It has jumped rankings more than any other country in recent years.

(Source: World Economic Forum, 2016)

The Global Competitiveness Report 2018 assesses the competitiveness landscape of 140 economies, providing insight into the drivers of their productivity and prosperity. The report remains the most comprehensive assessment of national competitiveness worldwide, providing a platform for dialogue between government, business and civil society about the actions required to improve economic prosperity. Competitiveness is defined as the set of institutions, policies and factors that determine the level of productivity of a country. The level of productivity, in turn, sets the level of prosperity that can be earned by an economy.

The World Economic Forum (WEF) is a Swiss non-profit foundation, based in Geneva. It is an independent international organization committed to improving the state of the world by engaging business, political, academic, and other leaders of society to shape global, regional and industry agendas. The forum is best known for its annual winter meeting in Davos, in the Alps region of Switzerland.

2 Legal Entities

Under UAE Federal Law, foreign businesses have three main entities to choose from in order to conduct business in the UAE: a local limited liability company ("LLC"), a free zone entity ("FZ"), and an international business company ("IBC").

Companies can also operate by setting up a branch of a foreign company, a representative office of a foreign company, a private or public joint stock company.

Limited liability companies (LLCs)

A LLC 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. Companies with expatriate partners typically opt for this form of company. The voting rights in the company may not exceed 49 percent profit and loss distribution, and the share in allocation of liquidation proceeds can be mutually agreed upon.

A LLC has a local sponsor. The local sponsor can theoretically own 51 percent of the shares without investing any funds in the company. Expatriate partners usually agree with their local sponsors and the latter take usually an annual fixed fee to be pre-agreed or percentage on revenue as compensation for their holding.

In 2018, the UAE government enacted the Foreign Direct Investment ("FDI Law") which approves a plethora of economic activities to be eligible for up to 100 percent foreign ownership. The Department of Economic Development (DED) is considering such applications on a case by case basis.

An LLC can sell directly to the local market.

If the scope of the activities in the UAE is limited, a branch or representative office can be considered as an alternative to the setting up of an LLC. Such an office would also need a local sponsor. The sponsor does not have voting rights and the role is limited to dealing with local and federal government.

Free zone entities (FZs)

If there is little or no scope to sell goods directly to the UAE market, but office space and local staff are required, then setting up in a FZ is often more attractive than using a local company. FZ companies also meet the growing necessity in international tax planning of ensuring requisite substance. This is often impossible to deliver from the traditional offshore jurisdictions since they typically only offer an IBC regime.

The main advantages of setting up in a FZ in the UAE are:

- 100 percent foreign ownership is allowed
- guarantee for 15-50 years against the future imposition of corporation tax
- import of goods are duty free
- fast track procedures
- no restrictions on hiring expatriates

International business companies (IBCs)

Dubai through its Jebel Ali FZ (JAFZA), and Ras al Khaimah through the RAK International Corporate Centre (RAKICC), offer an international business company (IBC) regime. These companies are ideal for any type of business that does not require a local office. It includes passive investment activity eg holding shares in local or FZ companies, holding UAE real estate, or trading activities outside the UAE. IBC cannot rent office space nor can they apply for staff visas and they are not allowed to trade with parties inside the UAE.

RAK IBC has the following attractive features:

- not necessary for the owner or manager to visit the UAE in person
- no requirement to deposit capital in a bank account
- no requirement to submit audited financial statements

As with local LLC and FZ companies, IBC companies can benefit from the international double tax treaties concluded by the UAE by setting up a FZ branch.

Branch of foreign company

Foreign companies can establish a branch office in the UAE. A branch office may not carry out commercial activity in its own name, it may only negotiate and enter into contracts on behalf of the parent company, and if goods and services are required to fulfil that contract, they have to come directly from the parent. Support activities by the branch are allowed.

Representative office

A foreign company may also establish a representative office in the UAE. Such representative offices may undertake marketing and promotional activities on behalf of their parent company, but are not permitted to trade.

Public and private joint stock companies

A public joint stock company must have a minimum of 10 founder members and must be managed by a board consisting of 3 to 12 directors. The chairman of the board of directors and a majority of the directors must be UAE nationals. 51 percent of the shares must be held by UAE nationals.

General partnership

Partners in a general partnership can only be UAE nationals. Each partner is jointly and severally liable for all liabilities of the partnership.

Joint participation (venture)

A joint participation (venture) is defined as a company established with two or more partners who share the profits and losses of one or more commercial businesses being carried out by one of the partners in his/her personal name. In practice, joint ventures are seen as offering a suitable structure for companies working together on specific projects.

Features of Legal Entities

	Local Limited Liability Company ("LLC")	FZ Limited Liability Company ("FZ")	International Business Company ("IBC")
Ownership	49-100% foreign ownership depending on economic activity and DED approval	100% foreign ownership allowed	100% foreign ownership allowed
Minimum number of shareholders	2	1	1
Minimum capital	AED 1	AED 10.000 - 1.000.000 depending from zone to zone	AED 1
Capital pay-up at inception	Not required, in principle	Depending from zone to zone	Not required
Type of shares	Registered	Registered	Registered and bearer
Directors: Minimum required Director(s) location	1 At least one director must be UAE resident	1-2, depending on zone. At least one director must be UAE resident	1 No restriction
Audited accounts	Required. To be filed yearly at the time of licence renewal	Required. To be filed yearly at the time of licence renewal	Not required
Name	Prior approval required, some wording sensitive. Ends with "LLC"	Prior approval required, some wording sensitive. Ends with "FZE", FZC" or FZ-LLC"	Prior approval required, some wording sensitive. Ends with "Ltd"
Time frame for incorporation	4 weeks upon receipt of full documentation	2-8 weeks upon receipt of full documentation, depending on the zone	1-3 days upon receipt of full documentation
Language	Arabic/English	English	English
Legalization process of POA and corporate documents	Legalization and super-legalization mandatory	Legalization and super-legalization mandatory	Apostile sufficient for RAK IBC. Legalization and super-legalization mandatory for JAFZA
Registered office	Mandatory tenancy agreement on physical premises	Mandatory tenancy agreement on physical premises - virtual office facility available	Registered agent
Shelf companies	Not available	Not available	Available

3 Corporate Migration

General

Corporate migration (redomiciliation) is the process by which a company moves its domicile - or place of incorporation - from one jurisdiction to another by changing the country under whose laws it is registered or incorporated, whilst maintaining the same legal identity. The ease with which corporate migration may take place has increased in recent years.

Corporate migration enables companies to avoid liquidating the existing company and transfer portfolio of assets to an entity incorporated for that purpose in a new jurisdiction.

In line with the international practice of permitting companies to change their seat of incorporation, companies are allowed in 9 registries and authorities in the UAE to migrate and change their jurisdiction.

It takes an average one month to effect corporate migration.

Why migrate

Companies migrate for a variety of reasons, including:

- to benefit from a favourable tax environment
- take advantage of less stringent regulation and scrutiny
- align their place of registration with their shareholder base
- move to an international financial centre
- access specialist capital markets

Where an existing company migrates in the UAE, the company's existing legal status, goodwill and operational history is preserved. This process will allow for companies which currently operate in more costly, difficult regulatory, high tax and high risk environments in other countries to migrate to the UAE without triggering a disposal of their assets or a diminution in their goodwill or operating history.

Benefits of the UAE

The UAE has successfully established itself as one of the premier structuring hub worldwide, primarily capitalizing on the following competitive advantages:

- zero tax regime
- wide range of corporate vehicles
- extensive network of tax treaties with over 80 countries
- full repatriation of capital and profit
- recognized financial hub
- world class infrastructure facilities and connectivity
- presence of internationally recognized financial, legal and tax services providers
- primary hub and platform to access international business
- high quality of life
- political stability and liberal business environment

Corporate migration is particularly popular with companies registered in jurisdictions without substance which have outgrown their environment and now seek to capitalize on the UAE's advantages and benefits. It is also expected that free zones in the UAE currently lacking corporate migration legislation will adapt their regulations and introduce it soon.

UAE Registries

The list below sets out the registries and authorities in the UAE which permit the corporate migration of foreign entities:

- Abu Dhabi Global Market (ADGM) SPV
- Jebel Ali Free Zone (JAFZA) Offshore
- Ras Al Khaimah International Corporate Centre (RAKICC) Offshore
- Abu Dhabi Global Market (ADGM)
- Dubai Creative Cluster Authority (DCCA)
- Dubai International Financial Centre (DIFC)
- Dubai Multi Commodities Centre (DMCC)
- Jebel Ali Free Zone (JAFZA)
- Ras AL Khaimah Economic Zone (RAKEZ)

Process to migrate in the UAE

A foreign company may submit application through a registered agent to the Registrar of Companies in one of the registries/ authorities in the UAE to be registered as a continuing company. The application for consent must be accompanied by the following documents:

- existing company documents and detailed information on directors and shareholders
- letter of consent for corporate migration, from the existing jurisdiction
- certification from the directors that the company will remain solvent
- details of charges
- the written consent of (i) directors/shareholders, and (ii) holders of charges (if applicable) for the transfer of domicile
- a certificate signed by the registered agent making the application in the form prescribed in the regulations
- revised Memorandum and Articles of Association

Finally, payment of the applicable fee must be made.

Countries Allowing Corporate Migration

Andorra
Anguilla
Antigua
Aruba
Austria
Bahamas
Bahrain
Barbados
Barbuda
Belgium
Belize
Bermuda
British Virgin Islands
Brunei
Cayman Islands
Cook Islands
Costa Rica
Cyprus
Dominica
Gibraltar
Grenada
Guernsey
Hungary
Ireland
Isle of Man
Israel
Jersey
Latvia
Lebanon
Liberia
Liechtenstein
Luxembourg
Macao
Malaysia (Labuan)
Maldives
Malta
Marshall Islands
Mauritius
Montserrat
Nauru
Netherlands Antilles
Panama
Philippines
Portugal (Madeira)
Samoa
Seychelles
St Kitts and Nevis
St Lucia
St Vincent
Grenadines
Switzerland
Turks and Caicos Islands
UAE
Uruguay
US Virgin Islands
USA (Delaware)
Vanuatu

4 Tax Residence and Economic Substance

A free zone entity (FZ) in UAE offers many tax and business possibilities.

For a start, a FZ company enjoys full exemption from income and corporate taxation, 100 percent foreign ownership, no exchange restrictions, free profit repatriation, benefits accruing from the UAE's nearly 80 double tax treaties and many more.

A further possibility available to a FZ is to issue *residence permits and obtain tax residence certificates* from the UAE authorities for its foreign owners and employees. A FZ company, must have physical presence in the UAE and, in that respect, it must own or hire premises. If only a small office is required as the company will be used by its foreign owners mainly for residency purposes, the most cost effective options are available by FZ in the northern emirates, notably - Ajman, Hamriyah and Umm Al Quwain (UAQ). Physical presence options include flexi desks and flexi offices.

Furthermore, and if a local bank account is maintained with movements, the foreign owners and managers can apply to the Ministry of Finance to receive *UAE tax residence certificates.*

A UAE residence permit and a tax residence certificate can be useful to foreign owners and employees of FZ who wish to register tax residency in the UAE. It is worth noting that banking institutions, in the UAE and outside, consider UAE tax residence certificates as proof of tax residency in the UAE. As in all cases, the advice of a competent tax lawyer must be sought.

FZs

Under the UAE federal law, foreign businesses have three main entities to choose from in order to conduct business in the UAE: a local limited liability company (LLC), a FZ entity, and an international business company (IBC).

FZ companies can be owned 100 percent by foreigners. They also meet the growing necessity in international tax planning of having necessary substance. This is not possible to obtain in traditional offshore set ups since they typically only offer an IBC regime.

The main advantages of setting up in a FZ in the UAE include:

- 100 percent foreign ownership
- residence permits for the owners of the entity
- guarantee for 15-50 years against the future imposition of corporation tax
- import of goods is duty free, provided the goods are not supplied to the local market
- streamlined procedures: all formalities are typically dealt with through the FZ authorities instead of the various government departments

Tax residence

Obtaining a residence permit is the primary condition for being considered as resident in the UAE.

As a general rule, a foreign individual needs to have a sponsor in order to apply for a residence permit in the jurisdiction. For many expatriates, the company that employs them will act as their sponsor and secure them residence visa. For those who do not come on an employment contract, there are two other ways for obtaining the UAE residence:

- investment in real estate (property residence visa)
- set up of corporate structure to act as a sponsor

Real estate investor/property residence visa, the UAE government in June 2011 introduced a new system extending the validity of the visa granted to real estate investors for up to 3 years. Under the property residence visa, holders reside freely in the UAE but are not allowed to work.

The preferred way to obtain residency is through a corporate structure. For foreigners, setting up a FZ company is a practical way of obtaining sponsorship. As far as the FZ company is concerned, it must have physical presence in the UAE. In that regard, the most interesting and cost effective options are proposed by FZ situated in the northern emirates with possibility to have flexi desks and flexi offices.

Requirements for a personal tax residence certificate from the Ministry of Finance of the UAE:

- request letter from the individual
- passport copy and valid visa copy
- bank statement for the last 6 months
- certificate from the UAE company stating the individual activity and sources of income
- AED 1.000 (US$300 equivalent)

In 2019, the UAE implemented a new system for long term residence visa. The new system enables foreigners to live, work and study in the UAE without the need of a local sponsor and 100 percent ownership of their business in the mainland. The visas are issued for 5 or 10 years and will be renewed automatically.

Categories entitled to apply for 10 year residence visas:

a) investors in public investments, minimum AED 10mn

b) persons with specialized talents

For 5 year residence visas:

a) investors in property in the UAE

b) entrepreneurs

c) outstanding students

FZ options

An independent FZ authority governs each FZ. The rules and regulations of each FZ do not differ substantially, all being simple yet comprehensive. The UAE Companies Law is not applicable in the FZ.

The UAE has witnessed significant growth in the number of FZ. Each zone has a focus on a particular type of industry. Notably within Dubai: Jebel Ali FZ, Dubai Airport FZ (DAFZ), Dubai Technology and Media FZ, Dubai Multi Commodities Centre (DMCC), Dubai International Financial Centre (DIFC), Dubai Healthcare City, Dubai Maritime City, Dubai Aid Humanitarian City, Dubai Techno Park, Dubai Auto Parts City, Dubai Textile Village, Dubai Heavy Equipment and Trucks, Dubai Industrial City (DIC), Dubai Flower Centre, Dubai Logistics City, Dubai Silicon Oasis, Dubai Studio City, Dubai Carpet FZ and Dubai Outsource.

Apart from the Dubai FZ mentioned above, other emirates also have FZ, albeit fewer in number.

Special mention needs be made for Hamriyah FZ in Sharjah and Ajman FZ in Ajman. They are both relatively easy to set up, charge competitive fees and can be especially useful for tax residency situations. The cost of setting up an FZ entity in Ajman or Hamriyah is around US$14.000 inclusive of costs, fees and expenses - professional, government, flexi office, annual rent and disbursements. Ongoing, annual costs are around US$11.000.

Economic Substance

In April 2019 the UAE enacted economic substance rules based on the EU recommendations and OECD guidance on harmful tax practices in Action 5 of the BEPS action plan.

The rules apply to companies engaged in core income generating activities (CIGA) such as banking, insurance, fund management, financing and leasing, headquarter companies, shipping business, investment holding, IP activities and distribution and service centre. The scope of the new provisions includes all companies carrying out relevant activities except for any commercial company owned directly or indirectly by the UAE government.

To meet the economic substance requirement, companies will generally need to satisfy the following tests:

- are directed and managed in the UAE for the specific activity
- the core income is generated in the UAE, and
- have adequate level of qualified employees, premises and annual operating expenditures

Entities may outsource CIGA activities, provided the outsourced activities are carried out inside the UAE and the company retains full control over those activities. In line with the EU recommendation, holding companies shall be subject to less stringent substance requirement. Furthermore, additional reporting requirements apply to high-risk IP companies.

5 Double Tax Treaties

Dubai is a zero tax country.

The UAE has concluded nearly 80 double tax treaties, many with OECD countries.

Accordingly, double tax treaties aim at making Dubai a more attractive territory in which to operate by reducing taxation levied in the foreign jurisdictions on profits remitted abroad by foreign corporations operating in Dubai.

Dubai has an extensive and growing list of double tax treaties, which currently number over 90. The network is appended and includes treaties with China, Cyprus, France, Germany, India, Indonesia, Italy, Luxembourg, Malaysia, Malta, the Netherlands, Singapore, South Korea, Ukraine etc.

The "place of incorporation" criterion is part of many of the UAE treaties and simply if a company is incorporated in the UAE, it will then be resident for the purposes of that particular treaty. This covers, inter alia, treaties with Armenia, Finland, Mauritius, Mongolia, Luxembourg, Sri Lanka, Austria, Switzerland, Mozambique, New Zealand and many more.

Many treaties are attractive. For example, the treaties with New Zealand, Austria and the Netherlands. None of these has a liability to pay tax. The treaty with the Netherlands was ratified in June 2010. Its most important effect for outbound investment (from the perspective of the UAE) is that it limits the dividend withholding tax rate to 5 percent. The Netherlands is a particularly attractive country for inward investment into the UAE now, because for most types of income the Netherlands will exempt Dutch companies from corporation tax on UAE income, even though it has not been subject to tax in the UAE.

Cyprus also concluded a tax treaty with the UAE. It has a similar participation exemption system regime as the Netherlands and exempts profits made by a permanent establishment abroad from tax, under domestic legislation. So even before the tax treaty was concluded, setting up a branch of a Cyprus company in the UAE was still an attractive option.

Some of the tax treaties of the UAE may not be so attractive because of the Limitation of Benefits clauses (LOB) and inclusion of liable to tax clauses. Currently, not many UAE bilateral treaties include LOB clauses, although the more recent treaties tend to include them. Treaties covering LOB clauses include:

- India (new 2007 Protocol) requiring a bona fide business activity
- Luxembourg which includes consultation if treaty shopping is taking place
- Belgium requires attention to be given if improper use of the agreement is found

These treaties impose the additional test of "place of effective management", which is determined by:

- key office location
- place where meetings are held or initiated
- domicile of controlling individuals
- banking relationships
- property and IP held
- head office mailing address
- location of auditor and accounts
- residence of the management

Inbound UAE and anti-avoidance

Domestic tax regimes of high tax jurisdictions often contain provisions for the avoidance of domestic and international double taxation. Generally there are two main methods to avoid double taxation: the credit and exemption methods.

Countries that apply the *credit method*, in principle, include items of income in their tax base, both from domestic sources and foreign sources, but allow a credit for foreign taxes against the domestic tax liability. This usually leads to taxation of income from foreign sources at the applicable tax rate of the state of residence of the company carrying out the foreign activities.

For countries that apply the *exemption method*, it may be somewhat more complex to determine the tax consequences of a foreign investment, but the outcome is usually more beneficial. Common exemptions in many tax regimes are exemptions for profits derived from a so called permanent establishment (foreign branch exemption), and exemptions for profits derived from a qualifying subsidiary (participation exemption).

For an investment in a tax free country like the UAE, the application of an exemption in the country of residence would clearly be beneficial over the credit system, as the company will effectively benefit from the fact that there is no domestic taxation of its business profits derived from the UAE.

Tax residence and economic substance

A FZ can issue residence permits and obtain tax residence certificates from the UAE authorities for its foreign owners and executives.

A FZ company, must have physical presence in the UAE and, in that respect, it must own or hire premises. If only a small office is required the most cost effective options include flexi desks and flexi offices.

A UAE residence permit and a tax residence certificate can be useful to foreign owners and executives who wish to register their tax residency in the UAE. It is worth noting, that banking institutions in the UAE and outside consider UAE tax residence certificates as proof of tax residency in the UAE.

The UAE is well positioned to cope with the increasing pressure from onshore tax authorities to ensure economic substance. By making use of a UAE FZ, there are opportunities available to locate business functions there and realize tax savings and economic substance.

UAE treaties apply in the FZs

Double tax treaties apply for companies established in a FZ and local LLC.

An important aspect for foreign investors and global companies is the use of a UAE FZ in establishing UAE presence. FZs are used

by foreign investors to retain 100 percent beneficial ownership and to avoid the 5 percent import duty on goods. The benefits of the double tax treaties also apply to FZ entities established by foreign investors.

The combination of a FZ entity with an international business company IBC known as RAKICC and a trust or foundation can also be effective in ensuring confidentiality when required in tax planning. Indeed the UAE is the only OECD "white list" jurisdiction that has no taxes for international companies, FZ, local companies or individuals.

Strategy 1: Establish a FZ entity

FZ allows to have a UAE entity that is 100 percent foreign owned and yet take advantage of:

- low formation and annual costs
- residency and visa
- a range of options for physical presence from flexi desks to buildings and industrial developments
- no taxes
- no exchange controls or thin capitalization restrictions
- access to the UAE double tax treaty network

Strategy 2: Combine a FZ entity with an IBC

Owning a FZ entity or creating a FZ branch of the IBC provides the following benefits:

- confidentiality of ownership and operations
- physical presence or management as required by treaties for treaty protection
- ability to have investments in the UAE and yet not carry on business
- choice of any law – common law, civil law etc
- no local meetings, audits, or local presence requirements, for migration in and out of the jurisdiction
- OECD white list jurisdiction

Strategy 3: Global head office company/IP holding company

In the majority of UAE double tax treaties which have looked through limitation provisions, the use of the UAE as the head office of a company to minimize global taxes is important. The relocation of the head office of the known US company, Halliburton, to Dubai is one example of this strategy.

The choice of law for IBC provides for the head office company to own patents, intellectual property (IP) trademarks, confidential know how and copyright under the laws of any jurisdiction and to license this technology to a FZ entity or to other countries worldwide. The treaty network will reduce withholding taxes, impose no taxes in the UAE and allow for peace of mind in terms of legal enforceability, licensing, securities and charges.

Strategy 4: Residence and domicile for directors and senior staff

Whilst domicile in the UAE may not be possible depending on the laws of the home country, certainly with a renewable residence visa that is issued to persons or associates of a FZ entity, individuals may reduce or eliminate home country taxation. In many cases, following the OECD model, the treaties provide for directors' fees paid to a non-domiciled director of a UAE entity to be exempt from tax in the home country.

UAE Double Tax Treaties Network

Albania	Comoro Islands	Indonesia	Luxembourg	Philippines	Sudan
Algeria	Croatia	Ireland	Macedonia	Poland	Switzerland
Andorra	Cyprus	Italy	Malaysia	Portugal	Syria
Argentina	Czech Republic	Japan	Maldives	Romania	Tajikistan
Armenia	Egypt	Jersey	Malta	Russia	Thailand
Austria	Estonia	Jordan	Mauritius	Saudi Arabia	Tunisia
Azerbaijan	Fiji	Kazakhstan	Mexico	Senegal	Turkey
Bangladesh	Finland	Kenya	Moldova	Serbia	Turkmenistan
Barbados	France	Korea	Mongolia	Seychelles	Ukraine
Belarus	Georgia	Kosovo	Montenegro	Singapore	United Kingdom
Belgium	Germany	Kyrgyzstan	Morocco	Slovakia	Uruguay
Bosnia & Herzegovina	Greece	Latvia	Mozambique	Slovenia	Uzbekistan
Brunei	Guinea	Lebanon	Netherlands	South Africa	Venezuela
Bulgaria	Hong Kong	Libya	New Zealand	Spain	Vietnam
Canada	Hungary	Liechtenstein	Pakistan	Sri Lanka	Yemen
China	India	Lithuania	Panama		

6 Free Zones

Features of FZs

A FZs entity in the UAE offers many tax and business possibilities.

The establishment of FZs in the UAE has been one of the most significant and promising initiatives pursued to attract foreign investment. Dubai was the first emirate to establish a FZ in Jebel Ali (JAFZA).

List of advantages of being located in a FZ:

- 100 percent foreign ownership
- no corporate and personal income taxes
- eligibility for benefits of nearly 80 UAE's double tax treaties
- issue of residence permits and tax residence to foreign owners and management
- no restrictions on profit repatriation
- no exchange controls
- availability of offices, factory premises and warehouses
- excellent port, airport and road transport infrastructure
- efficient utilities and communication means
- no import or export duties, except for sales made from FZ into the UAE and the GCC
- no recruitment restrictions and assistance in obtaining work permits for expatriate staff

DTT benefits

FZ companies are owned 100 percent by foreigners. They also meet the growing necessity in international tax planning of having necessary substance.

The UAE has concluded nearly 100 double tax treaties (DTT), many of these with OECD countries. Some are not very attractive because of the limitation of benefits clauses, inclusion of tax liability clauses and uncertainty as to whether UAE residents are liable to tax in the context of the treaty. Some treaties restrict the benefits to UAE nationals, and some other to government organizations.

However, there are several double tax treaties of the UAE that are favourable including the treaties with New Zealand, Austria, Cyprus and the Netherlands. None of these has a liable to tax requirement.

Establishing substance

The UAE is particularly well positioned to cope with the increasing pressure from onshore tax authorities to provide economic substance. By making use of the UAE, it is now possible even for small companies to locate business functions there, realize the promised tax savings, and satisfy requirements of onshore tax authorities.

It is hard to think of a place where it is so uncomplicated and quick to set up business in one of its FZ and to access the world's labour pool, as the UAE. It is even more difficult to think of any traditional zero tax jurisdiction offering this. FZ as a concept were pioneered by Dubai, the first one being Jebel Ali FZ.

FZs in the UAE

An independent FZ authority governs each FZ. The rules and regulations of each FZ do not differ substantially, all being straightforward and comprehensive. The UAE Companies Law is not applicable in the FZ.

Dubai

Dubai has witnessed significant growth in the number of FZs. Each zone has a focus on a particular type of industry. The names and industry focus of the major FZs within Dubai are listed below:

- Jebel Ali (JAFZA): manufacturing, heavy industry and distribution. It also encompasses:
    - o Dubai Cars and Automotive City (DUCAMZ) FZ: re-export of automobiles
    - o Dubai Gold and Diamond Park FZ: dealing in precious metals and stones
- Dubai Airport FZ (DAFZ): light industry, distribution, service industries including insurance
- Dubai Technology and Media FZ includes:
    - o Dubai Internet City: information and communication services
    - o Dubai Media City: media related business
    - o Knowledge Village: education and learning establishments

- Dubai Multi Commodities Centre (DMCC): aims to attract the world's leading precious metals, jewels and commodities traders. This free zone also includes a manufacturing facility and a diamond trading bourse
- Dubai International Financial Centre (DIFC): focuses on financial institutions and financial services firms and has elevated UAE to the position of a leading financial centre. The zone is subject to a comprehensive regulatory regime that follows international standards. The regulatory authority in the DIFC is the Dubai Financial Services Authority (DFSA)
- Dubai Healthcare City: aims to attract providers of healthcare, medical education and research
- Dubai Maritime City: aims to attract companies engaged in vessel design, manufacture, repair and maintenance and marine management and related services

Other free trade zones in Dubai include Dubai World Central (Dubai South Free Zone) Dubai Aid and Humanitarian City, Dubai Techno Park, Dubai Auto Parts City, Dubai Textile Village, Dubai Heavy Equipment and Trucks, Dubai Industrial City (DIC), Dubai Flower Centre, Dubai Logistics City, Dubai Silicon Oasis, Dubai Studio City, Dubai Carpet FZ and Dubai Outsource.

Abu Dhabi

- Abu Dhabi Airports FZ (ADAFZ): the objective of this free trade zone is to establish Abu Dhabi as a major bulk commodity trading base to initiate the development of other existing industrial zones in the emirate
- Higher Corporation for Specialized Economic Zones (HCSEZ - ZonesCorp): the HCSEZ establishes specialized economic zones across a range of industries in Abu Dhabi. The benefits of the zones are similar to those in FZ
- Industrial City of Abu Dhabi: the objective is for industrial projects
- Abu Dhabi Global Market (ADGM): Recently set up, it is a broad based international financial centre of local, regional and international institutions. As in the case of the DIFC, an elaborative and comprehensive regulatory regime is in place that follows international standards
- Khalifa Industrial Zone Abu Dhabi (KIIZAD): the objective is for industrial projects

Sharjah

- Hamriyah FZ: established in Sharja, this free zone caters to industrial, manufacturing, processing and assembling industries. Sharja is the only emirate with ports on the Arabian Gulf's east and west coasts with direct access to the Indian Ocean
- Sharjah Airport International free trade zone: aims to capitalize on Sharja's excellent access to both east and west by attracting light manufacturing, storage and distribution business together with services industries

Ras al Khaimah (RAK)

- Ras al Khaimah (RAK ICC) free trade zone: set up in 2000 on Al Hulayla Island, this free trade zone aims to attract all types of investment with an aggressive marketing plan, intending to turn this zone into the leading FZ of the northern emirates
- Ras al Khaimah Media FZ: media related business

Fujairah

- Fujairah free trade zone: located near Fujairah Airport, it attracts manufacturing, distribution and general trading industries

Ajman

- Ajman free trade zone: attracts all types of business from heavy manufacturing to professional service companies

Umm al Quwain

- Umm al Quwain free trade zone: it is known as the Ahmed Bin Rashed Port and the free zone caters for light industrial development

7 Succession and Asset Protection

Business succession

For business owners, it is quite likely that a significant portion of their personal wealth is tied up in their business and, at some stage, every family owned business must be passed on.

Business succession planning seeks to manage these issues, setting up a smooth transition between the existing and the future owners of a business. With family businesses, succession planning can be especially complicated because of the relationships and emotions involved. If a business has outside partners, it is a particularly important decision to make.

We provide experienced and practical advice that will integrate family estate planning and retirement planning needs to maximize the value of a business and enable it to meet future needs.

Asset protection

A substantial number of clients call upon us to help protect their assets – from daily operational risks in the course of their trade, from frivolous lawsuits and excessive inheritance tax.

The key to asset protection lies in the separation of liabilities: personal liability, different business ventures, real estate, pension or rainy day funds should all be separated. The simplest form of asset protection is a limited liability company. It can be used to separate private assets from the risks associated with a business venture.

Depending on one's needs and circumstances, additional layers of protection can be added to protect business interests. For example, you can protect your company from the risks of a former sole proprietorship or general partnership by setting up a trust. The estate can be protected from claims using a foundation, intellectual property can be managed by an offshore IP holding company and so on.

Trusts and estate planning

In the world of international tax planning, trust formation is popular. A trust offers the possibility to separate business assets from private assets, and have these assets managed on behalf of a beneficiary or charity. When you decide to set up a trust, you can benefit from all the features of this asset protection tool and the jurisdiction that it is in. You will be able to allocate funds and assets according to your wishes.

A trust is created by a settlor who transfers some or all of his property to a trustee, who holds those trust assets for the benefit of the beneficiaries. The trustee owes a fiduciary duty to the beneficiaries, who are the beneficial owners of the trust property.

Wills

A Will is a legal document that declares your intentions as to what should happen to the distribution of your assets, on death. These assets typically include real estate, money, investments, jewellery, vehicles and personal or household belongings and they can be bequeathed to individuals, families or institutions, either in part or as a whole. A Will can also be used to specify other wishes.

Inheritance

Inheritance issues for Muslims are dealt with in accordance with Sharia, whereas for non-Muslims, the law of the deceased's home country can apply. Succession under Sharia law principally operates by a system of forced heirship or reserved shares.

After years of observing the pressing need for clarity on the current UAE Wills and inheritance legislation, we welcome the newly launched DIFC Wills and Probate Registry. It provides certainty for non-Muslim expatriates to pass on their Dubai estate in the event of death to their chosen beneficiaries. The Registry marks the introduction of a new set of rules relating to succession and inheritance matters for non-Muslims with assets in Dubai and a mechanism to pass on their estates in Dubai according to their wishes.

DIFC Wills and Probate Registry (DIFC WPR)

The DIFC WPR is a first of its kind service in the MENA region. It gives eligible individuals with assets in Dubai the ability to register English language Wills according to the principle of testamentary freedom, meaning the freedom to dispose of their property upon death as they see fit, and in accordance with the laws of their home country. It is a unique service at the heart of the MENA region, respecting and recognizing cultural and religious diversity of the people living there.

Through this development, Dubai has become the first jurisdiction in the Middle East where non-Muslims can make a Will under internationally recognized common law principles.

What it offers

The Registry provides legal certainty and peace of mind to non-Muslim expatriates, allowing them to choose their beneficiaries, ultimately ensuring that the person's wishes as stated in the Will are carried out, upon their death. It has been designed to protect people's Dubai assets, their family and loved ones after death.

The system functions as an opt-in mechanism, but the Will registration is a precondition for those who choose to opt into this system. It allows executors and beneficiaries of an estate to go through the probate process, meaning the process of distributing the deceased's assets to the beneficiaries named in the Will, through the exclusive jurisdiction of the DIFC Courts, which functions in the English language.

Requirements for DIFC Will

To create a valid DIFC Will, the following conditions must be met:

- the testator must not be a Muslim
- the testator must be over 21 years of age
- the Will must only cover assets situated in the emirate of Dubai
- the Will must be in writing and signed in front of, and witnessed by, the DIFC Registrar or an authorized officer
- the named executors must be at least 21 years old or, alternatively, a corporate entity
- the Will must confirm that the testator intends DIFC law to apply to administration and succession matters
- The Will must be registered with the DIFC and remain so at the time of death. For a Will to be registered, executors and guardians (if any) must undertake to act (in person or by witness statement) in accordance with the DIFC's WPR and DIFC law and submit to the jurisdiction of the DIFC Court
- The registration fee of US$2.800 must be paid to the DIFC WPR on attestation.

Introduction of Foundations

In 2017, both Abu Dhabi Global Market and the Dubai International Financial Centre (DIFC) extended their respective structuring and legacy planning offering with the adoption of the civil law-based foundations.

While each regime has a number of unique features, both are modern and forward-thinking pieces of legislation, the result of a comprehensive review of the best practices, models and principles of existing foundation regimes of both common law and civil law backgrounds.

The foundation's similarities to a corporate vehicle and relative simplicity makes it an easy tool for entrepreneurial families to understand. Its ability to meet the families' wealth preservation and inter-generational continuity objectives while providing substantial control to the founder and/or members of the family is one of the many reasons entrepreneurial families are likely to embrace it.

A foundation is an independent legal entity which holds assets separately from the founder's personal wealth. The Foundation shares similarities of functions and mechanisms with both a company and a trust, while not strictly considered a hybrid of the two. Unlike a trust - a concept derived from common law principles - the foundation originates from civil law jurisdictions.

It is similar to a company in that it has its own legal personality. However, it does not issue shares or any other legal title of ownership - it is an "orphan" structure. A foundation must further have one or more objects, which may be a purpose and/or serve for the benefit of beneficiaries, just like a trust.

A foundation is governed by its charter and by-laws, which together reflect the desires of the founder. It is managed by a foundation council and may be supervised by a guardian.

The assets of a foundation are owned by the foundation in its own name and may be held directly by the foundation or consist of shares in an underlying company.

Foundations are being used for a variety of reasons, chief among which are:

- wealth structuring, succession and estate planning
- asset protection (forced heirship rules, creditors and hostile takeovers)
- long term holding structure for businesses
- specific purposes in commercial transactions (to own certain assets or to perform particular roles) and
- charity and/or philanthropic purposes.

8 Financial Services, DIFC and ADGM

UAE has 3 jurisdictions governing financial services:

- state of the UAE governed by the UAE Federal legislation
- Dubai International Financial Centre (DIFC), a FZ in Dubai governed by own laws and regulations
- Abu Dhabi Global Market (ADGM), a FZ in Abu Dhabi governed by own laws and regulations

DIFC and ADGM are self-regulated with own systems of financial regulation overseen by the Dubai Financial Services Authority (DFSA) and the Financial Services Regulations Bureau in Abu Dhabi.

In the UAE there is no distinction between banking and other financial services in relation to cross-border activities. The financial regulation is based on the criterion of territoriality and it prohibits the carrying out of any financial activity without being licensed.

Establishing onshore

The activity of financial consultation and financial analysis is an activity subject to licensing by the Emirates Securities and Commodities Authority ("ESCA"), pursuant to the Federal Law No (4) of 2000 concerning the Securities & Commodities Authority and the amendments thereof.

In order to obtain a licence to practise the activity of financial consultation and financial analysis, the following key conditions must be met:

- UAE company (one of the forms in Federal Law pertaining to Commercial Companies) applying and at least 51 percent of its share capital is held by UAE or GCC nationals
- the purpose of the entity include practising the business of financial consultation and analysis
- the paid up share capital of the company is at least AED 1.000.000 (approximately US$ 300.000)
- the company has the required qualified technical and administrative personnel to practise the business of financial consultation and financial analysis
- the company has an internal control and regular audit system
- provide the required administrative and technical staff to practise its business
- foreign companies licensed by similar regulatory authorities in their own countries may practise the business of financial consultation and financial analysis, provided that such companies have at least 5 years of experience and satisfy the conditions

DIFC

DIFC is an onshore financial centre strategically located between the East and West, which provides a secure and efficient platform for business and financial institutions to reach into and out of the emerging markets of the region. The quality and range of DIFC's independent regulation, common law framework, supportive infrastructure and its tax-friendly regime make it the perfect base to take advantage of the region's rapidly growing demand for financial and business services.

DIFC fills the time zone gap for a global financial centre between the leading financial centres of London and New York in the West and Hong Kong and Tokyo in the East. Guided by its core values of integrity, transparency and efficiency, DIFC is playing a pivotal role in meeting the growing financial needs of the region.

World class regulatory environment

At the heart of the DIF model is an independent risk-based regulator, the Dubai Financial Services Authority (DFSA), which grants licences and regulates the activities of banking and financial institutions in the DIFC. The regulatory body was created using principle based primary legislation modeled closely on that used in London and New York. The DFSA has played a major role in providing financial companies the confidence that they have a sound, stable, secure and growth-oriented platform for their business.

Unique legal framework

DIFC is unique in that it has a legislative system consistent with English Common Law. Given its construct, DIFC has its own set of civil and commercial laws and regulations and has developed a complete code of law governing financial services regulation. As part of its autonomy, DIFC has created an independent judicial system. The DIFC Courts are the entities responsible for the independent administration and enforcement of justice in DIFC. The Courts have exclusive jurisdiction over all civil and commercial disputes arising within DIFC and/or relating to bodies and companies registered in DIFC.

Categories of licences

Authorized firms can be divided into five categories of licence, each with its own rules and capital requirements.

Benefits of setting up in DIFC

- platform to access regional wealth and investment opportunities
- 100 percent foreign ownership
- zero percent tax rate on income and profits (guaranteed for a period of 50 years)
- a wide network of double taxation treaties available to UAE incorporated entities
- no exchange controls (free capital convertibility)
- high standards of laws, rules and regulations
- international legal system based on Common Law of England & Wales
- a wholly transparent operating environment, complying with global best practices, and internationally accepted laws and regulatory processes
- a variety of legal vehicles that can be established with capital structuring flexibility

- access to a large pool of skilled professionals residing in Dubai and the region
- a modern transport, communications and internet infrastructure
- a responsive one-stop-shop services for visas, work permits and other related requirements

Dubai Financial Services Authority (DFSA)

Created under Law No 9 of 2004 and entirely independent of the DIFC Authority and the DIFC Judicial Authority, the DFSA is the integrated regulator responsible for the authorization, licensing and registration of institutions and individuals who wish to conduct financial and professional services in or from the DIFC. The DFSA also supervises regulated participants and monitors their compliance with applicable laws, regulations and rules. The DFSA is empowered to make rules and regulations, as well as develop policy on relevant market issues and, in turn, enforce the legislation that it administers.

Abu Dhabi Global Market (ADGM)

ADGM is a new international financial free zone to connect the economies of the Middle East, Africa and South Asia with world markets.

The establishment of ADGM forms part of a UAE and Middle East trend to phase liberalization and an industry clustering strategy based on sectors. An increasingly open market, diversified economy and political stability have contributed to making the UAE an attractive proposition for foreign investors. ADGM can bolster the UAE's position as an international financial centre as it offers a favourable business environment for international institutions.

ADGM has its own civil and commercial legal regime based on and incorporating aspects of English law, which apply within the defined geographical area of the FZ. The regime is independent of the existing legal regime in Abu Dhabi, so Abu Dhabi civil and commercial laws (comprising both emirate laws and Federal laws of the UAE) will not apply in ADGM, but Federal criminal laws will apply. ADGM has its own independent registrar, financial services regulator and court system.

The UAE law permits financial and supporting activities to be carried on in the DIFC and ADGM, if licensed. The Financial Services Regulations Bureau is responsible for the licensing and registration of entities seeking to conduct financial services or activities through ADGM, performing a similar role to that of the DFSA in the DIFC.

There are some distinctions in the scope of financial activity proposed to be conducted through ADGM, as opposed to those activities that may be conducted through the DIFC. While both financial FZ permit a range of services including financial and banking services, investment business, insurance and so on, ADGM also permits commodities-related activities to be conducted.

DIFC Licences

Categories of licences

Authorized firms can be divided into five categories of licence, each with its own rules and capital requirements.

CATEGORY 1 (Full licence)

Accepting deposits, managing a profit sharing investment account (PSIA)

CATEGORY 2 (Principal)

Providing credit, dealing in investments as principal

CATEGORY 3 (Asset management)

A. Dealing in investments as principal (where it does so only as a matched principal) or dealing in investments as agent
B. Providing custody (where it does so for a fund) or acting as the trustee of a fund
C. Managing assets, managing a collective investment fund, providing custody (where it does so other than for a fund), managing a restricted PSIA or providing trust services (where it is acting as trustee in respect of at least one express trust)

CATEGORY 4 (Advising and custody)

Arranging credit or deals in investments, advising on financial products or credit, arranging custody, intermediation insurance management, operating an alternative trading system, providing fund administration or providing trust services (where it is not acting as trustee in respect of an express trust)

9 Labour Aspects

Labour Law

The Federal Act no 8 1980 as amended by law of 1986 ("the Labour Law"), administered by the Federal ministry of labour and social affairs ("the ministry") in the UAE, regulates employment terms such as hours of work, leave, termination rights and medical benefits. The provisions of the Labour Law override any conflicting provisions in any contract of employment that are less beneficial to the employee.

Businesses are encouraged to employ UAE nationals and expatriates can be employed only after approval from the ministry and on obtaining work permits. A specimen form of labour contract in Arabic is available from the ministry and is widely used, although other forms of contracts are enforceable, if registered, provided that they comply with the Labour Law.

There are two basic forms of contract, those with a specified term and those with an unspecified term. The Labour Law applies to both types of contract with the main difference being the end of service benefits. There are no trade unions in the UAE. In the event of a dispute between the employer and the employee or in the interpretation of the Labour Law, the ministry initially acts as an adjudicator to resolve the dispute. If a party wishes to appeal a decision of the ministry, it can take its case to court.

Compensation package

Salaries and benefits offered to employees vary between organizations. The remuneration structure also varies although two of the commonly used structures are:

- breaking up the total emoluments into separate amounts for basic pay, house rent allowance (HRA), travel allowance and other expatriate benefits like medical, leave passage and gratuity. This structure is popular with the majority of companies including multinational companies in the country
- a gross package that consists of the basic pay element and an allowance element (covering all allowances)

Social security

In respect of UAE nationals, there is a state security fund, general social security and pensions authority, requiring contributions by the employer and the employee. Insurance such as workmen's compensation against industrial injuries is common in industrial establishments.

End of service benefits

In accordance with the UAE Labour Law, an employee who has completed a period of one or more years' service is entitled to end of service benefits on termination of employment. Days of absence from work without pay are not included when calculating the period of service. The employee's end of service benefits generally include gratuity, accrued leave encashment, pay in lieu of notice period.

Specified duration contract

- 21 days basic salary for each year of service for the first five years of service
- 30 days basic salary for each year of service thereafter, on condition that the total gratuity does not exceed twenty-four months basic salary

If an employee resigns, prior to completion of the contract period of a specified duration contract, gratuity is not payable. However, where an employee completes a five year service, gratuity is payable on resignation even if the contract is for a specified period and the employee resigns before the end of this period.

Unspecified duration contract

On termination or resignation after five years of service, gratuity is payable on the same basis as that for employment contracts of specified duration.

If an employee resigns within five years, gratuity is calculated as follows:

- Where continuous service is over one year but less than three years, the employee is entitled to one third of the gratuity as described for the specified duration contract above
- Where continuous service is more than three years but less than five years, the employee is entitled to two thirds of the gratuity as described for the specified duration contract above
- The maximum amount of gratuity payable is equivalent to 24 months basic salary
- If the employee is a UAE national, gratuity is paid to the general social security and pensions authority.

Sick pay

If an employee has completed more than 6 months of the probation period in continuous service of the employer and falls ill, he is entitled to sick leave not exceeding 90 days whether continuous or otherwise, in respect of each year of service. Such leave shall be calculated as follows:

- full pay for the first 15 days
- half pay for the next 30 days
- without pay thereafter

Normally a medical certificate is required for being absent for two consecutive days due to medical reasons.

Holidays

In addition to annual leave, employees are entitled to pay for official holidays and public holidays which are officially declared by the government, on the following days:

- New Year's day (Islamic calendar)
- New Year's day (Gregorian calendar)
- Eid Al Fitar
- Eid Al Adhah
- Birthday of the Prophet
- Accession day
- National day

Visa and permit requirements

In general, all visitors, except citizens of the GCC states and transit visitors must obtain visas to enter the UAE. There are several types of visas and permits available in the UAE. Citizens of exempted countries can automatically obtain a limited period entry permit on arrival.

Employment visa

This is intended for those entering the country for employment purposes, but in practice employees often enter on a visit visa that is then converted to an employment visa.

Employment visas are issued by the Ministry of Labour. In general, a business can recruit either expatriate or local staff subject to certain requirements. Employers must apply to the ministry for visas for individual members of staff, although certain categories of employers may obtain group visas that permit the employment of a specified number of staff without personal particulars. An informal employment quota is allocated to employers based on the size of the business, but numbers may be increased if adequate reasons are given and the employer is in good standing as regards compliance with labour regulations.

10 Relocation and Living

Over the past years, the UAE has increasingly emerged as one of the most popular jurisdictions worldwide for the relocation of high net worth individuals (HNWI), even becoming a preferred alternative to traditional jurisdictions such as the UK, Switzerland, Monaco and Singapore.

With no taxes on individuals, straightforward administrative requirements and low processing costs, coupled with political stability, excellent accessibility and sunny weather all round, the UAE is a very attractive proposal as a residency jurisdiction.

The UAE's position has further been reinforced by the ongoing tax backlash in other hubs eg amended UK regimes pertaining to non-doms, first signs of erosion of the lump sum tax system in Switzerland as well as plans from various countries to tighten the screw on Europe's tax havens.

Why Relocate in the UAE

- exemption from income tax and wealth tax for individuals
- no quotas on the number of issued residence permits
- no requirement to obtain a fiscal quitus from the foreign country
- no minimum requirement regarding the time spent annually in the jurisdiction other than visiting the UAE once every six months
- competitive costs for issuance and renewal of residence permits
- competitive costs of ongoing substantiation
- presence of internationally recognized financial legal and tax services firms
- primary hub and platform to access international business
- political stability
- pleasant climate

Residence permits

Individuals, other than UAE and GCC citizens, must have a residence visa if they want to live in the UAE. Obtaining a residence permit is the primary condition for being considered as resident in the UAE. As a general rule, one has to have a sponsor in order to apply for a residence permit in the jurisdiction.

For many expatriates, the company that employs them will act as their sponsor and secure them residence visa. For those who do not come on an employment contract, there are two other ways for obtaining UAE residency:

- investment in real estate/property residence visa
- set up of corporate structure to act as sponsor

Real estate/property investor residence visa

The UAE government in June 2011 introduced a new system extending the validity of the visa granted to real estate investors up to 3 years.

The following conditions govern the issuance of a real estate investor visa:

- the property is built and ready for accommodation
- the applicant proves ownership (title deed issued by the Land Registry)
- the property is worth minimum AED 1 million (equivalent to US$300.000) with no mortgage
- the applicant's income is higher than AED 10.000 (US$3.000) monthly

Corporate structure

The other way to obtain residency is through a corporate structure.

As a general rule, one has to have a sponsor in order to apply for a residence permit in the jurisdiction. For foreigners, setting up a company is a practical way for obtaining sponsorship.

As far as the company is concerned, it must have physical presence in the UAE. In that regard, the most interesting and cost effective options are proposed by free zones situated in the northern emirates. They also offer flexi desks or flexi offices.

Lifestyle

There is little crime in the UAE and the country is clean, with modern facilities. Foreign newspapers, magazines, films and videos are readily available. Alcohol is available for consumption by non-muslims in certain emirates and may be consumed at home, in hotels and on licensed club premises. There is also a wide range of entertainment available including clubs, cinema, theatres, desert safaris and many sporting facilities, restaurants and hotels. Women are permitted to work and can drive and move around unaccompanied.

Transport

The UAE has a comprehensive road network with driving on the right hand side of the road.

Taxis are the main form of public transport. Visitors may hire a car if they hold an international driving license.

Major international car rental companies operate in the UAE.

Education

There are government schools in all the emirates providing free primary and secondary education to UAE nationals.

There are private foreign schools offering the academic curriculum of the UK, the US and other countries including Italy, Japan, Iran, France, Germany, India and Pakistan as well as the international baccalaureate.

Medical services

The Department of Health provides medical care to all UAE nationals, visitors and resident expatriates. The Department issues health cards to individuals that entitle them to receive subsidized consultation and free medicines.

Fees on medical examination by consultants in hospitals are less for health cardholders than for non-card holders while UAE nationals who hold health cards are exempt from these charges.

Relocation to Dubai described as "new Switzerland"

Over the past years, the UAE has increasingly emerged as one of the most popular jurisdictions worldwide for the relocation of high net worth individuals (HNWI), even becoming a preferred alternative to traditional jurisdictions such as the UK, Switzerland, Monaco and Singapore.

Dubai is widely described as the "new Switzerland". Many advantages exist for HNWI in Dubai to fit this description, including:

- pro-business and advantageous tax regime, no personal and corporate taxes, no capital restrictions and 100 percent repatriation of capital and profits
- bank confidentiality, secrecy and discretion
- developed economy with significant natural resources, state reserves and growth prospects
- mature, safe, well capitalized and regulated banking sector
- banking system that allows 24/7 online transfer capabilities and cash withdrawals
- stable currency pegged to the US dollar eliminating currency risks
- a regime that prohibits unethical and high risk activities
- no social unrest and low crime rate
- abundance of high end accommodation facilities, marinas, entertainment, luxury lifestyle and world class shopping
- business hub with significant commercial activity and profusion of top end office space, staff and executives for employment
- world class health system
- top international schools and universities at all levels
- advanced telecommunications
- air connections via world class airports with significant direct flights and a major transit hub
- a good climate, sunny for most of the year at the sea coast

HNWI Comparison

	EUROPE	
	United Kingdom	**Switzerland**
Main advantages	Competitive tax system. Tax incentive schemes. Relatively low capital gains tax. Facilitated access to all Schengen states. Comprehensive tax treaty network. Good standard of living and health care. Politically stable.	No minimum stay. No need to declare worldwide income and assets under annual lump-sum taxation regime. No capital gains tax, except on sale of real estate. Free access to all Schengen States. Comprehensive tax treaty network. Politically stable.
Key conditions in practice	Investment of a min value of £2mn, £5mn or £10mn into qualifying UK investments.	Lump sum taxation where available **or** Employment contract for at least 12 months **or** Proof of self-employment in case of no professional activity, proof of ability to sustain one's living as well as existence of health insurance.
Quotas on number of issued residence permits	None	EU/EFTA Citizens: None. All others: Yes for first time applicants except for retirees above 55 years.
Mandatory interview	No	No
Presence of applicant during the application	Not required	Not required
Time frame of completion of procedure	4-8 weeks	EU/EFTA Citizens: 2-4 weeks All others: 2-4 months
Validity and renewal of residence permit	Valid for 3 years, renewable for 2 years. After 5 years, a permanent residence can be applied for.	EU Citizens: 5 years. After 5 years, a permanent residence can be applied for. All others: Valid for 1 year – annual renewal until permit can be applied for (10 years initial period).
Required legal presence "day counting"	De lege: not required. In practice: recommended not to spend more than 180 days in another jurisdiction.	De lege: minimum of 180 days per year. In practice: can be less if special personal situation applies. Loss of residency if the min 180 days mandatory period of stay in the country within a year is not met.
Cost of 1Bdr flat (70 m2)	Rental: US$46.700/year. Purchase: US$ 545.000.	Rental: US$ 25.000/year. Purchase: US$ 630.000.
Taxation	Annual tax filings: mandatory. Income Tax: 20%, tax residents are liable on worldwide income, non-residents on UK source income. Wealth/net worth tax: none. Gift tax: yes, but with possible exemption. Inheritance tax: none for an estate to up to a max value £325.000 and 40% beyond. Special regime to "Resident non domiciled": only for UK source income and foreign income remitted to the UK is subject to tax, after 7 years, remittance basis charge (£30.000 to £50.000).	Annual tax filings: mandatory. Income tax: levied at federal, cantonal and municipal level. Rates for federal tax are progressive up to 11,5%. Cantonal and municipal tax rates vary. Residents are liable on their worldwide income, non-residents only on Swiss source income. Not applicable to HNWI eligible for lump-sum taxation. Capital gains tax: none, except on sale of real estate. Wealth/net worth tax: levied at the cantonal and municipal level. Gift/inheritance tax: based on the canton of the domicile chosen, not applicable for all cantons.

	MIDDLE EAST	ASIA
Monaco	**UAE**	**Singapore**
No Income and capital gains, wealth and local tax. No direct inheritance tax, except for assets located in the country. Free access to Schengen states. Politically stable.	No minimum stay. Total exemption from income, wealth, gift and inheritance tax. No tax filing. Competitive costs of issuance and ongoing substantiation of residence permit. Comprehensive tax treaty network accessibility. Politically stable.	All foreign income is exempted even if remitted to Singapore. No capital gains, wealth, inheritance nor gift taxes. Comprehensive tax treaty network.
Real estate investment **or** subscribe to a tenancy agreement.	Constitution of a Company **or** Real estate investment in Dubai min value US$360.000.	Investment through the Global Investor Programme of a min value of US$ 2,5 mn. Applicant to produce 3-year audited financial statement of his/her company.
None	None	None
Yes	No	Yes
Required for initial application and for interview.	Not required for initial application. Required for visa processing and collection of permit.	Required for interview. Not required otherwise.
EU/EFTA Citizens: 7-10 weeks. All others: depending on the French Embassy of their country.	3 weeks	4-8 months
Residence Permit 1-3: Valid for 1 year and renewable yearly. Residence Permit 4-6: Valid for 3 years and renewable for the same term. Residence Permit 7.	Valid up to 3 years. Renewable for up to 3 years.	Valid up to 5 years, renewable subject to compliance with certain specified conditions.
Required. Monaco must be the main home to maintain tax residence status.	De lege: not required. In practice: 1 day every 6 months and recommended not to spend more than 183 days in another jurisdiction.	Required, no specific period. In practice: the 183 days period is for the purpose of determining whether one is a tax resident.
Rental: US$ 30.000/year. Purchase: US$ 2.695.000.	Rental: US$ 12.000/year. Purchase: US$ 300.000.	Rental: US$ 30.000/year. Purchase: US$1.100.000
Annual tax filings: none. Income Tax: none (French citizens are taxed in France) Capital gains tax: none (French citizens are taxed in France). Wealth/net worth tax: none. Gift/inheritance tax: on Monaco assets only 0 to 16% on Monaco assets (Spouse, ancestors or descendants – exempted, brothers and sisters – 8%, uncle, aunts, nephews, nieces – 10%, unrelated parties – 16%).	Annual tax filings: None. Income Tax: None. Capital gains tax: None. Inheritance tax: None. Gift tax: None. Wealth/net worth tax: None.	Annual tax filings: mandatory. Income tax: residents are liable on income derived from Singapore. Foreign source income received or deemed received in Singapore by a resident is exempt. Income taxed up to 20% on income generated in Singapore, none on foreign income even if remitted to Singapore. Capital gains tax: none. Wealth/net worth tax: none. Gift/inheritance tax: none.

FREEMONT ONEWORLD GROUP

At Freemont Oneworld Group (FOG) we provide integrated solutions to our clients.

A significant portion of our business is trust and corporate registration and administration for private individuals. Many corporate clients come to us for a complete solution and for many we set up and administer their individualized tax efficient structures. We also render international tax advice, financial advisory, accounting and payroll, VAT and customs, corporate finance and other pertinent services.

Like our clients, we maintain the highest professional standards, code of conduct and integrity. Our due diligence procedures more than meet the requirements of the highly regulated jurisdictions in which we work. Our staff is trained comprehensively in anti-money laundering and "know your client" procedures. As one would expect, confidentiality is paramount in all our dealings, and our staff are bound by law to maintain professional confidence.

We are one of the leading corporate providers and we bring a depth of experience to our work and dealings with clients. Our personnel consists of chartered accountants, lawyers, financial advisors, tax specialists, administrators and company secretaries as well as a highly trained and knowledgeable corporate and support staff.

Services

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- Company Formation and Administration
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- Wealth Management and Advisory
- Dubai Courts Support Services

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