

United Arab Emirates Fact sheet

Introduction

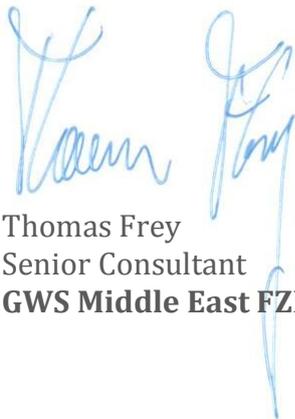
The United Arab Emirates enjoys an outstanding reputation as an international hub of multinational corporations and entrepreneurs, and as an excellent financial center worldwide. The success story of the UAE is still young. But by a far-sighted, forward-looking policy, the UAE was able to create the perfect environment for entrepreneurs and win over numerous investors with attractive incentives. So it comes as no surprise that all of the 25 largest investment companies also have an office in the Emirates.

In this brochure, we would like to introduce ourselves and show you various design possibilities for your business success. As a member of the globally active GWS Group, we advise you objectively, confidentially and independently, focusing our activity on only one thing: your business success.

Through our work, we set international standards and create precisely the professional and confidential environment needed for your successful offshore business.

With this brochure, we would like to provide you with comprehensive assistance as well as all the necessary information to make the right decisions for your successful company formation in the UAE.

Welcome to the Emirates!



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The United Arab Emirates



Population	9.2 million
Capital	Abu Dhabi
Government	Absolute Monarchy
Currency	UAE-Dirham (AED)
Economy	Real estate, tourism, manufacturing and high-tech industry, internet business, insurance and banking
Emirates	Dubai, Abu Dhabi, Ras al Khaimah (RAK), Ajman, Fujairah, Sharjah, and Umm al-Quwain

Taxes

The United Arab Emirates does not impose any corporate, personal, sales, inheritance or wealth taxes. Taxes are levied only on petrol and gas extracting industries and banks.

Company Types

Offshore Company

The legislation that allows foreign investors to set up offshore companies in the United Arab Emirates was passed in 2003. With this type of company, all business activities must be conducted outside the Emirates. However, an offshore company may open bank accounts and hold real estate and intellectual property.

Onshore Company

Foreign companies may create "onshore" companies in the Emirates. However, the majority share (> 50%), must be held by a local partner. The foreign company will keep only a minority share.

Free Trade Zone Company

A Free Trade Zone Company is a convenient alternative to the onshore company. This type of company allows foreign entrepreneurs to keep the entire share capital (100% foreign ownership). The Emirates guarantees a tax exemption for the next 50 years, which remains valid, even if the UAE should introduce corporate taxes in the meantime.

RAK Offshore Company

1. Benefits:

The benefits of an offshore company in the Emirate of Ras Al Khaimah (RAK Offshore) are obvious:

There are neither corporate nor personal taxes; there are also no sales, inheritance or wealth taxes. This combination of tax relief and first-class reputation makes the UAE one of the most attractive offshore locations worldwide.

Unlike some other tax havens, offshore companies in the UAE enjoy an excellent reputation internationally, and are valued business partners in international business, as well as for banks and financial service providers worldwide. The UAE is generally not regarded as a tax haven, as the tax exemption applies for both onshore and offshore companies.

A RAK offshore company in the United Arab Emirates facilitates access to a business account in international, well-capitalized and solid banks, operating in a stable economic environment. The UAE has first class international banks with excellent services and strict privacy policies. In addition to this, the UAE does not plan to participate in the automatic exchange of information under OECD plans.

- UAE is a 'real' country with a 'real' economy
- UAE is not a dependent or 'overseas' territory of another country and is white-listed
- UAE has double taxation avoidance agreements (DTAA's) with several countries, currently more than 40
- 100% foreign ownership allowed
- RAK offshore companies are not subject to any taxes or duties in the UAE
- RAK offshore companies are allowed to hold a bank account in the UAE
- RAK offshore companies may own real estate properties in the UAE, approved by the Ras Al Khaimah investment authority
- No capital deposit required

2. Restrictions

From a business perspective, a RAK offshore company in the UAE is an ideal choice to benefit from a stable economy, complete tax exemption, an excellent financial center and favorable regulatory environment, and is therefore suitable for entrepreneurs whose activity does not extend to the UAE.

Restrictions placed on Offshore Companies:

- Offshore companies are restricted from carrying out activities in the UAE.
- An offshore company cannot carry on a banking business or undertake the business of an insurance or reinsurance company, insurance agent or an insurance broker.
- An offshore company cannot carry on any business which may be restricted by the relevant authority and its regulations under which the offshore company is established.

The RAK offshore company is a non-tax resident enterprise, which generally cannot benefit from the advantages of the double taxation agreements. In addition, the offshore company does not permit residence within the UAE, for owners or employees of the company.

Taxation in the UAE

1. Tax Rates

Corporate Tax	0%
Income tax	0%
VAT	0%
Sales tax	0%
Inheritance tax	0%
Wealth tax	0%

Corporate taxes are levied in the UAE only on oil and gas transactions and transactions of foreign bank branches.

2. Double taxation agreement

A subsidiary or a company within a free trade zone (for example, the RAK Free Trade Zone) can benefit from the numerous double taxation treaties of the United Arab Emirates.

RAK Offshore Companies

1. RAK Offshore

The RAK Investment Authority (RAKIA) launched the concept of the International Business Company in January 2007; this enterprise type has since become one of the most popular offshore company types worldwide. About 8,000 offshore companies are registered in RAK. RAK offshore companies are exempt from corporate and income taxes and are ideal for internationally active companies.

It is important to note that an offshore company in RAK is more attractive than the establishment of an offshore company in Dubai, regarding the establishment costs. RAK is an ideal choice for an offshore company, as 100 percent foreign ownership is allowed and thus no local partner is necessary. The fact that an offshore company is not required to keep accounts is also a great advantage.

2. The Highlights of a RAK Offshore Company

- 100% foreign ownership allowed
- Exempt from all corporate and income taxes
- No restrictions on foreign currencies
- No local office required; no employees and therefore no associated costs
- A RAK offshore company allows investments in real estate, trademarks and rights, or owning real estate
- A RAK offshore company can be used as a holding company
- No requirement to keep accounts

3. Why Ras Al Khaimah?

Ras Al Khaimah is one of the most attractive offshore locations within the United Arab Emirates, since the establishment fees are significantly lower than in other Emirates, while offering the same benefits and advantages: full exemption from taxes.

While the offshore location, Jebel Ali (Dubai), for example, requires at least two shareholders and their physical presence for the company establishment in Dubai, the RAK offshore company requires only one shareholder, and can be founded without his personal presence.

UAE Free Trade Zone Companies

1. General

Besides the offshore companies, the United Arab Emirates also offers the possibility to establish a company in one of the numerous free trade zones. The free trade zones guarantee full tax exemption for up to 50 years for investors and company founders.

The Jebel Ali free zone in Dubai is one of the most renowned free trade zones; it was created in 1985 to attract investors and to create a barrier-free, tax-exempt business environment. About 30 kilometers away from the Dubai International airport, Jebel Ali has the world's largest man-made port facility. Over 3,000 companies from over 60 countries have already settled in this zone.

2. Selecting a Suitable Free Trade Zone

Selecting a suitable Free Trade Zone for your own business purpose depends, in part, on the particular business activity (trade, industry or service sector), as well as the required infrastructure (proximity to an airport, port, sufficient storage space, etc.). We are convinced that the Ras Al Khaimah (RAK) Free Trade Zone offers significant advantages, especially in terms of establishment costs.

3. Classic Benefits of Free Trade Zones in the UAE are:

- 100% ownership for the investor
- 0% - tax privilege (for corporate profits, import / export, personal income)
- 100% of capital and profits can be exported
- State-of-the-art infrastructure
- No restriction on foreign exchange
- Branches of post offices, banks, restaurants and small supermarkets are all located within the Free Trade Zone
- Residence permit for managers and employees

List of UAE-Double Taxation Treaties

Recipient	Dividends %	Interest %	Royalties %
Algeria	-	-	10
Armenia	-/3	-	5
Austria	-	-	-
Azerbaijan	5/10	-/*7	5/10
Belarus	5/10	5	5/10
Belgium	-/5/10	-/5	-/5
Bosnia & Herzegovina	-/5/10	-	5
Bulgaria	-/5	-/2	-/5
Canada	5/10/15	-/10	10
China	7	7	10
Cyprus	-	-	-
Czech Republic	-/5	-	10
Egypt	-	0/10	10
Estonia	-	-	-
Finland	-	-	-
France	-	-	-
Georgia	-	-	-
Germany	5/10/15	-	10
Greece	-/5	-/5	-/5
Hong Kong	n/a	n/a	n/a
India	10	-/5/12.5	10
Indonesia	10	-/5	5
Ireland	-	-	-
Italy	5/15	-	10
Jordan	n/a	n/a	n/a
Kazakhstan	5	10	10
Korea	5/10	-/10	-
Lebanon	-	-	5
Libya	n/a	n/a	n/a
Luxembourg	5/10	-	-
Malaysia	10	-/5	10
Malta	-	-	-
Mauritius	-	-	-
Mongolia	-	-	10
Morocco	-/5/10	-/10	-/10
Mozambique	-	-	-/5
Netherlands	5/10	-	-
New Zealand	15	-/10	10
Pakistan	10/15	-/10	12
Philippines	-/10/15	-/10	10
Poland	-/5	-/5	5
Portugal	5/15	-/10	5
Romania	-/3	-/3	3
Seychelles	-	-	5
Singapore	5	-/7	5
Spain	5/15	-	-
Sri Lanka	-/10	-/10	10
Sudan	-	-	5
Switzerland	5/15	-	-
Syria	-	-/10	18
Tajikistan	-	-	10
Thailand	10	10/15	15
Tunisia	-	2.5/5/10	7.5
Turkey	5/10/12	-/10	10
Turkmenistan	-	-	10
Ukraine	-/5	-/3	-/10
Uzbekistan	-/5/15	-/10	10
Venezuela	5/10	10	10
Vietnam	-/5/15	-/10	10
Yemen	-	-	10

RAK Free Trade Zone

1. General

In order to encourage investments, the UAE looked back on a success story with Free Trade Zones. As early as 1985, the first Free Trade Zone (Jebel Ali) was established. This success story was continued in Ras Al Khaimah (RAK), one of the fastest growing Emirates.

Company formations in RAK are subject to the supervision of the RAK Investment Authority (RAKIA). RAKIA registers the companies within the so-called RAK Free Trade Zone, through their own registered and licensed agents, which GWS Middle East FZE is part of. Additionally, the authority provides real estate and business centers in the Free Trade Zone.

The RAK Free Trade Zone Authority was established in the year 2000, under the patronage of Sheikh Faisal Bis Saqr Al Qasimi. It has since become one of the fastest growing free trade zones in the region, with over 7,000 registered companies from 106 countries.

2. Company Types

- Branch office (headquarters of the company may be in the UAE or abroad)
- Free Zone Establishment = FZE (1 shareholder, may be a natural or legal person)
- Free Zone Company = FZCO (2 shareholders minimum)

3. Business Licenses

Types of Business Licence

Licence	Activities Covered by the Licence	Number of Allowed Activities
COMMERCIAL	Import, export, distribution or warehousing of goods	2 different activities or 7 similar activities
GENERAL TRADING	Import, export, distribution or warehousing of goods	Different activities
CONSULTANCY/SERVICES	Any type of management, marketing, academic, real estate, logistics or industrial consulting	2 different consulting activities
INDUSTRIAL	Import of raw materials, manufacturing, processing, assembling, packaging and export of finished products	1 product line

Tax Optimization Strategies

Strategy One: Establish a free zone entity

The free zones allow companies to have a UAE entity that is 100 percent foreign owned and yet take advantage of:

- low formation and annual costs
- visa sponsorships
- a range of options for physical presence from flexi desks (virtual desks), to complete buildings and industrial developments
- no taxes
- no exchange controls or thin capitalization restrictions
- access to the UAE double tax treaty network
- an individual acts as the “Manager” and is required to be nominated for each company

Strategy Two: Combine a free zone entity with an IBC

Owning a free zone entity, or creating a free zone branch of the IBC, provides the following benefits:

- confidentiality of ownership and operations; physical presence or management, as required by some treaties for treaty protection
- restricted custodian and nominee shareholdings
- the 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, migration in and out of the jurisdiction
- OECD white list jurisdiction

Strategy Three: Global head office company/IP holding company

In the majority of the UAE double tax treaties which have look-through limitation provisions, the use of the UAE as the head office of a company to minimize global taxes is a vastly underestimated and under-utilized strategy.

The relocation of the head office of the known US company, Halliburton, to Dubai, is one example of this strategy. However, for the majority of practitioners, the use of UAE treaty networks in this manner has been ignored, possibly due to lack of information.

The choice of law for IBCs provides for the head office company to own patents, IP trademarks, confidential knowhow and copyright, under the laws of any jurisdiction, and to license this technology to a free zone 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 outside the domain of the local UAE or DIFC laws, which may be a concern when otherwise considering the UAE as a base to hold and develop IP.

Strategy Four: 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 free zone 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.

Summary

The United Arab Emirates, and especially the Emirate of Ras Al Khaimah, offers ideal conditions to entrepreneurs to benefit from the liberal corporate law and full tax exemption.

At the same time, companies from the United Arab Emirates enjoy the highest international reputation among business partners and banks.

In summary, it should be noted that the following types of companies are particularly suitable for foreign entrepreneurs and investors:

RAK Offshore Company

For companies that carry out their business outside the UAE, but still want to benefit from the tax exemption, excellent reputation and stable financial center.

RAK Free Trade Zone Company

For companies that require suitable premises for production, storage or employees, and residence permits for employees, as well as access to numerous double taxation agreements.

You can, too, benefit from the success story of the United Arab Emirates!



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