

A Guide to setting up a company in UAE

About M&M



About us

M&M is a Member of MGI worldwide giving us **access to some 400 offices in over 100 countries**. We are an established local player with global connections, offering both cross-border and local jurisdiction services, all delivered with quality guarantee.



Our Affiliate

is **technologically advanced and has global presence** in data analytics, blockchain solution, process automation, IT system implementation, software development including technology, Data Analytics support.



Our expertise

In UAE or expertise covers clients in **diverse sectors** like Insurance, investment funds, Pharmaceutical, technology steel, advertising media having turnover over USD 10 billion.



Growth

With the **growing expertise and the need to provide individualized solutions** to our clients, we have streamlined our core functions into five verticals of services covering Audits, Tax, Accounting, **Business set up** and advisory services related to AML and compliance services.



Presence

We have increased our presence in **Abu Dhabi** and have converted one of our offices in **Ibn Battuta gate, Dubai**, for **training** of our staff and clients. We have 25 staff with total of 125 years of experience.

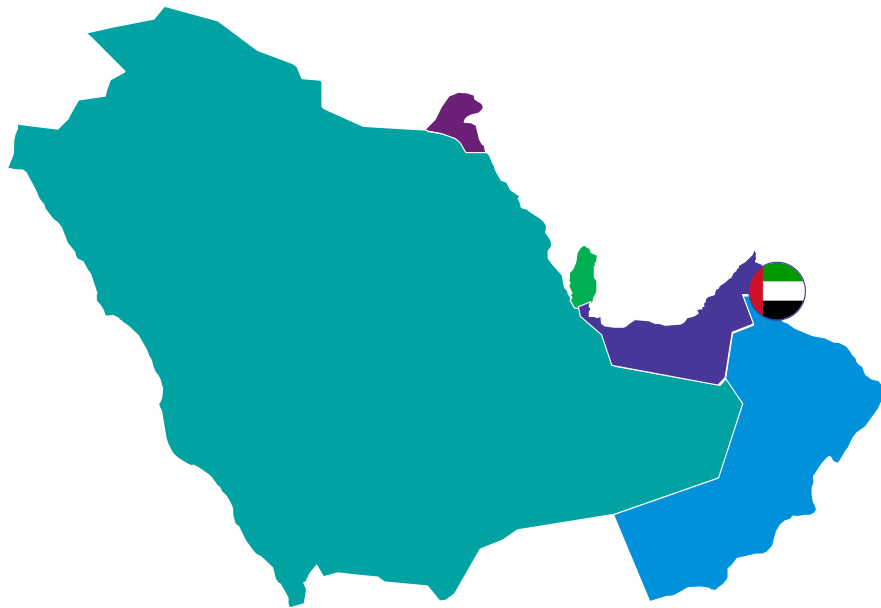


Innovations

With the help of our affiliate, **we have developed our in-house audit tool** that allows us to seamlessly collect documents in a secured portal for clients and working on many more such value add on products.



UAE - An overview



ABOUT UAE

UAE comprises of **7 emirates and more than 50 Free Trade Zones**

UAE is committed to supporting the growth of Dubai's digital economy and cements the emirate's position as a global destination for digital companies.

MULTICULTURAL ENVIRONMENT

UAE is a Hub of cultural diversity

It is a second home for over 200 nationalities

Dubai ranks as one of the most multicultural cities in the world

Cultural diversity drives its economic, social and intellectual development

TIME ZONE COMPATIBILITY

UAE is well positioned to do business with many countries around the world. It is located at a convenient midpoint between Europe and Asia expanding business opportunities

Weekend changed to Saturday and Sunday, to align with global practices

OPERATIONAL ADVANTAGES

Most of activities are allowed to have

100% foreign ownership in Mainland

UAE Economy supports more than 75 % of medium size companies

COURT OF LAW

DIFC Courts have been given more powers and disputed parties may agree to approach DIFC Courts rather than Dubai Courts

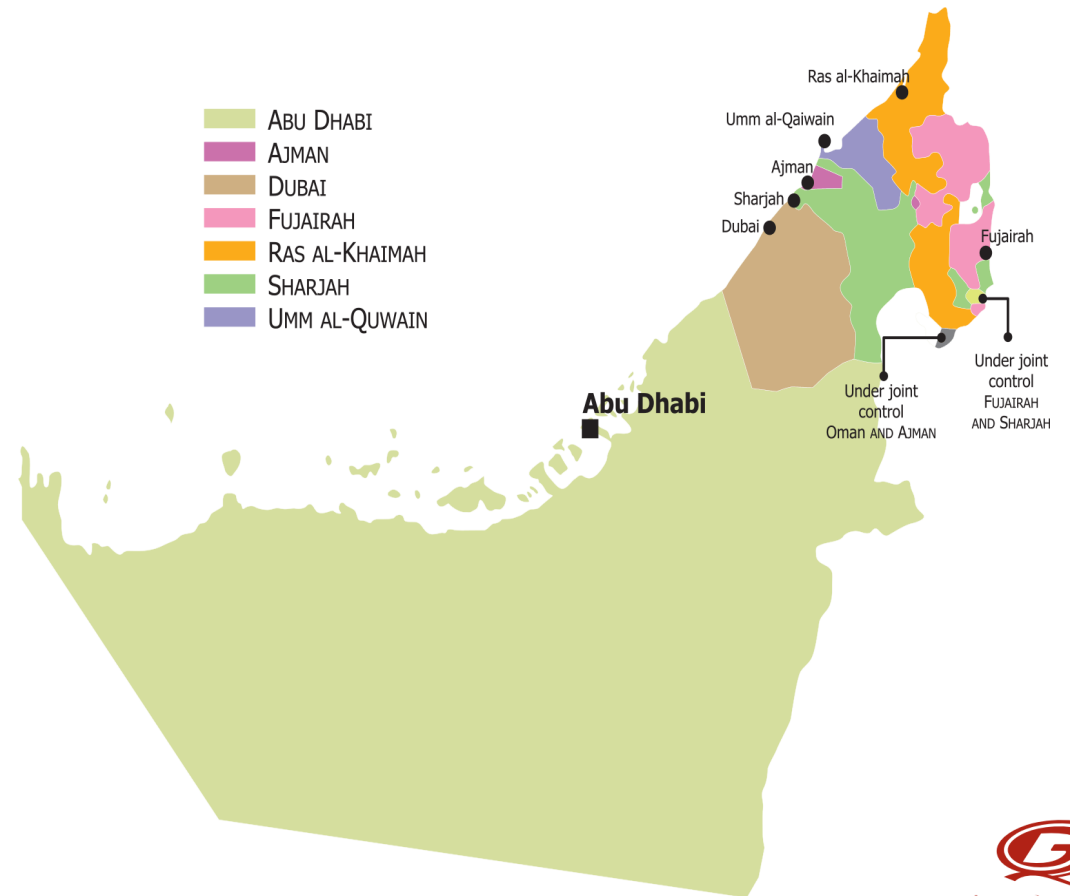
CHANGES IN VISA

Ten-year golden visas RE being offered to expatriates and other visa types introduced



Free Trade Zones ('FTZ') in UAE

S. No.	Emirate	No. of FTZ	Popular FTZs
1	Dubai	40	DMCC, DAFZA, JAFZA, IFZA, DIFC, DWTCA MEYDAN , DUQE
2	Abu Dhabi	7	ADGM, KIZAD Masdar city
3	Sharjah	6	SAIF
4	Ras-Al-Khaimah	5	RAKEZ
5	Ajman	2	2 Ajman free zones
6	Fujairah	2	Fujairah Creative City
7	Umm Al-Quwain	1	UAQ Free Zone



Top considerations to keep in mind when obtaining a business license

Selection of the
correct business
activities

Selection of
Company Name

Share holding

Capital infusion

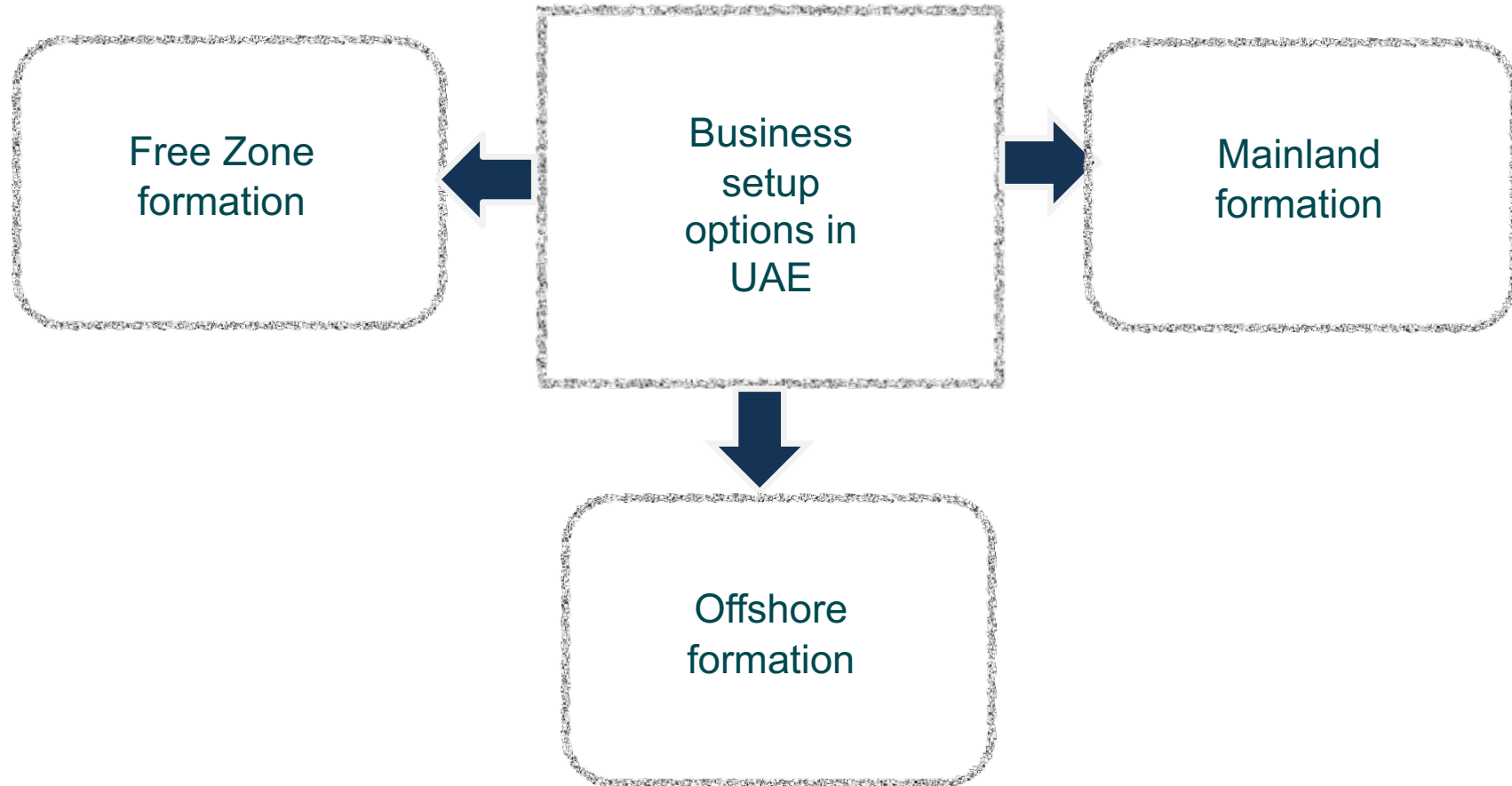
Compliance

Taxation

Accounting
Considerations



Business setup options



Selection of the correct business activities

Before making any application the Investor/ Promoter/ Entrepreneur should be careful while selecting the activities as this will determine the type of licence you can opt for.

E.g., In free zone it is also possible to combine different activities in the same licence.

There are different types of licenses, namely industrial license, commercial license, crafts license, tourism license, agricultural license, and professional license. But the most commonly used licences by the entrepreneurs or SME are Commercial, Industrial and professional/service licence.

Commercial licence

Commercial licence is required for businesses involved in buying and selling of goods. It is issued by **Department of Economic Development (DED)** in each Emirate or the selected **Free zone Authority**. This licence allows businesses to operate in UAE market and to carry out activities such as import, export, retail and wholesale trading.

Professional licence

A professional licence is required by individual or businesses providing professional services such as consultancy, accounting, legal and other similar services. Some professional licenses require approvals from relevant regulatory authority, such as Dubai healthcare authority for health care professionals, Dubai legal affairs department for legal professionals, and Dubai Municipality for engineering and architecture professional.

Industrial Licence

Industrial licence is required for businesses involved in manufacturing, processing of goods. The activities under the industrial licence essentially include production, segregation, collection, packaging, etc. Production can be termed as the transformation of raw materials or natural resources from the crude state to the final or refined state. The factory can benefit from the exemption of custom duties on machinery & equipment, spare parts, not manufactured & semi-manufactured raw materials, and packaging materials.



Company formation



Mainland
 Mainland company license is issued by Dubai Economic department (DED).

It gives flexibility to do business all over UAE and Internationally without any restrictions .

With 100 % ownership now allowed for more than 1000 commercial activities

Commercial activities can now have instant licenses with option for having Virtual office for the first year which has made formation much easier for certain categories.

Free zone
 There are more than 50 Free zones in UAE
 Out of which major Free zones are in Dubai

Businesses having more international client and doing business outside UAE can select the freezone according to the benefit each freezone offers .

Free zone offer 100 % ownership of business owned by expat

Entrepreneurs who are looking for tax optimization and tax benefits (subject to certain conditions met) offered by the freezone can opt for forming their company in the free zone.

Offshore
 The 2 popular Jurisdictions to form offshore companies are in JAFZA offshore or RAKICC

Providing a gateway for international market expansion; Access to a stable and business-friendly system. Access to a more flexible regulatory regime

Offers 100 % ownership and easy formation. Cost effective AND does not require physical office only an offshore agent required to register

Offering tax neutrality on international earnings in respect of (depending on jurisdiction) personal or company income, capital gains and inheritance taxes;

General documents required for Freezone & Mainland companies

Depending on the company Structure whether it is individual or Corporate the documents required will be

Individual

- Passport Copy
- Emirates ID copy for UAE residents
- Passport size photo
- License Application Form (including Ultimate Beneficial Ownership information)

Corporate

- Passport Copy (of every Shareholder and General Manager)
- Passport Photo (of every Shareholder and General Manager)
- Emirates ID copy for Shareholders who are UAE residents
- Visa Copy for Shareholders who are UAE residents
- Board Resolution
- Memorandum & Articles of Association of the corporate shareholder (or equivalent constitutional documents)
- Valid Trade License or equivalent
- Certificate of Incorporation / Formation of the corporate shareholder or equivalent



- Please note that the Company documents should be NOTARIZED & ATTESTED
- If the company is incorporated outside of the UAE, the board resolution should be notarized in the country of origin then attested by the UAE Embassy
- For mainland formation all the company documents need to be translated in Arabic and attested BY MOFA in UAE
- POA if required

Top considerations to keep in mind when obtaining a business license

Company Name:

One should be extra careful while selecting the trade name as it should comply with government rules and regulations. Business names should not contradict your company's activity; names perceived as offensive to religion, or which refer to political groups are strictly forbidden.

Shareholding:

Shareholding structure should be predetermined. The number of partners, the share capital, percentage of holding by each partner.

Capital infusion:

Depending on your type of business activities, one must have an idea of the investment. Prepare a plan so that initial infusion of capital can be estimated.

While planning, businesses should consider the cost of the licence which will occur annually and will depend on the activity and the jurisdiction selected. There will be cost of visas for self or for the employees, cost of office space rental and mandatory medical insurance etc.



Tax considerations while starting a business in UAE

At present there are no withholding taxes or capital gains taxes in the UAE. Taxes on goods and services are limited to VAT in the UAE. Businesses will have to pay corporate income tax starting in financial years beginning on or after the 1st June 2023.

VAT

VAT was introduced in the UAE on 1 January 2018, the rate of VAT is 5 per cent.

VAT is a form of indirect tax, and the end-consumer ultimately bears the cost.

Value Added Tax or VAT is a tax on the consumption or use of goods and services levied at each point of sale.

Businesses collect and account for the tax on behalf of the government.

A business must register for VAT if its taxable supplies and imports exceed AED 375,000 per annum.

businesses whose supplies and imports exceed AED 187,500 per annum can also register for VAT voluntarily.

VAT applies on tax-registered businesses managed on the UAE mainland and in the free zones.

Corporate Income tax

The UAE corporate tax regime is set to have a standard tax rate of 9 percent (9%) and a zero percent (0%) tax rate on taxable profits up to AED375,000 to encourage startups and small businesses.

All UAE companies will be subjected to the Corporate Income Tax. However, the UAE corporate tax scheme will continue to offer incentives to Free Zone companies that comply with regulatory requirements and do not conduct business with mainland UAE.

UAE ministry of Finance has recently issued Ministerial decision No. 73 of 2023 on Small businesses relief for the purposes of Federal Decree Law No.47 of 2022 (Corporate Tax Law) aim in supporting small businesses including start- ups reducing their compliance cost.



Compliance considerations while starting a business in UAE

The UAE has strict regulations that need to be followed by companies operating in the UAE. Compliance is required in the following areas:

Economic Substance Regulation (ESR)

On 30 April 2019, the UAE Cabinet adopted new ESR in response to concerns expressed by the European Union Code of Conduct Group about the tax framework of the UAE and its commitment to the anti-Base Erosion and Profit Shifting (BEPS) Action Plan proposed by the Organization for Economic Cooperation and Development (OECD).

A licensee undertaking one or more of the following Relevant and Core Income Generating Activities during the relevant year must file a Notification with the Registration Authority

Relevant Activities (pursuant to Article 3.1 of cabinet resolution No 57 of 2020) include :

Banking Businesses ,Insurance Businesses ,Investment Fund Management Businesses, Lease-Finance Businesses, Headquarter Businesses , Shipping Businesses , Holding Company Businesses , Intellectual Property Businesses Distribution and Service Centre Businesses

Ultimate Beneficiary Owner (UBO)

In compliance with the UAE Anti Money Laundering Law of 2018 (AML Law) and UAE Cabinet Resolution 58 of 2020 (UBO Law), all companies registered in UAE are required to maintain registers of its real beneficial owners and partners or shareholders.

The licensee should submit a UBO declaration for to avoid administrative penalties stated in the Cabinet Resolution 53 of 2021 (Unified List of Violations and Administrative Penalties for the Violations of Cabinet Resolution 58 of 2020).

Companies must maintain one register of UBOs and another register of shareholders/partners. If a company has trustees or nominee managers, it must include information about them in the shareholder/partners register as well.

AML / CFT

Designated non-financial businesses and professions (DNFBPs), have been asked to register in the Financial Intelligence Unit (goAML) and the Committee for Commodities Subject to Import and Export Control system (Automatic Reporting System for Sanctions Lists). The non-financial business and activities that are "most exposed to money laundering risks". have been divided into four main categories.

Brokers and real estate agents, Dealers of precious metals and gemstones, Independent auditors and accountants, Corporate service providers and trust funds



Accounting considerations while starting a business in UAE

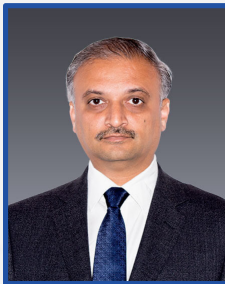
Bookkeeping refers to documenting and keeping up with a company's transactions and cash flow and accounting tends to provide a clearer picture of your company's financial standing and future prospects .

Its is most important for a company to maintain proper books of accounts to be able to file Tax returns. With introduction of Corporate Tax all entities irrespective Whether the they are liable to pay tax or not will have to maintain proper **financial accounting records** as every entity will have to derive taxable income from the accounting Income.

In some cases, the Commercial Companies Law requires that all mainland companies undergo an audit of their accounts. Even all businesses in the major Free zones have to submit Audited financial statements at the end of each year for renewal of the licences,



Any questions? Get in touch



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