Family Office
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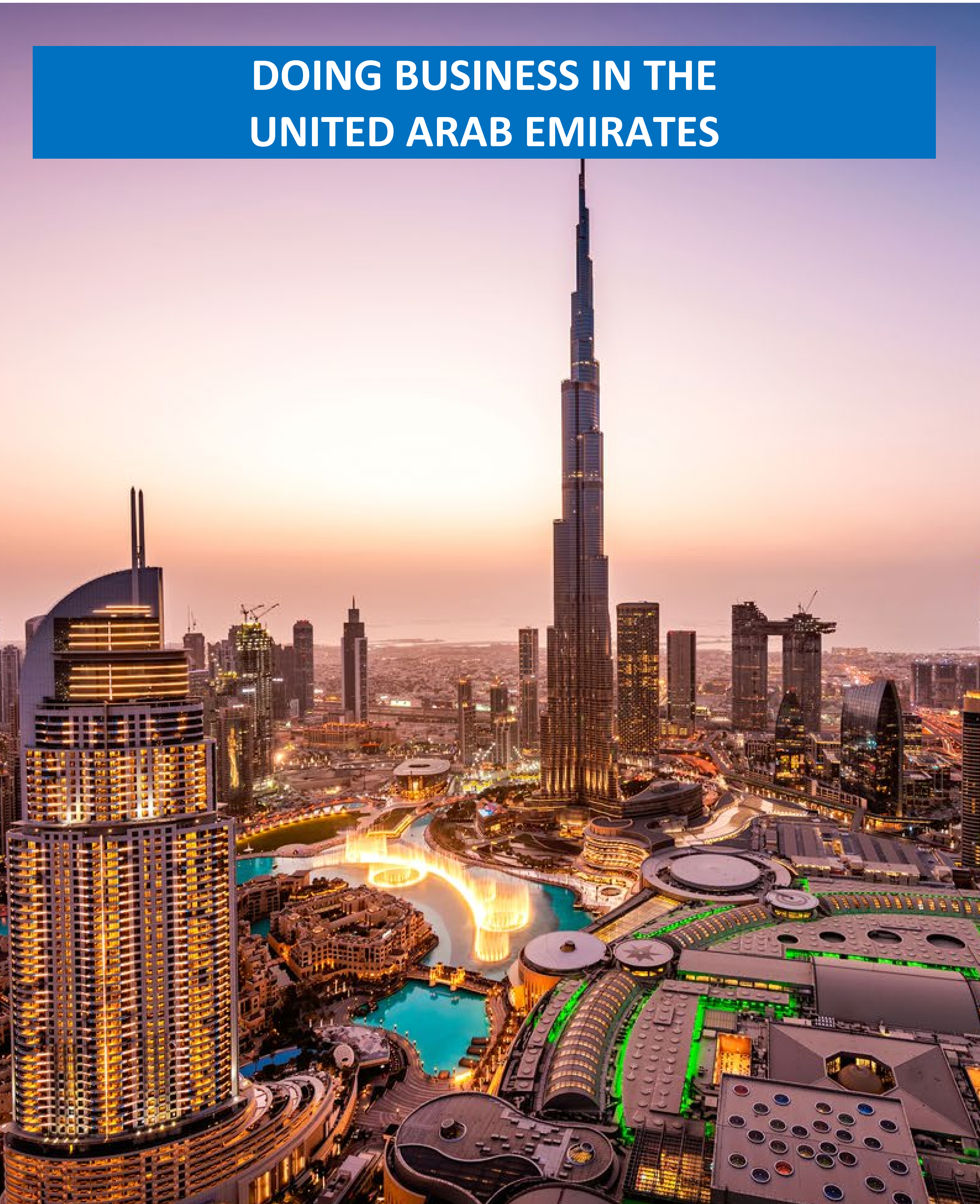
DOING BUSINESS IN THE UNITED ARAB EMIRATES



THE MULTI FAMILY OFFICE

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ABOUT THE EMIRATES

Occupying a strategic location between Asia, Europe and Africa, the United Arab Emirates (UAE) ranks first among the countries most attractive to foreign direct investment in the Middle East (ME) and Africa region.

The UAE is a confederation of seven Emirates comprising of Abu Dhabi, Dubai, Sharjah, Ajman, Ras Al Khaimah, Umm Al Quwain and Fujairah. Formed in 1971, the UAE's federal authority, the Federal Supreme Council, consists of the hereditary rulers of each Emirate who further elect a President and Vice President from the existing members.

Arabic is the first language in the UAE, however, English is widely spoken and commonly used in business transactions.

The legal system in the UAE is based on both civil code principles and on Islamic Shariah Law. The key sources of law include:

- The UAE Federal Constitution
- Federal laws and regulations
- Emirati laws and regulations
- Islamic Shari'ah principles and
- Free Zone regulations (as applicable)

The UAE Federal Constitution provides the basis of all legislation communicated at the federal and national level. The federal government has exclusive jurisdiction over various substantive matters.

The Emirates have jurisdiction over matters not assigned to the Federal Government, noting that federal laws supersede any local laws.

The relevant laws allow the Emirates to establish Free Zones for general or industry-specific activities to encourage foreign investments into the UAE.

The UAE juridical system varies significantly across the different Emirates and some of the Free Zones have their own court system. Free Zones are part of the UAE territory but are considered to be outside the Customs territory. They are subject to Customs controls in addition to normal Customs procedures, and are under the General Courts (i.e. Dubai

Court).

LEGAL SYSTEM

Entering the market

Foreign investors interested in establishing a formal presence in the UAE generally have two options:

1. Establish a presence in the UAE mainland, i.e. one of the Emirates; or
2. Establish a presence in one of the many UAE Free Zones.

Foreign investors may also enter into a joint venture with a local business or do business via an authorized distributor/ agent located in the UAE.

Mainland establishments

The legal forms for the UAE mainland are governed by Federal Law No. 2 of 2015, the Commercial Companies Law (CCL). The most commonly used business forms in the UAE mainland are the Limited Liability Company (LLC) or a branch/representative of a foreign company.

1. Limited liability company

As per the CCL, foreign investors may own up to a maximum of 49% of the share capital of an entity. The remaining 51% must be held by a UAE national shareholder or company wholly owned by UAE nationals. Generally, LLCs are not subject to any minimum share capital requirement, however this is at the discretion of the Department of Economic Development (DED) and in most cases they require investors to inject a paid-up capital of AED 300,000.

The recently issued Decree Law No. 26 of 2020 contains significant changes to the CCL. Specifically, the Decree Law now permits wholly foreign owned companies unless a special exemption applies to restrict them.

2. Branch of foreign company

As per the new CCL, foreign companies are allowed to establish a branch entity in the UAE mainland. The branch entity does not require a local shareholder, however, it is mandatory for the foreign investor to appoint a local service agent (LSA) which should be a UAE national or a company owned by UAE nationals.

The role of the LSA is to facilitate communication with the government and ministries. Pursuant to Law No. 13 of 2011 Regulating the Conduct of Economic Activities, the relationship between the parent company and LSA must be governed by a notarized agency agreement based on the template prescribed by the DED.

Free Zone establishments

Establishing a business in a Free Zone is another option available to foreign investors. A Free Zone is a designated area within the UAE where foreign investors enjoy up to 100% foreign ownership as well as other benefits such as import duty and VAT exemptions. Free Zones have been established to attract foreign investments into the UAE.

There are over 40 Free Zones in the UAE, each administered by its own rules and regulations and authorities which are responsible for licensing and registration matters in relation to foreign entities looking to establish their business in the given Free Zone. Free Zones in the UAE have typically been established in order to accommodate specific industries.
For example, there are dedicated Free Zones in Dubai focusing on companies from the technology, media, finance, and import/ export industries.

Investors looking to establish a business in one of the several Free Zones in the UAE have to choose between a Free Zone Company (FZCO) and Free Zone Establishment (FZE). These two company structures are distinctive from one another in terms of capital requirements and the number of shareholders permitted.

Some of the most popular Free Zones in the UAE are:

- Jebel Ali Free Zone Authority (JAFZA) - Popular amongst industries focused towards trade, import and export.
- Dubai Airport Free Zone Authority (DAFZA) - Popular amongst the aviation and logistics industry.
- Dubai International Financial Center (DIFC) - Popular amongst the financial services industry.
- Dubai Media City (DMC) – Popular amongst the technology, media and telecommunication industry.
- Dubai Multi Commodities Center (DMCC) - Popular amongst businesses engaged in the commodity trade and services sector.
- Abu Dhabi Global Market (ADGM) – Popular amongst the financial services industry.

- Ras Al Khaimah Free Trade Zone (RAKFTZ)
- Ajman Free Zone (AFZ)
- Fujairah Free Zone (FFZ)

The last three Free Zones are generalist with core focus on trading, manufacturing and logistics.

High-level entity set-up comparison in mainland vs. Free Zones

	Mainland	Free Zones
Registration authority and approvals	Department of Economic Development (DED); additional approvals from other authorities may be required	The relevant Free Zone authority (note that there are more than 40 Free Zones in the UAE); additional approvals from other authorities may be required
Type of legal entity	Private/public joint stock company; LLC; branch of a foreign company	FZE (single shareholder); FZCO (multiple shareholders); branch of a foreign company
Audit requirement	Accounts need to be audited	Accounts generally need to be audited
Foreign ownership restrictions	In principle 51% local shareholding required; however, exceptions are possible	100% foreign ownership possible
Minimum shareholders	At least 2 shareholders	1 shareholder possible
Minimum share capital	In practice, generally around AED 150-300k (depending on Emirate and activity)	Share capital requirements typically vary from AED 50,000 to AED 1,000,000 (depending on the Free Zone, activity)
Physical office	The required minimum office space is 200 square feet	No minimum square feet requirement, but minimal set-up required (flexi desk solution)
Conduct of business	Generally no restriction	Free Zone companies can only operate within the Free Zone; carrying out business operations in mainland UAE is not permitted

Offshore establishments

A handful of Free Zones such as JAFZA and RAKFTZ permit foreign investors to establish offshore entities that may act as a holding company within their group structure and are further not permitted to perform any activities in the UAE (Free Zone or mainland). These legal vehicles, however, are allowed to own freehold property within the UAE jurisdiction. UAE offshore companies are governed by the relevant Free Zone's offshore regulatory laws and regulations.

Formation procedures and registration

The steps to establish an LLC in the UAE are generally as follows:

- Decide on the business activity
- Determine the trade name
- Prepare required documents
- Ensure attestation and legalization of required documents (as required) with the UAE Embassy in the country of origin
- Provide legal/official translation of required documents (as required)
- Ensure counter attestation and legalization of required documents (as required) with the Ministry of Foreign Affairs and Ministry of Justice in the UAE
- Apply for initial approval from the DED
- Open a bank account
- Deposit the share capital into the bank account
- Prepare expand to memorandum of association (MoA) and partnership agreement
- Establish business location
- Obtain final approval from the DED
- Obtain commercial license
- Register with the Chambers of Commerce
- Register with the Ministry of Labour and Immigration
- Registration with the Municipality
- Registration with the Civil Defence

Please note that the above refers to the procedures at the time of this guide's publication and might be subject to variations when the process is initiatedin the future. In addition, there may be variations to the above steps in case of Free Zones (depending on the exact Free Zone).

Below we have set out an initial list of documents typically requested by the UAE authorities for company registration purposes:

- Attested and legalized resolution from the parent company to set up a subsidiary in the UAE;
- Attested and legalized certificate of incorporation/trade license of the parent company;
- Passport copy of the directors of the parent company;
- Attested and legalized memorandum and articles of association of the parent company;
- Copy of the last financial statements of the parent company;
- Business plan;
- Office lease agreement;
- Passport copy of the manager to be appointed for the new company; and
- Letter of authorization for a third party to submit documents to the authority on behalf of the parent company.

TAX SYSTEM

There is currently no federal tax code in the UAE, although most, if not all, of the seven Emirates have issued local tax decrees. The Emirati-level decrees are usually not very detailed, but prescribe the basis for taxation in the relevant Emirate, including, inter alia, definitions of a taxable person and taxable income.

However, in practice, the decrees are currently only enforced in respect of oil and gas exploration and production companies, and certain petrochemical companies, under specific government concession agreements.

Branches of foreign banks are subject to corporate income tax under separate banking decrees in certain Emirates.

Whilst corporate taxes are levied on companies operating in certain industries in the UAE, entities registered in the Free Zones are generally not liable to corporate income tax for a specific period depending on the Free Zone, i.e. Free Zone entities are typically offered a 15-50 year ‘tax holiday’.

There is ongoing speculation regarding the potential future introduction of corporate income tax in the UAE, however, the introduction remains uncertain.

The UAE Federal Tax Authority (FTA) was established in 2016 by Federal Decree and is the government entity responsible for the collection and management of federal taxes in the UAE, including value added tax (VAT) and excise taxes.

Customs duties are managed within each Emirate of the UAE by local Customs authorities, coordinated by the Federal Customs Authority.

Corporate Taxation

Taxation of oil and gas companies

Taxable oil and gas companies are taxed under the specific terms of the concession agreements or fiscal letters signed with the government. The fiscal terms under such agreements generally supersede the provisions of the Emirati tax decrees, and this is typically stipulated in the wording of the concession agreement.

The concession agreements or fiscal letters are the principal tax legislations for oil and gas companies in the UAE (apart from any VAT obligations). Generally, all matters not specifically mentioned in the concession agreement or fiscal letter should follow the provisions of the relevant Emirate's tax decree.

The terms of the concession agreements or fiscal letters are specific and determine the tax base, the applicable tax rate, relevant due dates and filing deadlines, and to whom the tax is paid.

Details of such fiscal regimes are not publicly available, however, the regime usually involves a mixture of payment of royalties and income tax.

Under the agreements, the tax rates typically range up to 85%, and royalty rates range between 12-20%, depending on the levels of production.

The competent authority for the regulation of the oil and gas industry, grant of concessions and collection of taxes under the concession agreements or fiscal letters is the government of the respective Emirate.

Taxation of branches of foreign banks

Branches of foreign/international banks are subject to income tax in the Emirate where they are established and operate. Certain Emirates including Dubai and Abu Dhabi have issued special banking decrees or banking tax regulations (Regulations). The Regulations are broadly similar and share the following key characteristics:

- The taxable income of foreign banks is typically subject to tax at 20%;
- The taxable profit is determined based on the audited branch accounts and subject to the adjustments as prescribed by the Regulations;
- The Regulations contain a number of provisions dealing with the allocation/ attribution of revenue as well as expenses1 to the branch and expense deductibility rules2;
- The Regulations further contain specific guidance regarding accruals/provisions, depreciation of bankable assets and the carry forward of tax losses;
- The Regulations provide for procedural/ administrative rules (e.g. filing deadline, late payment interest and penalties in case of non-compliance, payment of income tax and the appeal process).

The central competent authority for overseeing the tax affairs and collection of taxes is the Ruler’s Commissary or the Department of Finance of each Emirate.

Residence

Due to the lack of corporate income tax, and as Emirate-level income tax decrees do not contain specific provisions in relation to corporate tax residency, there is currently no clear legal and domestic concept of corporate tax residency in the UAE.

Nevertheless, the Federal Tax Authority (FTA) does issue Tax Residency/Domicile Certificates (TRC) to companies that are incorporated in and are managed from the UAE and meet the requirements set by (1) the FTA and (2) a pertinent double tax treaty (DTT).

A UAE TRC may be required from the perspective of the reciprocal jurisdiction in order to benefit from the provisions of a DTT.

1. Assessing corporate tax residency

The UAE/FTA has developed quite a stringent domestic unilateral anti-abuse practice. The practice applies for the applicable TRCs. The assessment of the tax residency is primarily performed under the aspect of business/economic substance (ES). As part of the process, the applicant is required to provide various documents. The criteria and requirements are considered comprehensive and may be subject to change when factoring in global trends.

2. Conditions and documentation requirements

The most important requirement is that the company should have been in existence and operational for at least one year from the issue date of the company's trade license.

Copies of the below documents are required as part of the application:

- Valid trade license;
- Establishment contract certified by the relevant authority (e.g. articles of association, memorandum of association, etc.);
- Passport, UAE residence visa and Emirates ID of the authorized signatory mentioned on the trade license;
- Most recent certified audited financial statements (stamped and signed by a local auditor);
- Certified bank statements from a local UAE bank for the 6 most recent months (stamped by the bank);
- Tenancy contract/title deed for any business premises in the UAE (flexi-desk option may not be sufficient); and
- Template of the tax residency certificate as prescribed by the foreign tax authority (optional).
- Proof of authorization document for the authorized signatory.
- Tax registration number and VAT registered email address (applicable only for VAT registered companies).

Companies established under offshore regulations and UAE branches of foreign companies are generally not eligible to obtain a TRC in the UAE. Free Zone companies can apply for a TRC from the MOF on the basis of an existing agreement concluded between the MOF and the Free Zone in question (a so-called memorandum of understanding). We note that most Free Zones in the UAE do have such an agreement in place.

Withholding taxes (WHT)

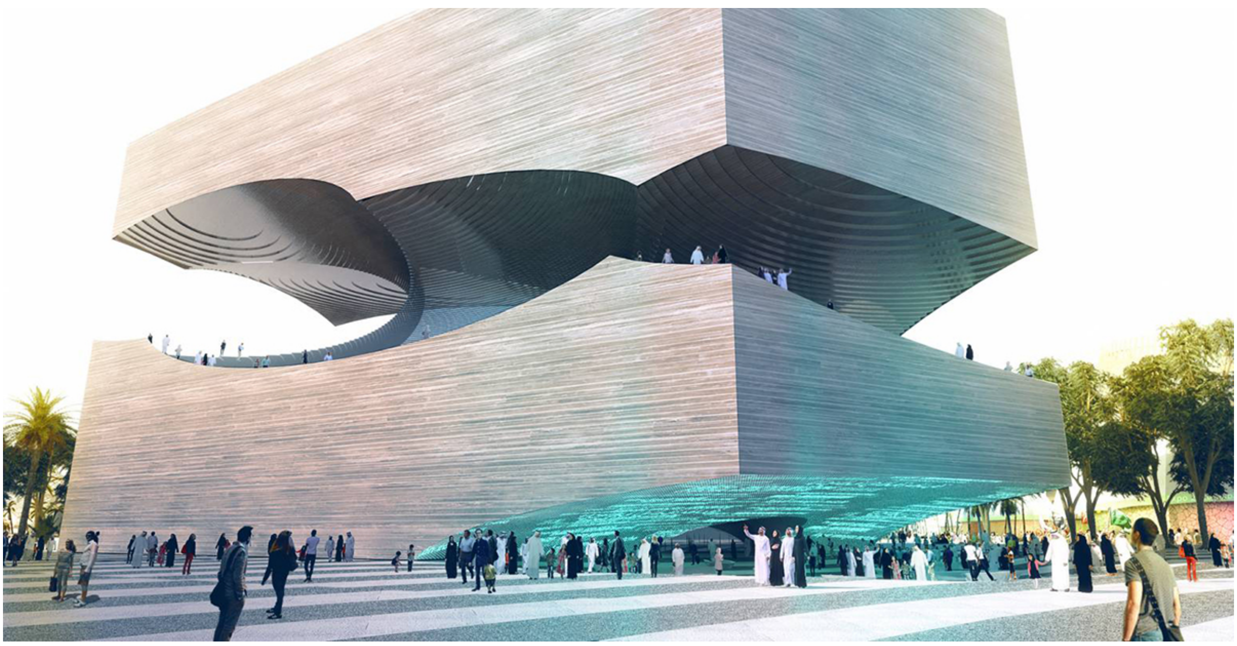
There are no withholding taxes in the UAE under current legislation.

Capital gains

Capital gains are not taxable, unless derived by a company that is taxable under any of the income tax or banking tax decrees.

Tax incentives

The UAE has established several free trade zones which offer benefits including: (renewable) 15-50 year tax holidays, no restrictions on foreign ownership, no restrictions on capital and profit repatriation, and an exemption from import duties on goods brought into the zone.



Transfer Pricing

There is currently no transfer pricing (TP) legislation in the UAE. However, related party transactions should be made at arm's length to mitigate any risk of TP issues arising in the reciprocal jurisdiction.

The recently issued UAE VAT Law contains a definition of related parties, which are defined as two or more persons not separated on an economic, financial or regulatory level, where one can control the others either by law, or through the acquisition of shares or voting rights. Against this background, it is advisable for intercompany transactions to be performed at arm's length. It has been noticed that the FTA requests TP documentation during VAT audits to ensure the basis on which the VAT rate is applied is at arm's length in an intragroup context.

It is also important to mention that the Gulf Cooperation Council (GCC) Common Custom Law contains a definition of related parties which is similar to the one mentioned above. Consequently, intragroup transactions and related TP could be challenged by the Customs Authorities, which would ensure that the custom value declared for duty proposed is in line with the TP value disclosed in TP documentation.

There are several indicators that point towards the introduction of new taxes in the UAE such as an income tax. We would expect that the implementation of such a tax would come along with TP rules. As best practice, it is recommended that ME-based businesses keep documentation in place in line with the Organization for Economic Co-operation and Development (OECD) guidelines and industry best practices.

Country-by-country reporting

The UAE recently introduced country-by- country (CbC) reporting. The CbC reporting rules has taken effect for financial years commencing on or after 1 January 2019.

The rules will generally apply if the consolidated group revenue is at least AED 3.15 billion in the financial year immediately preceding the reporting period (i.e. FY18). The CbC report must be submitted within 12 months of the end of the reporting period, and non-compliance could result in penalties of up to AED 2,250,000. Multinational enterprise (MNE) groups headquartered outside of the UAE are no longer required to submit CbC notifications with the MoF for their UAE constituent entities.

Foreign income and tax treaties

The UAE has concluded around 128 double taxation treaties of which around 90 are already in force. The in-force DTTs include Algeria, Comoro Islands, Egypt, Guinea, Kenya, Mauritius, Morocco, Mozambique, Saudi Arabia, Senegal, Seychelles, South Africa, Sudan, Tunisia, Jordan, Lebanon, Syria, Yemen, Azerbaijan, Kazakhstan, Kyrgyzstan, Turkmenistan, Tajikistan, Uzbekistan, Armenia, Bangladesh, Brunei, China (PRC), Georgia, Hong Kong, India, Indonesia, Japan, Korea (Rep.), Malaysia, Maldives, Pakistan, Philippines, Singapore, Sri Lanka, Thailand, Vietnam, Albania, Andorra, Belarus, Belgium, Bosnia and Herzegovina, Bulgaria, Croatia, Cyprus, Czech Republic, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Jersey, Kosovo, Latvia, Liechtenstein, Lithuania, Luxembourg, Macedonia, Malta, Moldova, Montenegro, Netherlands, Poland, Portugal, Romania, Russia, Serbia, Slovakia, Slovenia, Spain, Switzerland, Ukraine, Turkey, United Kingdom, Barbados, Canada, Mexico, Panama, Uruguay, Venezuela, Fiji and New Zealand.

Furthermore, the UAE joined the OECD Inclusive Framework on Base Erosion and Profit Shifting (BEPS) on May 2018 and signed the OECD Multilateral Convention to Implement Tax Treaty Related Measures to prevent BEPS (MLI) on 27 June 2018.

Stamp duty

There are currently no stamp duties levied in the UAE. Registration/notary or attestation fees, as are common in most other jurisdictions, however, there may be registration/notary or attestation fees upon incorporation of a company.

Certain Free Zones may levy an administrative fee for a transfer of shares to other UAE companies.

Real estate transfer fees

There are currently no property taxes applicable in the UAE. However, a registration/transfer fee is levied on the direct and, in specific circumstances, indirect transfer of real property (e.g. a transfer of shares in a company holding real estate). This fee is also levied on partial transfers under certain circumstances.

The rate varies according to the Emirate in which the property is situated. For the Emirate of Dubai, the rate is 4%, borne equally by the buyer and the seller (although in practice, the buyer is generally responsible for paying the transfer fee).

It is worth noting that the purchase of any property in the UAE is generally restricted to UAE/GCC nationals only (foreign ownership may be possible if the property is within the designated areas of the UAE).

Municipal charges

In the case of property rentals, certain Emirates charge a municipality fee on the annual rental value of the property, which varies according to the Emirate in which the property is situated. For the Emirate of Dubai, a municipality fee of 10% is levied on commercial properties (5% for residential properties). The fee is included proportionally in the monthly utility bills for the property.

Municipal charges are also imposed on certain hotel and leisure services.

Economic substance rules

On 10 August 2020, the UAE Cabinet issued the Cabinet of Ministers Resolution No. 57 of 2020 concerning Economic Substance Regulations (ESR). UAE onshore and Free Zone entities that carry on specific activities mentioned in the rules will have to meet ES requirements, as failure to do so could trigger penalties.

The ESR foresees specific substance requirements (economic substance tests) on entities that fall within its scope. Broadly speaking, there is a two-step test to determine the applicability of the UAE ES requirements i.e. the entity is a relevant entity and the entity carries out a relevant activity in the UAE.

A relevant entity is any entity, including a branch, that is licensed by a competent authority to carry out a relevant activity either onshore on in a UAE Free Zone.

Any of the following nine activities should be considered as a relevant activity as per the ESR: banking business; insurance business; fund management business; financing and leasing; shipping business; headquarters business; holding company business; intellectual property holding business; and distribution and service center business.

Under the ESR, licensed entities undertaking any of the relevant activities listed above and deriving income therefrom are required to comply with the following three ES tests:

1. The 'directed and managed test':
The entity will need to be directed and managed in the UAE with regards to the relevant activity (for example: frequent board meetings, quorum of directors physically present, minutes of all board meetings kept in the country, etc.).

2. The 'core income generating activities (CIGA)' test:
The entity that performs any of the relevant activities for the purpose of the ESR will need to demonstrate that the relevant CIGAs have been undertaken in the UAE. The criteria for the CIGA test vary depending on the relevant activity in question.

3. The 'adequate' test:
The entity will need to have an adequate number of qualified employees in the UAE, incur adequate expenditure in the jurisdiction and have an adequate physical presence in the country. The applicability of the 'adequate' test will be dependent on the particular facts and should vary on a case by case basis.

In order to meet the ES tests, each of the above must be satisfied for the entire relevant period.

Companies covered by the ES rules will be subject to the following two compliance/ reporting requirements:

1. Notification; and
2. Report submission.

Non-compliance could result in financial penalties as well as exchange of information with the shareholder's jurisdiction (this is potentially up to the beneficial owner) and suspension/non- renewal of a trade license.

Value added tax Introduction

The UAE introduced VAT with a standard rate of 5% from 1 January 2018. This followed agreement from the seven member states of the Gulf Cooperation Council for the Arab States to implement VAT in accordance with the GCC VAT framework agreement, which sets out the principles of the GCC regional VAT regime.
The UAE has a range of legislation governing VAT, but the primary sources of national law are the Federal Decree-Law No. 8 of 2017, Cabinet Decision No. 52 of 2017 and Cabinet Decision No. 46 of 2020.

The GCC framework agreement and UAE national VAT legislation sets out specific VAT rules for supplies between GCC member states. However, the UAE has elected not to implement these provisions until VAT is implemented more broadly across the GCC. As such, other GCC member states are currently treated in the same way as non-GCC countries for VAT purposes in the UAE.

Rates

VAT is applicable on taxable supplies of goods and services in the UAE, and imports of goods into the UAE from outside of the GCC (and from GCC member states for an interim period), with limited exceptions.

Certain supplies may qualify for either zero-rating or exemption under the UAE national legislation (refer to Table 1). Zero rated supplies have a VAT rate of 0% and are treated as taxable supplies in all other respects, including the right to recover VAT incurred on expenditure. Exempt supplies do not require VAT to be accounted for, however, VAT incurred on expenditure is restricted.

Overview of supplies not subject to the standard rate of VAT

Type of supply	VAT treatment
Qualifying exports of goods or services	Zero
International transport of passengers and goods, including some related goods and services	Zero
Qualifying means of transport, and certain goods and services supplied for their operation, repair, maintenance or conversion	Zero
Aircraft or vessels designated for rescue and assistance	Zero
Certain investment precious metals	Zero
The first qualifying supply of a new residential building (or converted from non-residential to residential building) or a building specifically designed to be used by charities	Zero
Crude oil and natural gas	Zero
Qualifying educational services and related goods and services	Zero
Preventive and basic healthcare services and related goods and services	Zero
Qualifying financial services	Exempt
Residential buildings not qualifying for the zero rate	Exempt
Bare land	Exempt
Local passenger transport	Exempt

Registration and VAT administration

VAT registration is mandatory for taxable persons who are residents in the UAE that make taxable supplies exceeding AED 375,000 over the previous 12-month period or that are expected to exceed AED 375,000 within the next 30 days. A supplier that solely makes zero-rated supplies may submit an application for an exemption from mandatory registration.

A resident business may voluntarily register for VAT if its taxable supplies (or expenses) exceed or are expected to exceed the voluntary registration threshold of AED 187,500.

No threshold applies to non residents. Non residents will be required to register for VAT to remit any tax payable by them on supplies in the UAE regardless of value. A broad reverse charge mechanism is set out within the UAE VAT legislation, allowing resident taxpayers to account for VAT payable on supplies received from non residents in certain cases, which has the effect of reducing the instances of non- resident VAT registration in the UAE.

It is possible to register as a tax group in the UAE and be treated as a single taxable person for VAT purposes. Two or more entities may apply to be grouped where they have establishments in the UAE and the relevant ownership and control requirements are met.

Once registered, taxpayers will be required to calculate the net VAT due and declare this on a VAT return. VAT returns are generally required on a monthly or quarterly basis depending on turnover, but the FTA may specify a longer or shorter period if it considers that to be appropriate.

Returns must be filed online via the FTA’s e-Services portal by the 28th day (or next working day if the 28th day falls on a weekend or national holiday) of the month following the end of the reporting period. Any VAT payable for the reporting period is due on the return filing date and payments are generally made online via the e-Dirham website or by bank transfer.

Valid tax invoices must be issued for all taxable supplies, showing a range of mandatory information.

Any VAT deduction requires the purchaser to hold a copy of a valid tax invoice issued by the supplier. Deductions of VAT are not permitted for non-business expenses and certain purchases are specifically excluded from recovery, such as entertainment, catering, and purchase or expenditure on motor cars for private use.

Taxpayers are expected to retain the relevant VAT, accounting, and other records to support the data entered on the VAT return for a period no less than five years from the end of the relevant tax period, and 15 years for activities relating to real estate. The FTA may increase these time limits by a further four years in certain circumstances.

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Excise tax Overview

A framework agreement between the seven member states of the GCC sets out the principles of the Excise tax regime at a regional level. Consistent with this agreement, the UAE imposes Excise tax on the importation, production, and stockpiling of tobacco, electronic smoking devices and associated liquids, carbonated drinks, sweetened drinks, and energy drinks.

Rates and compliance

Excise tax in the UAE is currently applied on the following product types: carbonated drinks (50% rate), sweetened drinks (50% rate), energy drinks (100% rate), tobacco and tobacco products (100% rate), electronic smoking devices and tools (100% rate), and liquids used in electronic smoking devices and tools (100% rate).

Excise tax is chargeable by reference to the tax base of the goods concerned. The tax base is either the designated retail price of the goods, a minimum price set by regulation, or a list price determined and published by the FTA.

Excise tax registration is required for anyone who imports, produces, or stockpiles excisable goods in the UAE, or releases excisable goods from designated zones for consumption in the UAE. There is no threshold limit, and any person involved or forming the intention to be involved in excisable activities must notify the FTA within 30 days of the end of the month in which they were involved or formed the intention to be involved. There are specific limited exceptions to registration, including qualifying infrequent importations of Excise goods.

Excise tax registrants must file the relevant declarations in respect of their Excise operations. The declarations are reflected in the Excise tax return, and submission of returns is required each calendar month; however, a longer tax period may be agreed directly with the FTA in certain circumstances. The due date for filing the Excise tax return is no later than the 15th day of the calendar month following the end of the tax period. The Excise tax return is required to be submitted online to the FTA.

Importers of Excise goods that are not entered into an approved warehousing arrangement will be required to pay Excise tax upon importation to the Customs Authorities.

Currently, designated Excise goods are tobacco and tobacco products and the digital tax stamps scheme is being introduced on specified products within this category on a phased basis.

Designated zones

A designated zone in accordance with the Excise tax law is an area which is treated as being outside the territory of the UAE for the purposes of Excise tax. Goods entering the UAE which are immediately and appropriately moved to a designated zone are not treated as imported into the UAE at that time.

Excise tax is due when goods are released from a designated zone for consumption in the UAE.

Digital tax stamps

Digital tax stamp marking and encoding allows for product traceability from the point of manufacture through to the final point of distribution.

The digital tax stamps scheme in the UAE requires manufacturers and other specified parties in the supply chain to comply with physical stamping and control requirements for the importation and trading of certain designated Excise goods in the UAE.

Customs duty

The UAE is a member of the World Trade Organization (WTO), and is a contracting party to the World Trade Organization's revised Kyoto Convention, the primary agreement in respect of global Customs administration and procedures. At a regional level, the UAE and other GCC countries are unified through a common Customs law, implementing procedures, and a common Customs tariff (although it is noted that there may be differences in implementation between member states).

In addition to the agreements between GCC member states, the UAE is part of the Greater Arab Free Trade Area and a range of bilateral and multilateral free trade agreements are in place or are being negotiated. Within the UAE, there are a number of Free Zones established which allows for the suspension of Customs duty (as well as designated Free Zones and limited VAT relief).

Customs duty is generally calculated on the cost, insurance and freight (CIF) value of imported goods, when goods are 'sold for export'. It is payable at the time of importation. Customs duty rates are generally free or 5%, but may be higher on certain products in the UAE.

Usually the importer of record and/or the declarant is the entity that declares the goods for import or export purposes when goods are declared at the UAE border for movement into or out of the country. Even if a Customs broker is in place, subject to contractual arrangements, the owner of the goods and/or consignee may be held liable for the duty and related compliance obligations. As such, careful consideration should be given to the broker selection and the contracting process.

The documents required for all commercial shipments into the UAE, irrespective of value or mode of transportation, are generally:

- Commercial invoice;
- Certificate of origin;
- Bill of lading (or airway bill);
- Steamship (airlines) company certificate;
- Insurance certificate (if goods are insured by the exporter);
- Packing list; and
- Vendor or bank guarantee.

Depending on the nature of goods being shipped, and whether goods are restricted or require a specific import permit, a specific approval, a separate notification and approval process from the relevant ministry may be necessary.

Understanding the fundamental Customs drivers

In addition to complying with Customs reporting and notification requirements, to understand the level of Customs duty exposure, it is important to understand the following three areas:

- Classification of goods: how goods are classified and whether harmonized system (HTS) codes used for Customs declaration are in order;
- Origin of goods: where the goods are imported from and if any free trade agreement benefits can be availed; and
- Valuation of goods: what is the value of the goods being imported? This will therefore form a basis of the duty bill calculation.

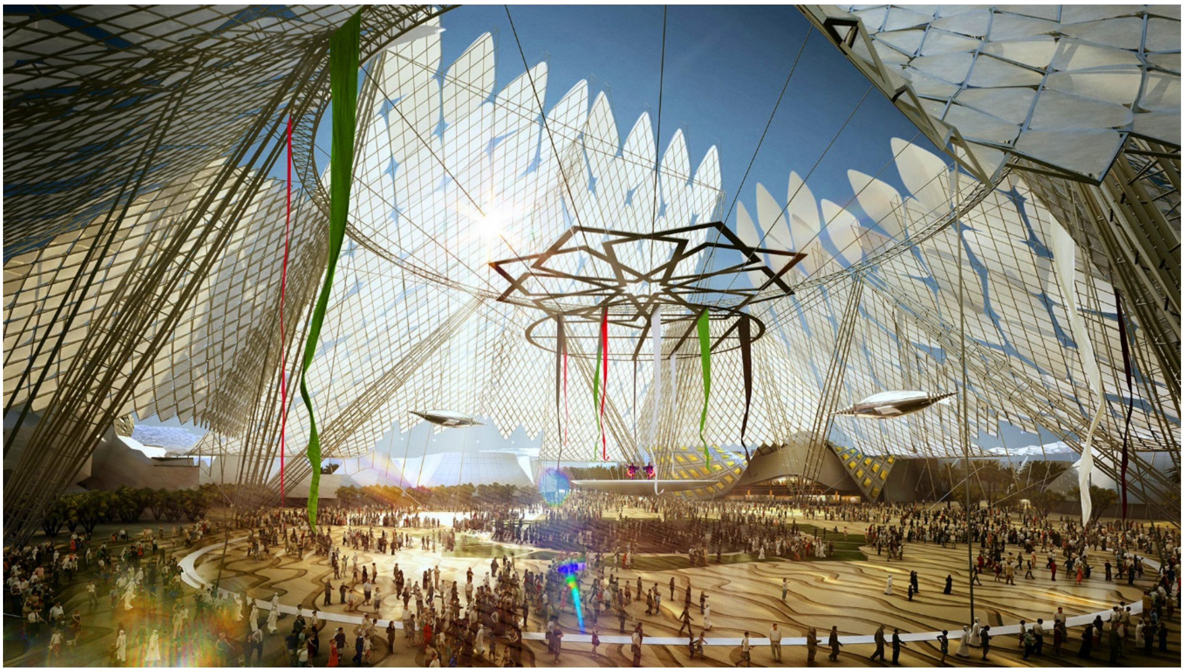
Some consideration should also be given to operational and regulatory issues that arise from non-fiscal Customs affairs, particularly export controls and trade embargoes affecting movement of goods among other things. There has been a focus in the UAE on a revised regulatory framework, to implement such non-fiscal measures in respect of trade control.

Customs trends and areas of focus in the UAE

❖ There appears to be a significant onslaught of post clearance audits (PCAs) initiated by Customs authorities in the UAE in recent years to check Customs and global trade compliance among economic operators. The focus of these audits tends to be around accurate documentation to support duty reliefs sought, validation of valuation methodologies and Customs values used for Customs declaration purposes, classification codes determination and applied origins, among others. Particular focus has been on operators and businesses in Free Zones/ designated zones around the reconciliation of documentation and inventory within Free Zones.

❖ The Customs authorities in the UAE (Dubai and Abu Dhabi alike) have been promoting the Authorized Economic Operator (AEO) certification. AEO is a trade securitization program aimed at enhancing the relationship of Customs authorities and businesses. AEO certified businesses reap several benefits including faster clearance times and reduced guarantees, among others.

❖ Many businesses and facilities continue to apply for the industrial exemption program, which allows duty free import of goods when the importer has an industrial exemption in place. Obtaining such an exemption and ongoing compliance in this respect continues to be an area of focus for both businesses and Customs authorities in the UAE.



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Personal Taxation

There is currently no personal income tax imposed on the income of individuals working in the UAE, and no tax returns need to be filed.

Residence

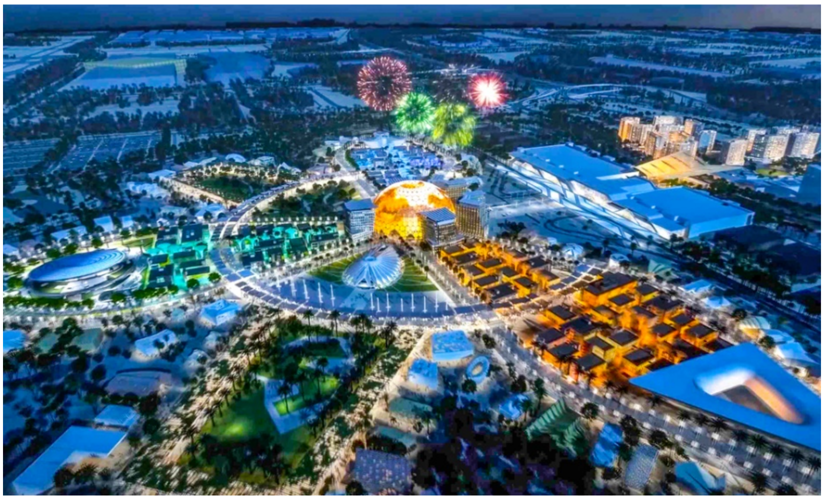
There are no tax laws covering individuals in the UAE, and as a result, there is no domestic concept of personal tax residence. Nevertheless, the MOF issues TRCs to individuals who satisfy the requirements of the MOF (including a physical presence of more than 183 days within any 12-month period) and a pertinent double tax treaty, if appropriate.

Copies of the following documents are required as part of the application:

- Passport;
- UAE residence visa;
- Emirates ID;
- Certified UAE bank statements for the last 6 months (stamped by the bank);
- Letter from the company stating the position and remuneration of the employee or certified salary certificate;
- Copy of the tenancy contract for any personal premises leased by the individual (or by the company on behalf of the individual) in the UAE; and
- A report from the General Directorate of Residency and Foreigners Affairs specifying the date and times at which the individual has entered/left the UAE since obtaining his/her residence visa (exit/entry report).

Social security, pension

Social security contributions are due only in respect of nationals of the GCC countries (Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the UAE). For UAE national employees, the employer and employee contribution rates are 12.5% and 5% respectively, and contributions are based on the monthly contractual salary, including basic allowances, as agreed in the local employment contract.



The contribution rates and bases for other GCC nationals vary, but are broadly in line with those for UAE nationals.

Under the UAE labor law, non-GCC national employees are entitled to an end of service benefit (EOSB) if their employment contract is terminated after completion of at least one year of service. EOSB is payable by the employer and calculated as 21 days per year of basic wages for the first five years of employment, plus 30 days per year of basic wage for each additional year of service, subject to a maximum EOSB payment of two years' remuneration.

IMMIGRATION AND LABOUR SYSTEM

Foreign investors interested in establishing a presence in any of the seven emirates; Abu Dhabi, Dubai, Sharjah, Ras Al Khaimah (RAK), Fujairah, Ajman and Umm Al Quwain (UAQ) maintain a large degree of independence when managing the immigration process requirements, policies and regulations. While all the Emirates follow the same immigration process governed by the federal authorities, Dubai has more flexible immigration processing regulations and is the home for many Free Zone authorities facilitating the establishment of foreign entities in the country.

The UAE has been a regional trade hub and a permanent Middle Eastern destination for international investors. The open environment, tolerant values, infrastructure and flexible immigration regulations have attracted many investors throughout the past years. The UAE immigration and labor authorities are continuously running updates to the relevant legislations and laws governing the immigration and labor laws in the country.

Work authorization General requirements

Foreign nationals who intend to conduct productive, hands-on work activities in the UAE must apply for a work and residence permit. Work authorization is issued in the form of a work and residence stamp (residence permit) in the foreign national's passport. In general, a business can recruit either expatriate or local national staff. Free Zone based employers are required to apply for work permits for their employees via the relevant Free Zone authority. Employers based in the Mainland would apply for employee work permits at the Immigration department.

All immigration and labor applications are to be submitted through the relevant jurisdictional/Free Zone authority's online portal. The presence of a company- appointed public relations officer (PRO) is typically required for certain applications, submissions and for in-person applications follow ups.

Employers can only engage a foreign employee in line with the specific occupation designated on the work and residence document. The employee can only work in the specific location or for a branch of the same employer that has the same business activities and where the employee is engaged in the same activity.

Health insurance requirements are imposed by the government for the sponsorship of employees' work permits. An employer is required to submit valid health insurance at the final stage of a new or renewal work and residence permit application for its employee.

UAE nationals are required to obtain work authorization through the Ministry of Human Resources and Emiratization (MOHRE) when employed by mainland entities. For Free Zone entities, UAE nationals are required to obtain work authorization through the Free Zone authority in which the employer is based.

GCC nationals are visa exempt and can live in the UAE without the need to obtain a residence permit.

The validity of work authorization and residence permits ranges from 1-3 years and it is renewable.

Summary process of work and residence permit

1. Free trade zones

The work and residence permit application process is submitted to the relevant Free Zone authority in which the employer is based. The Free Zone subsequently forwards the application to the relevant immigration department for consideration. The Free Zone authority acts as the ultimate sponsor of the employee.

Employers based in free trade zones have a quota restriction on work visas. The amount of the quotas is generally limited to one foreign worker for each 9 square meters of office space, although this can differ between each Free Zone. If a quota limit has already been reached, a quota upgrade can be applied for, but approval is granted at discretion.

The work and residence permit application process starts with the submission of an employment entry permit application to the relevant Free Zone authority. Once an employment entry permit is secured, the employee may travel to the UAE and commence his/her assigned activities. However, there are post-arrival formalities that are required to be undertaken to receive the final residence permit and Emirates ID. Those formalities include undertaking a medical fitness test. The medical fitness test will include a blood test to check for HIV, hepatitis B and an X-ray to screen for tuberculosis.

Where the intended job title is managerial in nature, the applicant must hold a higher education degree (which does not have to be relevant to the job title). The degree certificate must be legalized in the country of issuance, translated to Arabic and attested at the UAE's Ministry of Foreign Affairs.

The legalization process can take a few weeks or substantially longer, depending on processing times of the relevant entities in the country of issuance.

Processing time: the estimated processing time for the completion of a Free Zone sponsored work and residence permit application is approximately 2-3 weeks (in addition to be translation, legalization and attestation process, where required).

2. Mainland

Work and residence permit applications for those employed by mainland entities are required to go through the approval of the MOHRE and the relevant jurisdictional immigration department.

According to Article 13 of the UAE Labor Law, companies operating in mainland UAE are required to obtain an approval from the Labor Department (represented by the MOHRE) and obtain a work permit. The approval is issued in the form of an employment quota and a work permit. Once a work permit is approved, the employer is then able to submit an Employment entry permit application through the relevant jurisdictional immigration department.

When processing a work permit application for a foreign national, the MOHRE considers the following:

- The worker must possess professional competence or academic qualifications needed in the country.
- Whether the worker has lawfully entered the country and satisfied the conditions of residency in the UAE.
- Whether there are UAE nationals registered in the employment section who are capable of performing the required job.
- The MOHRE is yet to fully implement these considerations to the Dubai mainland work and residence permit process.

Provided the applicant meets all required criteria, the MOHRE will issue an employment entry permit approval after which the Department of Immigration will issue the employment entry permit. The employment entry permit is valid for 60 days from the date of issue and is now issued electronically.

Once an employment entry permit is secured, the employee may travel to the UAE and commence his/her assigned activities. The remaining in-country formalities are similar to the Free Zone residence and work permit process.

Processing time: the estimated processing time for the completion of a mainland work and residence permit application is 4-6 weeks (in addition to any required document legalizations that may be required).

3. In-country work and residence permit

In-country applicants are able to obtain work authorization without the need to exit the UAE. Examples of in-country applicants are individuals on cancelled residence visas, tourist/business visitors and individuals under a guardian’s visa sponsorship.

4. In-country work and residence permit

Work and residence permit holders can sponsor married partners' children, provided they meet the salary requirements (minimum salary of AED 4,000 or AED 3,000 plus AED 1000 accommodation allowance). Parents can also be sponsored, but the application is discretionary.

5. Who can be recognized as a dependent?

The below tabular form shows a list of dependent categories

	Recognized as a dependent	Authorized to work as a dependent
Opposite-sex spouse	Yes	No - must apply for work authorization.
Same-sex spouse	No	N/A
Opposite-sex domestic partner	No	N/A
Same-sex domestic partner	No	N/A
Children	Under 18 years of age, unmarried female children over 18 and children over the age of 18 with a mental or physical disability (at the discretion of the authorities)	No - must apply for work authorization.
Parents	Yes, special approval is required to be obtained from the main immigration department	No - must apply for work authorization.
Siblings	Yes, special approval is required to be obtained from the main immigration department	No - must apply for work authorization.

6. Documents required from dependents

- Original passport valid for at least six months and containing at least three blank pages;
- Copy of passport biometric pages;
- Digital passport photo;
- For spouse's sponsorship, a marriage certificate, legalized and translated into Arabic at an authorized translation office in the UAE;
- For children's sponsorship, a birth certificate, legalized and translated into Arabic at an authorized translation office in the UAE;
- Health insurance card; and
- For parents' sponsorship, a proof of relationship document should be obtained from the embassy/consulate of the sponsor's citizenship attested by the UAE Ministry of Foreign Affairs.

7. Documents required from the sponsor

- Electronic copy of the Labor contract of the sponsor (primary applicant)/salary certificate in arabic;
- Electronic copy of the registered tenancy contract in the primary applicant's name attested by the jurisdictional municipality;
- Water and electricity bill copy;
- International Bank Account Number (IBAN);
- Scanned copy of the passport and residence visa of the sponsor; and
- Original and copy of Emirates ID card – front and back (if new Emirates ID card is under processing, an old Emirates ID card can be used to file the dependents' applications).

Alternative work and residence authorizations

Dependents

Female dependents above the age of 18 may obtain work authorization based on their dependent residence status, provided a 'no objection certificate', signed by their sponsor, is provided and submitted to the authorities. The work authorization approval is obtained from the MOHRE and is issued in the form of a non-sponsored Labor card for employees working in mainland entities. For Free Zone entities, the work authorization is obtained from the Free Zone authority in which the employer is based.

Processing time: the estimated processing time for the completion of a non-sponsored labor card application is 5 working days.

Split contracts

Since 2010, the UAE's Labor Law has made provisions which allow an employee to have a part-time job, along with a full-time job subject to certain conditions. The employee can work part-time provided he/she has obtained the required work authorization from the MOHRE. The work authorization is issued in the form of a temporary work permit. Temporary work permits are issued with a validity of 6 months and can be extended for a maximum of a total of 12 months. A temporary employment contract and a no objection certificate (NOC) from the residence permit sponsor is required for the approval of a temporary work permit application.

Part-time work permit holders are allowed to work in another company at the same time as working in the current company on a part-time basis for less than eight hours per day.

As per Federal Decree Law No. 2 of 2007, if an expatriate is caught working for another company without an official permit, then a fine of AED 50,000 will be applied to the hiring company, in addition to other penalties in case of repeating the offence.

Processing time: the estimated processing time for the completion of a temporary work permit application is 5-7 working days.

Freelance work and residence permit

Several Free Zones in the country offer a freelance work and residence permit option for expatriates. The Freelance permit enables individuals to conduct business as a sole practitioner. The relevant jurisdictional immigration department regulates the issuance of the freelance residence permits and freelance trade licenses.

The Free Zones that currently offer a freelance work and residence permit include Dubai Development Authority, Dubai Design District, Abu Dhabi's twofour54, Fujairah Creative City, Ras Al Khaimah Economic Zone, Sharjah Media City and Ajman Free Zone. In order for an expatriate to be eligible for a freelance work and residence permit, the profession would have to be related to the activity of the Free Zone. Activities allowed for freelance licenses vary between Free Zones.

Processing time: the estimated processing time for the completion of a freelance work and residence permit application is approximately 10-14 working days.

10-year investor visa

Expatriates from the below listed categories are entitled to apply for a 10-year residence visa in the UAE.

1. Investors in public investments with value of a minimum of AED 10,000,000
2. Persons with specialized talents: this includes specialized talents and researchers in the fields of science and knowledge such as doctors, specialists, scientists, inventors, as well as creative individuals in the field of culture and art. The visa advantage extends to the spouse and children. All categories are required to have a valid employment contract in a specialized field of priority in the UAE.

Processing time: the estimated processing time for the completion of a 10-year work and residence permit application is approximately 7-10 working days.

5-year investor visa
Expatriates from the below listed categories are entitled to apply for a 5-year residence visa in the UAE.

1. Real estate investors in the UAE, provided they meet the below criteria:

- The real estate property value should not be less than AED 5 million.
- The ownership of the real estate property must not be on a loan basis.
- The property must be retained for at least three years.

2. Entrepreneurs
Expatriates owning an existing project in the UAE with a minimum capital of AED 500,000 or those who have the approval of an accredited business incubator in the country are generally eligible for a multi-entry visa for six months, renewable for another six months.

The same can then be converted with a special approval to a 5-year investor visa. The long-term visa includes the spouse and children, a partner and three executives.

3. Outstanding students
Outstanding students with a minimum grade of 95 percent in public and private secondary schools are eligible for a 5-year visa, as well as university students within and outside the country having a distinction GPA of at least 3.75 upon graduation. The 5-year visa includes families of the outstanding students.
Processing time: the estimated processing time for the completion of a 5-year residence permit application is approximately 7-10 working days.

Third-party sponsorship
Several manpower and recruitment agencies offer third-party sponsorship which is typically set up based on a service agreement with a local or overseas employer. This is a useful alternative for the deployment of assignees without having a local corporate presence (or for companies in the UAE, where a presence is required in another jurisdiction, whether an Emirate or Free Zone). A local employment contract and local payroll are mandatory requirements.

Processing time: the processing time for the completion of a work and residence permit application through a third-party vendor takes approximately 8-10 weeks.

One-year residence permit extension for certain dependent categories

Widows, divorced women and their children are granted a one-year residency visa extension. Male dependents above the age of 18 who have completed their university studies are also granted a 1-year extension on their UAE residence permits sponsored by their guardian/university.

Short-term work authorization

Free Trade Zones

Short-term work authorization is issued in the form of an access card sponsored by the Free Zone entity in which the employer is based. A local employment agreement is required for the temporary access card, and foreign national employees may remain on foreign payroll.

Processing time: the estimated processing time for the completion of a temporary access card application is approximately 5-7 working days.

Mainland

A mission visa may be obtained for foreign nationals on short-term work assignments and must be applied for and obtained by the UAE sponsoring company before the foreign nationals travel to the UAE. A local employment contract is required for the mission visa, and foreign national employees may remain on foreign payroll.

Eligibility for the mission visa is highly dependent on the UAE sponsoring company. It should be noted that not all sponsoring companies are eligible to obtain a mission visa.

Processing time: the estimated processing time for the completion of a mission visa application is approximately 3-4 weeks.

Exit requirements/de-registrations

Employers must cancel employees' work and residence permits upon termination of employment, doing so prior to the employee departing the country. Upon termination of employment and cancellation of the work and residence permit, employers are typically responsible for the repatriation costs of the employee in-line with the employment contract and UAE labor law.

Any dependent visas must be cancelled before the employee/sponsor's visa is cancelled.

Once a UAE residence visa is cancelled, 30 days will be granted to exit the UAE or change status (e.g. be sponsored by another employer, obtain spouse sponsorship, etc.).

Processing time and location

Work and residence permit cancellation applications must be filed with the relevant authority by the prospective employer, regardless of whether the employee is in the UAE or not.

Processing challenges for work permits

Whilst the UAE immigration authorities do not formally list any restrictions on the issuance of residence visas to certain nationalities, there are a number of countries whose citizens may face delays (see list below), requests for additional documents or rejections in their visa application.
High risk of delay/rejection

- Afghanistan
- Algeria
- Bangladesh

- Iran
- Iraq
- Palestine
- Syria
- Tunisia
- Yemen
- Moderate risk of delay/rejection
- Egypt
- Kenya
- India
- Lebanon
- Libya
- Morocco
- Nigeria
- Pakistan
- Somalia
- South Africa
- Turkey

Inter-emirate assignments

Generally, an employee can be seconded to a branch of his/her employer and current visa sponsor. However, in cases of secondment to a client's site or any other third-party entity, the employee is required to secure a temporary work authorization from the relevant jurisdictional authority.

Employer compliance

Employers in general must be in good standing with the MOHRE and GDRFA, as well as the relevant Free Zone authority (if applicable).

An employer is required to hold a valid copy of all of the below corporate documents for the submission of any immigration application for its employees.

1. Trade license
2. Establishment card
3. E-signature card

The employer must have the relevant quotas and sponsorship permissions in place (if applicable

Emiratization

In 2016, the UAE Government launched the Emiratization (Tawteen in Arabic) campaign, which mandates the inclusion of Emiratis in the job sector, particularly in the private sector. Emiratization aims to increase the number of Emiratis in the job market and their contribution to the economy. There has been an increased focus on this initiative since 2019 and the aim is to activate Article 14 of the labor law on the regulation of labor relations. Article 14 states that It is not permissible for a recruitment department to hire non- Emiratis before making sure that no Emirati registered in the employment section is unemployed and able to perform the work required.

Following a strategic plan to promote Emiratization, the MOHRE decided to localize more jobs in the private sector. Starting from 2017, companies that are registered with Tas'heel's online services and that employ over 1000 workers would be required to hire Emirati citizens for data entry positions.

The MOHRE decided that all construction facilities with a workforce of 500 or more employees must appoint at least one Emirati occupational health and safety officer from 2017.

Please note that the MOHRE is yet to fully implement Emiratization into the immigration processes for mainland companies. Free Zones are currently exempt from Emiratization.

Business visitors

Most foreign nationals entering the UAE to conduct ordinary business activities require a business visa. The process for obtaining a visa will depend on the applicant's nationality.

Select nationalities may obtain a visa on arrival (VoA) issued at the port of entry. If not eligible based on nationality, business visitors may be able to obtain a visit e-visa directly online from the General Directorate of Residency and Foreigners Affairs without sponsor registration prior to arrival. For Free Zone companies, the e-visa is obtained through their immigration portal.

Citizens of GCC countries have established visa exemptions with the UAE and may enter the country without a visa to conduct business activities, however the position may differ if they are visiting a Free Zone where the regulations differ depending on the relevant Free Zone. Foreign national residents of GCC countries may be eligible for a visit e-visa with multiple entries for business. However, if visiting a Free Zone, the regulations may differ depending on the relevant Free Zone. Business visitors are not required to register with the local authorities.

1. Permissible business activities

- Business meetings
- Buying goods for sale outside the country
- Touring a company facility
- Attending a trade show or seminar convention
- Attending corporate stockholders' assemblies
- Establishing a business venture or to explore possibilities to set up a business venture
- Trade delegations

2. Impermissible activities

Physical work activities cannot be performed, i.e. 'hands on' work

3. General requirements for business visitors

I. Passport valid for at least six months with a minimum of 3 blank pages

II. Passport-sized photo on a white background

III. Applicants must establish the specific purpose of the visit and must demonstrate intent to depart the country at a fixed time (present a valid confirmed onward ticket).

IV. Applicants must also establish that they have sufficient funds to support themselves while in the UAE.

V. Health issues, criminal violations, or circumstances giving rise to security concerns may trigger denial of admission.

4. Visa validity and maximum authorized period of stay

Visit e-Visas are issued for single or multiple entries with a 30 or 90 days duration of stay. VoA are issued at the port of entry. Durations of stay vary and are determined upon entry at the discretion of immigration authorities. A single duration of stay will not exceed 90 days.

The UAE does not have a required cooling-off period between visa issuance except for VoA issued for the European Union (EU) nationals which have a cooling-off period of 90 days upon exhaustion of the initial 90 days period which is granted within any 180 days period. Repeated, extended visits may appear suspicious and result in increased scrutiny on the part of immigration officers. There are no restrictions on the number of entries authorized per year.

5. Future changes

- The Emirates ID card is expected to soon replace a work and residence permit.
- The Federal Authority for Identity and Citizenship is expected to replace the relevant jurisdictional Immigration departments in all emirates.
- With increased focus on the Emiratization initiative, employers should expect further scrutiny to be imposed on foreign nationals' work and residence permit applications.
- Visa are expected to boost expats' confidence to stay in the UAE and attract more investments.

Virtual work program

Dubai has launched a unique virtual/ remote working program enabling eligible foreign professionals, entrepreneurs and company owners to work remotely from Dubai for up to one year with the ability to bring their family members with them as well as access all services in Dubai, including telecoms, utilities, and schooling for children. This program has been recently introduced and details of the application process for the main applicant and dependents are to be confirmed.

Eligibility

In order to qualify for the program, the applicant must have:

- A minimum monthly salary of USD 5000 per month.
- An overseas employment contract valid for at least 1 year.
- Valid health insurance for use in Dubai.

Permissible activities

- Conduct overseas role remotely from Dubai for up to one year.
- Visit employer’s office in Dubai for networking and attending meetings.
- Conduct client meetings.

Impermissible activities

- Conducting direct and productive work for your employer’s entity in Dubai.
- Starting your own business from within Dubai.

Labour laws

1. Employment contracts

Generally, there are two types of employment contracts for companies operating in the private sector. The difference lies in the provisions for end of service gratuity and termination.

- Limited term contract or (fixed term)
- Unlimited term contract.

A local employment contract is required to be in place, and this is applicable to both mainland and Free Zone entities.

1.1 Limited term contract or (fixed term)

A limited contract cannot exceed two years' term and is required to state the notice period ranging from a minimum of one month to a maximum of three months.

Termination:

Either party can terminate the original contract or a renewed contract, provided they comply with the legal consequences of early termination which include:

- Written notice for at least 1 month in advance but no longer than 3 months.
- Serving the agreed upon notice period.
- Compensating the other party to the level that was agreed to by both the parties, provided this does not exceed the equivalent of three months' gross wages.

1.2 Unlimited term contract

An unlimited term contract is open-ended, more flexible and commonly used in the UAE. Either parties can terminate the contract with mutual consent or by giving a notice of 1 to 3 months. The parties involved must honour their obligations throughout the notice period.

In case of unlimited contracts, an employment relation is terminated in one of the following instances:

- Both, the employer and employee mutually agree to terminate the contract.
- When either party decides, at any time, to terminate the contract provided that the terminating party abides by the legal notice requirements and continues to honour his obligations for the duration of the notice period, which cannot be less than one month and no longer than three months.
- When either party acts unilaterally to terminate the contract, without complying with the legal notice and without reasons of default by the other party - in this case, the terminating party bears the legal consequences of early termination.

Termination:

An employment relation is deemed to have ended without due process when either the employer or employee terminates the employment relation without complying with legally mandated procedures.

In this case, the wronged party may initiate legal action and compensation.

2. Free trade zones

Companies operating in a free trade zone are generally required to use a Free Zone generated template for the employment contract. Whilst some Free Zones grant the freedom for an employer to use a company's own contract, the latter is required to be reviewed by the Free Zone’s legal team to ensure compliance with the Free Zone’s regulations and the federal labor laws.

3. Mainland

Companies operating in mainland UAE are required to comply with the MOHRE labor laws. An offer letter is initially required to be obtained through the MOHRE system for a work permit to be granted. Once a work permit is approved, a Labor contract is then generated through the MOHRE system.

4. Wage protection system (WPS)

The Ministerial Decree 788 of 2009 on the Wage Protection System (WPS) came into force on 1 September 2009 in the UAE. The WPS was implemented in stages and now all employers are required to comply. Below is a list of the minimum WPS requirements.

- At least 70% of all salaries must be paid through WPS.
- A new employee must be added to the WPS process within 60 calendar days from the execution of their employment agreement.
- No more than 10% of an employee’s salary can be deducted for any reason (exemptions listed below).

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The WPS is an electronic salary transfer system that was set up by the UAE to regulate the payment of salaries to employees. It is overseen by the Central Bank of the UAE. The system allows the MOHRE to create a database that records wage payments in the private sector to guarantee the timely and full payment of agreed-upon wages. MOHRE is linked with the systems of Federal Authority for Identity and Citizenship which allows employers to exclude the following categories of employees from the Wage Protection System (WPS) compliance requirements:

- Employees who are outside the UAE
- Employees who have been reported absconding by their employers by filing “escape reports”
- Employees who have filed a lawsuit against their employer in the Labour court.

WPS is only applicable to mainland entities registered with the MOHRE across all sectors and industries in the UAE. This requirement is not applicable to Free Zones, except for Jebel Ali Free Zone in Dubai.

All salaries must be paid through WPS by the 15th calendar day of the following month. The employer’s MOHRE account will be blocked if salaries are not processed on time. The MOHRE account will be unblocked automatically if salaries are paid before the last calendar day of the month. In the event the employer fails to pay employees’ salaries before the end of the following month they were due, an administrative penalty will be imposed on the company for the late payment of wages.

5. Remuneration

There is no minimum salary stipulated in the UAE Labor Law. However, the law does state that salaries must cover the basic needs of the employees.

Remuneration is typically divided into three components: basic salary, accommodation allowance and transport allowance.

The UAE Labor Law does not provide any guidelines on how the salary is divided. However, it is worth noting that end of service benefits (next page) are only based on the basic salary. It is at the discretion of the company to decide this percentage.

6. Social security registration (GCC)

Government and private sector employers must register their UAE and GCC national employees with the General Pension and Social Security Authority (GPSSA).

7. Working hours and days

The UAE Labor Law identifies the normal working hours for the private sector as 8 hours per day or 48 hours per week. The working hours may be increased to 9 hours a day for certain business industries such as hotels and cafes after approval from the MOHRE. Government entities are not governed by the Labor Law and they operate for 7 hours daily.

Working for more than 7 hours a day is prohibited in arduous or unhealthy types of work and industries.

Normal working hours are reduced by two hours daily during the holy month of Ramadan.

Friday is the Islamic holy day and therefore a universal day off, and Saturday is the second day of the weekend in most industries.

Overtime is considered if the nature of the job demands working beyond normal working hours and it will entitle the employee to pay equal to normal working hours' remuneration plus 25 percent of that pay.

This could increase to 50 percent if overtime it is worked between 9 pm and 4 am.

Some Free Zones, in particular DIFC and ADGM, have their own labor regulations in place that have some marked differences to federal labor law.

8. Public holidays

Article (74) of the UAE Labor Law provides that:

Each worker shall be entitled to an official holiday with full pay on the following occasions:

- New Year's Day
- Eid Al Fitr
- Arafat Day
- Eid Al Adha
- Hijri New Year
- Prophet's Birthday
- Martyrs' Day
- UAE National Day

Accordingly, the above occasions are official holidays for employees working in the private sector, during which they are entitled to full pay. The holidays listed above are applicable to all employees whether they are working in the public or

It should be noted that the actual date of public holidays, especially Islamic holidays, is subject to variation as it based on the Islamic lunar calendar (which is approximately 11 days shorter than the Gregorian calendar), as well as on the sighting of the new moon, which marks the beginning of the new month.

9. End of service benefits

The UAE Labor Law dictates that employers are obliged to pay EOSB to any non-GCC national employees who have completed at least one year of continuous employment.

The end of service gratuity is calculated on the basis of the last basic salary. Hence, it will not include allowances such as accommodation, transport, relocation, utilities, furniture, etc.

The DIFC has implemented replaced EOSB with a defined contribution savings scheme, called the DIFC Employee Workplace Savings (DEWS). Under this scheme, employers are required to pay on behalf of each employee into DEWS on a monthly basis. The scheme is intended to give employees more visibility and control over the end of service benefit.

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United Arab Emirates double tax treaty network

Double tax treaty in force
Double tax treaty signed but not in force
Treaty under negotiation

	Treaties	Status	Dividends (%)	Qualifying dividends (%)	Interests (%)	Royalties (%)
1	**Albania**	🟢	**10**	**0/5**	**0**	**5**
2	**Algeria**	🟢	**0**	**0**	**0**	**10**
3	**Andorra**	🟢	**0**	**0**	**0**	**0**
4	**Angola**	🟢	**8**	**8**	**8**	**8**
5	**Antigua and Barbuda**	🟠	**0**	**0**	**0**	**0**
6	**Argentina**	🟢	**15**	**10**	**12**	**10**
7	**Armenia**	🟢	**3**	**0**	**0**	**5**
8	**Australia**	🔴	**Pending**	**Pending**	**Pending**	**Pending**
9	**Austria**	🟢	**0**	**0**	**0**	**0**
10	**Azerbaijan**	🟢	**10**	**5**	**7**	**5/10**
11	**Bangladesh**	🟢	**10**	**5**	**10**	**10**
12	**Barbados**	🟢	**0**	**0**	**0**	**0**
13	**Belarus**	🟢	**10**	**5**	**5**	**5/10**
14	**Belgium**	🟠	**10**	**5**	**5**	**5**
15	**Belize**	🟠	**0**	**0**	**0**	**0**
16	**Benin**	🟠	**0**	**0**	**0**	**0**
17	**Bermuda**	🟠	**Pending**	**Pending**	**Pending**	**Pending**
18	**Bosnia and Herzegovina**	🟢	**10**	**0/5**	**0**	**5**
19	**Botswana**	🟠	**Pending**	**Pending**	**Pending**	**Pending**
20	**Brunei**	🟢	**0**	**0**	**0**	**5**
21	**Brazil**	🟠	**Pending**	**Pending**	**Pending**	**Pending**
22	**Bulgaria**	🟢	**5**	**5**	**2**	**5**
23	**Burundi**	🟠	**0**	**0**	**0**	**0**
24	**Cameroon**	🟠	**10**	**10**	**7**	**10**
25	**Canada**	🟢	**15**	**5/10**	**10**	**0/10**
26	**Chad**	🟠	**Pending**	**Pending**	**Pending**	**Pending**
27	**China (People's Rep.)**	🟢	**0/7**	**0/7**	**0/7**	**10**
28	**Colombia**	🟠	**15**	**5**	**0/10**	**0/10**
29	**Comoro Islands**	🟠	**0**	**0**	**0**	**0**
30	**Costa Rica**	🟠	**Pending**	**Pending**	**Pending**	**Pending**

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	Treaties	Status	Dividends (%)	Qualifying dividends (%)	Interests (%)	Royalties (%)
31	Croatia	●	5	5	5	5
32	Cyprus	●	0	0	0	0
33	Czech Republic	●	0/5[1]	0/5[1]	01	10[1]
34	Ecuador	●	0/10	0/10	0/10	10/15
35	Equatorial Guinea	●	0	0	0	0
36	Egypt	●	0	0	0/10	10
37	Estonia	●	0	0	0	0
38	Ethiopia	●	0/5	0/5	0/5	0/5
39	Fiji	●	0	0	0	10
40	Finland	●	0	0	0	0
41	France	●	0	0	0	0
42	Gambia	●	0	0	0	0
43	Georgia	●	0	0	0	0
44	Germany	●	10/15	5	0	10
45	Greece	●	0/5	0/5	5	10
46	Guernsey	●	Pending	Pending	Pending	Pending
47	Guinea	●	0	0	0	0
48	Guyana	●	Pending	Pending	Pending	Pending
49	Hong Kong	●	0/5	0/5	0/5	5
50	Hungary	●	0	0	0	0
51	India	●	10	10	0/5/12.5	10
52	Indonesia	●	10[1]	10[1]	0/51	5
53	Iraq	●	Pending	Pending	Pending	Pending
54	Ireland	●	0	0	0	0
55	Italy	●	15	5	0	10
56	Japan	●	10	5	0/10	10
57	Jersey	●	0	0	0	0
58	Jordan	●	7	7	0/7	10
59	Kazakhstan	●	-	0/5	0/10	10
60	Kenya	●	5	5	10	10

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	Treaties	Status	Dividends (%)	Qualifying dividends (%)	Interests (%)	Royalties (%)
61	**Korea (Rep.)**	🟢	10	5	0/10	0
62	**Kosovo**	🟢	0/5	0/5	0/5	0
63	**Kyrgyzstan**	🟢	0	0	0	5
64	**Latvia**	🟢	0/5	0/5	0/2.5	5
65	**Lebanon**	🟢	0	0	0	5
66	**Libya**	🟠	0	0	0/5	0/10
67	**Liechtenstein**	🟢	0	0	0	0
68	**Lithuania**	🟢	0/5	0/5	0	5
69	**Luxembourg**	🟢	0/10	0/5	0	0
70	**Macedonia (FYR)**	🟢	0/5	0/5	0/5	0/5
71	**Malawi**	🔴	Pending	Pending	Pending	Pending
72	**Malaysia**	🟢	0/10	0/10	0/5	10
73	**Maldives**	🟢	0	0	0	0/7
74	**Mali**	🟠	Pending	Pending	Pending	Pending
75	**Malta**	🟢	0	0	0	0
76	**Mauritania**	🟠	0	0	0	0
77	**Mauritius**	🟢	0	0	0	0
78	**Mexico**	🟢	0	0	0/4.9/10	10
79	**Moldova**	🟢	5	5	6	6
80	**Mongolia**	🟢	Pending	Pending	Pending	Pending
81	**Montenegro**	🟢	10	0/5	0/10	0/5/10
82	**Morocco**	🟢	10	0/5	0/10	0/10
83	**Mozambique**	🟢	0	0	0	0/5
84	**Nepal**	🔴	Pending	Pending	Pending	Pending
85	**Netherlands**	🟢	10	0/5	0	0
86	**New Zealand**	🟢	15	15	10	10
87	**Nigeria**	🟠	7.5	7.5	7.5	7.5
88	**Pakistan**	🟢	15	10	10	12
89	**Palestine**	🟠	0	0	0	0
90	**Panama**	🟢	5	5	0/5	5

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	Treaties	Status	Dividends (%)	Qualifying dividends (%)	Interests (%)	Royalties (%)
91	**Paraguay**	●	15	15	6/15	15
92	**Peru**	●	Pending	Pending	Pending	Pending
93	**Philippines**	●	15	0/10	0/10	10
94	**Poland**	●	0/5	0/5	0/5	5
95	**Portugal**	●	15	5	0/10	5
96	**Romania**	●	0/3	0/3	0/3	3
97	**Russia**	●	-	0	0	-
98	**Rwanda**	●	Pending	Pending	Pending	Pending
99	**San Marino**	●	0	0	0	10
100	**Saudi Arabia**	●	5	5	0	10
101	**Senegal**	●	5	5	5	5
102	**Serbia**	●	10	5	0/10	10
103	**Seychelles**	●	0	0	0	5
104	**Singapore**	●	0	0	0	0/5
105	**Slovak Republic**	●	0	0	0/10	0/10
106	**Slovenia**	●	5	5	0/5	5
107	**South Africa**	●	10	5	10	10
108	**Spain**	●	15	5	0	0
109	**Sri Lanka**	●	10	0	10	10
110	**Saint Kitts and Nevis**	●	0	0	0	0
111	**Sudan**	●	0	0	0	5
112	**Suriname**	●	5	5	5	5
113	**Syria**	●	0	0	0/10	18
114	**Switzerland**	●	15	5	0	0
115	**Tajikistan**	●	0	0	0	10
116	**Thailand**	●	10[1]	10[1]	10/15[1]	15
117	**Tunisia**	●	0	0	2.5/5/10	7.5
118	**Turkey**	●	12	5/10	10	10
119	**Turkmenistan**	●	0	0	0	10
120	**Uganda**	●	Pending	Pending	Pending	Pending

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	Treaties	Status	Dividends (%)	Qualifying dividends (%)	Interests (%)	Royalties (%)
121	**Ukraine**	●	-	5[2]	0/3[2]	0/10[2]
122	**United Kingdom**	●	15	15	0	0
123	**Uruguay**	●	7[2]	5[2]	0/10	0/5/10
124	**Uzbekistan**	●	15	5	0/10	10
125	**Venezuela**	●	10	0/5	0/10	10
126	**Vietnam**	●	15	5	0/10	10
127	**Yemen**	●	0	0	0	10
128	**Zimbabwe**	●	Pending	Pending	Pending	Pending

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ABOUT BKMS

With over a decade worth of experience and a prominent network of international clients, BKMS has established a reputation that speaks for itself. BKMS is covering a broad spectrum of industries, taking into account the required accounting treatment and tax implications as well as the challenging international regulatory framework. Client Trust and loyalty are the very fundament of every commitment undertaken by BKMS. Adherence to a strict policy of professionalism therefore results in continuously successful developments. BKMS is regulated by Cyprus Securities and Exchange Commission Registration No 96/196.

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