



TALREJA & TALREJA LLC
Chartered Accountants & Business Advisors

Brief Guide on Company Set up in Dubai U.A.E

(Method - 15 Minutes Lecture Script)

UNITED ARAB EMIRATES (U.A.E)

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So to begin with, I shall brief you about the Benefits & Process of Company set ups along with the starting cost part as well.

BENEFITS

--> TAXATION

Business – 0% and 9% - (Profit above USD 100000)

Personal – No Tax

VAT – 5% - No VAT on exports

If we talk about the benefits, then the first thing that comes in everyone's mind is Tax Benefits. There is 0% to 9% Corporate tax now in UAE with the introduction of Corporate Tax Laws from this year. So being a businessman, you shall fall between 0% to 9% tax on the profits earned by the UAE Entity.

Upto USD 100,000 Profit, there is no corporate tax. After that, you shall be charged at 9% tax only on the profits over and above USD 100,000.

Apart from this, Freezones enjoys 0% Tax Benefits even if their profit is above USD 100,000. Crazy !! Isn't it ? But that comes with certain conditions. Only if the Freezones fulfill those conditions, then only they are eligible for 0% Tax on the entire profits.

Nevertheless, 9% Tax is also not bad. Its one of the lowest taxes across the globe that a businessman is supposed to pay.

If we talk about the personal income, it is completely tax free. Be it be a salary or remuneration received by director or be it be a capital gain profits earned by an individual by doing forex or crypto transactions or by sale of properties or be it be a rental income an individual might be earning by letting out his own properties, everything is tax free in case of personal income.

Apart from Corporate tax, there is a 5% VAT also, which is again one of the lowest indirect taxes as compared to other economies across the globe. But that's also applicable only in case if your turnover is above USD 100,000 in a year. However, you need to note that There is No VAT on the export of goods and services.

--> STRATEGIC LOCATION

the Strategic Position between Europe, Asia and Africa

To understand more about Dubai's location – Check out FAMOUS YOUTUBE VIDEOS – HOW DUBAI GOT RICH

Second Major Benefit is Dubai enjoying the Strategic Position between Europe, Asia and Africa. Whether its accessing the markets of Middle East, Africa or Asia, Dubai serves as a central node in the global trade network connecting East and West, North and South, providing a natural bridge between producers, manufacturers and consumers of some of the world's most consumed commodities. To understand more about Dubai's location & its importance, You need to check out the Map or you should watch some famous videos on youtube on How Dubai became successful using the location advantage.

Also To reduce the dependency on Oil & Gas and With the benefit of geographical location, Dubai has put in lot of efforts in making itself not only the Top Tourist Destination but also a Global Trading Hub by hosting numerous international exhibitions, conferences and Trade Events & by creating world class infrastructure including the award winning and the busiest - Dubai International Airport and the important Jebel Ali Sea-Port.

Now apart from the above two benefits, there are few other major benefits as well which we shall be discussing about.

--> MERCHANT TRADING

One of them is the Ease of doing business even if you are a merchant trader who wish to ship goods from one country to another without the physical movement of goods from Dubai. This is legally allowable in Dubai and many of the businessman are taking the

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benefit of this facility since a long time. Businessman who face difficulties in doing merchant trading from their Home Country due to strict rules and regulations, they have shifted their base to dubai for ease of doing business.

-->IMPORT EXPORT DATA CONFIDENTIALITY

Along with this, many of the businessman who are also worried about their import export data confidentiality getting comprised in their home country by their competitors, have also moved to dubai as dubai promises to be one of the safest places where data confidentiality is kept at the priority.

-->OTHER BENEFITS

Some of the other benefits includes -

1. Getting Access to the **Worldwide Customers** through Dubai as Dubai is one of Top Tourist Destinations
2. Getting Access to **Gulf Countries for** business at the most affordable pricing as Dubai UAE are the most affordable options as compared to setting up a company in other Middle east countries.
3. Getting Access to the Huge Pool of Prospective Employees from different age groups, skills, education and nationalities.
4. Getting Access to Best Hyper Modern Infrastructure, Super transportation links and logistics technology
5. Getting Access to **High Standard of Living** and world class amenities with Sunny weather all throughout the year
6. And the last but not the least – **you get 100% Ownership**. Now there is no requirement Local Sponsor in UAE for majority of Businesses. So you are free to own 100% and repatriate your funds freely to your Home Country without any restrictions.

COSTING & TYPE OF COMPANIES

Now you must be saying – Kapil, Looking to the benefits of Dubai, we shall surely plan to set up a company in future, but what shall be the costing of company set – up, whether we need to travel dubai for setting up company, what are the norms that we need to comply with ?

So now we shall be answering to all the questions that might be popping out in your mind related to setting up company in Dubai.

Costing of forming a company depends on various aspects.

1. **NATURE OF BUSINESS**

REGULATED OR NON REGULATED BUSINESS

Nature of Business you are proposing to do through Dubai – The Business Activities in UAE are generally divided into 2 Parts – Regulated and Non-Regulated. So if you are into a kind of Business Activity, which is a regulated one and requires approval from UAE Government Departments, then along with the general costing of license issuance, you also need to take approval from Government Departments and pay the approval fees to them every year. So Generally Industrial Activities (means Manufacturing activities) are covered into it. Also Few of the Commercial as well as Professional activities (means Trading and services Activities respectively) also need the approval.

Majority of the business activities are Non-regulated. Hence no need to worry on that part. Very few activities get covered under the Regulated Activities. So the costing that's why depends on the type of activities you are planning to conduct through your UAE Entity.

2. **SALE INSIDE OR OUTSIDE UAE**

REGULATED OR NON REGULATED BUSINESS

Whether you are planning to sell your product inside as well as outside UAE OR the sale will be only out of UAE ?

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How does it matters ?

So Generally, if your sale is going to happen only out of UAE and if your activity is a regulated activity as per UAE Norms, then in that case, there are ways available wherein you don't need to take approvals from Government if your sale is completely outside UAE. Hence, you can save your yearly approval costs associated with the activities.

3. NUMBER OF VISAS

UAE DON'T PROVIDE CITIZENSHIP

The License cost of the FZ company increases with the number of visas you plan to take. Visas allotted through company license are generally residence visa with 2 years Validity. The business owners get Investor or Partner visa and the employees get Employment Visa from Company, but all these visas comes with the validity of 2 years.

Please note you need to have atleast one visa through company if you are planning to open a Bank account in Local UAE Banks. Without Visa, you will not get residence card i.e. Emirates Id card and without Emirates ID, UAE Banks will not open the Company's account as well as yours Personal Account. So any one authorized person of the company – be it the business owners or the manager or employee of company, needs to have visa so that he can process bank account formalities.

There is one more condition in these 2 years residence visa – The person who shall be taking this VISA need to be present atleast for once in UAE in every 180 days. If he fails to remain present, then Visa shall get cancelled and accordingly there shall be issues in License Renewal and bank operations as well.

Now, there can be one question in your mind -

Kapil, is it only for 2 years validity we shall be getting visa ? Does UAE not provide any citizenship to the residents coming from outside ?

UAE Doesn't provide citizenship to any of the foreign citizens residing and working in UAE, but they have released one VISA named Golden Visa with 10 years validity with a condition of Minimum 2 Million Dirham investment in the UAE Property Market. Also there is an scheme for Capital investment in your UAE Business, wherein you may get eligible for 10 years Golden Visa by investing capital in your own business.

4. TYPE OF OFFICE

7 Emirates with Mainland and Freezones

The Type of Office you may be planning to take in UAE -

One of the questions that generally come from customer side –

Will we be required to compulsory take the office space in UAE for company formation and whether it will be chargeable?

The Answer to this depends on where are you opening your Company ?

U.A.E is a combination of 7 Emirates, earlier known as 7 kingdoms namely Abu Dhabi, Dubai, Sharjah, Fujairah, Ajman, Umm-Al-Quwain and Ras-Al-Khaimah.

And in all these 7 emirates, there are 2 Jurisdictions -

1st is Freezones and 2nd is Mainland.

Now What is Mainland ?

So Mainland is an area other than Freezones.

ok then, what are Freezones ?

So Freezones are Special Economic Zones designed to boost up the export revenues of UAE.

So if you open a company in Mainland, then physical office space is mandatory and you need to provide the rent agreement during the registration process after taking the name of entity. Generally, businessman who wish to open the retail store in UAE are required to open a company in Mainland and also if you are into some kind of regulated activities, then its advisable to for company formation in Mainland.

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If we talk about Freezones, there are almost 37 Freezones in UAE and each freezone comes with different options in case of office space. So If we talk about the affordable freezones, then in such freezones, you are not required to take office space separately. You get the Flexidesk / Virtual Desk free in such freezones along with your license & there is no need to pay any additional charges for the same in such freezones & and you shall also get the Lease Agreement for the flexidesk which you can use as your registered address of company for opening the bank account.

5. RENEWAL COSTS

Are these all only the one-time cost ?

No, each and everything is to be paid on yearly basis. Like License cost, govt approvals cost are to be paid on yearly basis. You can plan to make 3 to 5 years license payment together and you might get some additional discounts in paying the license fees for so many years together in a single go.

Residence Visas are to be renewed every 2 years depending on the conditions and schemes provided by Freezones.

6. MINIMUM COST TO START A COMPANY

What is the Ballpark starting cost of creating a company including all the above costs?

Well, we shall provide you the costing of 1 Visa Quota Company as 1 Visa is a must if you wish open the bank account as well and also assuming there shall be no regulated activities, then in that case, 1st year cost shall be around AED 19000 to 20000 including Visa and Flexidesk cost as well and the renewal costs shall be somewhere around AED 16000 to 17000 every year in case you plan to start a company in Dubai Based Freezones. So the above starting costs are for Dubai Based Freezones.

However, if you plan to open a company in other Freezones not in Dubai and Abu-Dhabi, then the 1st year cost shall be around AED 12000-15000 including Visa and Flexidesk cost as well and the renewal cost shall be around AED 8500 to 12000.

Wherein if you plan to open a company in Mainland, then starting costs shall be somewhere around AED 23000 to 27000.

This the end of the Brief Guide wherein we have tried to cover all the important aspects related to companies set up in UAE. I Hope you shall like it and for any further queries and detailed discussions, you can reach to us anytime. We shall be happy to assist you.

For any kind of doubts or queries, kindly feel free to reach to us.

Best Regards

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