

Knowledge Series Session

# Advantage UAE

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# About UAE

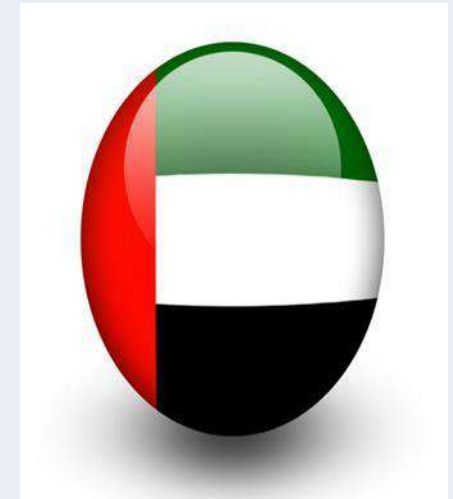


# Destination UAE



# UAE, in brief

- UAE Federation formed in 1971 by 7 states
- Abu Dhabi – Political capital,  
Dubai – Commercial capital  
Total: 7 Emirates (States)
- Official language: Arabic (but English & Hindi widely used)
- Modern tolerant Islamic state and multi cultural society co-existing
- Minimal government interference in business  
(min government / max governance)





# UAE, in brief

- 100% foreign ownership of companies permitted in majority of sectors
- Property ownership permitted to foreigners.
- Corporate Tax of 9% from June 2023.
- No Income tax and No Capital Gains tax
- No restrictions on forex transfers
- Residency visa linked to property or company ownership
- DTAA with over 115+ countries in force
- Signatory to BEPS Action Plans & implementation in progress



# UAE, in brief

**Population : 10.24 mn**

*Source: worldmeters.info, 2023*

**Nominal GDP, USD : 845 bn**

*Source: [www.worldeconomics.com](http://www.worldeconomics.com) - 2023*

**Exchange rate AED:USD,  
3.6725 : 1 (Pegged)**

*Source: Central Bank UAE*

**Real GDP growth : 3.5%**

*Source: statista.com - 2023*

**GDP per capita, USD : 49,450**

*Source: [www.imf.org](http://www.imf.org) - 2023*

**Fitch Rating AA -  
Stable Outlook**

*Source: Fitchrating.com- 2023*

**Trade Balance as % of GDP :  
25.28%**

*Source: globaleconomy.com 2020*

**Non Oil Sector Contr. to GDP:  
72.3%**

*Source: CBUAE 2021*

**Current account balance,  
USD : 35.33 bn**

*Source: [www.imf.org](http://www.imf.org) 2023*

**Central Bank policy rate: 3.15%**

*Source: CBUAE - 2020*

**Fiscal Surplus as % of GDP :  
9.4 %**

*Source: fitchrating.com - 2022*

**CPI inflation : 3.4 %**

*Source: imf.org - 2023*

**Jabel Ali port annual capacity:  
13.7m TEU - 2021**

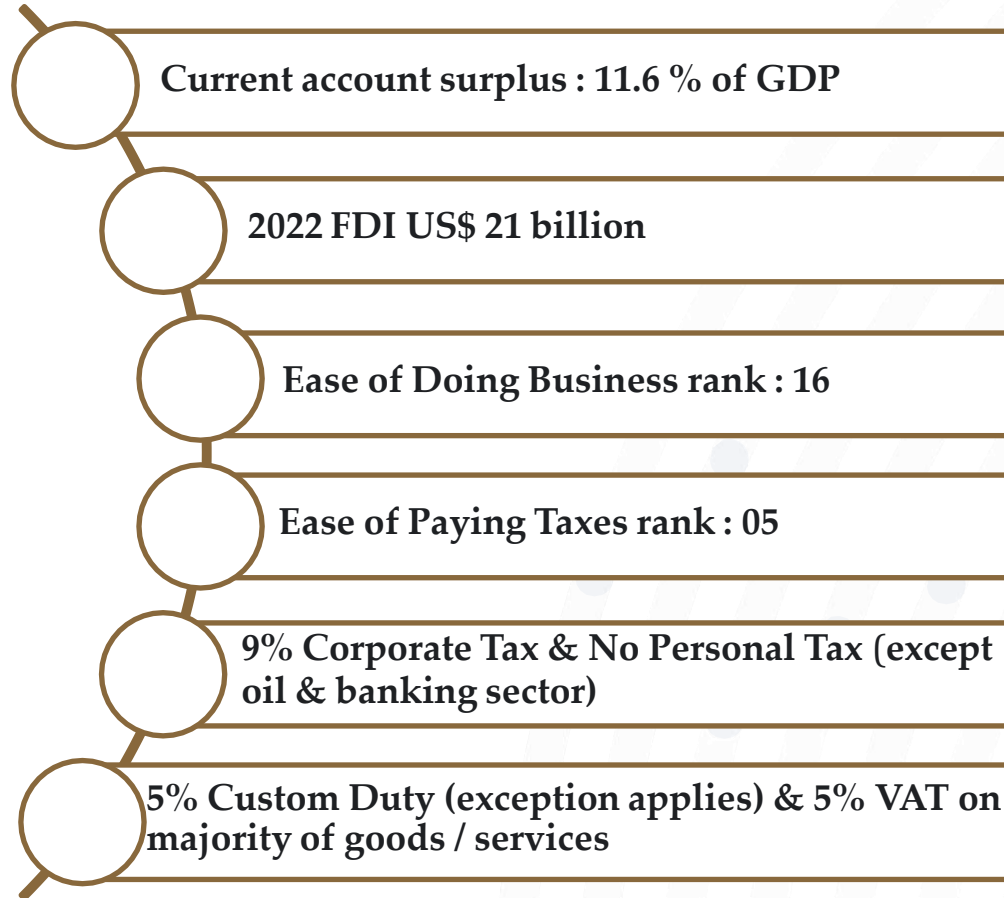
**Total Export & Re Export:  
USD 599 bn**

*Source: thenationalnewspaper.com - 2023*

**Total Import: USD: 425 bn**

*Source: thenationalnewspaper.com - 2023*

# UAE, in brief



# Jurisdiction UAE

- UAE has been a tax free onshore jurisdiction
- Accelerated pace since setting up of Free Zones since 1985
- UAE also now permits setting up offshore company
- Though tax free, it is not like a typical offshore centers since PE exists
- Not a very low cost jurisdiction due to requirement of having a separate office premises for each company
- Well established legal system - commercial laws based on Civil Law
- However DIFC laws based on Common Law
- Has International Arbitration Centre as well for dispute resolution



# Strengths & Opportunities In Region

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## Strengths:

- Combined regional GDP of US\$ 2.5 trillion
- Huge infrastructure spending by governments
- Estd regional Sovereign Wealth Funds of US\$ 1.6 trillion (incl. US\$ 800 bn of Abu Dhabi UAE)
- Good infrastructure in communication, transport, connectivity etc. facilitating trade in region
- No forex restrictions
- Very minimal labour regulations / no trade unions
- Excellent security and not affected by regional turmoil
- 9% Corporate Tax from 1st June 2023
- No Personal Income Tax



# Strengths & Opportunities In Region

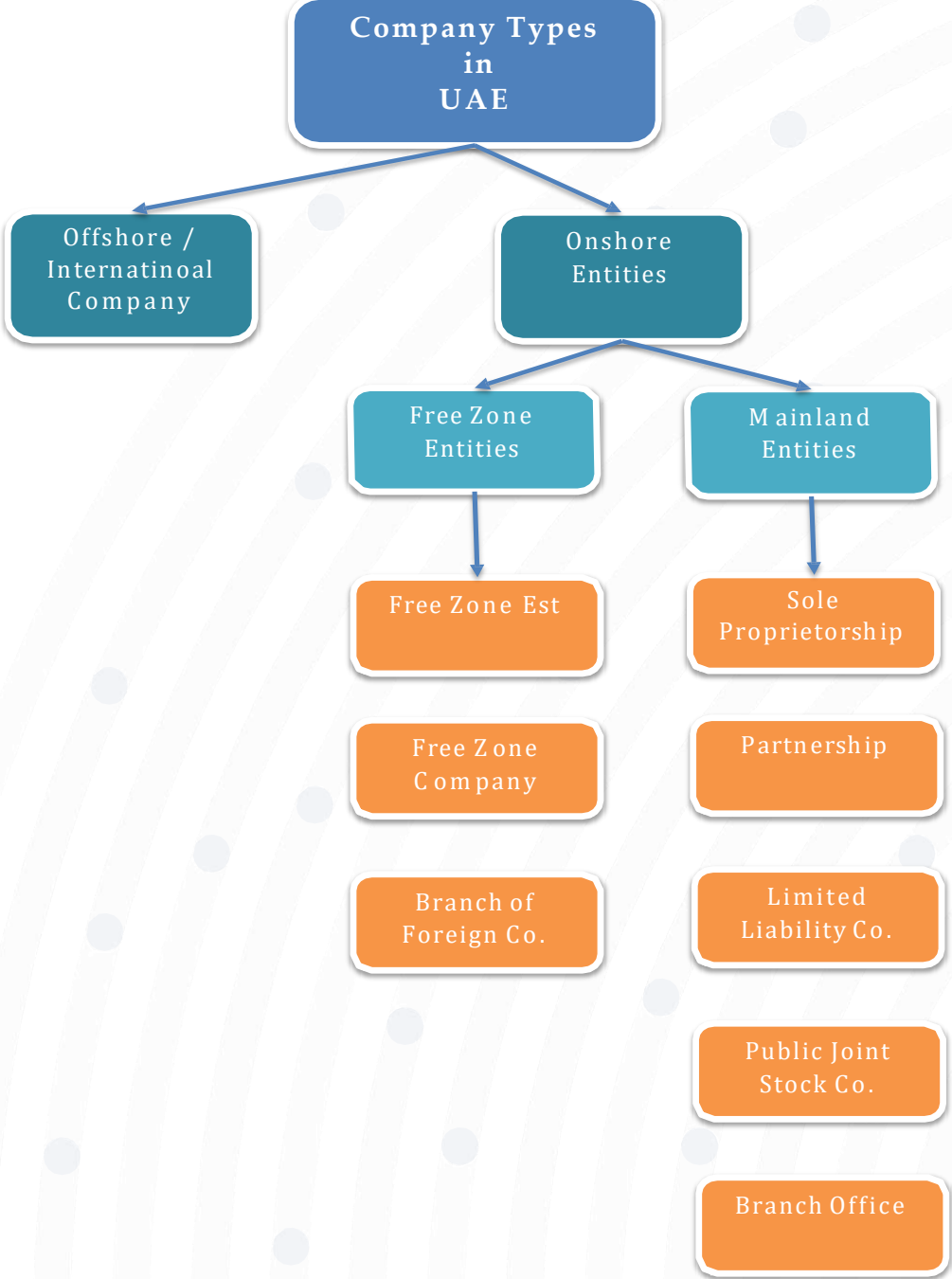
## Opportunities

- International trade & logistics
- Manufacturing for regional requirements
- Property Investments
- Infrastructure Development esp in ports, airports, roads, railways, electricity, desalination etc.
- Manufacturing esp light & medium industrial units (capital intensive)
- Services sector
- Education
- Require UAE onshore or offshore entity in order to operate



# Company Structures in the UAE

# Types of entities:



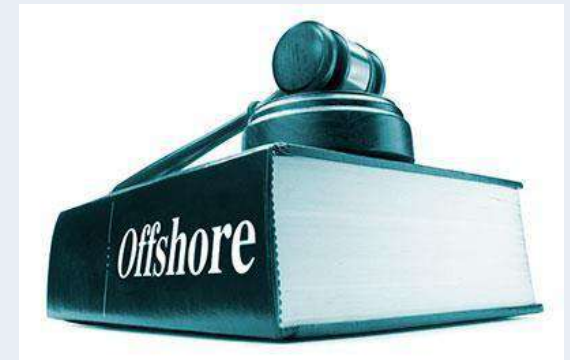


## Comparison of Company Types in UAE

<b>Particulars</b>	<b>Offshore / Intl Co.</b>	<b>Free Zone Entity</b>	<b>Mainland (Limited Liability Co.)</b>
<b>Activities permitted</b>	Activities which are not regulated by other laws	As per licensed activities	As per licensed activities
<b>Activities to be carried out</b>	Globally (can hold assets in UAE but cannot carry out other activities in UAE)	Within freezone or Globally	Within UAE or Globally
<b>Foreign Ownership</b>	Upto 100% permitted	Upto 100% permitted	100% permitted in majority of sectors (except reserved sectors)
<b>Corporate Shareholder</b>	Yes	Yes	Yes
<b>Corporate Directors</b>	Yes	No	No
<b>Resident Directors</b>	No	Depends on Free Zone regulations	Not compulsory but advisable to have
<b>Registered office</b>	Of Registered Agent	Own office in Free Zone	Own office in Mainland
<b>Registered agent</b>	Required	Not applicable	Not applicable
<b>Value Added Tax</b>	On certain types of income viz. on rental of commercial properties	Yes on goods / services rendered in UAE or in Free Zones subject to terms & conditions	Yes on goods / services rendered in UAE or in Free Zones subject to terms & conditions
<b>Corporate Tax</b>	9% subject to terms & conditions	9% subject to terms & conditions	9% subject to terms & conditions
<b>UBO / ESR / AML Compliances</b>	Applicable	Applicable	Applicable
<b>Audit</b>	Not mandatory	Depends on Free Zone regulations	Yes
<b>Tax Resident</b>	No	Yes subject to fulfillment of conditions	Yes subject to fulfillment of conditions
<b>Can sponsor UAE residence visa for Shareholder / Director</b>	No	Yes	Yes
<b>Cost effective</b>	Most cost effective	Relatively cost efficient	Little Expensive

# Offshore Cos. in the UAE

- Resident directors not required
- Corporate Directors permitted by certain offshore authority
- Beneficiary identity to be declared to authority- but not on public record
- No office (regd agent office as office of the co)/ no business /no employees in UAE
- Zero tax (no corporate or personal income tax or no indirect tax)
- No restrictions on movement of capital & profits
- No requirements for AGM
- No accounts filing requirements
- Not tax resident so not entitled to DTAA benefits
- Cost effective



# Free zone (Onshore) Cos. in UAE

## Types of Cos.:

- Free Zone Est. (single shareholder)
- Free Zone Cos. (multiple shareholders)
- Branch of Foreign Cos.
- Branch of Local Cos.

## Key Features / Benefits:

- 100% Foreign Ownership
- Tax Holidays from 15 years upto 50 years
- No restrictions on movement of capital /profit
- Limited liability
- Local directors not mandatory
- Directors eligible for UAE residence visa
- Can be owned by an overseas company
- Can trade with / serve cos. outside free zone
- Entitled to benefit under DTAA
- PE in UAE



# Free Zones in the UAE

**Several Free Zones - General or Sector specific**

**About 45 free zones in UAE**

**Some prominent free zones**

- Jebel Ali Free Zone (over 7,000 cos.)
- Dubai Airport Free Zone
- Technology Electronic & Media Free Zone
- Dubai Multi Commodities Centre (over 15,000 cos.)
- Dubai International Financial Centre
- Dubai Silicon Oasis
- Sharjah Airport Int'l Free Zone
- Hamriyah Free Zone
- Ajman Free Zone
- Ras Al Khaimah Free Zone
- Fujairah Free Zone
- Umm Al Quwain Free Zone

# Free Zones in the UAE

- Over 80,000 cos. in free zones
- Many of Fortune 500 cos. present & using free zones as hub for serving regional markets
- Not just holding nor paper cos. but active operating companies.
- Can also setup holding company / Single Family Office (SFO)





# Mainland (Onshore) Cos. in UAE

➤ Local Cos. required for operating outside free zone or executing projects outside free zones

➤ Types of Cos.:

-Sole Proprietorships

-Limited Liability Cos. (Pvt. Ltd. Cos)

-Public Limited Cos.

-Branch of Foreign Cos.



➤ 100% foreign ownership permitted in approved sectors & restricted to 49% in reserved sectors

➤ UAE national may be a silent partner:

- profit share permitted in ratio other than capital,

- management fees can be as %age of profit or turnover &

- capital low & balance amount can be as loan from foreign partner



# Mainland (Onshore) Cos. in UAE

- No restrictions on profit or capital movement
- Corporate Tax of 9% from June 2023.
- No indirect taxes except custom duty @ 5% on most of the products or entertainment tax (VAT @5% introduced wef 1st Jan 2018)
- Shareholder can be a corporate entity in limited cos.
- Audit requirements for limited cos. & branch offices



# Advantages of Setting up a Company in the UAE

# Advantage UAE

- Central Location - Located between Asian, African and European Continents
- Acts as a hub for trading & commercial hub of the region
- Substantial wealth in the region including Sovereign Wealth Funds with estimated USD 3 trillion of assets
- Time zone advantage which enables businesses to work with the east as well as the west
- UAE & Gulf region are one of the largest importers of various commodities
- UAE & Gulf region are one of the largest exporters of oil and natural resources
- Economic diversification
- 100% Foreign Ownership in free zones as well as majority of sectors in mainland as well
- No restrictions on movement of capital /profit

# Advantage UAE

- One of the lowest corporate tax rates (9%) globally & 0% tax on international business from free zones
- Investment possible via mix of equity and loan. Major investment possible via loan
- For professionals, wider scope & coverage due to additional laws / regulations
- UAE / India **Comprehensive Economic Partnership Agreement (CEPA)** meaning lower import tariff's on good manufactured in India / UAE and closer economic co-operation
- Golden visa program (long term residency visas)
- UAE now a regulated economy & with introduction of corporate tax, would be widely recognized in global financial markets
- Well developed and highly modern infrastructure
- UAE entities can be used as global holding company for international business operations (can take benefit of wide DTAA's and connects with global markets for expanding footprints globally)



# Thank you

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