

Freezones Dubai Auto Zone

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1. What law established this free zone?

Dubai Auto Zone is located near Ras Al Khor industrial area in Dubai, off Sheikh Mohammed Bin Zayed Road (E311). It was established in 2000, under the Jebel Ali Free Zone Authority (JAFZA) and is managed by JAFZA.

2. What are the main internal regulations governing this free zone?

The internal regulations of the free zone are governed by the regulations of JAFZA, namely:

- Jafza Rules 7th Edition (2017).
Jafza Companies Implementing Regulations 2016.

The above list is not exhaustive and may include any other regulation as issued by JAFZA.

3. Does this free zone has reciprocal arrangements with other free zones?

Yes, Jebel Ali Free Zone has reciprocal arrangements with other Free Zones in the country.

4. What key areas of local legislation must a business operating in this free zone still comply with? What are the most important examples of how this affects operations?

The key areas of local legislation that businesses operating in this free zone must comply with are:

- Federal Law No. 3/1987 (The Penal Code).
Dubai Law No. 15/2016 (concerning regulations issued by the authorities of free zones and special development zones in Dubai).

5. What key agencies do businesses operating in this free zone need to register with or be aware of?

Businesses operating in this free zone must register with the Jebel Ali Free Zones Authority (JAFZA). Businesses must also be aware of the Dubai Customs, in the event they conduct any business relating to imports or exports.

6. How does a company set up in this Free Zone?

In order to set up a company in Dubai Auto Zone, the following procedures must be followed:

- Registration of a trade name must be done and proof of the same must be submitted to JAFZA.
An application for initial approval must then be submitted.
Once the initial application is submitted, the following documents must also be submitted:
 - Memorandum of Association (MOA).
 - Articles of Association (AOA).
 - Passport Copies of individual shareholders.
 - Passport Copies and CVs of Managers.
- Once the above documents have been submitted, a Certificate of Incorporation will be issued by JAFZA once the documents have been reviewed. JAFZA will then issue a letter which needs to be submitted to the bank, in order to open a corporate bank account.
- Once the minimum share capital, as requested by the authorities, has been deposited into the account, the bank will issue a letter of confirmation.
- The letter of confirmation must be submitted to JAFZA, who in turn will review it and on signing the lease and personnel sponsorship agreement, finally issue the license for the business.

7. What features go companies set up in this Free Zone have?

Companies which are incorporated in the Dubai Auto Zone are offered incentives such as:

- 100% repatriation of capital and profits
100% foreign ownership.
Economical Freight Charges.
No restriction on the maximum number of import of automobiles.
Availability of a skilled workforce.

- No corporate tax/personal income tax for 50 years.
- Hassle-free clearance from Police, Customs and Bank.
- No import/export duties.

8. What can companies set up in this Free Zone do?

Companies which are set up in the Dubai Auto Zone can only conduct activities related to the Automotive Industry and involve trading, insurance and maintenance.

9. What can companies set up in this Free Zone not do?

Companies which are set up in this free zone cannot do any activity which is contradicts or is beyond the scope of the license which they are issued. If they are found to do so, they may be fined or closure of operations or termination of license in line with the rules of the JAFZA.

10. What types of business are allowed to operate in this Free Zone?

Companies which are set up in the Dubai Auto Zone can only conduct activities related to the Automotive Industry and involve trading, insurance and maintenance.

11. What inheritance laws apply in this free zone?

The inheritance laws which are applicable in this free zone are those of Islamic Sharia.

12. What taxation applies?

Businesses in the Dubai Auto Zone follow the same taxation regulation as JAFZA. According to the regulations of JAFZA, businesses who have a license issued by JAFZA are exempt from taxation.

13. What accounting and auditing rules do businesses operating in this free zone need to adhere to?

Businesses operating in Dubai Auto Zone must adhere to the accounting and auditing rules of JAFZA, which stipulate auditing can only be done by a JAFZA approved auditor.

14. Where do businesses operating in the free zone generally locate their bank accounts?

Businesses which operate in Dubai Auto Zone have to open a corporate bank account before they are issued a license. Businesses open a local bank account, established in the regulations of the UAE.

15. Are there any specific rules governing when the moveable property is removed from the free zone area or transferred into the free zone area from another jurisdiction?

Businesses who operate in the free zone must strictly confine their business to the free zone unless they have undertaken prior permission from the relevant authorities to conduct business outside the free zone area. For conducting any business outside the free zone area, the assistance of a local agent/distributor will be required.

16. Are any specific licenses required to operate as a specific type of company in this free zone?

A business which operates in the Dubai Auto Zone is issued a Free Zone Company license. The company can either be a Free Zone Establishment (FZE), a limited liability company having one shareholder or a Free Zone Company (FZCO), a limited liability company having a minimum of two and a maximum of five shareholders. A branch of a company which is situated in the UAE can also obtain a license to operate in the free zone. They are normally issued either a Trade License or an Industrial License.

Businesses are not allowed to operate beyond the scope of thire license.

17. Is there any specific ongoing regulation or monitoring firms operating as particular types of companies by this free zone authority?

The operations of the free zone are monitored, supervised and regulated by the Jebel Ali Free Zone Authority (JAFZA).

18. How are disputes settled in this free zone?

In general, dispute resolution mechanisms are specified in contracts. In the absence of this, the courts in Dubai assist in resolving disputes. The main courts are:

- a) The Court of First Instance.
- b) The Court of Appeal.
- c) The Court of Cassation.

If there are any disputes between an employer and an employee at the first instance, an attempt to resolve it will be made by JAFZA, under the labour division. If it is not possible to arrive at a resolution under JAFZA, the matter will be transferred to the Dubai Courts, if either party requests for it to be.

Apart from this, a separate judicial system which follows the principles of Common Law exists, under the Dubai International Financial Centre, known as the DIFC Courts. Depending on the choice of the parties involved, either judicial bodies can be approached to settle disputes. Parties can also attempt to resolve disputes using arbitration under the Dubai International Arbitration Centre or the DIFC-LCIA Arbitration Centre.

19. How are disputes between onshore companies and companies in this free zone settled?

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20. What are the main rights and duties of an employer and employee working in this free zone?

The main rights and duties of an employer and employee are issued by the Jebel Ali Free Zone Authority (JAFZA) under the Jebel Ali Free Zone Rules 2017 (7th Edition). Some of them are:

- Every employee has the right to keep their passports with themselves and it is the duty of the employer to ensure that the employee's passport has been returned once the residence permit has been attached.

An employer must be registered with WPS and must transfer the employee's salary through WPS between the 1st and 15th of every month. An employer is also mandated to keep signed copies of the certificates of payment.

21. How are employment disputes between employers and employees working in this free zone settled?

In general, dispute resolution mechanisms are specified in contracts. In the absence of this, the courts in Dubai assist in resolving disputes. The main courts are:

- a) The Court of First Instance.
- b) The Court of Appeal.
- c) The Court of Cassation.

If there are any disputes between an employer and an employee at the first instance, an attempt to resolve it will be made by JAFZA, under the labour division. If it is not possible to arrive at a resolution under JAFZA, the matter will be transferred to the Dubai Courts, if either party requests for it to be.

Apart from this, a separate judicial system which follows the principles of Common Law exists, under the Dubai International Financial Centre, known as the DIFC Courts. Depending on the choice of the parties involved, either judicial bodies can be approached to settle disputes. Parties can also attempt to resolve disputes using arbitration under the Dubai International Arbitration Centre or the DIFC-LCIA Arbitration Centre.

22. What entry qualifications and permits are required for staff working in this free zone, and how are employees registered with the authorities?

All employees working in Dubai Auto Zone must be sponsored by JAFZA. Employers must enter into a Public Secondment Agreement with JAFZA, which prescribes the conditions for sponsorship for employment. In addition, all employees must sign an employment agreement with their employers.

Employers have to provide a guarantee or a form of security to JAFZA, with respect to each sponsored employee.

23. How are staff working within this Free Zone registered with the authorities?

All employees working in Dubai Auto Zone must be sponsored by JAFZA. Employers must enter into a Public Secondment Agreement with JAFZA, which prescribes the conditions for sponsorship for employment. In addition, all employees must sign an employment agreement with their employers.

Employers have to provide a guarantee or a form of security to JAFZA, with respect to each sponsored employee.

24. What rules govern the remuneration and minimum benefits of staff working in this Free Zone?

The Jebel Ali Free Zone Rules 2017 (7th Edition) govern the remuneration and minimum benefits of staff working in the Dubai Auto Zone.

25. What rules govern the working time and leave of staff working in this Free Zone?

The Jebel Ali Free Zone Rules 2017 (7th Edition) govern the working time and leave of staff of working in the Dubai Auto Zone.

26. What are the main features of a property lease in this free zone and what are the key restrictions when leasing a property?

The main features with regards to the lease of property in this free zone are:

- Rent must be paid in accordance with the terms and conditions of the lease agreement.
For any property that is leased from JAFZA, the employer must ensure that the property is operational within the stipulated time (60 days for office space, 90 days for Light Industrial Units, and 22 months to complete the building and construction of plot).
Sub-lease is permitted subject to the discretion of the free zone authority.

27. Is it possible to apply for a building permit in this free zone? How is this done, and what steps are required?

Yes, it is possible to apply for a building permit in this free zone. Building permits are issued for Prepared Plots. Any construction has to be approved by both JAFZA and Trakhees. The employer must ensure all regulations, requirements, standards and guidelines of JAFZA and any other relevant authorities are adhered to. It will be the duty of the employer to obtain necessary approvals and permits, including but not limited to building permits, fitness inspections, fitness certificates and completion certificates.

28. What environmental requirements must construction companies building in this free zone consider, e.g. form of building, landscaping or building height?

Businesses must adhere to the guidelines issued by the Environment, Health and Safety Department and must be in line with the following regulations:

- Environmental Control rules and requirements.
Environmental guidelines.
The Jebel Ali Free Zone Rules 2017 (7th Edition).

The above list is not exhaustive and may include other regulations the free zone authority considers fit.

29. What are the key restrictions when leasing a property in this Free Zone?

When it comes to leasing a property in the Dubai Auto Zone, the following rules apply:

- For sub-leasing, the premise which are to be sub-leased must be an operational and complete building.
The sub-lessee must either be a subsidiary of the Sub-Lessor or an associated enterprise of the Sub-Lessor.
The sub-lessee must possess a license for conduction of its activities, in line with the rules and regulations of the free zone authority.
The sub-lease agreement which is entered into between the sub-lessor and the sub-lessee must not be in contradiction with the lease agreement entered into between the lessee and JAFZA.

30. What are the rules governing the use of utilities in this free zone?

The Jebel Ali Free Zone Rules 2017 (7th Edition) govern the remuneration and minimum benefits of staff working in the Dubai Auto Zone.

31. How do retail premises establish themselves in this Free Zone?

Retail establishments are not allowed to operate in the Dubai Auto Zone.

32. Is it possible for hotels and retail establishments to operate in this free zone- how do they establish themselves?

No, it is not possible for hotels or retail establishments to operate in Dubai Auto Zone.

Firm



STA Law Firm

Author



George SK

Partner, Fotis International Law Firm (Dubai, UAE)

info@fotislaw.com

corporate@fotislaw.com

Areas of expertise

Corporate/Commercial; Freezones; Laws of Fujairah

Education

BBA, LLB (Hons), University of Petroleum and Energy Studies, Dehradun, India

Memberships

Bar Council of Delhi

Biography

George S. Kuruvilla is a Partner at Fotis International Law Firm's UAE operations. He heads the firm's regional Corporate and Commercial Practice. With years of experience in the UAE, George caters to the legal requirements of well reputed domestic and international companies. Fotis houses dedicated team of lawyers specializing in different practice areas and industries. George is a qualified attorney from India and has contributed bespoke articles on several key areas including Indian laws and regulations and US laws in addition to taxation and corporate law.