

## Freezones Dubai Textile City

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<i>Type</i>	Questions and Answers
<i>Date</i>	1 Jan 2021
<i>Source</i>	Freezones Practical Guidance
<i>Jurisdiction</i>	Dubai Textile City
<i>Copyright</i>	LexisNexis

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Document link: [https://bo-meo.lexisnexis.fr/pg/fpg/DubaiTextileCity\\_Freezones\\_Dubai\\_Textile\\_City](https://bo-meo.lexisnexis.fr/pg/fpg/DubaiTextileCity_Freezones_Dubai_Textile_City)



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## 1. What law established this free zone?

Dubai Textile City is located near International City in Dubai, off Al Khail Road (E311). It was established in 2007, as a joint venture between TEXMAS (the Textile Merchants Group of the UAE) and the Port Customs and Free Zone Corporation (PCFC) and is managed by Jebel Ali Free Zone Authority (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 other regulations issued by JAFZA.

## 3. Does this free zone have any reciprocal arrangements with other free zones? If so, what is the impact?

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

## 4. What are the key areas of UAE and Emirate legislation that businesses operating in this free zone must still comply with? What are the most important examples of how this impacts operations?

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

- -Federal Law No. 5/1985 (Civil Transactions Law).
- -Federal Law No. 3/1987 (The Penal Code).
- -Federal Law No. 11/1992 (UAE Civil Procedures Code).
- -Federal Law No. 18/1993 (Commercial Transactions Law).
- -Federal Law No. 1/2006 (Electronic Transactions and E-Commerce Law).
- -Dubai Law No. 15/2016 (concerning regulations issued by the authorities of free zones and special development zones in Dubai).
- -Federal Decree-Law No. 7/2017 (Excise Tax).
- -Federal Decree-Law No. 8/2017 (Value Added Tax).

## 5. What are the key UAE and Emirate onshore agencies a business operating in this free zone would need to register or comply with?

Businesses operating in this free zone must register with the Jebel Ali Free Zones Authority (JAFZA). Businesses must also be aware of the rules and regulations of the Ports Customs and Free Zone Corporation of Dubai.

## 6. How does a company set up in this free zone?

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

- -Registration of a trade name must be done and proof of it 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.
- -As well as the submission of these documents, 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 will then review it and on signing the lease and personnel sponsorship agreement, finally issue the business license.

## **7. What features do companies set up in this free zone have?**

Companies which are incorporated in Dubai Textile City are offered incentives such as:

- -100% repatriation of capital and profits.
- -100% foreign ownership.
- -100% corporate tax exemption.
- -Hiring of expatriate workforce.
- -Exemption from Customs duty.

## **8. What can companies set up in this free zone do?**

Companies which are set up in the Dubai Textile City can only conduct activities related to the textile industry and involve trading, textile and fashion, in line with their trade license.

## **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 in contradiction to or not related to the textile industry or is beyond the scope of the license which they are issued. If they are found to do so, they may be levied a fine or closure of operations or termination of license in accordance with the rules of the JAFZA.

## **10. What types of business are allowed to operate in this free zone?**

Only commercial and trade related business activities are allowed in this Free Zone.

## **11. What inheritance laws apply in this free zone?**

The inheritance laws that are applicable in this free zone are Islamic Sharia and Dubai Law No 15/2017 (regarding inheritance, wills and probate).

## **12. What taxation applies?**

Businesses in the Dubai Textile City follow the same taxation regulation as JAFZA's. According to the regulations of JAFZA, businesses which have a license issued by JAFZA will have to pay excise tax and VAT in the event of engaging in business with the mainland. Any business activity engaged in other free zones are exempt from tax.

## **13. What accounting and auditing rules apply to businesses operating in this free zone?**

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

## **14. Where do businesses operating in this free zone generally locate their bank accounts?**

Businesses that operate in Dubai Textile City have to open a corporate bank account before they are issued a license. Businesses open a local bank account, established in line with UAE regulations.

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

Businesses which operate in the free zone must strictly confine their business in the free zone unless they have got permission from the relevant authorities first to conduct business outside the free zone area. For conducting any business outside the free zone area, i.e. on the mainland, the assistance of a local agent/distributor will be required and adhered to.

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

Businesses which operate in the Dubai Textile City are issued a Free Zone Company license. The company can be either a Free Zone Limited Liability Company (FZ-LLC), a limited liability company having one shareholder or a Free Zone Company (FZCO) or a limited liability company having a minimum of two and a maximum of five shareholders. A branch of a company which is situated either in the UAE or abroad can also obtain license to operate in the free zone and the company must carry out the same functions as the parent company.

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

## **17. Is there any specific ongoing regulation or monitoring of firms operating as particular types of company 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 with companies 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.

### Arbitration

Apart from this, a separate judicial system which follow the principles of Common Law exist, 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?**

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.
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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:

- -An employer must be registered with the WPS and must transfer the employee's salary through WPS between the 1st and 15th of every month. An employer also has to keep signed copies of the certificates of payment.
- -It is the duty of an employer to provide third-party insurance to all employees and must provide JAFZA with a copy of the insurance policy.
- -The employer has to provide for a bank guarantee amounting to one and half month's basic salary plus return airfare from Dubai to the country to which the Employee is a national of.
- -The employee will work for a maximum of eight hours in a day plus one hour for meal break, for six days in a week, for 48 hours in a week.
- -If any overtime work is done, it must be paid at 125% of the basic hourly rate (150% for overtime on Friday, public holidays or between 09:00 pm and 04:00 am).
- -The employee can only work in the Free Zone. For any work outside the Free Zone, approval from JAFZA first is required.

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

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's Labour Section. If it is not possible to arrive at a resolution under JAFZA, the matter will be transferred to the Labour Ministry and will then be transferred to the Dubai Courts, if either party requests for it to be.

## **22. What entry qualifications and permits are required for staff working in this free zone?**

All employees working in Dubai Textile City 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 onshore authorities?**

All employees working in Dubai Textile City must be sponsored by the free zone authority, in this case, JAFZA. Employers must enter into a Public Secondment Agreement with JAFZA, that prescribes the conditions for sponsorship for employment. In addition, all employees must sign an employment agreement with their employers.

Employers are also mandated to provide a guaranty 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 Textile City. Remuneration must be in line with what is specified in the Employment Agreement and Employers must pay a minimum monthly basic salary as acceptable by JAFZA

## **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 Textile City. An employee will work a maximum of eight hours in a day plus one hour for meal break, for six days a week, for 48 hours a week. If any overtime work is done, it will be paid at 125% of the basic hourly rate (150% for overtime on Friday, public holidays or between 9.00pm and 4.00am). During Ramadan, the working hours will be reduced from eight hours in a day to six hours in a day.

## **26. What are the main features of a property lease in this free zone?**

The main features with regards to leasing property in this free zone are:

- -For any property which is leased from JAFZA, the employer must ensure 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).
- -The 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 for 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 Textile City, the following rules apply:

- -For sub-leasing, the premise which is 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 use of utilities in Dubai Textile City.

### **31. How do retail premises establish themselves in this free zone?**

Retail premises can establish themselves by obtaining a license and fulfilling the requirements prescribed in The Jebel Ali Free Zone Rules 2017 (7th Edition).

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

No, it is not possible for hotels to operate in Dubai Textile City. Retail premises can establish themselves by obtaining a license and fulfilling the requirements prescribed in The Jebel Ali Free Zone Rules 2017 (7th Edition).

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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.