

Freezones Ras al Khaimah Free Trade Zone

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1. What law established this free zone?

Ras al Khaimah Free Trade Zone was established in 2000 and is controlled by Ras al Khaimah Free Trade Zone Authority. However, in 2017 Ras al Khaimah Economic Zone (RAKEZ) was established by Ras al Khaimah Law No. 2/2017, as part of a merger between the established Ras al Khaimah Free Trade Zone (RAKFTZ) and the Ras al Khaimah Investment Authority (RAKIA). RAKEZ is one of the most cost-effective special economic free trade zones in the UAE. A unique feature of RAKEZ is that it consists of various parks, which include:

- Business Park.
- Industrial Park.
- Technology Park.
- Aviation Park.
- Academic Zone.
- Media Zone.

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

The internal regulations which govern this free zone are:

- RAKEZ Companies Regulations 2017;
- RAKEZ Operating Rules 2018;
- Corporate Service Providers Regulations 2019;
- Ultimate Beneficial Owner (UBO) Regulations and
- RAKEZ Violation Codes.

3. Does this free zone have reciprocal arrangements with other Free Zones?

No, this free zone does not have reciprocal arrangements with other free zones.

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?

A business operating in this free zone must comply with the following key local legislation:

- Ras Al Khaimah Free Trade Zone Authority International Companies Regulations 2006;
- Commercial Company Law;
- UAE Labour Law Federal Law No. 8/1980 (as amended).

However, international companies must also always be mindful not to violate any local laws of the UAE.

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

Businesses must seek initial approval from the RAKFZ Authority to operate a business in this free zone. Once the approval is obtained from RAKFZA, the business must register with the Registrar at the RAK International Corporate Center.

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

RAK free zone takes a pretty systematic approach to registering companies. The RAKEZ Companies Regulations 2017 guide the registration process. The process of business formation is as follows:

- In line with the law, one or more people may apply for incorporation of a Company by submitting an application to the Registrar in the prescribed form.
- The application will be filed with the Registrar and will be signed by the shareholders and will include the following information:
 - i. The name of the company;
 - ii. The address of the company's registered office;

- iii. The nature of the business to be conducted by the company;
- iv. The amount of share capital of the company, which will never be less than the minimum share capital required by the Authority from time to time;
- v. The full name, nationality and address of each of the Shareholders;
- vi. The full name, nationality and address of the people who will serve as the first Directors or Manager; and
- vii. Any other particulars as the Registrar may require.

- RAKFTZ Authority will review the application materials and Memorandum of Association, conduct screening and either refuse to register the company or allow registration for the company in RAKFTZ.
- Where a Company is registered, the Registrar will register the Company's Memorandum of Association filed. However, if the Authority refuses to register the company it will not be bound to provide any reason for its refusal and the decision will not be subject to appeal or review in any court.

No one should conduct or attempt to conduct business operations in or from the Zone unless and until they have received the certification of incorporation from the Authority.

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

Like most other Free Zones, this Free Zone also offers various incentives, benefits and other facilities to attract foreign and local investors. There are benefits like:

- Fast and simple registration;
- 100% foreign ownership;
- 100% income and corporate tax exemption;
- 100% capital and profit repatriation yield;
- Fast procedure to issue UAE residency and visas;
- Fewer restrictions on labour;
- State-of-the-art infrastructure;
- No currency restrictions;
- No customs duty;
- Excellent airport and seaport availability;
- Transparent laws and regulations;
- Furnished offices and warehouses;
- Real estate facilities to meet out individual startup needs.

Ras al Khaimah City offers all facilities for business to set up at 25% less than any other Emirate in the UAE.

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

Companies in this free zone can do the following businesses:

- Agriculture.
- Health.
- Tourism.
- Education.
- Information technology.
- Technical work services.
- Consultancy services.
- Sport and allied services.

- Industry.
- The exploitation of natural resource-oil, energy, and mining.
- Cultural services.

International Companies can also buy properties in certain areas subject to the approval of the Emirates Real Estate Authorities or the Land Departments. However, international companies are not allowed to trade with UAE residents.

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

Generally, any activity which conflicts with the local laws of the UAE along with the laws of the free zone are not allowed in the Free Zone. Some of the conflicting activities are:

- Engaging in banking;
- Engaging in business as an insurance or reinsurance company;
- Engaging in business as an insurance agent or insurance broker;
- Engaging in any other business, which may, by regulations made by the Authority, be prohibited.

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

Same as Question 8 (above).

11. What inheritance laws apply in this free zone?

In inheritance cases, Islamic Sharia Law applies to this free zone.

12. What taxation applies?

Companies who set up in the RAKTFZ are not taxed in the UAE.

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

The companies in this free zone must adhere to the following accounting and auditing rules:

- Companies must maintain accounting records every year and these must be kept for six years from the date of their preparation.
- The accounts will have to be approved by the director and must be signed by at least one director.
- The accounting record of every company must disclose the financial position of the company with reasonable accuracy.
- Companies must keep their accounts open to inspection by an officer or auditor of the company at all reasonable times

The accounts do not have to be filed with the RAKFTZ Authority.

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

A company established in the free zone can have a bank account in the UAE to conduct routine operational transactions.

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?

Generally, activities of a free zone are required to be confined to the Free Zone. However, any operation in other zones may require the assistance of a local agent or distributor.

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

To set up a business in this free zone, it is important to have the relevant license. The Free Zone Authority handles the registration and issuing of business licenses to foreign companies in the free zone. However, other licensing procedures are regulated by the Federal Government. There are six types of licenses you can get from Ras al Khaimah free zone authorities:

- Commercial License: For trading, import and export activities.
- General Trading License: For businesses involved in industrial and manufacturing activities.
- Industrial License: Similar to a trading license but involves products from the industrial sector only.
- Consultancy/Service License: For service providers, professionals, artisans and/or craftsmen.

- Consulting/Services License: Any type of consultancy or professional services, including real estate consulting.
- Media License: All kinds of media and communication services.

The type of license required by a company depends on the type of business activity. Companies whose activities fall under different categories will be issued separate licenses for each category of business, subject to the approval of the Authority. For example, a licensee who is carrying out both trading and manufacturing will be issued two licenses, one for the trading activity and one for the manufacturing activity.

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

The operations of this Free Zone are monitored and regulated by the RAKFTZ Authority.

18. How are disputes settled in this free zone?

Disputes arising in the free zone can be referred to either arbitration or to the UAE court of law. Under the free zone regulations, it is necessary to mention the law in Memorandum and Articles of Association. RAKFTZ allows international companies to choose the jurisdiction for dispute resolution.

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

Generally, the contract mentions the dispute resolution mechanism to be followed in a situation where a dispute arises. If it doesn't, the UAE courts assist in resolving disputes.

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

Federal Law No. 8/1980 (as amended) (the UAE Labour Law), sets out a comprehensive framework for employment. As a Federal Law, its provisions apply to all private-sector employers based in Ras al Khaimah, including those who are established in a free zone.

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

If a dispute arises between an employer and employee working in this free zone, the parties to the dispute can take the matter to the RAKFTZ Authority. If the Authority is unable to settle the dispute then the parties may move to the Federal Labour Ministry. The Ministry will then act to resolve the dispute amicably. If for some reason, parties can not reach a decision, they can then refer their dispute to the UAE courts.

Employment relations in UAE are governed by Federal Law No. 8/1980 (as amended) (the UAE Labour Law). The Law sets out minimum standards of employment conditions which are obligatory for all employers in the UAE.

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

There can be three types of employees working in this free zone:

- Sponsored Employee: The RAKFTZ Authority may sponsor an employee to be engaged by a business owner. This is done by engaging both employer and employee in the Personnel Secondment Agreement, which sets out minimum conditions of employment. It is according to this agreement that the RAKFTZ Authority may sponsor an Employee on the Authority's visa and assign these employees for employment to the business owner.

In addition to the Authority's Employment Contract, a business owner may enter into a detailed contract with the Sponsored Employee, which will not contain provisions less favourable than the Authority Employment Contract and the Labour Law.

- Transfer Employee: A Sponsored Employee may be transferred from one employer to another subject to the Authority's permission in writing.
- Non-Sponsored Employee: An employer may employ a Non-Sponsored employee, temporarily or permanently. This employment is based on the consent from the authority. In granting this consent, the Authority will consider favourably if the Non-Sponsored Employee:
 - i. Is a GCC national;
 - ii. Resides in the UAE on the visa sponsored by a relative;
 - iii. Is going to be employed on a part-time or temporary basis; and
 - iv. Works for a company incorporated in the UAE and whether the company is a subsidiary or associated company of the Licensee.

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

There can be three types of employees working in this free zone:

- **Sponsored Employee:** The RAKFZ Authority may sponsor an employee to be engaged by a business owner. This is done by engaging both employer and employee in the Personnel Secondment Agreement, which sets out minimum conditions of employment. It is according to this agreement that the RAKFZ Authority may sponsor an Employee on the Authority's visa and assign these employees for employment to the business owner.

In addition to the Authority's Employment Contract, a business owner may enter into a detailed contract with the Sponsored Employee, which will not contain provisions less favourable than the Authority Employment Contract and the Labour Law.

- **Transfer Employee:** A Sponsored Employee may be transferred from one employer to another subject to the Authority's permission in writing.
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 - i. Is a GCC national;
 - ii. Resides in the UAE on the visa sponsored by a relative;
 - iii. Is going to be employed on a part-time or temporary basis; and
 - iv. Works for a company incorporated in the UAE and whether the company is a subsidiary or associated company of the Licensee.

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

The following laws govern remuneration and minimum benefits of staff working in this free zone:

- Federal Law No. 8/1980 (as amended);
- RAKEZ Operating Rules 2018.

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

The following laws govern the working time and leave of staff working in this free zone:

- Federal Law No. 8/1980 (as amended);
- RAKEZ Operating Rules 2018;

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

In this Free Zone, the Authority signs the lease contract of facilities and lands. The consent of the Authority is based on the recommendations of the Management. The lease contract is concluded in line with all the forms which are approved by the Authority. There are certain instances where the Authority may revoke the contract.

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.

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

The business owner will with the help of a UAE-registered engineering consultant (registered and listed by the Free Zone Authority), obtain a construction permit and submit the construction proposal along with the drawings of the intended work, to the Engineering Department for review and approval.

All construction projects in the free zone must be in line with the Planning and Construction Regulations maintained by the Engineering Department. All construction must begin after obtaining the relevant approvals and observing the applicable Free Zone Rules. The Authority may impose a fine of 5,000 AED per breach and 20,000 AED for any subsequent breach of Building Regulations and building permit.

A Building Completion Certificate will be issued when the construction is completed to the satisfaction of the Engineering Department after inspection.

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

Essentially, a company must be registered in this Free Zone to lease a property. On meeting the prerequisites of incorporating a company in this zone and obtaining the permit or license, the company may apply for leasing which has to be approved by the Authority, though several clearances for this are handled before.

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

Generally, the One Stop Shop assists investors in obtaining and applying for all utilities.

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

There are no particular restrictions prohibiting retail establishments from operating in this free zone. The same process will apply as for any other type of company incorporation.

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

Yes, hotels and retail establishments can operate in this Free Zone. The establishment procedure is similar to that of any other company incorporation in this free zone

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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.