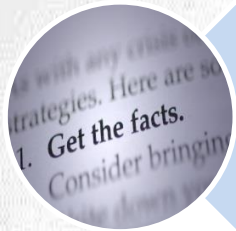


Company Formation...

United Arab Emirates at a Glance
2013-2014

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Economic and Geographical Overview: Dubai and UAE



The United Arab Emirates (U.A.E.) is a federation of seven Emirates that was formed on December 2, 1971.



Dubai is one of the Emirates & commercial capital of UAE. Other Emirates include Abu Dhabi, Sharjah, Ras Al Khaimah, Umm Al Qwain, Ajman and Fujairah.



UAE's GDP was recorded at \$360 billion in 2012 and Dubai's GDP was recorded at \$82 billion.

Revenues from oil export: 5%, non oil: 95%



Currency Conversion: 1\$ = 3.67 UAE Dirhams

The UAE has 700 km of coastline, of which 100 km are on the Gulf of Oman.



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Company Formation – Types of Companies in UAE

This document sets out different forms of company for your perusal and ease of reference. It is important that you read and understand this detailed information carefully. Every care has been taken to update the information provided herein and we have taken reasonable efforts to ensure that the information set out herein is up to date. You may click on menu item under the table below for ease of reference.

NOTE: INVESTORS AND COMPANIES INTERESTED IN FORMING A COMPANY IN THE UAE HAVE THE OPTION TO SET UP A LOCAL COMPANY WITHIN DUBAI OR UAE OR CONSIDER INCORPORATING A COMPANY IN THE FREE ZONE. A LOCAL COMPANY ALLOWS INVESTORS TO SELL AND DISTRIBUTE GOODS LOCALLY WITHIN DUBAI OR UAE MARKET PROVIDED THEY HAVE APPOINTED A 51% LOCAL PARTNER. A FREE ZONE ON THE OTHER HAND IS IDEAL FOR SERVICE COMPANIES AND TRADING COMPANIES THAT INTEND TO RE-EXPORT GOODS TO OTHER COUNTRIES. A FREE ZONE COMPANY ALLOWS 100 PERCENT OWNERSHIP TO EXPATRIATE INVESTORS. THE LIMITED LIABILITY COMPANY, A FREE ZONE COMPANY AND OTHER COMPANY TYPES HAVE BEEN SUMMARIZED BELOW IN GREATER DETAIL.

FORM OF COMPANIES PREVALENT IN DUBAI AND THE UNITED ARAB EMIRATES

COMPANY TYPE:	PAGE NUMBER: (CLICK BELOW)
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BRANCH OF A FOREIGN COMPANY & REP OFFICE	PAGE 7
FREE ZONE COMPANY	PAGE 8

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Limited Liability Companies (LLC)

A limited liability company is a company whose liability is limited to the share capital paid on incorporation. The limited liability company is independent of its shareholders and is governed and regulated by its corporate documents. A limited liability company is operated within the local city limits of Dubai and is subject to laws of Dubai. The Dubai Economic Department is empowered to issue licenses for limited liability companies in Dubai.

The Commercial Companies Law of 1984, as amended (the **CCL**) requires an LLC to be held by at least two individuals or entities, one of which must be a UAE national (either a UAE individual or a company wholly owned by UAE nationals) holding 51% of the share capital and the foreign investor/entity would hold the remaining 49%. Profits and Losses can however be shared at a ratio different than the share capital. There is no specific minimum capital requirement.

Notwithstanding the majority local ownership provision, there are means to reduce the managerial role of the UAE shareholder and the % of profits allocated to this UAE shareholder:-

- (i) It is possible to entrench in the constitution of the company 100% management rights in favor of the minority foreign shareholders and at shareholder level to establish say a 75% minimum percentage rate in favor of **any** resolution before it is passed, thereby effectively giving both parties mutual blocking rights at shareholder level at all times.
- (ii) It is also possible to cement the management arrangements even further in favor of the foreign partners by arranging for a separate management agreement to be executed between the LLC and the foreign partners appointing the foreign partners (jointly) as managers of the LLC. The LLC would then pay a certain percentage of the turnover directly to the foreign partners as management fees, which in turn would reduce the pool of profit available to be shared between the shareholders.
- (iii) The Law also allows the parties to determine the percentage of profit and loss each partner may be entitled to despite the 51:49 distribution of the shareholding. However, in Dubai, the UAE national may not in practice be allocated less than 20% of the profit (or loss) of the LLC. This implies that the foreign partners would be entitled to up to 80% of the profit (or loss).

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Limited Liability Companies (LLC)...(cont'd)

- (iv) If the UAE shareholders do not intend to invest any equity in the LLC, it is possible to enter side agreements with the UAE shareholder to reduce the eventual rights it is entitled to under the applicable laws in the UAE. This agreement would provide that the UAE shareholder has not invested any monies towards the seed capital or working capital of the company and is holding shares in trust on behalf of the foreign shareholders. The agreement would clearly provide that the UAE shareholder has no right whatsoever towards management, administration, appointment or removal of employees, access to accounts or bank accounts, visas, company's assets or anything related to the company.

STEPS TO REGISTER A LIMITED LIABILITY COMPANY ARE AS UNDER:

- i. Approval must first be obtained from the Dubai Department of Economic Development (the **Economic Department**) of both the proposed name of the LLC and the objects for which the LLC is being formed.
- ii. The Memorandum of Association (the **MOA**), which is a standard form document, will have to be prepared. A Memorandum of Association is the constitutive document of the company and it is usually difficult to make changes to the MOA, as they need to be agreed in advance by the Economic Department. Depending on the proposed involvement of the national shareholder this could be lengthy. We confirm that whilst office space is required beforehand in order to register a LLC, you may produce a tenancy contract to confirm you have leased (or, sub-leased) the office space. The CCL requires every LLC to provide for principal object for which it is being formed (there are over 2000 categories to choose from). There is no formal requirement for due diligence. There is no statutory requirement as to audit and/or financial or tax return filing) for LLC companies as of date. LLC is a commercial entity (and; not a trust) and hence we are unable to address your inquiry in relation to responsibilities and/or administration of Trust.
- iii. Once agreed upon, the MOA must be translated into Arabic and signed by the parties in the presence of the Court Notary. Thereafter, the approval of the Committee for Limited Liability Companies at the Economic Department has to be obtained. Visas can be applied soon as license formalities are concluded.

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Dubai's Budget for 2013 (\$9.28 billion)*



16%

General services and Government excellence Sector



26%

Social services and subsidies



23%

Security and Justice



35%

Economic and Infrastructure Projects

Source: <http://www.dof.gov.ae/en-us/publications/Pages/Publications.aspx>

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Branch of a foreign company and Representative office

A branch company is a one that is responsible for carrying out business of its parent company under its name. A branch company usually does not enjoy many advantages and its activities are limited purely to marketing, training and liaising with companies and individuals throughout the United Arab Emirates. The Dubai Economic Department is responsible for issuing licenses for a branch company. A branch company is generally ideal for a small enterprise that wants to market its products in the region.

A branch office does not have a separate legal identity of its own but is considered as part of its parent company and carries on business under the name and form of the same. In practice, the relevant authorities, whether it be the Dubai Department of Economic Development or the Abu Dhabi Municipality are rejecting any application for branch offices. The principle behind that is for foreign entities to involve the UAE nationals and UAE National entities in their Business in the UAE. A branch office does not have a profit centre of its own and all accounting aspects are to be dealt with within its parent office.

A representative office on the other hand is considered a liaison and marketing office for the parent company. It can promote, advertise and market its parent company's goods and services. A representative office cannot generate invoices carry out direct business in the UAE. This form of entity is generally suitable for small enterprises willing to make their presence in the region.

The formality for setting up a branch office or a representative office is much easier and does not involve any technicalities. The Economic Department generally requires all documents of the parent company, copies of the shareholders' passport, copy of the license of the parent company, and details as to parent companies' business location and so on.

Companies intending to incorporate a branch or representative should ensure that they choose this form of vehicle only and only if their activity is limited to marketing, training or liaising. Investors have the option to consider incorporating a branch or representative office locally within the United Arab Emirates or; incorporate the same before a free-zone authority. Free-zones have been discussed in detail below.

Company Formation...

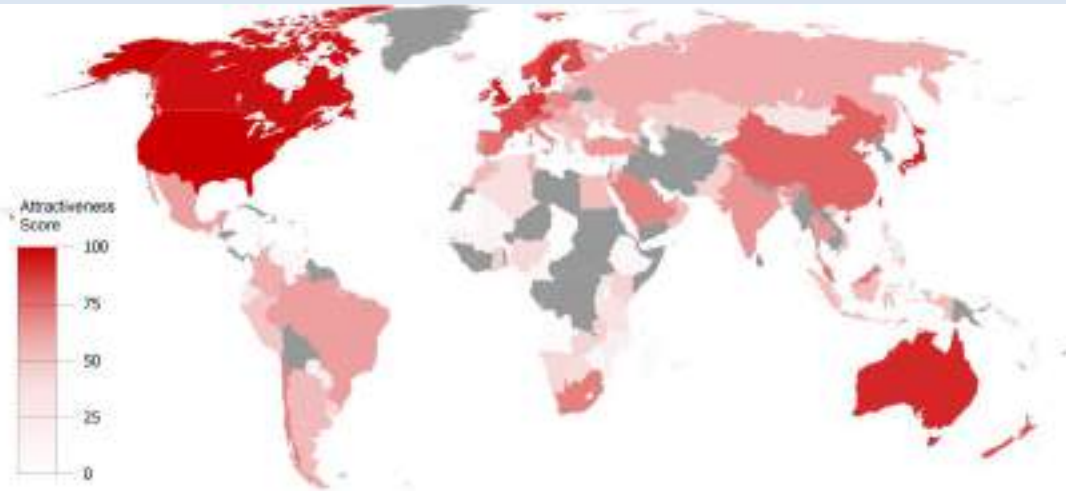
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Why Dubai?

“Good infrastructure and a business-friendly environment, particularly in the free trade zones, have made the UAE a very attractive place to invest for companies wishing to serve the growing markets of the Middle East, North Africa and Asia.”

Source: IMF Country Report-United Arab Emirates, Article IV Consultation

The Global Venture Capital and Private Equity Country Attractiveness Index 2012 Annual



Source: Alexander Groh, Heinrich Liechtenstein & Karsten Lieser

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Figure 1: UAE construction industry outlook

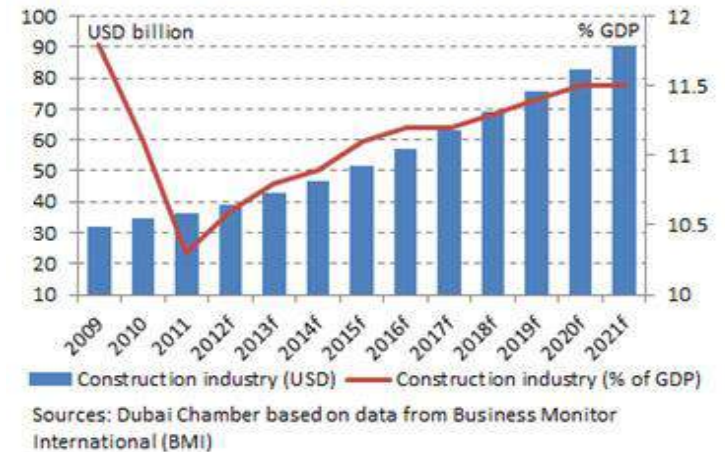


Table 1: Ongoing UAE major construction projects

Project Name	Investment (USD million)	Sector
Al Falah	2,560	Residential
Al Furjan - Development Phase 1	817	Residential
The Pentominium Tower	400	Residential
Dubai Logistics City - Office Park	410	Commercial
Burlington Tower	82	Commercial
Central Market Towers - Trust Tower	80	Commercial

Sources: Dubai Chamber based on data from Meed Projects

Free zones

A free zone, generally speaking, is a portion of clearly defined and isolated land or setting, with a special tax, customs and imports regime, usually involving a status of extra-territoriality. The UAE has several free zones across Dubai, Hamriyah, Fujairah, Ajman, Ras Al Khaimah, and Um al Qwain. The important characteristic about free zone is that a free zone is governed pursuant to its own laws and local laws or procedures do not apply to a free zone. Further, a free zone allows foreign investors to own 100% shares in the company without having any need to appoint a local agent or UAE partner. The cost of setting up a company in free zone varies significantly between Dubai and other Emirates and some free zones are set up for specific business units such as Dubai Internet City for IT companies, DIFC for financial institutions and banks, Knowledge Village for educational institutions, etc. A free zone can carry out business within the free zone and **cannot** generally carry out business inside the UAE (refer next page)

A free zone in the UAE offers following Benefits:

- ✓ No personal income or capital gain taxes in the UAE
- ✓ 100% ownership of the business
- ✓ No corporate taxes for 50 years
- ✓ 100% repatriation of capital and profits
- ✓ Modern efficient communications
- ✓ No recruitment problems
- ✓ Attractive working environment
- ✓ No currency restrictions
- ✓ Excellent support services

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Free zones (cont'd)

Print

Notes:

- /// A free zone company is permitted to carry out its business activities within the free zone (refer to General Rules issued by DMCC by way of example). Although most firms in free zone currently provide services outside the free-zone, this practice is expected to be regulated and controlled soon.
- /// Time taken to incorporate free zone company incorporation may vary depending on formalities involved with respective free zone.
- /// There are over fifty (50) different free zones in UAE and investors should take in to consideration several aspects including their business objectives, nature of activity, nearest port, cost of formation, and employee requirements.

General Rules

4.1 All entities or persons (including Contractors and Sub-Developers) working, operating, living, owning or leasing real estate or otherwise having an interest or carrying out business of any kind in the Free Zone are subject to and must comply with these Regulations insofar as they apply to them, along with all other laws, rules, policies and regulations promulgated by the Authority pertaining to the Free Zone.

4.2 The Authority has the sole and exclusive right to approve or decline any application for Registration or the grant of a Licence in the Free Zone by any person or entity and accepts no liability for any loss arising as a result of such decision.

4.3 All entities and persons undertaking commercial activities within the Free Zone must have a valid Lease or Freehold interest, and be validly registered and hold a Licence. Licences must be renewed on or before expiry in accordance with the procedures set out in section 5.8.

4.4 All entities and persons registered and licensed to undertake commercial activities within the Free Zone may only conduct such activities as are authorised by the terms of their Licence.

4.5 Licensees must conduct all or a substantial part of their business or operations within the Free Zone in order to maintain a valid Licence and Registration.

4.6 The manufacture and marketing of any contraband items is strictly forbidden, including any item that is prohibited by the laws of the UAE.

4.7 All Free Zone Administration Fees are payable in advance in accordance with the rates and charges set out in the Tariff in force from time to time.

4.8 Persons and entities who commit (either intentionally or unintentionally) violations of these Regulations will be subject to the penalties set out in the Tariff and/or such other fines and sanctions as may be issued by the Authority pursuant to its current policies and procedures or as otherwise determined. The Authority may levy fines and issue sanctions against any entities or persons (including Contractors and Sub-Developers) who the Authority considers are in breach of these Regulations and/or the Applicable Rules or who otherwise cause nuisance, disturbance or disruption to the community or the JLT Infrastructure. The Authority reserves the right to issue such fines and sanctions for such behaviour or activity following reasonable warning, even if such behaviour or activity is not specifically prohibited by any of the Authority's current published policy.

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Our range of services

Our attorneys can provide legal and strategic advice on all forms of corporate, commercial and business matters including but not limited to banking and finance, company and commercial law including M&A, construction and real estate law, health-care, intellectual property, employment law, insolvency and restructuring law and so on.

At STA, each business area is split into separate practice group and each practice group is undertaken by a partner or senior attorney. Our corporate advisory covers and includes advising on operational arrangements, strategic alliances and joint venture and other arrangements including code sharing, frequent flyer programs and policies, e-commerce and business to business models, ground-handling, and maintenance and operational arrangements, fuel supply and intellectual property. We also handle and negotiate settlement and restructuring agreements, and give advice on bankruptcy and insolvency proceedings.

Bespoke Legal Advice:

- ✓ Our team advises on defining and structuring the form in which new businesses should be operated and/or controlled, advising on complex shareholding structures for existing business entities, domestic and cross border acquisition, advising on contentious shareholder disputes, setting forth the terms and conditions for the ownership and operation of the business and the disposition of the owners' respective interests in the business.
- ✓ advising on private equity/venture capital areas including strategizing over optimal deal structures, registration rights, put and call provisions, co-sale rights, drag along rights, preemptive rights, liquidation preferences and participation rights, anti-dilution provisions, exit strategies, preferential voting provisions, board membership and other corporate governance issues, conversion and redemption features, information rights and optimal allocations of equity (whether in the form of capital stock, options, warrants or otherwise);
- ✓ advising on franchise law including UAE Commercial Agencies law, franchise, distribution and area development contracts, structuring of franchise programs, advice on domestic as well as cross-border acquisition of franchise distribution companies, including preparing franchise offering circulars, complying with federal and local regulatory requirements, and registering the franchise agreement with relevant regulatory authorities; and
- ✓ Advising generally on UAE Commercial Companies Law (Federal Law No. (8) Of 1984 as amended), Free zone regulations, UAE Commercial Transactions Law, Civil Code and other statutory enactments.

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This Company Incorporation Pack is not intended to offer legal advice and you should not act upon the matters referred to within it without taking specific advice.

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