

Freezones Sharjah International Airport Freezone

Type	Questions and Answers
Date	1 Jan 2021
Source	Freezones Practical Guidance
Jurisdiction	Sharjah International Airport Freezone

Document link: https://bo-meo.lexisnexis.fr/pg/fpg/SharjahInternationalAirportFreezone_Freezones_Sharjah_International_Airport_Freezone



Table of contents

1. What law established this freezone?	3
2. What are the main internal regulations governing this freezone?	3
3. Does this freezone have any reciprocal arrangements with other freezones?	3
4. What are the key areas of UAE and Emirate legislation businesses operating in this freezone must still comply with? What are the most important examples of how this impacts operations?	3
5. What are the key UAE and Emirate onshore agencies a business operating in this freezone would need to register or comply with?	3
6. How does a company set up in this freezone?	3
7. What features do companies set up in this freezone have?	3
8. What can companies set up in this freezone do?	3
9. What can companies set up in this freezone not do?	3
10. What types of business are allowed to operate in this freezone?	3
11. What inheritance laws apply in this freezone?	3
12. What taxation applies?	4
13. What accounting and auditing rules apply to businesses operating in this freezone?	4
14. Where do businesses operating in this freezone generally locate their bank accounts?	4
15. Are there any specific rules governing when moveable property is removed from the freezone area or transferred into the freezone area from another jurisdiction?	4
16. Are any specific licenses required to operate as a specific type of company in this freezone?	4
17. Is there any specific ongoing regulation or monitoring of firms operating as particular types of company by this freezone authority?	4
18. How are disputes settled with companies in this freezone?	4
19. How are disputes between onshore companies and companies in this freezone settled?	4
20. What are the main rights and duties of an employer and employee working in this freezone?	4
21. How are employment disputes between employers and employees working in this freezone settled?	5
22. What entry qualifications and permits are required for staff working in this freezone?	5
23. How are staff working within this freezone registered with the authorities?	5
24. What rules govern the remuneration and minimum benefits of staff working in this freezone?	5
25. What rules govern the working time and leave of staff working in this freezone?	5
26. What are the main features of a property lease in this freezone?	5
27. Is it possible to apply for a building permit in this freezone? How is this done and what steps are required?	6
28. What environmental requirements must construction companies building in this freezone consider, e.g. form of building, landscaping or building height?	6
29. What are the key restrictions when leasing a property in this freezone?	6
30. What are the rules governing the use of utilities in this freezone?	6
31. How do retail premises establish themselves in this freezone?	6
32. Is it possible for hotels to operate in this freezone - how do they establish themselves?	6
Firm	6
Author	7

1. What law established this freezone?

Sharjah Emiri Decree No. 2/1995 established both the Freezone at Sharjah International Airport and the Sharjah Airport International Free Zone Authority.

2. What are the main internal regulations governing this freezone?

Rules and regulations are issued by Sharjah Airport International Free Zone (SAIF) for the internal management of the freezone. Any specific regulations governing the governance of company or its activities are not published on the SAIF website or stated to be applied specifically by the SAIF Authority. Accordingly, it can be implied that Federal UAE laws regulates the activities of the companies unlike in some freezones where internal regulations applies alongside Federal UAE laws.

3. Does this freezone have any reciprocal arrangements with other freezones?

SAIF has not publicized any reciprocal arrangements that it could have entered into with other freezones in the UAE.

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

Businesses operating in this freezone must comply with several areas of UAE and Sharjah legislations. In general, UAE and Sharjah legislations remains applicable in any area of law such as employment laws, competition laws, intellectual property laws, etc.

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

The Ministry of Interiors or the UAE Directorate General office guidelines need to be complied with. These relate to admissible nationalities, profile checks etc.

6. How does a company set up in this freezone?

SAIF provides a three-step process of incorporation through the Commercial Department, Leasing, licensing and Legal affairs, and the Client and Investor Services Department.

The first step includes an application for license, project provisional approval and document presentation concerning the company's formation, ownership and management. The second step includes receiving a license, lease agreement and supply of the keys of an office, warehouse, etc. The third step includes receiving a visa, ID card and other such documents required for entry and working in this freezone.

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

Companies within the SAIF zone are one hundred percent exempt from all commercial levies in addition to 100% import and export tax exemption, 100% corporate and income tax exemption. The companies can be 100% foreign-owned along with 100% repatriation of capital and profits. Additionally, companies registered through SAIF are not required to have a physical office in the free zone.

8. What can companies set up in this freezone do?

The companies set up in this freezone can carry out activities based on the type of licenses obtained by the company. Accordingly, any medium or light industry can obtain license in this freezone. In regards to light and medium industries, the emphasis is not on size of business but on type of business activity. The company's business activities may include publishing and advertising, logistics, general trading and such other manufacturing activities.

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

SAIF does not support heavy manufacturing industries per se due to limitations on the availability of area, power etc. Specialized activities like education or tourism etc. are also not granted license by SAIF.

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

SAIF allows a broad spectrum of business sectors to operate in its freezone. Business sectors include services such as business consultancy, management consultancy, IT consultancy, selective industrial businesses such as trading in oil and gas products, import and export, technical equipment, logistics, warehouse distribution and storage, etc.

11. What inheritance laws apply in this freezone?

Like any other Sharjah freezones, matters of inheritance are governed by Federal Law No. 5/1985 that is Civil Transactions Law (the UAE Civil Code) and by Federal Law No. 28/2005 that is UAE Personal Affairs Law. As a general rule, inheritance issues for Muslims are dealt in accordance with Sharia law, whereas for non-Muslims, the law of the deceased's home country can apply in case a will. Succession under Sharia law principally operates by a system of reserved shares under which shares of inheritance are pre-determined depending on whom the deceased is survived by. As per the Personal Affairs Law No. 28/2005, a non-Muslim expatriate who is resident in the UAE can opt for the law of their home country to be applied to the distributions of its UAE assets through will. However, the option to choose the personal law of home country is not available to Muslim expats as the Sharia law applies.

12. What taxation applies?

SAIF exempts the companies established in the free zone from all commercial taxes. However as certain activities are allowed only in the freezone, customs duty applies only when a freezone entity wishes to sell their product onshore UAE.

13. What accounting and auditing rules apply to businesses operating in this freezone?

The general rules of UAE Commercial Transactions Law, Federal Law No. 18/1993 (the Commercial Laws and UAE Commercial Companies Law, Federal Law No. 2/2015 (the Federal Commercial Companies Law) for accounting and auditing would apply for companies incorporated in SAIF, as no specific body or authority is stated to be authorized to look into the matter. Further, there is no requirement to file accounts within the free zone if that is not provided by the Freezone authority.

However, as a matter of practice, companies are required to provide audited account statements for trade license renewal.

14. Where do businesses operating in this freezone generally locate their bank accounts?

There is no specific provision governing the location of bank accounts in the SAIF Companies Registration Regulation, therefore, the Federal Commercial Companies Law applies.

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

Generally, a freezone company may only operate within the freezone boundaries and is not allowed to trade directly with the UAE market. However, SAIF Companies and Establishments can sell their products onshore in the UAE subject to the payment of relevant customs duties; hence the same rules may apply for moveable property being sold outside.

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

Three different types of licenses are issued in the SAIF - Industrial licenses, Service licenses, and Trade licenses. The Trade license is further sub-divided into Commercial Licences and General Trading Licences.

The types of legal entities are Free Zone Establishment (FZE), Free Zone Company (FZC) and branches of local or foreign companies. An FZE would be a single shareholder limited liability company and an FZC would be a multi Shareholder limited liability Company with 2 to 5 shareholders.

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

There is no regulation or monitoring of firms/companies by this freezone authority, hence general Commercial and Federal Commercial Company Laws would apply. A case against incorporation of a company in the Freezone, or for liquidation, can be filed with the courts of the Emirate of Sharjah.

18. How are disputes settled with companies in this freezone?

Since this freezone do not have separate dispute redressal forum or authority the disputes are settled through the general course of judicial redressal system such as courts, Ministry of labour, etc as they are available for other civil disputes. The exception is when another forum such as arbitration, or another original court jurisdiction is agreed upon by the parties in the contract. A case against incorporation of a company in the Freezone, or for liquidation, can be filed with the courts of the Emirate of Sharjah.

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

A case would be filed with the courts of the Emirate of Sharjah provided no other forum has been agreed upon between the parties to the dispute. If the parties sign an agreement with an express clause on arbitration in Dubai or the DIFC or any other international arbitration centre, the matter shall be referred to that particular forum. However, in case of jurisdictional issues courts of Sharjah will always have discretionary power to adjudicate upon their own jurisdiction if the case is filed with the courts.

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

The freezones may have their own labour law regulations. However, the UAE Labour Law - Federal Law No. 8/1980 (the UAE Labour Law) still applies and governs the rights and duties of an employer and employee working in the free zones. The Labour Law imposes minimum requirements or provisions applicable, inter alia, on termination of employment, working hours, annual vacation time and safety standards, which applies to the parties even if contracted otherwise as they are mandatory and cannot be contracted out of it. It is required that an employee should work only for their employer inside the free zone. Accordingly, wages can be paid on a monthly, weekly, daily, or by piece basis in any currency with no minimum wage prescribed. Employees are entitled to annual leave of two days per month if their service lasts more than six months but less than one year, and a minimum of 30 days paid leave annually if their service exceeds one year. Employees are also entitled to leave with a full wage on all official UAE public holidays, maternity leave of 45 days with full wage and an additional 10 days unpaid, sick leave of 15 days' full wage and an additional 30 days at half wage.

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

The role of SAIF is more mediatory in nature. It has no judicial or quasi-judicial authority. A complaint can be made by the aggrieved party to the SAIF Authority, however an application is required to be made to the Ministry of Labour office in Sharjah where the parties must then state their issues and arguments before a Ministry representative. After assessing the matter, a representative makes a recommendation. If the parties fail to resolve the dispute as recommended by the Ministry, the matter is referred to the labour court for litigation and a decision is made on the merits of the case as contended before the judge by the parties to the suit.

22. What entry qualifications and permits are required for staff working in this freezone?

The investing company and its employees working at SAIF are assisted with their application and in receiving a visa for working in SAIF. The requirements are:

- The minimum age limit for applying for an employment visa is 18 years and the maximum is less than 60. However special approval can be obtained for the shareholder/managers. The manager of the company's SAIF's operations whose name is mentioned in Trade license.
- The owner, shareholder and the manager whose names are mentioned in the Trade license, are exempted from the Bank Guarantee. For other employees it is mandatory to deposit with SAIF Authority's Visa & Residence Department Bank Guarantee/Cash Deposit the equivalent to one month's salary and a return ticket fare to the country of origin.
- The investing company should acquire a Health Card issued by the UAE Ministry of Health for its employees. This requires a medical check-up, obtaining an Emirates ID card, and enrolling in suitable medical insurance. The entire process is facilitated by SAIF.
- After entering the country, a medical check-up should be done and a report is submitted along with a residence application, within 14 days from the date of arrival to avoid the penalty.
- SAIF sponsored employees shall work only inside its boundaries.

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

Staff are registered with the authorities through the guidance of the departments of SAIF in various matters differently.

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

The UAE Labour Law governs the remuneration and minimum benefits of staff working in SAIF. (See Question 20 and 25).

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

The UAE Labour Law governs the working time and leave of staff working in SAIF. The maximum allowable working hours for an adult employee is eight hours a day or forty-eight hours per week, and can be increased or decreased depending on the profession and working conditions. However, working hours for the employees of commercial establishments, hotels, restaurants, watchmen and similar operations may be increased to nine hours per day as determined by the Minister of Labour. Likewise, working hours per day in respect of hazardous work or work detrimental to health, may be decreased by decision of the Minister of Labour and Social Affairs. During the month of Ramadan, normal working hours shall be reduced by two hours. Employees may not work for more than five consecutive hours per day without breaks. Every employee is entitled to at least one rest day a week. If employees work on a Friday, they are entitled to an additional 50% of their wage; employees cannot be asked to work two consecutive Fridays except for labourers on daily wage.

26. What are the main features of a property lease in this freezone?

There are various zones hence SAIF provides various options depending on the license of company and its business activities. The property and its lease features are:

- Offices: office areas start from 24 square meters.
- Land plots can be taken on a 25 year lease with a minimum plot size of 2500 square meters. Grace period for construction is 6 months.
- The Industrial Park provides a minimum plot size of 2500 square meter with a grace period of 6 months for construction.
- The Prebuilt Warehouse is available in four different sizes of 125, 250, 400 and 600 square meters, including an office.
- A Temporary Warehouse of 600 square meters is available with additional annual charges.
- SAIF Zone's Labour Accommodation complex includes 82 buildings to accommodate junior staffs.
- Terms of lease are usually annual with an option to renew for one year.
- The leased property may not be used except for the permitted use stated in the lease agreement.

- SAIF also offers the Business Desk Scheme where a company can have a dedicated desk instead of an office for a cheaper annual lease rate compared to that of an office.

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

A company wanting a building permit can acquire it through application to the Sharjah municipality, and by following its rules and regulation. This permit is issued for six months for any construction and modification to an existing facility. The permit is issued against approval of drawings, including an approved and valid site plan, the appointment of a Consultant and Contractor, a Building Completion Certificate, and the application of a Building Permit along with valid licenses of Contractor and Consultant, contracting agreement, and original receipt of security deposits. The Responsible department in Sharjah Municipality is Building permit section - Al Nasiriya. Further information about this process can be obtained on the website of the Sharjah Municipality.

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

Construction companies building in this free zone must comply with all health and environmental standards as set out by the Sharjah Department of Town Planning and Survey (DTPS) as per the Environment regulations. Companies must also comply with the Sharjah Building Code in the construction of their facilities. DTPS advise builders on the use of land, height of buildings, parking areas, loading and unloading points in industrial areas, and locations of petrol stations, commercial centres and other projects. Sharjah Municipality looks into the requirements regarding the number of floors in a building, minimum space inside rooms, ventilation, lighting, exit and entrance points, passages, elevators and allied aspects.

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

Only companies incorporated in this freezone are allocated land or other property on a lease.

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

The standard terms and conditions of the use of utilities are included in the lease agreement with the rental charges including any utility charges which are usually standard however may differ from party to party on the basis of the type of property leased such as warehouse or office, etc.

31. How do retail premises establish themselves in this freezone?

The rules and regulations specifically governing retail premises are not set out on the website or on any form. However, the brochure specifies restaurants as business activity under any of the three licenses hence it is implied that there is no free zone specific restriction or any rule specifically relating to retail establishments operating in this freezone. Therefore, the same procedure for establishing or incorporating would apply as any other type of business activity.

32. Is it possible for hotels to operate in this freezone - how do they establish themselves?

There are no free zone specific rules regulating hotels operating in this freezone. Hence it would seem that no restriction is imposed on hotel operations. Therefore, the same procedure for establishing or incorporating would apply as any other type of business activity.

Firm



STA LAW FIRM

Author

Zisha Rizvi

Corporate Partner, Dubai , STA LAW FIRM

T:+ 971 4 368 9727

E: corporate@stalawfirm.com

Areas of expertise

Corporate law

Construction Law

Real Property

Intellectual Property

Biography

Zisha Rizvi is a corporate partner in the Dubai office of STA LAW FIRM. Zisha has an extensive background in advising on corporate and construction law, real estate, and intellectual property.