

THE UAE TO ALLOW

# 100% FOREIGN OWNERSHIP OF BUSINESSES




Strategically located between Asia, Europe and Africa, the UAE ranks among the top 10 most competitive countries in the world. The UAE is committed to maintain its position as a prime destination for investors and businesses alike.

The UAE has been consistent with its vision as well as policies to welcome foreign funding, encourage local investing, and create forward-looking strategies to ensure economic diversification.

In line with this thinking, the UAE has made significant headway by amending Commercial Companies Law (CCL) No. 2 of 2015 and issued the Federal Decree-Law 26 of 2020, which allow non-UAE nationals to own 100% shares in UAE incorporated companies, effected from 1st June 2021.

Following a long-run practice of enforcing majority ownership to UAE nationals, this monumental change is expected to drive further foreign investment and interest in the country.



# The UAE Law for 100% Foreign Ownership Overview

The United Arab Emirates has made significant changes in the Commercial Companies Law (CCL) No. 2 of 2015 and issued the Federal Decree-Law 26 of 2020, with effect from 1st June 2021.

Under the amended law, a branch of a foreign entity no longer requires an Emirati agent and a Limited Liability Company no longer requires a 51% Emirati shareholder. Now foreign entrepreneurs can have 100% ownership of their businesses in the mainland of UAE.

Furthermore, the Department of Economic Development (DED) has announced more than 1,000 business activities that will benefit from the revised law. The approved list of activities were published on 1st June 2021.

This improved law will ease the entry barriers to set up businesses in the country without requiring a UAE agent or shareholder. It brings in agility that would attract Foreign Direct Investment and make the UAE an attractive global investment destination.

## Key Benefits to Foreign Ownership Companies

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- The Law is applicable for all the non-UAE nationals and foreign companies who can be 100% shareholders.
- The historical requirement for a mainland LLC to have 51% UAE ownership has been removed enabling savings in annual sponsorship fees.
- The Decree also removes the requirement for foreign branches to appoint a local service agent thereby reducing operating costs and other administrative burdens.
- The law also allows existing mainland companies to convert their current legal status to 100% foreign ownership subject to approval from the relevant authorities.
- The foreign investors can setup new companies in over 1000 economic activities listed by the UAE government under the trading, manufacturing and service sectors etc.

## Procedures

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- In case of a new onshore businesses the license can be applied using the web portal as made available by the DED in Dubai, Abu Dhabi etc.
- In case of an existing limited liability company and branch of a foreign entity, the current shareholders, agents and the nominated Power of Attorney holder should visit the DED along with existing registration documents & apply for the conversion to 100% foreign ownership / removal of local agent. The authorities shall provide an approval on payment of specific fees if the business activities are listed in the approved list. On approval from the authorities, organize the new legal documents such as new Board resolution, amended Memorandum and Articles of Association and Ultimate Beneficiary ownership details etc., should be submitted to the authorities after notarization and attestation. On final approval from the authorities and payment of fees, the amended license will be issued.

# The UAE's Economic & Commercial Landscape

## The Economy

- Made up of seven Emirates, the UAE belongs to the Gulf Cooperation Council (GCC) and has one of the fastest growing and diversified economies in the Middle East.
- The World Economic Forum has ranked the UAE 1<sup>st</sup> in terms of macro-economic stability. Along with the UAE's minimal crime rate, these factors paint the country as one of the safest, most peaceful and stable countries in the region.
- The country's economy is expected to grow by 2.5% in 2021. Back in 2018, the UAE's GDP was valued at US\$ 414 billion, with approximately US\$ 308 billion in exports and US\$ 244 billion in imports. It is expected to see a full economic recovery in 2022, with growth rising to a 3.5% rate.
- The UAE's national currency is pegged to the US Dollar, making it a stable currency which also allows for an ease of currency exchange and a great choice for investment purposes.
- UAE's future is focused on a post-oil economy, with oil and gas contributing 30% only to the national GDP. Other key sectors are hospitality, tourism, trade, real estate and construction.
- The consumer spending is estimated to exceed US\$ 261 billion in 2021.

## Foreign Direct Investments

The prolific commercial landscape in the UAE has resulted in a large expat community choosing the UAE as their second home and a key hub to further expand their investment portfolios:





## Establishment of Commercial Entities in the UAE

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There are several legal options for UAE entities to be incorporated as:

- A branch of a foreign office
- Limited liability company (LLC)
- Public shareholding companies
- Professional firms
- Representative office

In order to establish an entity in each of the seven Emirates, there are several steps and regulations for entities to follow – such as submitting the memorandums and articles of associations, board resolutions, choosing a commercial activity from an approved list published by the Department of Economic Development (DED), etc.

## Benefits of Establishing a Business in Mainland

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- The UAE's mainland covers most of the key areas of the country and allows for a wide scope for conducting business across & outside of the UAE. It also offers flexibility to select and rent an office space in the country.
- Businesses established in the mainland are permitted to take on government projects, and their licenses are also issued by the UAE government authorities.





# The UAE's Tax Landscape Overview

## Direct Tax

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In addition to providing an open and striking foreign direct investment environment, the UAE offers one of the most attractive tax landscapes in the world.

- There is no **corporate tax** in the UAE, with the exception of foreign oil companies and branches of foreign banks where tax is levied at 55% and 20% respectively.
- In addition, there are no **capital gains tax** or **personal income** tax applied in the UAE either.
- The UAE has an extensive network of double tax treaties with 97 currently in force. This means that for the most part, there should not be double tax suffered on international payments.
- The UAE is a member of the Inclusive Framework for the OECD/G20 Base Erosion and Profit Shifting project. As a result, the UAE has committed to implementing the minimum standards, such as Country-by-Country regulations and Economic Substance regulations. Also, the UAE has ratified the Multilateral Convention for tax treaty related matters.



# The UAE's Tax Landscape Overview

## Indirect Tax

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**Value Added Tax (VAT)** was introduced in the UAE on 1<sup>st</sup> January 2018, at a low standard rate of merely a 5%. VAT is applicable on most of the goods and services that are bought and sold.

The supply of goods and services can be divided into 3 different categories:

1. Standard rated - VAT at 5%
2. Zero rated - VAT at 0%
3. Exempt

Services such as healthcare, education, and export of goods and services would qualify under the provisions of zero rating.

**Excise Tax** is an indirect tax levied on specific excisable goods which are either:

- imported into the UAE;
- produced within the UAE
- stockpiled in the UAE

*This is on the condition that Excise Tax has not previously been paid on the goods in the UAE and stockpiling is undertaken for business purposes.*

Excise Tax is generally levied on goods which are considered harmful to the health of the general public and is to reduce the consumption of those goods by way of making it more expensive. It is levied on products such as tobacco, electronic smoking devices and sweetened beverages and can range from 50% to 100% of the price of the goods.

## Common Customs Law:

To facilitate the trade between GCC members states, the **Common Customs Law** was introduced containing provisions and procedures for importation, exportation and transit of goods across the territories of GCC members states.

All imports of goods within the UAE are subject to **Customs duty** excluding those which are specifically exempted such as Imports for Philanthropic Societies, Exemption to military forces and internal security forces, good returned subject to some conditions.





# How We Can Help at Grant Thornton

## Corporate & Outsourcing Services

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### PRO Services

Applying for visas, medical checkup, Emirates ID, visa renewals & cancellations for employees & dependents.

### Incorporation Services

Providing assistance with legal entity set up, drafting & reviewing legal documents, as well as license renewal & amendments

### HR & Payroll

Implementing HR best practice, employment contracts, monthly payrolls, and ensuring compliance with local regulations such as WPS

### Accounting

Recording of business transactions in compliance with IFRS standards as well as providing month & year-end reports

### Company Secretarial

Attending the Board of Directors & annual general meetings along with maintaining minutes of the meetings

### Secondment

Providing resources on a temporary/long-term basis for all firms covering accounting & finance efforts

# How We Can Help at Grant Thornton

## Tax Services

### VAT

Providing a wide range of VAT services, including:

- VAT Compliance
- Manual VAT return review
- VAT registration services
- Automation of VAT returns by using OneSource software approved by the Federal Tax Authority
- Assistance during VAT Audits
- VAT refund claims
- VAT Advisory
- VAT health checks & diagnostic reviews
- Tax agency services
- Fixed advisory on VAT treatment of specific transactions
- Drafting of ruling applications of tax disputes
- Local reconsideration appeals
- Tax dispute resolution & legal litigation services

### Excise Tax

Offering advisory & compliance services to the producer, importer, & the storekeeper of excisable goods, including:

- Advising on structuring business transactions within designated Free Zones to comply with excise tax requirements
- Filling of excise declarations & returns with FTA
- Registration of importers, producers & stock pilers for excise Tax

### International Tax & Transfer Pricing

Providing international advisory services including:

- Tax structure optimisation; including review of corporate tax, withholding tax & capital gain tax implications, & optimal transfer pricing policy design
- Applicability of double tax treaties
- Economic substance requirements
- Review of related party transactions & transfer pricing documentation

### FATCA / CRS Services

We can work with you to determine the FATCA/CRS status of your institution as well as assist you to comply with the FATCA/CRS compliance requirements.

### Secondment Services

If your business does not have dedicated tax resources, we are able to offer temporary or long-term secondment of our experienced & qualified tax staff across all levels:

- Direct/Indirect Tax consultants
- Tax Manager/ Senior Manager




**Reach out to our team of experts for further details on our services and ways we can assist you:**



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