

Choosing the right UAE FREE ZONE for your business



ALEXIS CHIOTIS, DIRECTOR, SIGNIA GROUP OFFERS ADVICE FOR CHOOSING THE BEST FREE ZONE FOR A BUSINESS

A free zone is a designated area of land within the UAE which has been decreed special status to permit any business registered there to operate under exemptions from mainland federal regulations, the most important of which are the exemption from tax laws and foreign ownership restrictions.

It is commonly thought that the UAE has no business taxation framework. In fact, each Emirate of the UAE had income tax laws in place since the 1960s but have chosen not to implement taxation except in certain parts of the banking, hotel, oil and gas sectors.

With the increasing likelihood of VAT and business taxes being introduced for mainland UAE businesses the tax-free guarantee

of the free zones makes them an increasingly attractive proposition.

Doing business in the UAE requires a commercial licence specifically for that area of business activity; and that a licence issued by a free zone only permits that activity to be carried out with other members of the same free zone or outside of the UAE entirely.

“Trade through free zones represented 33 per cent of the UAE’s non-oil trade in 2014 ... with the UAE as the leading Arab country for attracting foreign direct investment, up from \$4 billion in 2009 to \$11.85 billion in 2014,” Sultan Al Mansouri, UAE Minister of Economy said.

One of the factors that makes the UAE interesting from a business

perspective is that it has layers of jurisdictions. Each Emirate has its own mainland and free zone territories.

With around 36 free zones currently operating across the UAE and, counting the seven Emirates as separate jurisdictions, that’s 43 possible locations where business can be established within the same country.

All free zones have some common advantages: guarantees of zero business taxes; exemptions to customs duties; unrestricted repatriation of capital and profits; and 100 per cent foreign ownership.

Where free zones vary or differ are in the types of business activities they permit or specialise in and other commercial services or benefits.

These are the key points you need to consider in selecting the right free zone for you.

BUSINESS ACTIVITY

All of the free zones can offer you a general services licence such as management consulting, but when it comes to more specialised sectors such as finance, media, commodities trading, manufacturing etc., look for a zone that matches your activity more precisely.

LOCATION OF YOUR KEY CUSTOMERS AND SUPPLIERS

If your customers and suppliers are located outside of the UAE, then any free zone that can license your activity will work for you. However, if they are located in the UAE then you will probably already find them in a particular free zone specialising in your business activity.

If they are located on the mainland outside of the free zones, then you may wish to set up both a free zone business and find a local partner to have access to the wider market.

There are some exceptions to this point, but this is an area where most businesses fail to fully plan and are at risk of financial penalties.

VIRTUAL OR PHYSICAL PRESENCE

Some form of office lease is an essential part of obtaining a commercial licence.

A number of free zones insist on a physical office presence, which you may not require immediately.

Others offer a 'flexi-desk' option which is essentially a virtual office solution. Since the actual benefits included do vary by free zone, it is worth checking what is actually included.

TAX RESIDENCY CERTIFICATES (TRC)

All free zones give a guarantee of zero business taxes and all are required to comply with the requirements at federal level for your business to obtain a certificate.

If you expect to need to submit a TRC in your home country, then check that your selected free zone is fully compliant and can assist you.

Some free zones offer the registration of 'International Companies' (ICs) in addition to the regular free zone companies, but such ICs are no longer eligible to obtain TRCs.

CAPITAL REQUIREMENTS AND COSTS

It goes without saying that costs will vary, but you should compare like for like since the pricing structures also vary with some zones giving only one activity for the same costs whereas others may give you multiple activities within the same grouping.

Minimum share capital requirements can also vary from zero upwards, either because of the business activity or residence visa requirements.

EMPLOYMENT AND RESIDENCE VISAS

Since each free zone sets its own rules, you may find that a particular free zone has more favourable employment regulations and ease of residence visa processing than others.

OTHER FACTORS

Since many free zones are now industry specific, you will find that they offer other marketing and commercial benefits that will help you manage and grow your business.

Visit the free zone to see if you want to be a part of their community and what more they can offer you. **FME**

CHECKLIST

BUSINESS ACTIVITY

Does the free zone specialise in or have experience in my type of business?

LOCATION OF MY CUSTOMERS AND SUPPLIERS

Will my licence entitle me to trade with my key customers given their own location of registration?

PHYSICAL VS FLEXI-LEASE

Do I need a physical space to obtain a licence or will a virtual office facility be sufficient?

TAX RESIDENCY CERTIFICATE (TRC)

If I am required to produce an annual TRC in my home country, will the free zone assist me to comply?

CAPITAL REQUIREMENTS

What are the minimum capital requirements, other registration and renewal costs based on my current and future business activities?

EMPLOYMENT AND VISAS

What are the requirements of the free zone for issuing residence visas and what are the key terms of their employment regulations?

OTHER SERVICES

What other services or benefits does the free zone offer to help my business?