

Limited Liability Company (LLC)



Limited Liability Company (LLC) In Dubai

All mainland (onshore) UAE legal entities are required to be licensed by the Department of Economic Development (DED) and governed by the UAE Commercial Companies Law (CCL). The main advantage for foreign investors establishing a business in mainland UAE is that, unlike the Free Zones, there is no territorial restriction on business activities or the location of offices/premises. A mainland company therefore has the freedom to trade anywhere in the UAE or wider Gulf Cooperation Council (GCC) states, including all the Free Zones, and will have a far wider range of real estate options from which to choose.

Limited Liability Company (LLC)

The standard type of company in the UAE mainland is the Limited Liability Company (LLC). The DED is the government body authorised to issue all licences for LLCs and is responsible for classifying and regulating the types of economic activity that may be undertaken.

An LLC is not restricted on where it can trade in the UAE (unlike Free Zone companies) or GCC; furthermore there is no restriction on real estate ownership, or on the number of visas that can be obtained. There are no minimum share capital requirements. A mainland company is not required to pay the standard 5% customs duty on imported goods.

UAE Foreign Ownership Restrictions

The principle limitation for foreign investors setting up an LLC is the UAE foreign ownership restrictions. When setting up an LLC, the CCL prescribes that at least 51% of shares must be registered to a UAE/GCC national sponsor (either a UAE/GCC national individual or a corporate entity 100% owned by UAE/GCC nationals), often referred to as a local partner.

Steps to setting up an LLC:

1. Speak with one of Stonefort's consultants who will advise on the correct legal structure based on the activities that a business intends to undertake in the UAE and its intended markets. A client may further choose to obtain a legal opinion to confirm Stonefort's advice.
2. If a mainland (onshore) legal entity is the preferred option, then a UAE local partner will be required to hold 51% of the shares in the LLC. See the Stonefort Corporate Shareholder model above.
3. The required documentation will vary greatly depending on the type of business activity, including but not limited to:

- Certified passport copies for all shareholders and managers;
 - Copy of the UAE residence visa, if applicable;
 - No Objection Certificate (NOC) from current UAE residence visa sponsor;
 - 2 x Certified proofs of address for each shareholder;
 - 1 x Signed Stonefort Application Form;
 - 1 x CV for each shareholder;
 - 1 x Professional / bank reference letter for each shareholder.
4. If the shareholder is to be a corporate entity, the required documentation will include:
 - Memorandum and articles of company;
 - A board resolution agreeing to incorporate a new LLC in UAE;
 - A power of attorney (POA) to the General Manager to incorporate the new LLC.
 5. All documents are required to be notarised and attested in both the applicant's home country and at the relevant UAE consulate. The notarisation process should be commenced as early as possible because it can take a significant time.
 6. All documents must also be translated into Arabic by an official translator before they can be presented to the authorities in the UAE.
 7. All requested documents to be submitted to Stonefort, which will then manage the application process from start to finish.

Advantages of setting up an LLC in Dubai/UAE:

- The liability of the shareholders is limited to their shares in the company's capital;
- An LLC may conduct any type of activity except for insurance, banking or investment;
- An LLC can legally trade anywhere in the UAE, including the Free Zones;
- No restrictions on the number of visas that can be obtained;
- No restrictions on the location where the company can rent/buy office premises;
- The government has permanently waived any paid-up capital requirements.

Disadvantages of LLC formation Dubai/UAE:

- Employee visas need to be renewed every 2 years (Free Zones run for 3 years);
- Longer time to establish than a Free Zone company, typically 8 to 10 weeks;
- External approvals may be required from UAE government ministries, which is chargeable and time consuming.

Dubai LLC Formation – FAQs

- **How Many Members Must an LLC Have?**

Under the new UAE Commercial Companies Law, an LLC may be formed with a single shareholder, but it is common practice for foreign investors to have a minimum of 2 shareholders in order to meet the UAE foreign ownership requirements.

- **Is a Registered Agent required?**

There is no requirement for a Registered Agent but due to the foreign ownership restrictions it is imperative that a foreign investor should seek advice and use a firm that has extensive experience and expertise in setting up UAE mainland LLCs.

- **Does forming an LLC offer any tax benefits?**

Yes. An LLC is permitted to trade anywhere within the UAE and GCC. An LLC can obtain a Tax Residence Certificate from the UAE Ministry of Economy.

- **What types of licence can an LLC hold?**

An LLC can operate under the following licence types:

- Commercial – covering all kinds of trading activity;
- Professional – covering professions, services and crafts;
- Industrial – covering industrial or manufacturing activities.