

Offshore Company Formation



Offshore Company Formation

Offshore Companies in UAE should not be confused with UAE Free Zone companies. An Offshore Company is a legal business entity that is set up with the intention of operating outside its registered jurisdiction and/or the location of its ultimate ownership.

There may be many reasons to register an Offshore Company, but the general benefits of utilising an offshore corporate structure include:

- Providing a gateway for international market expansion;
- Access to a stable and business-friendly legal system;
- Access to a more flexible regulatory regime;
- Offering tax neutrality on international earnings in respect of (depending on jurisdiction) personal or company income, capital gains and inheritance taxes;
- Offering better access to global funding;
- Providing a vehicle to separate or protect assets, such as Intellectual Property, from operating entities.

The two principal jurisdictions offering Offshore Companies in the UAE are Ras Al Khaimah (RAK) and the Jebel Ali Free Zone (JAFZA). Both are "tax free" jurisdictions that levy no income tax or corporate tax and permit 100% foreign ownership. The UAE has Double Tax Treaty agreements with over 40 other countries.

Offshore Companies are permitted to open multi-currency accounts in the UAE and carry out business internationally. They may not, however, carry on business with persons resident in the UAE or have physical premises within the UAE.

Both RAK and JAFZA have their own specific benefits. RAK is the more cost effective of the two, but JAFZA is the only Offshore Company that is legally permitted to own property situated in Dubai.

UAE Offshore Companies should not be confused with UAE Free Zone Companies. Free Zone Companies are onshore entities permitted to carry out business in Dubai with certain restrictions. They are similarly subject to the 0% rate of corporate tax but they enable their shareholders, directors and employees to obtain residency in the UAE.

As a matter of local company law, both RAK International Companies (RAK ICs) and JAFZA Offshore Companies MUST appoint an approved registered agent (Stonefort is approved for this purpose).

JAFZA Offshore Company Incorporation

The JAFZA was created in 1985. It is an industrial area surrounding the Jebel Ali Port, one of the world's biggest shipping ports, which allows the international companies based there to enjoy the special privileges of the free zone. These include exemption from corporate tax for 15 years, no personal income tax, no import or export duties, no restriction on currency, and easy labour recruitment.

Jebel Ali is located just outside Dubai and is about an hour's drive from Abu Dhabi, the UAE's capital city. Al Maktoum International Airport, which is planned to be the largest airport in the world in both freight and passenger volume, is constructed just outside the port area.

The Jebel Ali Free Zone Authority (JAFZA), in conjunction with the Dubai Government, introduced the Offshore Company in 2003 under the Jebel Ali Free Zone Offshore Companies Regulations 2003.

Key features of a JAFZA Offshore Company:

- **Shareholders** – A minimum of one shareholder is required and corporate shareholders are permitted. International corporate shareholders are required to have all company documents attested;
- **Directors** – A minimum of two directors are required and corporate directors are not permitted. Details of directors are not available on the public register;
- **Secretary** – Every company must have a secretary. A company director may also act as company secretary;
- **Share Capital** – No minimum share capital requirements;
- **Annual Reporting** – Every company must keep accounting records for 10 years from the date of preparation. The company must appoint an auditor (from an approved list) to examine and report on accounts.

Key benefits of an offshore company registration in JAFZA:

- **100% Foreign Ownership** – The JAFZA Offshore Companies Regulations require no local shareholding;
- **Local Real Estate Ownership** – The JAFZA Offshore Company is the only offshore company that is permitted to directly own local Dubai real estate. Most properties in Dubai can be

owned by JAFZA offshore companies but both Free Zone and developer approval are required;

- **Shares in Local Companies** – Despite a general prohibition on Offshore Companies conducting business with persons resident in the UAE, the authorities do allow Offshore Companies to hold the shares of both Free Zone and Onshore (LLC) Companies. Documents for use in the UAE, Bahrain, Saudi Arabia and Qatar do not need to be attested;
- **Local Bank Account** – An Offshore Company can hold multi-currency bank accounts in the UAE to carry out routine international transactions;
- **Shareholder/Director details** – The names of shareholders and directors do not have to be disclosed on a public register;
- **Inspection** – The registrar has the power to appoint inspectors to investigate the affairs of an Offshore Company. The owner of the company may be liable for all inspection fees.

RAK Offshore Company Formation

Ras al Khaimah, situated approximately an hour's drive from Dubai, is one of the fastest growing of the seven Emirates that form the UAE. RAK has the highest level of industrialisation in the UAE, with manufacturing at 26% of the GDP. It has built its reputation on a business-friendly investment environment and competitive costs. The cost of doing business in RAK is 25 to 50% lower than the UAE average, allowing companies to maximise their return on investment.

In September 2006, the Ras al Khaimah government launched the International Company structure, also known as the RAK Offshore Company. These are regulated under the Ras Al Khaimah Free Trade Zone Authority International Companies Regulations 2006.

Key features of a RAK Offshore Company:

- **Shareholders** – A minimum of one shareholder is required and corporate shareholders are permitted. International corporate shareholders are required to have all company documents attested;
- **Directors** – A minimum of one director is required and corporate directors are permitted. Details of directors are not available on the public register;
- **Secretary** – Every company must have a secretary. A company director may also act as company secretary;
- **Share Capital** – No minimum share capital requirements;

- **Annual Reporting** – Every company must keep accounting records for 7 years from the date of preparation. The accounts do not however have to be filed with the RAK authorities.

Key benefits of opening a RAK offshore company:

- **100% Foreign Ownership** – The RAK International Company Regulations require no local shareholding.
- **Shares in Local Companies** – Despite a general prohibition on Offshore Companies conducting business with persons resident in the UAE, the authorities do allow Offshore Companies to hold the shares in both Free Zone and Onshore (LLC) Companies. Documents do not need to be attested for use in the UAE, Bahrain, Saudi Arabia and Qatar;
- **Local Bank Account** – An Offshore Company can hold multi-currency bank accounts in the UAE to carry out routine international transactions;
- **Fast Incorporation** – RAK IC company registration will typically take 1 week after receiving all application and due diligence documentation;
- **Shareholder/Director details** – The names of shareholders and directors do not have to be disclosed on a public register.

Documents required for Offshore Company set-up in UAE from all shareholders and directors:

- Certified Passport Copy (by Lawyer/Accountant/Stonefort Employee)
- 2 x Proof of Address documents
- Bank or Professional Reference Letter
- Curriculum Vitae (summary of professional history)

Offshore Company Formation – FAQs

- **How long will it take to register a UAE Offshore company?**

It takes approximately 1 week to register a RAK IC after Stonefort receives all of the necessary registration documents from all shareholders and directors of the new company. A JAFZA Offshore company will take approximately 4 weeks to register.

- **Am I required to visit the UAE to register a UAE Offshore Company?**

There is no such requirement for registering a RAK IC. However, for a JAFZA Offshore Company, the shareholders and directors are required to sign in the presence of the authorities in Jebel Ali.

- **Is it possible to obtain UAE residency visa through a UAE Offshore company?**

No. Only Free Zone and Onshore Companies can offer UAE visas.

- **Can an offshore company lease office space in the UAE?**

No. However, each company must have a registered address and can use this address to receive mail and perform other secretarial services. Stonefort can provide these services as a company's registered agent.

- **Am I required to have my bank account located in Dubai or can I have an international account?**

UAE offshore companies are typically incorporated in order to utilise the local banking services and 0% rate of tax.