

# UAE Freezone Companies



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There are around 40 Free Zones operating in the UAE, with more under construction. Each Free Zone is designed around one or more commercial categories and only offers licences to companies within those categories.

The main attractions of establishing an entity in one of the UAE's Free Zones is that there are no foreign ownership restrictions and companies are governed by an independent Free Zone Authority (FZA), which is responsible for issuing operating licences and regulating the activities of companies within the Free Zone.

The UAE is now a major business hub and ideal for setting up a business or a representative office, there are now over 40 different "Free Trade Zones" in the UAE so identifying the best Free Zone through which to conduct business in the region can be a tedious task. It is also a common misconception that a Free Zone Company is an offshore company, however, in spite of their similarities; they do also have very differing characteristics.

In addition to enabling shareholders, directors and employees to obtain residency visas in the UAE, the benefits of a Free Zone include:

- 100% foreign ownership (no requirement for a local partner/sponsor);
- 100% repatriation of capital and profits;
- 100% corporate and personal income tax exemption;
- Absence of currency restrictions;
- Wide variety of licensable activities;
- Abundant and inexpensive energy;
- Modern, efficient communications;
- Logistic efficiencies due to business cluster effect;
- Serviced desks and offices for SMEs and start-ups;
- Excellent support services.

The nature of the business activity that you intend to carry out will have a big influence on selecting the Free Zone to meet your requirements. The principal Free Zones and their licence activities include:

- **Dubai Multi Commodities Centre (DMCC)** – Commodities Trade and Exchanges;
- **Jebel Ali Free Zone (JAFZA)** – Trading, General Trading, Service, Logistics and Industrial;
- **Dubai International Financial Centre (DIFC)** – Banking, Financial Services and Legal;
- **Dubai World Central (DWC)** – Aviation, Logistics, Light industry and Ancillary Services;
- **Dubai Knowledge Park (DKP)** – Human Resources Management, Training and Personal Development;

- **Dubai Internet City (DIC)** – Internet and Communications Technology;
- **Dubai Media City (DMC)** – Media related activities;
- **Dubai Silicon Oasis (DSO)** – Information Technology, Telecom, Electronic and Engineering
- **Dubai Healthcare City (DHCC)** – Healthcare, Medical Education and Research, Pharmaceuticals and Medical Equipment;
- **Ras Al-Khaimah (RAK)** – Trading, General Trading, Service, Industrial and Educational;
- **Fujairah Creative City (FCC)** – Media, Consulting, Communications, Design and Technology.

## Requirements:

Investors can either register a new company in the form of a Free Zone Establishment (FZE) or a Free Zone Company (FZC) – an FZE has one shareholder and an FZC has two or more – or simply establish a branch or representative office of their existing or parent company based within the UAE or abroad. An FZE or FZC is a limited liability company governed by the rules and regulations of the Free Zone in which it is established. The provisions of the UAE Commercial Companies Law (CCL) do not apply.

In order to begin the process of setting up a Free Zone Company, we will require the following documentation and due diligence from all shareholders/directors of the proposed new company:

- Certified Passport Copy and UAE Visa/UAE entry stamp (if non-resident)
- 2 x Proofs of Address (dated within 3 months)
- Bank or Professional Reference Letter
- Curriculum Vitae (summary of professional history)
- Company Application Form (which we will provide)

Please note that some Free Zones may request a detailed business plan, depending on the business activity of the proposed new company. Stonefort has a variety of templates in order to assist you.

Once a legal presence has been established in a Free Zone, the business will need to lease premises or land and acquire an operating licence from the FZA. Different types of licences apply in the different types of free zone. Companies with trade and industrial licences can only conduct business within the Free Zone or abroad. To sell products in the UAE, a UAE official agent is required, and a joint venture needs to be formed.

## FAQs

The following Q&A will provide you with some additional information on the statutory requirements and additional benefits of setting up a UAE Free Zone Company.

- **Why set up a Free Zone Company? Would an Offshore Company be easier to set up and serve the same purpose?**

A Free Zone Company is more expensive than an Offshore Company and it typically takes 4 to 6 weeks to establish. However, it is an onshore company (with some offshore characteristics). This type of company is ideal for market entry because it will give you the physical presence in the UAE through office space and visas without the need for a local sponsor. A Free Zone Company has offshore characteristics in the sense that all business needs to be carried out offshore/internationally or within the Free Zone itself.

- **As it is an onshore company, will I receive a licence once the company is incorporated?**

Yes, all Free Zone companies have a trade licence reflective of their business activity. It is possible to obtain licences for Trading, Manufacturing, Industrial, Consultancy and Services activities and, as mentioned above, most Free Zones specialise in a particular sector.

- **Can I carry out business anywhere with a Free Zone Company?**

No, you can only carry out business internationally (outside the UAE) or within the Free Zone itself. You are not allowed to carry out any business on the mainland of the UAE. If your target market is mainland UAE you will need to establish a UAE Onshore Company with a local sponsor. Stonefort can also assist with this.

- **Are there any restrictions on business activities?**

Yes. Depending on the nature of business, some external approvals may be required from certain Ministries or regulatory authorities for particular activities. For example, an investor looking to set up an educational or training practice may be required to seek approvals from the Knowledge and Human Development Authority (KHDA). If there are no external approvals required, the Free Zone Authority will carry out its own review of proposed business activity during the incorporation process.

- **What are the statutory requirements of a Free Zone Company?**

Each Free Zone has its own governing authority so requirements vary from Free Zone to Free Zone. However, the majority follow a similar framework. There are two types of companies you can establish in the Free Zone and they are a Sole Establishment (FZE) with one shareholder and a Free Zone Company (FZC) where there are two or more shareholders. Both individual and corporate shareholders are allowed.

A manager must be appointed for the company and this person will be responsible for the day-to-day running of the company and is generally responsible for the operation of the bank account and the signing of any contracts on behalf of the company. For any changes that are made to the

company structure, the manager will be required to sign off. The manager must be a UAE resident or have the intention of taking up residency.

- **How many residency visas will I be allocated?**

That will generally depend on the type of office/premises selected. Between 2 to 3 visas will generally be allocated for a Virtual Office/Flexi-Desk option, while the size of a physical office space will dictate how many visas are allocated (generally 1 visa per 10sq. /m).

- **Is it possible to obtain a Tax Residency Certificate for the Company?**

It is possible to apply for a Tax Residency Certificate for a Free Zone Company and this can be extremely beneficial if the intention is to utilise the UAE's network of double tax treaties.