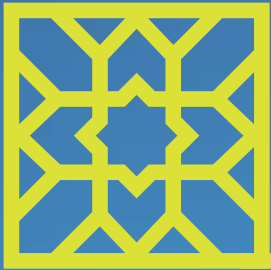


# Doing Business in the

# UAE

A guide to UAE's business, tax and regulatory environment



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## Foreword

The United Arab Emirates (UAE) stands as a beacon of economic dynamism and strategic foresight in the global landscape. With an ambitious vision to solidify its position among the world's leading economies, the UAE has embarked on a transformative journey, underpinned by robust growth across key sectors such as digital transformation, renewable energy, manufacturing, infrastructure, and technology—areas that hold immense promise for international investors. This vision is further exemplified by initiatives like the Dubai Economic Agenda (D33), which aims to double the size of Dubai's economy over the next decade and consolidate its position among the top three global cities. D33 encompasses 100 transformational projects, including doubling foreign trade and adding 400 cities to Dubai's foreign trade map, launching plans for green and sustainable manufacturing, and fostering new economic corridors with regions like Africa, Latin America, and Southeast Asia.

For multinational corporations and aspiring entrepreneurs exploring opportunities in the UAE, the environment is both compelling and highly supportive. The nation's strategic location at the crossroads of Europe, Asia, and Africa, coupled with its world-class infrastructure and a business-friendly ecosystem, offers unparalleled advantages. The UAE's proactive approach to economic diversification, moving beyond traditional oil reliance, is evident in the significant contributions of non-oil sectors to its GDP, reinforcing its status as a global hub for innovation and trade.

The UAE's broader economic framework is equally impressive. Initiatives like We the UAE 2031 and the D33 agenda aim to significantly increase FDI flows and triple FDI stock, reflecting a clear commitment to attracting global capital. The country's commitment to a simplified tax system, including the recent introduction of corporate tax aligned with global standards, further enhances its appeal. On the international stage, the UAE's proactive diplomacy and strategic trade partnerships, such as Comprehensive Economic Partnership Agreements (CEPAs), highlight its reliability as a global economic partner. The growing focus on sustainability and ESG initiatives resonates deeply with the UAE's commitment to fostering innovation in clean energy and green technology, aligning economic ambitions with global sustainability goals.

The UAE's vibrant consumer market, driven by a diverse and tech-savvy population, offers boundless opportunities in retail, e-commerce, and consumer goods. Additionally, the nation's emphasis on technology and smart city development, including initiatives like 'Sandbox Dubai' for testing new technologies and attracting top universities,

creates a fertile ground for long-term growth and collaboration for companies looking to innovate and scale.

This publication is a comprehensive guide designed to support businesses, investors, and entrepreneurs navigating the dynamic UAE marketplace. At Nexdigm, we remain committed to supporting businesses as they explore and capitalize on the opportunities within the UAE's evolving economic landscape, providing clarity and confidence in this opportunity-rich terrain.

### Sources:

<https://u.ae/en/about-the-uae/strategies-initiatives-and-awards/strategies-plans-and-visions/finance-and-economy/dubai-economic-agenda-d33>

<https://wetheuae.ae/en/pillar/forward-economy>

<https://www.moec.gov.ae/en/future-economy>



## Executive Summary

UAE has firmly established itself as a pivotal global business hub, driven by a strategic vision for economic diversification and sustainable growth. This guide offers a comprehensive overview of the key facets essential for businesses, investors, and entrepreneurs looking to enter or expand within this dynamic market.

The UAE's economy is robust and rapidly diversifying. Its GDP reached USD 507.06 billion in 2022, with an estimated USD 509.68 billion in 2023. This growth is underpinned by a stable political environment, advanced infrastructure, and a significant shift towards non-oil sectors.

The legal system in the UAE is a hybrid of civil law and Islamic Sharia principles, with independent common law jurisdictions in financial free zones like DIFC and ADGM. Recent reforms, including 100% foreign ownership in most mainland sectors and modernized bankruptcy laws, significantly enhance business openness. The judicial system operates through federal and emirate-level courts, complemented by specialized financial free zone courts, ensuring a robust framework for dispute resolution, particularly through arbitration, which is aligned with international standards like the New York Convention.

Real estate laws prioritize transparency and investor protection, with distinct ownership types—freehold, leasehold, and free zone property ownership—and recent expansions of freehold zones for foreign nationals. Regulatory updates, such as the AI-powered Smart Rental Index Calculator and stricter developer compliance, further strengthen the market.

The UAE's financial landscape features prominent exchanges like ADX, DFM, NASDAQ Dubai, ADGM, and DGCX, all operating under comprehensive regulatory frameworks. The nation has also implemented a robust Anti-Money Laundering (AML) framework, aligning with international standards and applying to financial institutions and designated non-financial businesses.

The introduction of a federal Corporate Tax (CT) regime, effective from June 2023, marks a significant shift. This is complemented by existing taxes like VAT, customs duty, and excise tax. The UAE's commitment to the OECD's BEPS Inclusive Framework has led to the implementation of Transfer Pricing (TP) documentation requirements, ensuring adherence to the Arm's Length Principle for related party transactions.

Employment and labor laws are primarily governed by Federal Labor Law No. 33 of 2021, with specific regulations for free zones. Key aspects include Emiratization initiatives (with D33 aiming to integrate young Emiratis into the job market), mandatory work permits and visas, health

checkups, and various contract types. The guide details compensation structures, leave policies, and the Wage Protection System (WPS), which ensures timely salary payments. The Involuntary Loss of Employment (ILOE) insurance scheme provides a safety net for employees.

Immigration and residency policies are designed to attract global talent and investors, highlighted by the Golden Residence visa for entrepreneurs, professionals, and exceptional talents, and the Green Residence for skilled professionals and freelancers. These reforms simplify eligibility criteria and offer greater flexibility for long-term stay.

Finally, the guide emphasizes the critical importance of cybersecurity and data privacy compliance. The UAE's multi-layered regulatory framework, including the UAE Personal Data Protection Law (PDPL) and specific regulations for DIFC and ADGM, mandates strict protocols for safeguarding digital information. Businesses must adopt a proactive, risk-based approach, aligning with international standards like ISO 27001, to ensure compliance and mitigate risks in the evolving digital landscape.

This publication aims to equip businesses with the knowledge needed to make informed decisions and drive sustainable growth in the UAE's dynamic and opportunity-rich market.

### Source:

<https://data.worldbank.org/indicator/NY.GDP.MKTP.CD?locations=AE>

## Introduction

We are proud to present the inaugural edition of Doing Business in the United Arab Emirates, a comprehensive guide designed to support businesses, investors, and entrepreneurs navigating the dynamic UAE marketplace.

This guide goes beyond a legal overview—it offers strategic insights into the UAE's evolving regulatory environment, investment frameworks, and sectoral opportunities. Whether you're a multinational seeking expansion or a startup exploring a launchpad in the Middle East, this publication aims to equip you with the knowledge needed to make informed decisions and drive sustainable growth.

In this first edition, we explore the UAE's economic evolution, legal system, business incorporation models, foreign ownership rules, tax landscape, employment considerations, and more. Our approach is practical and forward-looking, shaped by Nexdigm's on-the-ground experience and multidisciplinary expertise across advisory, legal, tax, and compliance domains.

The UAE has positioned itself as a global business hub through ambitious reforms, world-class infrastructure, and a strong commitment to innovation. As the region continues to transform, Nexdigm remains committed to guiding organizations through this opportunity-rich terrain with clarity and confidence.

We hope this guide becomes a valuable starting point for your business journey in the UAE.

- Trade is robust, with 2023 exports at AED 441 billion and imports at AED 1.4 trillion, aiming for AED 4 trillion by 2031.
- Trends show a shift to non-oil sectors, aligning with the "We the UAE 2031" vision for economic diversification.

## Economy Overview

The UAE, comprising seven emirates including Abu Dhabi and Dubai, is a key global trade hub due to its strategic location between Europe, Asia, and Africa. It offers a stable political environment and advanced infrastructure, making it attractive to foreign investors.

## Economic Indicators

- **GDP:** Estimated at USD 527.8 billion in 2024, with a 2025 forecast of USD 550.2 billion [IMF World Economic Outlook](#).
- **Population:** Approximately 11 million in 2024, with a significant expatriate presence enhancing the workforce.
- **FDI:** Recorded USD 30.688 billion in inflows in 2023, ranking second globally, with expectations of sustained growth [UNCTAD World Investment Report 2024](#).
- **Employment:** Features low unemployment, supported by a flexible labor market that adjusts to economic demands.
- **Trade:** In 2023, non-oil exports increased by 16.7% to AED 441 billion, re-exports totaled AED 690 billion, and imports reached AED 1.4 trillion, with a target of AED 4 trillion by 2031 [UAE Ministry of Economy](#).

## Trends and Investment

The UAE is diversifying its economy, with non-oil sectors, such as transportation and finance driving growth. The "We the UAE 2031" vision aims to double FDI flows and triple FDI stock by 2031, with a focus on innovation and sustainability.

## UAE Economy for Foreign Investors

The United Arab Emirates (UAE), established as a federation of seven emirates—Abu Dhabi (the capital), Dubai, Sharjah, Ajman, Fujairah, Ras Al Khaimah, and Umm Al Quwain—stands as a pivotal economic entity in the Middle East. Its strategic location at the crossroads of Europe, Asia, and Africa positions it as the region's largest trading center, facilitating access to markets with over half a billion people in the Middle East and North Africa (MENA) region.

## Economy

### Key Points

- The UAE economy is diverse, with a 2024 GDP of about USD 528 billion, projected to grow to USD 550 billion in 2025.
- Population is around 11 million in 2024, with a large expatriate workforce.
- FDI inflows reached USD 30.7 billion in 2023, ranking second globally, with expected continued growth.
- Employment is strong; unemployment rates are low, supported by flexible labor policies.

## Economic Indicators and Performance

- **Gross Domestic Product (GDP):** The UAE's economy, traditionally reliant on oil, has seen significant diversification. In 2024, the nominal GDP was estimated at USD 527.8 billion, with projections for 2025 suggesting an increase to USD 550.2 billion, according to the International Monetary Fund (IMF) [World Economic Outlook IMF World Economic Outlook](#). This growth, driven by a 3.6% increase in real GDP in the first half of 2024 and a 3.8% rise in the first nine months, reflects robust economic activity, particularly in non-oil sectors, contributing 75% to GDP. The non-oil GDP grew by 4.4% in the first half of 2024, reaching AED 660 billion at constant prices, underscoring the shift towards a knowledge-based economy.
- **Population Dynamics:** As of 2024, the UAE's population is estimated to be approximately 11 million, based on recent United Nations projections from [Worldometer World Population Prospects: The 2024 Revision](#). This figure includes a significant expatriate population, estimated at 11.06 million, with a diverse demographic comprising over 190 ethnicities. The population's median age is 33.6 years, with a large proportion (8.58 million) in the 25-54 age bracket, enhancing the dynamism of the labor market. This diversity fosters a multicultural business environment, ideal for global networking and innovation.
- **Foreign Direct Investment (FDI):** The UAE has emerged as a top destination for FDI, with inflows reaching USD 30.688 billion in 2023, a 35% increase from USD 22.737 billion in 2022, as reported by the United Nations Conference on Trade and Development (UNCTAD) in the World Investment Report 2024 [UNCTAD World Investment Report 2024](#). This positions the UAE as the second-largest recipient globally, driven by initiatives like NextGenFDI, which facilitates expedited licensing for technology firms. The "We the UAE 2031" vision aims to double FDI flows to AED 240 billion annually and triple FDI stock to AED 2.2 trillion by 2031, reflecting ambitious investment targets.
- **Employment and Labor Market:** The UAE maintains a low unemployment rate, with employment surpassing pre-COVID levels, reaching 5.5 million in 2022 compared to 5.1 million in 2019, according to Swiss Re insights. The labor market is characterized by a high expatriate workforce, with construction (25%) and wholesale/retail (21%) as key sectors. Emiratisation policies mandate increasing local employment, with targets of 5% in firms with 50 or more employees by mid-2024, rising to 10% by 2026, ensuring a balanced approach to workforce development.
- **Import and Export Trade:** Trade is a cornerstone of the UAE economy, with total foreign trade reaching AED 3.5 trillion in 2023. Non-oil exports surged by 16.7% to AED 441 billion, re-exports grew by 6.9% to AED 690 billion,

and imports increased by 14.2% to AED 1.4 trillion, according to the Department of Economic Development. Service trade hit a record AED 967 billion, with exports at AED 587 billion, highlighting the UAE's role as a global trade hub. The country aims to achieve AED 4 trillion in foreign trade by 2031, supported by Comprehensive Economic Partnership Agreements (CEPAs) like the UAE-India CEPA.

- **Investment Opportunities and Trends:** Investment in the UAE is facilitated by a business-friendly environment, including 100% foreign ownership in over 1,000 mainland sectors and incentives in free zones like the Dubai International Finance Centre (DIFC) and Abu Dhabi Global Market (ADGM), which operate under English common law. The introduction of corporate tax aligns with global standards, protecting small businesses while ensuring tax transparency. The UAE's over 100 double taxation treaties (DTAs) and absence of exchange control restrictions enable seamless cross-border trade and repatriation of capital. Trends indicate a focus on non-oil sectors, with tourism (16.5% of GDP), real estate, and technology driving growth, supported by investments like Abu Dhabi's USD 10 billion in tourism infrastructure and Dubai's public-private partnership portfolio valued at USD 10.9 billion.

## Strategic Initiatives and Vision 2031

The "We the UAE 2031" vision, launched as a national plan for the next decade, builds on the country's developmental achievements over the past 50 years. It focuses on four pillars: society, economy, diplomacy, and ecosystem, aiming to enhance the UAE's position as a global economic partner. Key targets include doubling FDI flows, tripling FDI stock, and achieving a 5.0% non-oil GDP growth in 2025, with projections of 4.5% real GDP growth in 2025 and 5.5% in 2026. Initiatives like long-term visas, the World Expo 2020 (held in 2021, attracting 24 million visitors), and investments in AI and renewable energy underscore the government's commitment to attracting global businesses and fostering innovation.

## Abu Dhabi Economic Vision 2030

The Abu Dhabi Vision 2030 is a strategic plan to transform the emirate into a sustainable, diversified economy by 2030, reducing reliance on oil and fostering growth in knowledge-based industries.

Abu Dhabi Vision 2030 aims to diversify the economy, focusing on non-oil sectors and sustainability. It seeks to reduce oil dependency, targeting 64% non-oil GDP contribution by 2030. The vision emphasizes creating high-value jobs, enhancing business environments, and developing skilled workforces. It includes nine pillars, such as a strong private sector and global integration, to ensure sustainable growth.

## Competitive Advantages for Foreign Investors

The UAE's competitive edge lies in its strategic location, enabling businesses to connect with major global markets. It serves as a regional headquarters for multinationals due to favorable tax systems, investment-friendly laws, and state-of-the-art infrastructure, including leading airlines like Emirates and Etihad. The country offers a safe and secure family environment, with cities like Dubai consistently ranked among the safest globally. Over 40 free zones, such as DIFC and ADGM, provide sector-specific advantages, while recent changes allowing 100% foreign ownership onshore eliminate the need for local partners, attracting new investors targeting the local market.

For foreign investors, the UAE presents a dynamic and diversified economy supported by robust economic indicators, strategic initiatives, and a clear vision for sustainable growth. Opportunities span mainland, DIFC, ADGM, and other free zones, with the "We the UAE 2031" vision providing a roadmap for long-term investment and collaboration. The UAE's blend of stability, innovation, and global connectivity makes it an ideal destination for businesses seeking to expand in the MENA region.

## Legal System

The United Arab Emirates (UAE) legal system is a hybrid system that incorporates civil law principles along with elements of Islamic Sharia, which forms the legal foundation for personal, civil, and commercial matters. While Sharia law is predominant in family and personal status laws, the civil legal system governs most commercial and business operations.

### Dual Legal Structure: Federal and Emirate-Level Governance

As a federation of seven emirates, the UAE has a dual legal system:

- **Federal legislation** applies across all emirates and is promulgated under the authority of the UAE Constitution (adopted in 1971). Significant commercial enactments—such as **Federal Law No. 32 of 2021 (Commercial Companies Law)** and **Federal Decree-Law No. 9 of 2023 on Regulating the Bankruptcy and Insolvency of Companies**—are applicable nationwide.
- **Emirate-level Law** can fill gaps or provide more localized regulation. For instance, **Dubai Law No. 13 of 2016** regulates judicial authorities in Dubai, and **Law No. 12 of 2004** established Dubai Courts.

Distinct court systems exist within every emirate (Sharia and civil courts) that operate together with the Federal Judiciary and contain various degrees of independence depending upon emirate.

### Common Law Jurisdictions: ADGM and DIFC

The UAE stands out for its inclusion of common law jurisdictions within its financial-free zones:

- **Dubai International Financial Centre (DIFC)** has a jurisdictional framework of its own established by **DIFC Law No. 10 of 2004**, founded on **English common law** and governed by the **DIFC Courts**.
- **Abu Dhabi Global Market (ADGM)** was established by **ADGM Law No. 4 of 2013**, and its law is based on English common law as applied directly pursuant to **ADGM Courts Regulations 2015**.

These jurisdictions provide standalone legal and regulatory frameworks for financial services, dispute resolution, and commercial matters, which appeal to foreign investors seeking legal familiarity and certainty.

### Emerging Legal Landscape

The UAE has introduced comprehensive reforms to propel its business landscape and legal openness. These are:

- **Foreign ownership of 100 percent** in all sectors is permitted by **Federal Decree-Law No. 26 of 2020**, which updated the Commercial Companies Law.
- Reforms of **bankruptcy laws** through **Federal Decree-Law No. 9 of 2023**, streamlining restructuring and insolvency processes.
- Reforms of **personal status laws** and **family laws**, bringing greater clarity and adhering to global norms for expatriates.

### Judicial Practice and Precedent

Although the UAE follows a civil law system that does not typically adhere to binding legal precedent, decisions of the Court of Cassation (both the federal and local ones, such as in Dubai and Abu Dhabi) are authoritative. Lower courts will follow these higher court rulings to ensure consistency and predictability of litigation results.

## Judicial System

The judicial system of the United Arab Emirates (UAE) operates through a dual framework that includes both federal and emirate-level courts, allowing for parallel jurisdictions based on each emirate's preference. Every emirate has the autonomy to either create its own independent judicial system or join the federal court structure. Presently, Sharjah, Ajman, Fujairah, and Umm al-Quwain have integrated their judiciaries into the UAE Federal Judicial Authority, whereas Dubai, Ras al-Khaimah, and Abu Dhabi maintain their own separate and self-governing judicial systems.

### Court Hierarchy (Unified Across Federal and Local Systems)

The court systems, whether federal or local, share a consistent three-tier structure:

- **Courts of First Instance:** These serve as the initial trial courts where cases are first heard
- **Courts of Appeal:** These handle appeals from the Courts of First Instance, reviewing decisions for errors
- **Courts of Cassation or Federal Supreme Court:** The final level differs by system—local systems conclude with Courts of Cassation, while the federal system ends with the Federal Supreme Court

### Federal Supreme Court

Located in Abu Dhabi, the Federal Supreme Court stands as the highest authority within the federal judicial system. Often called the Supreme Court of Cassation, it plays multiple roles:

- Addressing constitutional issues
- Serving as the cassation court for emirates merged into the federal system
- Resolving disputes between emirates

This court operates under **Federal Law No. 10 of 1973**, which outlines its jurisdiction and procedures.

### Local Courts of Cassation

In contrast, the emirates of Dubai, Abu Dhabi, and Ras al-Khaimah each operate their own Courts of Cassation. These courts function independently of the Federal Supreme Court and act as the ultimate judicial authority within their respective local systems.

## Specialized Financial Free Zone Courts

In addition to the federal and emirate-level courts, the UAE features independent common law judicial systems within its financial free zones:

- **DIFC Courts** (Dubai International Financial Centre): Established by **DIFC Law No. 10 of 2004** and expanded by **Dubai Law No. 16 of 2011**, these courts apply **English common law** and have jurisdiction over:
  - Civil and commercial disputes within the DIFC
  - Cases where parties opt into DIFC jurisdiction via contract
- **ADGM Courts** (Abu Dhabi Global Market): Governed by the **ADGM Courts Regulations 2015** and **ADGM Founding Law No. 4 of 2013**, these courts also follow the English common law system and adjudicate civil and commercial disputes arising within the ADGM.

## Arbitration Laws in the UAE

Arbitration is a widely preferred method for resolving commercial disputes in the UAE, recognized for its efficiency, flexibility, and international enforceability. The UAE has developed a modern arbitration framework closely aligned with international standards, providing robust mechanisms for both domestic and cross-border disputes, notably the UNCITRAL Model Law.

### Governing Law and Jurisdiction

The primary legislation is Federal Law No. 6 of 2018 on Arbitration, as amended by Federal Law No. 15 of 2023. This law applies to arbitrations seated in the UAE and, by party agreement, to international arbitrations conducted outside the country. It emphasizes party autonomy, procedural flexibility, confidentiality, and judicial support for arbitration.

For most arbitrations, the **Competent Court** is generally the Federal or local Court of Appeal where the arbitration is seated unless parties agree otherwise. Enforcement and set-aside actions are initiated through the **Court of First Instance**.

### Arbitration in DIFC and ADGM

Financial free zones have independent arbitration regimes:

- **DIFC Arbitration Law No. 1 of 2008**, updated via **DIFC Law No. 2 of 2025** (regarding court jurisdiction)
- **ADGM Arbitration Regulations 2015**



Both frameworks are based on the UNCITRAL Model Law, allowing parties to opt into their rules regardless of where the dispute arises, enhancing their appeal to international investors.

### International Recognition and Enforcement

The UAE is a signatory to the New York Convention (since 2006). The 2018 Arbitration Law incorporates Convention principles, enhancing the enforcement of foreign awards and reaffirming the UAE's commitment to international obligations.

### Impact of the new arbitration law on the enforcement of foreign awards in the UAE

The new arbitration law in the UAE, Federal Law No. 6 of 2018, has had a significant positive impact on the enforcement of foreign arbitral awards, making the process more efficient, transparent, and aligned with international standards.

### Streamlined Enforcement Procedures

Foreign award enforcement now proceeds through the execution judge, with a decision required within five days and an appeal window of 30 days. This replaces older, time-consuming procedures.

### Recognition of International Conventions

UAE courts apply Article 5 of the New York Convention when assessing enforcement, reducing reliance on domestic annulment standards and boosting legal predictability.

### Limited Refusal Grounds

Enforcement may be refused only on narrow grounds such as a lack of arbitrability under UAE law or reciprocity failure, minimizing judicial discretion and delays.

### No Jurisdiction to Annul Foreign Awards

UAE courts cannot annul foreign arbitral awards. Their authority is restricted to recognition or refusal, avoiding merit-based reviews and supporting finality.

### Reduced Costs and Administrative Burden

Court fees and procedural formalities have been significantly lowered under the 2018 law, improving access and reducing barriers for foreign parties.

These legislative advancements have modernized the UAE's arbitration landscape, making it more attractive for international parties and reinforcing its status as a leading arbitration hub in the Middle East and beyond.

## Real Estate Laws and Entry Guidelines

The United Arab Emirates (UAE) real estate sector is one of the most regulated and opportunity-rich markets in the region. It attracts both local and international investors due to its transparent legal framework, robust regulatory oversight, and investor protection mechanisms. However, participation in this sector requires strict adherence to various laws and regulatory standards.

### Regulatory Authorities and Legal Framework

Under Law No. (7) of 2006 – Dubai Real Estate Registration Law, several government bodies regulate the real estate ecosystem:

- **Dubai Land Department (DLD):** Manages property transactions, ownership registration, and enforcement of real estate laws.
- **Real Estate Regulatory Agency (RERA):** A division of DLD, RERA licenses real estate professionals and enforces compliance standards across the industry.
- **Department of Economic Development (DED):** Issues commercial licenses for all business activities, including real estate brokerage and development.

### Types of Real Estate Ownership in Dubai

Dubai offers three primary forms of real estate ownership—**freehold, leasehold, and free zone property ownership**—each governed by distinct legal frameworks and offers varying degrees of rights and access to foreign investors.

- **Freehold ownership** grants buyers full ownership of both the property and the land on which it stands, without any time limitations. This form of ownership is available to UAE and GCC nationals across the emirate, and to foreign nationals in specifically designated freehold zones. Freehold ownership is governed by **Law No. (7) of 2006 – Dubai Real Estate Registration Law**, which permits non-UAE nationals to own property in areas defined by the Ruler of Dubai. Once purchased, these properties are registered under the buyer's name with the **Dubai Land Department (DLD)**, ensuring legal title and full ownership rights. Popular freehold areas include Downtown Dubai, Dubai Marina, Palm Jumeirah, and Business Bay, with 2025 expansions now including Dubai South, Al Wasl, Meydan, Sheikh Zayed Road, and Al Jaddaf—further enhancing access for international investors.

- **Leasehold ownership**, on the other hand, allows individuals to lease a property for a long-term period, typically ranging from **10 to 99 years**, without owning the underlying land. This model is often offered by master developers and provides rights of use, occupancy, and limited transfer, as specified in the contract terms. Leasehold arrangements are also recognized under **Law No. (7) of 2006**, and while the ownership of the land remains with the landlord or developer, the leasehold interest must be registered with the DLD to ensure enforceability under Dubai's legal system. Leaseholders may sell or sublet their interest in the property during the lease term, subject to regulatory approval and contractual obligations.
- **Free zone property ownership** refers to properties located within designated economic zones governed by independent authorities, where **100% foreign ownership** is permitted without the need for a local sponsor. In addition to real estate, these zones offer attractive business conditions such as tax exemptions, repatriation of profits, and simplified licensing procedures. Each free zone has its own regulations, though ownership rights are generally harmonized with Dubai's overall property laws. Common real estate free zones include **Dubai International Financial Centre (DIFC)**, **Dubai Multi Commodities Centre (DMCC)**, **Dubai South**, **Dubai Silicon Oasis**, and **Jebel Ali Free Zone (JAFZA)**. Properties within these zones may be purchased or leased, and transactions are typically registered with both the respective free zone authority and, where applicable, the DLD.

## Importance of RERA Registration and Key Regulatory Updates in 2025

The **Real Estate Regulatory Agency (RERA)**, established under the **Dubai Land Department (DLD)**, plays a pivotal role in regulating Dubai's real estate sector. Obtaining a RERA license is **mandatory** for all real estate brokers, agents, and companies operating in the emirate. This licensing ensures adherence to legal and ethical standards, enhances market credibility, and fosters investor confidence. It also facilitates compliance with applicable laws and promotes professionalism across the sector, creating a secure and transparent environment for buyers, tenants, and developers.

In 2025, RERA introduced a series of **regulatory reforms** aimed at enhancing transparency, investor protection, and operational efficiency in line with existing legislation.

### AI-Powered Smart Rental Index Calculator

In January 2025, RERA replaced the traditional rental calculator with a new AI-powered Smart Rental Index Calculator. This tool provides real-time benchmarks for rental prices, taking into account variables such as location, building condition, and amenities. It is governed by Law No. (26) of 2007, as amended by Law No. (33) of 2008, which

regulates the relationship between landlords and tenants in Dubai. The index, updated annually, supports a more data-driven and transparent rental market.

### Revised Rent Increase Caps

Rent increases are now strictly regulated under the same tenancy laws (Law No. 26 of 2007, as amended). The permissible increase depends on how much the current rent is below the market average:

- Less than 10% below market: No increase allowed
- 11–20% below market: Up to 5% increase
- 21–30% below market: Up to 10% increase
- 31–40% below market: Up to 15% increase
- More than 40% below market: Up to 20% increase

In all cases, rent increases may only be applied **once per year at contract renewal**, with **90-days written notice** via the **Ejari** system.

### Developer Compliance and Escrow Regulations

Stricter enforcement has been introduced under Law No. (8) of 2007 (Escrow Account Law), which mandates that all funds collected for off-plan projects be deposited into RERA-approved escrow accounts. This ensures that developers use funds solely for the project, offering financial safeguards to buyers. Enhanced monitoring now holds developers accountable for project timelines and fund transparency.

### Expansion of Freehold Zones

In a move to attract more international investors, RERA has expanded freehold ownership zones to include Dubai South, Al Wasl, Meydan, Sheikh Zayed Road, and Al Jaddaf. These areas now allow 100% foreign property ownership, as permitted under Law No. (7) of 2006 – Dubai Real Estate Registration Law, which governs non-UAE nationals' rights to own property in designated zones.

### Broker Licensing and Advertising Regulations

All brokers must hold a valid RERA license; operating without one is a legal violation. Further, since a 2023 update is now strictly enforced, all real estate advertisements must be pre-approved by RERA and display a QR code for verification. This measure curbs misleading promotions and enhances consumer trust.

### Residency Visa Thresholds Linked to Property Investment

In alignment with UAE's residency reforms, property investors are now eligible for residency visas. A minimum investment of **AED 750,000** qualifies for a **2-year investor visa**, while investments of **AED 2 million**

or more qualify for the prestigious **10-year Golden Visa**, offering a strong incentive for long-term foreign investment.

- **Enhanced Digital Real Estate Services**

The **Dubai REST App** and **Ejari platform** are now central to real estate operations. These digital tools enable efficient registration of tenancy contracts, verification of broker credentials, and overall transaction management— supporting a fully digitized, transparent property market.

Dubai's real estate laws, administered by DLD and RERA, prioritize transparency, investor and tenant protection, and sustainable market growth. Compliance with these regulations are essential for all stakeholders, be it developers and brokers or buyers, sellers, and tenants

## Exchanges in UAE

The United Arab Emirates is home to several prominent financial exchanges, each governed by specific laws and regulatory bodies, serving distinct purposes and covering various market sectors.

The UAE's exchanges are governed by a comprehensive legal framework led by the Securities and Commodities Authority (SCA) for onshore markets and the Dubai Financial Services Authority (DFSA) for DIFC-based exchanges.

### Key Exchanges and Applicable Laws

#### Abu Dhabi Securities Exchange (ADX) & Dubai Financial Market (DFM)

Regulated by the SCA under Federal Law No. (4) of 2000 Concerning the Emirates Securities & Commodities Authority and Market, ADX and DFM are central to domestic capital markets. They facilitate trading in equities, bonds, ETFs, and derivatives across various sectors such as banking, real estate, energy, and insurance. DFM also adheres to Sharia-compliant investment principles, catering to Islamic finance investors.

#### NASDAQ Dubai

Operating under the DIFC Laws and regulated by the DFSA, NASDAQ Dubai targets international listings. It offers a platform for equities, sukuk (Islamic bonds), conventional bonds, and derivatives, providing access to global capital markets while supporting Dubai's role as a leading international financial hub.

#### Abu Dhabi Global Market (ADGM)

An international financial center regulated by the Financial Services Regulatory Authority (FSRA), ADGM is governed by ADGM Regulations and FSRA Rulebooks. It facilitates trading in securities, digital assets, and fintech-related instruments, fostering innovation and alignment with global financial standards.

#### Dubai Gold & Commodities Exchange (DGCX)

Regulated by the SCA and the Dubai Multi Commodities Centre (DMCC) Authority, and governed by SCA regulations, DGCX specializes in commodities trading— such as gold, metals, energy products, and currency derivatives— positioning Dubai as a regional leader in commodities and risk management markets.

These exchanges operate under a clear and integrated legal framework, including Federal Law No. (4) of 2000, DIFC and DFSA laws, and ADGM and FSRA regulations. Collectively, they enhance transparency, promote investor confidence, and enable the UAE to serve as a dynamic financial and investment hub in the Middle East and beyond.

## Bankruptcy Law

The bankruptcy law establishes a legal framework that enables financially distressed companies to avoid insolvency and liquidation through various restructuring and recovery mechanisms.

The applicable law governing bankruptcy and financial restructuring for companies in UAE is Federal Decree-Law No. 51 of 2023, Promulgating the Financial and Bankruptcy Law. This law came into effect on 1 May 2024, replacing the previous bankruptcy law (Federal Decree-Law No. 9 of 2016).

The law is further clarified and implemented by Cabinet Resolution No. 94 of 2024 Concerning the Executive Regulation of the Financial Restructuring and Bankruptcy Law, which came into force on 16 September 2024.

These two legal instruments—the 2023 Federal Decree-Law and the 2024 Executive Regulation—together form the current regulatory framework for bankruptcy, restructuring, and revival of distressed companies in Dubai.

### Key Benefits and Objectives of the Law

The key benefits and objectives of the UAE's updated insolvency framework are embodied in Federal Decree-Law No. (51) of 2023 on Financial Restructuring and

Bankruptcy, which replaced Federal Law No. (9) of 2016. This law prioritizes business continuity by focusing on the rescue and rehabilitation of financially distressed but potentially viable companies. Through mechanisms such as preventive settlement and court-supervised financial restructuring (Articles 9 to 26), the law encourages recovery over liquidation, offering debtors a structured opportunity to reorganize their operations and obligations.

To ensure transparency and fairness, the law introduces clear procedural thresholds and mandatory disclosures that protect the rights of creditors, debtors, and other stakeholders. It provides for court oversight, regulated timeframes, and the use of public registers to document restructuring proceedings, thereby ensuring due process and accountability (Articles 31 to 39, 54). Additionally, the law aligns the UAE's insolvency regime with international best practices, including elements of the UNCITRAL Model Law on Cross-Border Insolvency. It modernizes the legal framework by incorporating licensed insolvency practitioners and digital case management systems, reinforcing Dubai's position as a secure, efficient, and investor-friendly business hub.

### Courts for Bankruptcy Laws in the UAE

Federal Decree-Law No. 51 of 2023 establishes a dedicated court system for bankruptcy matters, enhancing the efficiency, expertise, and transparency of insolvency proceedings.

#### Dedicated Bankruptcy Courts

- **Standalone Courts:** The new law creates specialized bankruptcy courts at both the federal and local levels. These courts exclusively handle bankruptcy, financial restructuring, and preventative settlement cases, streamlining the resolution of complex insolvency matters.
- **Bankruptcy Units:** A supporting bankruptcy unit assists the court, managing applications, notices, and maintaining the bankruptcy register.

#### Jurisdiction and Scope

- **Onshore Companies:** The federal bankruptcy courts have jurisdiction over most UAE mainland companies, traders, and licensed civil companies. They do *not* cover entities in financial-free zones such as the DIFC (Dubai International Financial Centre) or ADGM (Abu Dhabi Global Market), which have their own insolvency laws and courts.
- **Pending Cases:** All unresolved bankruptcy cases under the previous law (Federal Decree-Law No. 9 of 2016) were transferred to the new bankruptcy courts as of May 2024.

#### Powers and Procedures

- **Preventative Settlement and Restructuring:** The courts oversee applications for preventative settlement (early intervention to avoid insolvency), financial restructuring, and formal bankruptcy declarations.
- **Trustee Oversight:** The courts appoint trustees with broad powers to manage the debtor's business and implement restructuring or liquidation plans. Trustees now have the same authority as company directors, expediting proceedings and reducing delays.
- **Deposits:** Applicants (debtors or creditors) must deposit 5% of the claimed debts or assets with the court, though this requirement can be reduced or postponed in cases of hardship.

#### DIFC and ADGM Courts

- **DIFC Courts:** Entities licensed in the DIFC are subject to the DIFC Courts, which have their own structure and insolvency laws. The DIFC Courts consist of Courts of First Instance (including specialized divisions), a Court of Appeal, and a Small Claims Tribunal, as set out in **Law No. (2) of 2025**.
- **Specialization:** The DIFC Courts can create specialized courts for complex matters such as banking or financial disputes, ensuring focused expertise.

## Data Protection and Privacy

The United Arab Emirates (UAE) is recognized as a regional leader in digital transformation and a prime hub for business within the Middle East. As organizations seek to expand into the UAE, a comprehensive understanding of cybersecurity and data privacy compliance is crucial.

Companies must navigate a framework influenced by local regulations, international standards, and industry-specific guidelines. Each is aimed at safeguarding digital information and fostering trust in the digital economy of the region.

Below are the essential data privacy considerations organizations must address to establish a compliant presence in the UAE.

In the UAE, data privacy regulations are administered by several entities. Every regulatory body requires unique data privacy protocols suited to their respective fields, urging organizations to create a flexible strategy that satisfies diverse needs. The principal regulations include:



## UAE Personal Data Protection Law (PDPL)

The UAE Personal Data Protection Law (PDPL), effective from January 2022, aligns with global data protection standards and establishes a legal framework for processing personal data within the UAE.

### Key Provisions

- **Consent and Transparency:** Organizations must secure explicit consent before processing personal data and provide clear information on data usage.
- **Data Transfer Restrictions:** Data transfers outside the UAE are restricted unless adequate protection is ensured, necessitating additional assessments.
- **Data Subject Rights:** Individuals have the right to access, rectify, and delete their personal data, and organizations must facilitate these rights.

### Penalties

- **Fines:** The UAE Data Office may impose fines of up to AED 10,000,000 (USD 2.7 million) for significant data breaches.
- **Restriction on Processing:** Non-compliance may result in restrictions on data processing, hindering business operations.
- **Operational Suspension:** In severe cases, the UAE Data Office has the authority to suspend non-compliant organizations.

### Risk Exposure

- Non-compliance increases the likelihood of data breaches and the risk of significant financial penalties.
- Organizations may also face legal action from data subjects whose rights have been violated.

## DIFC Data Protection Law No. 5 of 2020

The DIFC Data Protection Law No. 5 of 2020 governs the collection, processing, and transfer of personal data within the Dubai International Financial Centre (DIFC). The law aligns with global standards such as GDPR and is administered by the DIFC Commissioner of Data Protection.

### Key Provisions

- **Lawful Basis for Processing:** Organizations must have a lawful basis for processing personal data, such as consent, contractual necessity, or legitimate interest.
- **Data Subject Rights:** Data subjects have comprehensive rights, including the right to access, rectify, restrict processing, and erase their data.
- **Cross-Border Data Transfers:** Transfers of personal data outside DIFC are restricted unless to jurisdictions with adequate data protection laws or through the use of standard contractual clauses (SCCs).
- **Data Breach Notification:** Organizations must notify the Commissioner of Data Protection within 72 hours of becoming aware of a data breach that risks the rights and freedoms of data subjects.
- **Data Protection Officer (DPO):** Organizations engaged in high-risk processing are required to appoint a Data Protection Officer (DPO) to oversee compliance efforts.

### Penalties

- **Fines:** DIFC may impose administrative fines of up to USD 100,000 for non-compliance with specific provisions, such as failure to fulfill data subject rights or unauthorized data transfers.
- **Additional Sanctions:** In serious cases, sanctions can include orders to cease data processing activities, corrective action mandates, or more severe financial penalties.
- **Reputational Damage:** Non-compliance can damage an organization's reputation, particularly in the financial services sector, where trust and compliance are critical.

### Risk Exposure

- Non-compliance with DIFC's data protection law increases the risk of legal action by data subjects and could hinder business continuity.
- Organizations in financial services, particularly those handling sensitive financial and personal data, face heightened exposure due to the regulatory demands for transparency, data protection, and accountability.

## ADGM Data Protection Regulations 2021

The ADGM Data Protection Regulations 2021 govern data privacy within the Abu Dhabi Global Market (ADGM), aligning ADGM's framework with global best practices in data protection, particularly the GDPR. The regulations are enforced by the Office of Data Protection in ADGM.

## Key Provisions

- **Lawful Basis and Transparency:** Organizations must ensure transparency in data processing activities, obtaining consent where required and clearly defining the purpose for data collection.
- **Data Subject Rights:** The regulations afford data subjects rights similar to those under GDPR, including the rights to access, rectification, erasure, data portability, and objection to processing.
- **Data Protection by Design and Default:** ADGM emphasizes data protection by design, requiring organizations to integrate data privacy into their systems and processes from the outset.
- **Data Breach Notification:** Organizations must notify the Office of Data Protection within 72 hours of a data breach, especially when it poses a risk to the rights and freedoms of an individual.
- **Data Protection Officer (DPO):** A DPO must be appointed if the organization processes large volumes of personal data, sensitive data, or systematically monitors individuals.

## Penalties

- **Fines:** ADGM may impose fines of up to USD 28 million, depending on the severity of the breach and non-compliance nature.
- **Operational Restrictions:** In cases of severe non-compliance, ADGM has the authority to impose restrictions on processing activities, affecting organizational operations within ADGM.
- **Increased Audits and Compliance Checks:** Persistent non-compliance may lead to heightened regulatory scrutiny, including increased audits and mandatory compliance reviews.

## Risk Exposure

Failure to comply with ADGM's data protection regulations can lead to significant financial penalties, operational disruptions, and loss of credibility in the financial sector. Given that ADGM serves as a global financial hub, organizations that fail to adhere to these regulations may face challenges in building trust with clients, partners, and regulatory bodies, impacting their long-term business prospects.

## Information Security

In UAE, the National Cybersecurity Council (NCSC) is the central authority, setting national cybersecurity policy.

The regulatory framework governing cybersecurity in the UAE is characterized by its multi-layered complexity, encompassing federal laws and national strategies alongside distinct and autonomous frameworks within the broader UAE federal jurisdiction as well as the financial free zones of Dubai International Financial Centre (DIFC) and Abu Dhabi Global Market (ADGM).

For any new business contemplating operations in the UAE, a proactive and risk-based approach to cybersecurity is not merely advisable but essential. This necessitates integrating cybersecurity considerations into the fundamental business strategy and operational planning from the outset rather than relegating it to a secondary IT function.

## International Standards and UAE Compliance

As businesses in the UAE expand their operations globally, aligning with international cybersecurity standards is becoming increasingly important. Many of these standards not only enhance cybersecurity practices but also help businesses stay compliant with both local and international regulations. In the UAE Cybersecurity 2025, businesses that adopt global standards will be better positioned to safeguard sensitive data and mitigate risks, while ensuring they meet the requirements of both UAE laws and international frameworks.

- Adoption of ISO 27001 and Other Global Security Certifications.

International standards like **ISO 27001** (Information Security Management Systems) are increasingly being adopted by UAE businesses as part of their cybersecurity strategy. ISO 27001 provides a framework for establishing, maintaining, and improving information security management systems.

- **Credibility and Trust:** Obtaining ISO 27001 certification demonstrates a company's commitment to cybersecurity and builds trust with clients and stakeholders.
- **Risk Management:** ISO 27001 helps organizations identify and mitigate cybersecurity risks, ensuring continuous improvement and the protection of critical information.

- **Global Recognition:** As a globally recognized standard, ISO 27001 opens doors for businesses in the UAE to work with international partners, ensuring that their security measures align with global best practices.

Additionally, certifications like **ISO 9001** (Quality Management Systems) and **ISO 22301** (Business Continuity Management) can further enhance business operations and resilience.

- **Bridging Gaps Between Local and International Regulatory Requirements**

While UAE businesses must comply with local cybersecurity laws and regulations, they also need to bridge any gaps between local standards and international requirements. Some key considerations include:

- **Aligning with Global Standards:** Adopting global standards like ISO 27001 or GDPR ensures that businesses are not only compliant with local laws but also meet international expectations.
- **Multi-Jurisdictional Compliance:** For businesses that operate globally, it is essential to understand how the UAE's laws align with or differ from regulations in other regions, such as the GDPR in EU or the CCPA (California Consumer Privacy Act) in the US.
- **Cybersecurity Resilience:** By adhering to the international guidelines and certification processes, businesses in the UAE can improve their cybersecurity resilience, and protect themselves against global cyber threats and remain compliant with local laws.

## Key Cybersecurity Regulations in the UAE

The UAE has established a robust regulatory framework to combat cyber threats and protect its rapidly growing digital economy. As the UAE Cybersecurity 2025 approaches, businesses must understand and adhere to these regulations to maintain compliance and avoid severe penalties. Here's a breakdown of the key regulations shaping cybersecurity in the UAE:

- **Federal Decree-Law No. 2 of 2019 on Cybercrime**

This law serves as the backbone of the UAE's fight against cybercrime. It addresses a wide range of offenses, including:

- Unauthorized access to IT systems;
- Data breaches involving personal or business-critical information;
- Identity theft and the misuse of electronic data;
- Online fraud, phishing, and blackmail tactics.

The penalties are strict, with hefty fines and imprisonment for violators. For businesses, this means implementing robust measures to prevent cybercrimes, as negligence leading to breaches could have legal repercussions.

## NESA (National Electronic Security Authority) Standards

This law serves as the backbone of the UAE's fight against cybercrime. It addresses a wide range of offenses, including:

- Establishing comprehensive risk management frameworks;
- Implementing stringent access controls and data protection UAE policies;
- Regular audits and assessments to ensure Cybersecurity Compliance UAE with cybersecurity protocols.

Businesses that fail to comply with NESA standards face penalties and increased scrutiny, especially in sectors deemed vital to national security.

## ADGM and DIFC Cybersecurity Regulations

For businesses operating in financial hubs like the Abu Dhabi Global Market (ADGM) and the Dubai International Financial Centre (DIFC), specific cybersecurity guidelines are in place to safeguard the financial ecosystem. These include:

- Conducting regular cyber risk assessments;
- Ensuring the implementation of incident response plans;
- Adopting international standards, such as ISO 27001, for data protection UAE;
- Reporting significant cyber incidents promptly to the respective regulatory authorities.

Such regulations are designed to maintain the UAE's reputation as a secure global financial hub and ensure investor confidence.

## Common Compliance Challenges for New Businesses

New businesses establishing themselves in the UAE face several common cybersecurity compliance challenges:

- **Evolving Regulatory Landscape:** The UAE's cybersecurity regulations are in a state of continuous evolution, with new laws, strategies, and amendments regularly introduced to address emerging threats and technological advancements. Staying abreast of these changes and adapting internal policies and systems accordingly requires constant vigilance.
- **Resource Constraints:** Small and medium-sized enterprises (SMEs) often lack the in-house expertise, dedicated personnel, and financial resources necessary to implement robust cybersecurity measures and effectively manage complex compliance requirements. Juggling all these processes can make it challenging to meet the stringent standards set by regulators.
- **Third-Party Risk Management:** Many UAE businesses outsource their IT and cybersecurity functions to third-party vendors, which introduces significant supply chain risks. Regulators in both DIFC and ADGM place a strong emphasis on enhanced third-party oversight, requiring rigorous due diligence, contractual protections, and ongoing supervision of ICT providers. Managing these risks effectively is a complex undertaking.
- **Incident Response and Reporting:** The obligation to report material cyber incidents promptly (e.g., within 72 hours for DFSA, 24 hours for ADGM FSRA) demands a high degree of preparedness, requiring both technical capabilities for rapid detection and legal expertise for accurate and timely reporting.
- **Aligning with Global Standards:** While UAE regulations often align with international best practices (e.g., ISO 27001, GDPR principles for data protection), businesses with international operations must navigate the complexities of bridging gaps between local requirements and global standards.

The combination of a rapidly evolving regulatory environment, the inherent resource limitations of new businesses (especially SMEs), and the critical need for robust third-party oversight creates a significant compliance burden. This means that new businesses cannot simply react to incidents but must proactively invest in comprehensive cybersecurity strategies, including seeking expert legal counsel, implementing specialized technical solutions, and providing continuous employee training. Failure to adopt this proactive stance can lead to severe financial penalties, significant reputational damage, and even business failure, underscoring that cybersecurity is a fundamental business imperative, not merely a technical or legal afterthought.

## Best Practices for New Businesses

To navigate the complex cybersecurity landscape in Dubai and the UAE at large, new businesses should adopt a strategic and proactive approach, integrating foundational steps with robust technical and operational safeguards, and aligning with strategic regulatory expectations.

### Foundational Steps

- **Conduct Thorough Risk Assessments:** Regular and periodic reviews of IT infrastructure are essential to identify vulnerabilities, assess potential threats, and determine the likelihood and impact of various cyber risks. This systematic approach allows firms to understand their information assets, where sensitive data is stored, and the inherent vulnerabilities they face.
- **Develop a Comprehensive Cyber Risk Management Framework (CRMF):** A robust, risk-based CRMF, formally approved by the board and integrated into the firm's overall risk governance structure, is fundamental. This framework should define how the firm identifies, assesses, manages, and mitigates cyber risks effectively and comprehensively.
- **Implement Robust Incident Response and Recovery Plans:** Firms must develop detailed, written incident response plans that are reviewed and tested at least annually. These plans should outline clear instructions, defined roles and responsibilities, escalation criteria to senior management, and procedures for limiting disruption and recovering from cyber incidents, including data backup and restoration.
- **Prioritize Employee Cybersecurity Awareness and Training:** Employees are often a significant source of cybersecurity risk, but also a critical line of defence. Comprehensive cybersecurity training programs are mandatory in some contexts (e.g., DFSA) and universally recommended. These programs should aim to create an appropriate level of awareness, educate employees on identifying phishing attempts and social engineering tactics, promote strong password practices, and foster a security-conscious culture through engaging sessions and regular simulations.

### Technical and Operational Safeguards

- **Strong Access Controls and Multi-Factor Authentication (MFA):** Implement robust access management processes, including the principle of least privilege, to ensure that only authorized individuals can access critical systems and sensitive data. Multi-factor authentication should be a mandatory requirement for all sensitive systems and networks.
- **Anti-Malware and Network Security:** Employ and maintain up-to-date anti-malware software with regular definition updates. Implement comprehensive network



security controls, including firewalls, intrusion detection systems, and network security monitoring procedures, to protect against unauthorized access and data breaches.

- **Data Encryption:** Leverage advanced encryption techniques to secure sensitive information, both in transit and at rest. This is a fundamental control to protect data against unauthorized access even if systems are compromised.
- **Secure Supply Chain and Third-Party Oversight:** Given the increasing reliance on external service providers, firms must implement rigorous due diligence processes for ICT providers (e.g., cloud, software vendors). This includes establishing contractual protections and ongoing supervision requirements to manage cybersecurity risks stemming from third-party reliance.
- **Continuous Monitoring and Testing:** Regular vulnerability assessments, red teaming, and penetration testing (at least annually for internet-facing systems) are critical for identifying weaknesses in systems and fortifying defenses against potential attacks. Firms should also maintain robust internal reporting mechanisms for security events and weaknesses.

### Strategic Alignment

- **Engage with Regulatory Authorities and Industry Forums:** Actively participate in information sharing arrangements with other financial institutions, security, and law enforcement agencies. Platforms like the DFSA Threat Intelligence Platform (TIP) and engagement with United Arab Emirates Computer Emergency Response Team (aeCERT) provide opportunities for intelligence sharing and collaboration, enhancing collective defence capabilities.
- **Leverage External Expertise:** For businesses, particularly SMEs, that may lack in-house cybersecurity expertise, partnering with National Cybercrime Action Plan and Network Capable Application Processor (NCAP) -accredited providers for services such as penetration testing, vulnerability assessments, and incident response is highly recommended. Utilizing Managed Security Services (MSS) or virtual Chief Information Security Officer (vCISO) services can provide access to qualified professionals and integrate cutting-edge solutions.
- **Proactive Compliance and Continuous Improvement:** Cybersecurity is an ongoing journey, not a static destination. Firms must adopt a mindset of continuous improvement, regularly reviewing and updating their cybersecurity strategy, policies, and controls to adapt to the ever-evolving threat landscape and new technologies. This proactive stance is crucial for maintaining compliance and resilience.

## Anti-Bribery and Anti-Corruption Framework in the UAE

The United Arab Emirates (UAE) has implemented a comprehensive legal framework to combat bribery and corruption across both the public and private sectors. The country is a signatory to the United Nations Convention against Corruption (UNCAC) and has undertaken significant reforms in alignment with international best practices. The UAE Penal Code, along with sector-specific and jurisdiction-specific regulations, forms the foundation of the nation's anti-corruption regime.

Two financial free zones in the UAE, the Dubai International Financial Centre (DIFC) and the Abu Dhabi Global Market (ADGM), operate under distinct legal systems based on common law and have adopted their own anti-bribery and anti-corruption rules that complement the federal framework. The UAE Penal Code (Federal Decree-Law No. 31 of 2021) governs bribery offenses and applies throughout the UAE, including DIFC and ADGM, despite their separate regulatory frameworks.

### Federal Anti-Bribery and Anti-Corruption Framework

#### Applicable Legislations

The principal federal laws governing bribery and corruption in the UAE include:

- **Federal Decree-Law No. 31 of 2021 (UAE Penal Code):** Prohibits bribery and corruption involving both public and private sector individuals. The Penal Code outlines the elements of bribery and abuse of public office, including indirect benefits.
- **Federal Decree-Law No. 20 of 2018 on Anti-Money Laundering and Countering the Financing of Terrorism:** Targets the laundering of proceeds derived from corruption and related crimes.
- **UAE Civil Service Law and Human Resources Law** (applicable to public officials)
- **Federal Law No. 8 of 2011 on the State Audit Institution (SAI):** Empowers the SAI to investigate public sector corruption and enforce accountability.
- **UAE Cybercrimes Law (Federal Decree-Law No. 34 of 2021):** Penalizes corrupt acts carried out or facilitated through electronic means.

## Key Provisions

Under the UAE Penal Code:

- Bribery of public officials is strictly prohibited, including offering, promising, or giving an undue advantage to induce the official to act or refrain from acting.
- Private sector bribery is also criminalized, making it illegal to offer or accept bribes in commercial settings.
- Facilitation payments are not exempt and may be construed as bribery.
- Penalties include imprisonment, fines, asset confiscation, and blacklisting.

## Dubai International Financial Centre (DIFC)

### Legal Framework

The DIFC is governed by a legal system based on English common law and has enacted specific regulations to maintain high standards of corporate governance and integrity.

Relevant laws include:

- **DIFC Regulatory Law (Law No. 1 of 2004):** Primarily focuses on establishing the Dubai Financial Services Authority (DFSA).
- **DIFC Operating Law (DIFC Law No. 7 of 2018):** Includes provisions on misconduct, including bribery and fraud.
- **DFSA Rulebook:** Contains principles requiring firms to observe high standards of integrity and fair dealing, which encompass anti-bribery obligations and whistleblower protection.

### Role of DFSA

The Dubai Financial Services Authority (DFSA) is the independent regulator in the DIFC, enforcing anti-corruption measures. It places an obligation on authorized firms and individuals to:

- Establish internal controls and procedures to detect and prevent bribery;
- Whistleblower protections;
- Staff training and periodic risk assessments.

## Abu Dhabi Global Market (ADGM)

### Legal Framework

Like the DIFC, the ADGM operates under its own legal system modelled on English common law. The core legislation includes:

- **ADGM Commercial Licensing Regulations:** Mandates ethical business conduct and compliance with applicable laws.

- **ADGM Companies Regulations 2020:** Includes directors' duties and provisions to prevent misconduct and abuse of office.
- **ADGM Employment Regulations 2019:** Provides whistleblower protection and discourages retaliation against employees who report misconduct.
- **FSRA Rulebook** (administered by the Financial Services Regulatory Authority).

### Anti-Corruption Measures

ADGM has instituted governance standards and compliance obligations that mirror international norms:

- Firms must implement internal anti-bribery and anti-corruption controls, especially those regulated by the FSRA;
- Senior management is held accountable for ensuring ethical conduct within their organizations;
- Auditable records must be maintained to substantiate compliance efforts.

### Whistleblower Protections

ADGM promotes corporate transparency through legal protection for whistleblowers and mechanisms to report wrongdoing, confidentially and without retaliation.

### Enforcement and Compliance

Both DIFC and ADGM work closely with UAE federal authorities, including:

- UAE Public Prosecution
- Ministry of Justice
- Financial Intelligence Unit (FIU).

These bodies have the power to investigate, prosecute, and enforce penalties against individuals or entities engaged in corrupt practices.

### Risk Mitigation for Businesses

Businesses operating in the UAE, particularly in DIFC and ADGM, are encouraged to:

- Conduct due diligence on partners and agents;
- Develop and enforce a code of conduct aligned with UAE and international standards;
- Offer regular training to staff on bribery risks and reporting channels;
- Monitor high-risk transactions and maintain transparent documentation).

## Conclusion

The UAE continues to strengthen its anti-bribery and anti-corruption laws as part of its broader economic and governance reforms. Businesses operating in DIFC and ADGM are subject not only to UAE federal laws but also to stringent compliance frameworks within these financial free zones. DIFC and ADGM are financial free zones with their own legal systems based on common law, but federal UAE criminal laws, including bribery laws, still apply in both zones. By maintaining strong corporate governance and robust compliance systems, companies can mitigate legal risks and enhance their reputation in the region.

## Money Laundering

The UAE mandates robust Anti-Money Laundering (AML) framework along with Counter-Terrorist Financing (CTF) and Counter-Proliferation Financing (CPF) regulations. Money laundering is defined as any financial or banking transaction aimed at concealing or changing the source of illegally obtained funds by passing it through the financial and banking system in order to make it appear as originating from legitimate sources and then re-pumping and investing it illegally. Businesses must comply with federal laws and specific regulations, where applicable, including regulations implemented for free zones such as Dubai International Financial Centre (DIFC) and Abu Dhabi Global Market (ADGM).

## Legal Framework

### Federal Law

Federal Decree No. 26 of 2021 Amending Certain Provisions of Law No. 20 for 2018 on Anti-Money Laundering and Countering the Financing of Terrorism.

- **Executive Regulation:** Cabinet Decision No. 74 of 2020 concerning the Local Terrorist List of terrorists and implementation of UN Security Council decisions relating to preventing and countering financing terrorism and leveraging non-proliferation of weapons of mass destruction, and the relevant resolutions.
- **Executive Regulation:** Cabinet Decision No. 10 of 2019 Concerning the Implementing Regulation of Decree Federal Law No. 20 of 2018 on Anti-Money Laundering and Combating the Financing of Terrorism and Illegal Organizations.

### DIFC

- DFSA AML Rulebook and Regulatory Law No. 1 of 2004.

### ADGM

- Anti-Money Laundering and Sanctions Rulebook.

### Applicability

AML regulations apply to Financial Institutions, Designated Non-Financial Businesses and Professions (DNFBPs), and Virtual Asset Services Providers (VASPs). Entities in free zones, such as DIFC or ADGM, must comply with both Federal UAE AML regulations and specific regulations applicable to the respective free zones.

### Regulators

- **UAE:** UAE Central Bank, Ministry of Economy, Securities and Commodities Authority
- **DIFC:** Dubai Financial Services Authority (DFSA)
- **ADGM:** Financial Services Regulatory Authority (FSRA).

### Compliance Requirements

To ensure adherence to UAE's AML regulations, businesses must implement a comprehensive compliance framework. This includes establishing internal controls, conducting due diligence, and maintaining ongoing oversight. Key compliance requirements include:

- Customer Due Diligence
- Enhanced Due Diligence
- Ongoing Monitoring and Periodic Client Review
- Suspicious Activity Reporting
- Training and Awareness
- Record Keeping
- AML Compliance Officer
- Independent Audit

### Penalties for Non-Compliance

Under Article 11 of Federal Law No. 9 of 2014, in addition to the fines and imprisonment that may be imposed under UAE Federal Law, Supervisory Authorities such as the DFSA may also impose the following sanctions:

- Warning;
- Fines in the range of AED 50,000 to AED 500,000;
- Prevention of the party in breach from working in the relevant sector for a specified time;

- Restrictions on powers of the board, executive and supervisory directors, managers, and dominant owners, including the power of appointment of a temporary observer;
- Suspension of activity for up to one month;
- Cancellation of licence/authorization.

The DFSA may also use its enforcement powers derived from the DIFC Regulatory Law No. 1 of 2004 to take enforcement action in relation to any non-compliance.

## Foreign Direct Investment

In UAE, establishing a corporate entity requires obtaining a business license, which is mandatory for legal operations within a specific jurisdiction—either the mainland (onshore) or a designated free zone. This license explicitly defines the business activities the entity may undertake, drawn from a predefined list specific to each jurisdiction. Entities are prohibited from engaging in any activities beyond those listed on their license.

Mainland (Onshore) vs. Free Zones: Setup Options

Corporate entities in the UAE have two primary establishment options:

- **Mainland (Onshore):** Each emirate oversees its mainland businesses through its Department of Economic Development (referred to as the Department of Economy and Tourism in Dubai). These departments handle the licensing and regulation of companies incorporated within their respective emirates. Mainland companies are regulated by the Department of Economic Development (DED) of the respective emirate—such as the Department of Economy and Tourism in Dubai. Entities licensed in the mainland can operate across the UAE without geographical restrictions and are governed by **Federal Law No. 2 of 2015 on Commercial Companies (as amended)**.
- **Free Zones:** The UAE is home to over 40 Free Zones (FZs), each governed by its own regulatory authority and designed with either a sector-specific or general commercial focus. These zones serve different purposes—some, such as Jebel Ali Free Zone (JAFZA), Dubai International Financial Centre (DIFC), and Abu Dhabi Global Market (ADGM), cater to economic or financial activities, while others support specific industries or function as broader business hubs. Free zones offer 100% foreign ownership, streamlined setup procedures, and attractive fiscal incentives. However, their operations are generally restricted to within the free zone or internationally unless a dual licensing arrangement is secured to permit mainland activities.

## Foreign Investment Rules

The introduction of the Federal Commercial Companies Law No. 32 of 2021 (CCL) has transformed the framework of foreign investment in the UAE. The CCL eliminates the blanket 51% local ownership requirement, delegating authority to each emirate's DED to set UAE ownership percentages for strategic sectors.

- **100% Foreign Ownership:** Abu Dhabi and Dubai have released lists of activities allowing full foreign ownership, covering sectors like trading, agriculture, industrial operations, contracting, and services. Dubai's list notably boosts foreign direct investment in its retail and trading sectors. Other emirates are aligning with these changes.
- **Practical Implications:** Most activities now permit 100% foreign-owned entities, except those classified as having a "Strategic Impact."

## Activities with Strategic Impact

The UAE's Cabinet Resolution No. 55 of 2021 business activities in the UAE as having a "Strategic Impact," granting regulatory bodies the authority to impose specific conditions, including:

- Percentage of UAE national and/or foreign participation in share capital;
- Representation of UAE nationals and/or foreign investors on the board of directors (if applicable);
- Additional controls deemed necessary by the relevant authority.

## These activities include

- **Security and Defense:** Regulated by the Ministry of Defense and Ministry of Interior.
- **Financial Sector:** Banks, exchange houses, finance companies, and insurance, overseen by the Central Bank.
- **Money Printing:** Managed by the Central Bank.
- **Telecommunications:** Governed by the Public Authority for the Regulation of the Telecommunications Sector and the Digital Government.
- **Religious Activities:** Pilgrimage (Hajj and Umrah) and Quran Memorization Centers, regulated by the Public Authority for Islamic Affairs and Endowments.



## Exemptions and Structural Changes

- **GCC Nationals:** Nationals of the Gulf Cooperation Council (GCC) and entities they wholly own are exempt from these foreign investment restrictions.
- **Single Shareholder Companies:** With relaxed ownership rules, many businesses have converted to single shareholder limited liability companies, fully owned by foreign entities. Cabinet Decision No. 77 of 2022 outlines the procedures for establishing and managing such entities.

## Free Zones: Incentives and Limitations

Free zones enhance the UAE's appeal to foreign investors, especially 100% foreign-owned companies, by offering:

- **Tax Benefits:** Zero income tax rates, provided the entity avoids mainland operations or branching.
- **Financial Flexibility:** Exemption from foreign exchange controls.

However, free zone companies are typically restricted to operating within their designated zones. Some free zones offer a dual licensing regime, allowing these companies to establish a mainland presence (usually a branch) under a license from the DED, subject to specific conditions.

## Mode of Entries

### Key Considerations Before setting up a legal entity in the UAE

- Assessing the jurisdiction for the proposed company (onshore, freezone, or offshore) basis the business plan and tax efficiency;
- Identifying the type of legal entity required (standalone, subsidiary, branch, etc.);
- Identifying relevant business activity(s) as the same will be reflected on the business license;
- Identifying office space or flexi/virtual desk based on the number of planned employees;
- Availability of parent company's documents for attestation and notarization in case of a corporate shareholder;
- Availability of documents for UBOs during the bank account opening process;
- Determine the minimum capital requirements for the chosen business structure;

- Planning for the fulfilment of economic substance, if applicable;
- Understanding ongoing compliance requirements to be fulfilled.

## Forms of Entering into the market

- Establish a Presence in UAE Mainland (Foreign Branch/representative office, Separate Entity, etc.)
- Establish a presence in one of the many Free zones (Onshore/offshore)
- Joint venture with a local business
- Doing business via an authorized distributor/agents located in UAE.

## Mainland UAE and its Features

UAE is a diversified economy. In its 51st year as a union it has secured its place among the top 20 countries in the world in terms of ease of doing business. In terms of the business set up, the country has bifurcated its jurisdiction into Mainland and Freezone wherein the latter superintends its own laws and regulations, and the mainland is regulated by the UAE Federal Law No. 2 of 2015 on Commercial Companies, as amended and the DED and other related departments of the respective Emirates.

Entities registered with the Mainland are onshore and may undertake their business throughout the country without any jurisdictional restrictions.

## Types of Entities and Licenses in Mainland

UAE mainland offers more than 2,000 business activities across various sectors and these activities are divided into the following types of licenses:

- **Commercial License** which covers all the trading and commercial activities that a person can undertake with an objective of earning profits;
- **Professional License** includes technical know-how on any subject matter, such as lawyers, accountants, artisans, and craftsmen etc.;
- **Industrial License** which covers manufacturing, processing, and industrial activities.

Further, as per the requirements of the business and applicable laws and regulations, an investor can select the below legal forms:

- Sole proprietorship
- General Partnership
- Limited Partnership
- Limited Liability Company (LLC)

- Public joint stock company (PJSC)
- Private joint stock company (PrJSC)
- Civil company
- Local Company Branch
- Branch of a foreign company
- Freezone company branch.

### Features of Mainland Jurisdiction

UAE mainland is among the most preferred avenues for business setup in UAE, and the setting process is also uncomplicated and straightforward. Below are some of the features of the mainland which allures a potential investor:

- **Minimum Capital Requirements:** No restrictions on minimum capital requirements.
  - **Options for Office Space:** Numerous opportunities for office space are available, unlike freezone business set up, which only allow office space within the ambit of the freezone. Mainland businesses may acquire office space anywhere in the respective emirates with affordable and flexible rental options.
  - **Complete Ownership:** With the implementation of Federal Decree-Law No. (26) of 2020, the UAE government has done away with the erstwhile requirement of having 51% of the capital in an LLC to be owned by a UAE citizen and thereby releasing more than 100 business activities across various sectors from this requirement.
  - **Audit Requirements:** No mandatory audit requirement as well as submission of the financial statement with the authority.
  - **Business Operations:** A Mainland company may carry out its business endeavor anywhere in the country without any jurisdictional bounds.
  - **Access to GCC Market:** Easy access to the GCC market as Dubai or UAE as a whole acts as a gateway to the other Gulf countries.
  - **Recruitment Process:** Simpler recruitment process and no limitation in getting employment visas as well as no requirement of employment bank guarantee.
  - **Compliances:** UAE Mainland has minimum compliance requirements as compared to the Freezone.
- their businesses in the given Freezone. Freezones in the UAE have typically been established in order to accommodate specific industries. For example, there are dedicated Freezones in Dubai focusing on companies from technology, media, finance, and import/export industries. Key features of the freezones are:
- No restrictions on foreign ownership and 100% foreign ownership allowed.
  - **Type of legal entity:** FZE (single shareholder, FZCO (multiple shareholder), Branch of a foreign company.
  - **Offshore entities:** A handful of Free zones such as JAFZA and RAKFTZ permit foreign investors to establish offshore entities that may act as a holding company within their group structure and are further not permitted to perform any activities in the UAE (Free zone or Mainland). These legal entities, however, are allowed to own freehold property within the UAE jurisdiction. UAE offshore companies are governed by the relevant Free zone's offshore regulatory laws and regulations.
  - A dual licensing system has been introduced by certain free zones, by allowing free zone entities in certain sectors to also operate in the mainland UAE
  - Many free zones are set up with a focus on particular sectors, like:
    - **Financial Services:** DIFC, ADGM
    - **Ports and Logistics:** JAFZA, DAFZA
    - **Telecom, IT:** DIC, DMCC, etc.
  - In line with Dubai's Executive Council 2025 resolution, Dubai free zone companies are now permitted to establish branches operate beyond their designated free zones and within the emirate, except financial establishments licensed by the DIFC. This strategic update enables expansion into the mainland, provided that businesses obtain the necessary permit or license from the Dubai Department of Economy and Tourism (DET) and comply with to all applicable local regulations.

### Free Trade Zones

Foreign investors may choose from nearly 45 Freezone throughout the UAE, with the majority located in Dubai. Each is administered by its own rules and regulations, and authorities responsible for licensing and registration matters related to foreign entities looking to establish

## Financial Reporting and Audit Requirement

### Mainland - Dubai

General Provisions applicable to all the entities:

- Companies must follow International Accounting Standards unless exempt under Decree Law 32.
- Accounting records must be accurate, can be electronic, and kept at the Head Office for 5 years.
- A company's financial year is up to 12 months, starting from its registration date; the first year can be 6–18 months.

No.	Categories	Joint Liability Company	Limited Partnership Company	Limited Liability Company (LLC)	Public Joint Stock Company	Private Joint Stock Company
1.	Members Count	Two or more Natural Persons	Two or more Joint Partners in the capacity of Traders.  Silent Partner(s) can also be appointed but they shall not have the capacity of a Trader.	Minimum two, Maximum 50  Can be Natural or Legal Person.  Termed as Capital Owners.	Minimum five people.  Termed as Shareholders.  Founders subscribe only to a part of share capital, rest held by Public at large	Minimum two people.  Termed as Shareholders.  Shares are not publicly offered.  A single legal person owning a Private Joint Stock Company is called a Sole Proprietorship.
2.	Members' Obligation	Partners are Jointly & Severally liable with all their properties.	Partners are Jointly & Severally liable.  Silent partners are liable only to the extent of their capital contribution.	Capital Owners liable only till the extent of capital mentioned in MOA.	Each shareholder is liable only to the extent of value of shares.	Each shareholder is liable only to the extent of value of shares.
3.	Management	Every Partner is a Manager unless the management is entrusted to specific Partner(s).  Non-Managing Partner will not interfere in the management affairs of the Company except in certain circumstances.	Only by Joint Partners.	Managed by One or more Manager.  Can be Partners or Third Party(s).	Board of Directors manage the company.  Minimum three to maximum eleven board members can be appointed.  Membership can be for a maximum of three calendar years.	Board of Directors manage the company.  Minimum three to maximum eleven board members can be appointed.  Membership can be for a maximum of three calendar years.

No.	Categories	Joint Liability Company	Limited Partnership Company	Limited Liability Company (LLC)	Public Joint Stock Company	Private Joint Stock Company
4.	Financial Statements	Prepared annually.	Prepared annually.	Prepared annually.	<p>Prepared annually.</p> <p>To be signed by Directors.</p> <p>To be presented to General Assembly within 4 months from the close of Financial Year.</p> <p>To be submitted to Competent Authority within 7 days of the convening of the General Assembly.</p> <p>General Assembly to determine % of Net Profits to be distributed as dividend.</p> <p>AOA may provide periodicity of such distribution.</p>	<p>Prepared annually.</p> <p>To be signed by Directors.</p> <p>To be presented to General Assembly within 4 months from the close of Financial Year.</p> <p>To be submitted to Competent Authority within 7 days of the convening of the General Assembly.</p> <p>General Assembly to determine % of Net Profits to be distributed as dividend.</p> <p>AOA may provide periodicity of such distribution.</p>
5.	Audit	To be appointed as per law.	To be appointed as per law.	One or more auditors appointed by General Assembly.	<p>General Assembly approves the auditors for renewable period of one Year.</p> <p>Maximum tenure in one go is six years. Reappointment possible after gap of two years.</p> <p>Leading partner of auditor of the company shall be changed after three years.</p>	<p>General Assembly approves the auditors for renewable period of one Year.</p> <p>Maximum tenure in one go is six years. Reappointment possible after gap of two years.</p> <p>Leading Partner of auditor of the company shall be changed after three years.</p>



No.	Categories	Joint Liability Company	Limited Partnership Company	Limited Liability Company (LLC)	Public Joint Stock Company	Private Joint Stock Company
6.	Treatment of Profit/Loss	<p>Profits shared amongst Partners basis the annual financial statements.</p> <p>Capital Reduction due to losses are replenished from subsequent year's profit.</p> <p>Optional for the Partner to replenish such reduction from own means.</p>	<p>Profits shared amongst Partners basis the annual financial statements.</p>	<p>Manager needs to provide a recommendation of profit sharing to the General Assembly within 3 months from the close of the financial year.</p> <p>Compulsory to set aside 5% of Net Profit as Statutory Reserve every year.</p> <p>Optional to discontinue when such accumulated reserve amount reaches 50% of the Capital of LLC.</p>	<p>Compulsory to set aside 10% of Net Profit as Statutory Reserve every year.</p> <p>Optional to discontinue when such accumulated reserve amount reaches 50% of the Paid-up Share Capital.</p> <p>AOA supersedes the percentages mentioned here.</p> <p>May allocate a percentage of annual profits to Social Responsibility.</p>	<p>Compulsory to set aside 10% of Net Profit as Statutory Reserve every year.</p> <p>Optional to discontinue when such accumulated reserve amount reaches 50% of the Paid-up Share Capital.</p> <p>AOA supersedes the percentages mentioned here.</p> <p>May allocate a percentage of annual profits to Social Responsibility.</p>

## Offences and Penalties

If any manager, director, auditor, or liquidator purposely conceals or gives false information or omits material facts in the Balance Sheet or Profit & Loss Account or in any financial report/document, they shall be liable to the following:

- Imprisonment for a term between 6 months to 3 years, and/or
- Fine between AED 100,000 till AED 500,000.

## Holding and Subsidiaries Companies

### Holding Companies

A Joint Stock Company or a Limited Liability Company which has control over the affairs of another company within UAE or out of UAE by holding shares of the said company. It shall have the words 'Holding Company' as its suffix.

It can carry out limited activities through their subsidiaries only viz.:

- To hold stake in LLC & Joint Stock Companies
- To provide financial support to its subsidiaries
- To buy fixed & movable assets for its operations
- Managing subsidiaries
- To acquire Intellectual Property Rights & to lease it to its subsidiaries or other companies.

A holding company is to ensure that the subsidiaries are maintaining proper books of accounts and are preparing Balance Sheet and Profit & Loss Account as per the law.

It is mandatory for a Holding Company to prepare Consolidated Financial Statements consisting of Balance Sheet, Profit and Loss Account, Cash Flow Statement, and relevant Notes to Accounts as per International Accounting & Auditing Practices and Standards & present it to the General Assembly.

### Subsidiaries

A company becomes a subsidiary of a Holding Company if the Holding Company holds controlling interests in the Capital of the Company or controls the composition of its Board of Directors.

If a company is a subsidiary of a subsidiary of a Holding Company, then also it becomes the Subsidiary Company.

A subsidiary may hold shares in its own Holding Company as a shareholder, but it shall not have any voting rights and shall be required to dispose shares in the Holding Company within 12 months from the date of acquisition of such subsidiary by the said Holding Company.

## Foreign Companies in Mainland

### Applicable Provisions

All provisions of Federal Law except relating to the incorporation are applicable on Foreign Companies having transactions or administrative headquarters in UAE.

### Pre-requisites

A Foreign Company should conduct any operations or set up a Branch or Office in UAE only after the Competent Authority issues an appropriate license which lists down the activities it is permitted to undertake by the said Foreign Company.

If operations are conducted prior to obtainment of the license, the persons conducting the operations shall be jointly & severally liable.

A Foreign Company is required to have its name entered in the Foreign Companies Register at the Ministry.

Unless the Foreign Company is a Representative Office established to conduct market research without any commercial activity, the Foreign Company & its branches shall prepare an independent Balance Sheet and Profit & Loss Account.

The Auditor of such companies should be registered on the roster of Practicing Auditors in UAE.

The Foreign Company and its branches are required to submit a copy of the Financial Statements along with the Auditor's Report and a copy of the Financial Statements of its Holding Company as well.

## Free Zones

No.	Categories	DIFC	ADGM
1.	Full Form	Dubai International Financial Centre	Abu Dhabi Global Market
2.	Accounting Records	<ul style="list-style-type: none"> <li>Records should be kept at a location chosen by the directors, unless otherwise specified.</li> <li>Public companies keeping records outside the DIFC must maintain returns in the DIFC.</li> <li>Records must be preserved for at least six years.</li> <li>Must be open to inspection by officers or auditors.</li> <li>First Financial Year to start from the date of incorporation &amp; can be of maximum 18 months.</li> <li>Subsequently 12 months Financial Year to be followed.</li> </ul>	<ul style="list-style-type: none"> <li>Accounting records must be kept at the company's registered office or another location chosen by the directors.</li> <li>If records are kept outside the Abu Dhabi Global Market, relevant accounts and returns must be sent to and kept within the market.</li> <li>Required accounting records must be preserved for ten years from their creation date.</li> <li>The Company whose name has been struck off from the register also needs to maintain its accounting records for five years from the date of strike off.</li> <li>First Financial Year begins from the date of incorporation and ends on the last date of the month in which the anniversary of its incorporation date falls.</li> <li>First year accounting period can be of more than six months but maximum up to 18 months.</li> <li>Subsequently 12 months Financial Year to be followed.</li> </ul>
3.	Audit	<ul style="list-style-type: none"> <li>An auditor must be registered by the Registrar as per the Operating Law.</li> <li><b>Public Company:</b> Directors to appoint an auditor before the first AGM to hold office till next AGM.</li> <li><b>Private Company:</b> Directors usually appoint the auditor within six months after the financial year ends or before the accounts are sent to the shareholders, to hold office until next year.</li> </ul>	For both Public & Private Companies, directors can appoint the auditor.

## Corporate Tax

### Current Tax Landscape in the UAE

#### Emirate – Level Income Tax

The UAE is a federation of seven Emirates. Earlier there was no federal level tax law in place and Emirate level tax decrees were enacted. Even today companies engaged in the exploration and production of oil and gas which fall under the category of extractive and non-extractive natural resource businesses are subject to a progressive rate of tax ranging from 20% to 55% applicable under the respective Emirate tax decree, although in practice different rates may be agreed with the relevant authority under specific government concession agreements. These companies are exempt from federal level corporate tax subject to meeting certain conditions, one of which is subject to emirate level tax. In addition to the income tax decrees, the Emirates of Dubai and Abu Dhabi have also enacted banking tax decrees imposing a flat rate of tax at 20% on branches of foreign banks located in these Emirates.

#### Value-added tax (VAT)

Under the agreement with the GCC countries, VAT was introduced in the UAE from 1 January 2018 onwards. VAT is applied at a flat rate of 5% on supply of goods and services in the UAE.

#### Custom Duty

Custom duty is levied at 5% of the Cost, Insurance, and Freight (CIF) value of most items at the first point of entry into the GCC. Higher rate of custom duty may apply to certain categories of goods such as alcohol and tobacco. Exemptions and suspensions are also available under specified circumstances. Also, UAE FTZs are not subject to customs duty.

#### Excise Tax

Excise tax is levied on specific goods which are typically harmful to human health or the environment. Currently, excise tax is levied on tobacco and tobacco products, carbonated drinks, energy drinks, sweetened drinks, electronic smoking devices and tools as well as liquids used in electronic smoking devices and tools. The Excise tax is levied at 50% on carbonated and sweetened drinks and 100% on the remaining items mentioned above. Registration and reporting compliances are applicable to companies importing or producing excise goods.

#### Rental Tax

Most Emirates impose a rental tax determined based on the annual rent of properties, which varies according to the Emirate in which the property is situated. The rental tax ranges from 2.5% to 10% depending on type of property and are required to be paid either by the tenant or sometimes by property owners.

#### Hotel levy and Tourism Fees

Hotel levies apply the value of hotel services and entertainment and leisure activities. Each Emirate imposes and administers such hotel levies differently. Some Emirates also impose a tourism fee like the Emirate of Dubai and Emirate of Abu Dhabi. In the Emirate of Dubai, tourism fee ranges from AED 7 to AED 20 per room for each night of occupancy. The fees depend on the star classification of the hotels. Further, hotels in Abu Dhabi levy a tourism fee which is a percentage of the room rental value. Hotels also levy an additional service charge and municipal fees on hotel sales.

In addition to the above, there are transfer taxes imposed on indirect transfer of immovable property situated in the UAE i.e. transfer of shares in a company holding real estate situated in UAE. The rate of transfer tax varies for each Emirate. There are no taxes on payroll, stamp duty, inheritance tax or real estate tax.

#### Regulations related to BEPS

The UAE signed the Inclusive Framework (IF) of the Organization for Economic Co-operation and Development's (OECD) on Base Erosion and Profit Shifting (BEPS) in May 2018. As a result, the UAE is committed to introduce the following BEPS minimum standards:

- BEPS Action 5: Countering harmful tax practices, considering transparency and substance
- BEPS Action 6: Preventing the granting of Treaty benefits in inappropriate circumstances
- BEPS Action 13: transfer pricing documentation and Country-by-Country (CbC) reporting
- BEPS Action 14: Tax dispute resolution

In the direction of UAE's commitment to the BEPS Action plan, the UAE introduced the Economic Substance Regulations (ESR) and the CbC reporting in April 2019. ESR has been abolished from financial year starting from 1 January 2023.

As a next step, the UAE announced its first ever federal corporate tax (CT) regime effective for financial years starting after 1 June 2023.



## Taxation of Corporations and Businesses

### Federal Corporate Tax Regime

After announcing the introduction of federal tax law back on 31 January 2022 and seeking consultations from the public, the UAE MoF on 9 December 2022, released the final version of the UAE Corporate tax law - Federal Decree-Law No. 47 of 2022 (UAE CT law). Subsequently, the MoF issued a series of ministerial and cabinet decisions which formed part of the law. These are further supported by corporate tax guides clarifying the critical aspects of the UAE CT law. Thus, the framework of the UAE CT law is as below–

- Federal Decree-Law No. 47 of 2022
- Ministerial Decisions
- Cabinet Decisions
- Corporate tax guides
- Federal Decree by Law No. (28) of 2022 Concerning Tax Procedures

### Key features of the UAE CT law

The UAE shall levy corporate tax on every taxable person including a free zone person.

### Taxable Persons

UAE CT applies to any legal person incorporated in UAE. This includes Companies, Firms, LLPs, Foundation, unincorporated joint ventures (JVs), etc. Foreign corporates or other legal person in a foreign jurisdiction are also subject to UAE CT if they are effectively managed and controlled in the UAE or have a nexus in UAE.

Limited and general partnerships including unincorporated JVs and association of persons are treated as transparent for UAE CT purposes. However, this pass-through status is not available to Limited Liability Partnerships or partnerships limited by shares or where the partners have a limited liability. Foreign unincorporated partnerships would generally follow the tax treatment of the partnership in the respective foreign jurisdiction. Further, Family Foundations can also make an application to be treated as unincorporated partnerships if they satisfy certain conditions as provided under the UAE CT law.

Further, any foreign entity having its place of effective management in the UAE, would also be considered as a resident person in UAE and accordingly liable to tax in the UAE.

UAE CT will not apply to individuals unless they are engaged in business or business activity in the UAE. Further, UAE CT law also provides that resident or non-resident natural person shall be subject to corporate tax in UAE only where the total turnover from businesses exceeds AED 1,000,000 within a Gregorian calendar year. Further, income from wages, personal investment income and real estate investment income shall not be considered as conducting business activity.

Non-residents earning income through a Permanent Establishment (PE) or a nexus in UAE or earning any UAE sourced income would also be subject to UAE CT.

- The concept of PE is based on OECDs Model Tax Convention.
- A non-resident juridical person shall be considered to have a nexus in the UAE if it earns income from any immovable property in the UAE or from a qualifying investment fund subject to certain conditions. This shall include income derived from the right in rem, sale, disposal, assignment, direct use, letting - including subletting, and any other form of exploitation of immovable property.
- UAE-sourced income is widely explained to include income earned from contracts in UAE, from resident in UAE, from assets located in UAE, activities/contracts performed in UAE, or rights used for economic purpose in UAE. However, currently such income would not be taxed in UAE unless derived through a PE.

### Exempt Person

The following persons are exempted from UAE CT:

- Government and government-controlled entities
- Businesses engaged in the extraction and exploitation of UAE natural resources that are subject to emirate level taxation and satisfy such other conditions as provided in Article 7 of the UAE CT law.
- Persons engaged in non-extractive natural resource business that meets the conditions of Article 8 of the UAE CT Law.
- Charities and other public benefit organizations that are listed in a Cabinet Decision and those which satisfy conditions as per Article 9 of the UAE CT law other than those charitable organizations carrying on commercial activities or whose income is used for personal gain of fiduciaries.
- Public and regulated private social security and retirement pension funds
- Qualifying investment funds, subject to meeting certain conditions specified under the UAE CT law.

## Basis of Taxation

UAE CT would be based on the residential status of the person in UAE. Resident person are subject to Corporate Tax on taxable income derived from UAE or from outside UAE. Any income earned from a foreign jurisdiction on which taxes are paid in such jurisdiction will be allowed as credit against UAE CT. Non-residents will be subject to UAE CT on taxable income attributable to permanent establishment or to nexus in UAE.

## Small Business Relief

Small business relief is available to taxpayers whose revenue does not exceed AED 3 million and subject to meeting certain conditions. Small business relief enables small businesses to have simplified compliances including allowing them to file simplified tax returns, non-applicability of documentation rules and also allowing use of cash basis of accounting.

## Tax Rates

The tax rates as per the UAE CT Law are as follows:

Other than Free Zone Person		Free Zone Person	
Income Slab	Rate of Tax	Income Slab	Rate of Tax
Taxable income < AED 375,000	NIL (A)	Qualifying income	NIL
Taxable income exceeding AED 375,000	9% (B)	Income attributable to PE/ Non-qualifying IP and specified immovable property income	9%

## Free Zone Persons (FZPs)

### Special tax regime for FZPs

A free zone is defined as a designated and defined geographic area within UAE that is specified in a decision issued by the Cabinet. FZPs are within the scope of UAE CT and would be required to obtain a corporate tax registration number and also file income tax returns.

### Who is a Free Zone Person (FZP)?

A juridical person incorporated, established or otherwise registered in a Free Zone and includes a branch of a Non-resident person registered in a Free Zone.

UAE CT law has prescribed a special taxation regime (0% tax rate) for FZP and this special tax regime applies to a

Qualifying Free Zone Person (QFZP).

- QFZP is a Free Zone Person that meets all of the following conditions:
  - Maintains adequate substance in the free zone.
  - Derives Qualifying Income as specified in cabinet decision.
  - Has not elected to be subject to Corporate Tax under normal provisions .
  - Complies with Arm's Length Principle (ALP) and Transfer Pricing Documentation requirements as per the law.
  - Its non-qualifying revenue does not exceed the de-minimis requirements set out under the law.
  - It prepares and maintains audited financial statements.
- If a QFZP does not meet any of the above conditions at any time during the tax period, it shall cease to be a QFZP from the start of that tax period and for subsequent 4 tax periods.

### Maintain adequate substance in the free zone

The Free Zone Person must maintain adequate substance in a Free Zone, i.e. -

- Undertake its core income-generating activities benefiting from the 0% Corporate Tax rate on Qualifying Income in a free zone/designated zone.
- Must have adequate assets, full-time employees, and incur an adequate amount of operating expenditure in the free zone/designated zone to perform its core income-generating activities.

### Derive qualifying income

The Free Zone Person must derive Qualifying Income. Qualifying income would mean income -

- From transactions with a Free Zone Person who is the beneficial recipient of goods/services, except for income derived from Excluded Activities.
- From transactions with a Non-Free Zone Person, but only in respect of Qualifying Activities that are not Excluded Activities.
- Income derived from the ownership or exploitation of Qualifying Intellectual Property.
- Any other income that satisfies the de-minimis requirement.

However, income from the following sources will be treated as taxable Income and will be taxed at standard tax rate of 9%:

- Foreign Permanent Establishment
- Domestic Permanent Establishment (such as branch or a head office outside of free zone)
- Immovable Property (other than Commercial Property located in a Free Zone when the income arises from a transaction with a Free Zone Person)
- Ownership or exploitation of intellectual property (other than Qualifying Income from Qualifying Intellectual Property).

### Qualifying Activities

- Manufacturing of goods or materials
- Processing of goods or materials
- Trading of Qualifying Commodities
- Holding of shares and other securities for investment purposes
- Ownership, management and operation of Ships (for international transportation)
- Reinsurance services
- Fund management services subject to regulatory oversight of competent authority
- Wealth and investment management services subject to regulatory oversight of competent authority
- Headquarter services to Related Parties
- Treasury and financing services to Related Parties
- Financing and leasing of Aircrafts
- Distribution of goods or materials in or from a Designated Zone
- Logistics services
- Any activities that are ancillary to the Qualifying Activities specified above that is they are necessary for the performance of the main activity or where it makes a minor contribution to it and is so closely related to the main activity that it should not be regarded as a separate activity are also considered as Qualifying Activity.

### Excluded Activities

- Any transactions with natural persons, except transactions in relation to the Qualifying Activities of operation of ships, fund management, wealth and investment management, financing, and leasing of aircrafts.

- Banking activities.
- Insurance activities, without prejudice to the Qualifying Activities specified in above Qualifying Activities.
- Finance and leasing activities without prejudice to the Qualifying Activities specified in above Qualifying Activities.
- Ownership or exploitation of immovable property, other than Commercial Property located in a Free Zone where the transaction in respect of such Commercial Property is conducted with a Free Zone Person.
- Any activities that are ancillary to the Excluded Activities specified above.

### De-minimis requirement

The de-minimis requirements are satisfied where the non-qualifying Revenue derived by the QFZP in a Tax Period does not exceed the lower of:

- 5% of the total Revenue of the QFZP in that Tax Period, or
- AED 5,000,000.

When assessing the de-minimis requirements, revenue derived from certain activities would have to be excluded as provided under the law.

### Taxation of Immovable Property held by a FZP

Income that a QFZP derives from immovable property located in a free zone is subject to the following treatment:

- Income from transactions with a Free Zone Person (who is the Beneficial Recipient) in respect of Commercial Property located in a free zone is treated as Qualifying Income.
- Income from following transactions in respect of immovable property in a free zone will be subject to tax at 9% and will also be disregarded for the purposes of calculating total Revenue and non-qualifying Revenue for the de minimis requirement –
  - Transactions with a Non-Free Zone Person in respect of Commercial Property.
  - Transactions with any person in respect of immovable property that is not Commercial Property.
- Income derived from a mixed-use property located in a free zone shall be subject to Corporate Tax at 0% and 9%, based on the use of the respective components of the property.
- The ownership or exploitation of Immovable Property located outside of a free zone is an Excluded Activity. This means that the income from immovable property

located outside of a free zone would be taken into consideration when applying the de-minimis requirements, unless the income is attributable to a Foreign Permanent Establishment or a Domestic Permanent Establishment.

### Qualifying Intellectual Property (QIP)

Income derived from the ownership or exploration of QIP shall be treated as Qualifying Income.

QIP is defined to include patents, copyrighted software, and any right functionally equivalent to a patent if it is legally protected and subject to similar approval and registration process. Some examples of QIP given in the definition are:

- Utility Models
- Intellectual property assets that grant protection to plants and genetic material
- Orphan drug designations
- Extensions of Patent protection

It is interesting to note that marketing related Intellectual property such as trademarks, etc. are specifically excluded from being treated as a QIP.

Qualifying income from QIP would be computed as per formulae provided below. Non-qualifying income from QIP would be directly taxed at 9% and would not be considered while computing the de-minimis requirement.

Qualifying Income from QIP shall be determined as follows:

$$\text{Qualifying Income} = \frac{\text{Qualifying Expenditures} + \text{Up-Lift Expenditures}}{\text{Overall Expenditures}} \times \text{Overall Income}$$

Each term in the above formula is defined and described in ministerial decision no. 265 of 2023.

- Further, a QFZP earning income from QIP shall maintain such records, books, and documents to substantiate the amount of income from QIP treated as qualifying income.
- It is pertinent to note that there are several practical aspects related to determining whether a particular activity carried on by a FZP falls within the definition of qualifying activity. Further, there may be few practical challenges in computing income from QIP as well as allocation of expenses incurred for qualifying income and taxable income A more detailed discussion on these aspects can be found in the corporate tax guide for Free Zone Persons<sup>1</sup>.

### Taxation of a QFZP

If the Free Zone Person meets all the conditions (including the de minimis requirements) to be a QFZP, it will be subject to Corporate Tax at the following rates:

- 0% on its Qualifying Income, and
- 9% on its Taxable Income that is not Qualifying Income.

A QFZP is not eligible to benefit from the 0% standard Corporate Tax rate applicable on Taxable Income up to the AED 375,000 threshold and is subject to 9% on its Taxable Income that is not Qualifying Income.

### Losing status of a QFZP

A QFZP that elects to be subject to the Standard Corporate Tax rules and rates or that fails to meet the criteria to be a QFZP for a certain Tax Period will cease to be a QFZP from the beginning of the Tax Period for which it elects to be subject to Corporate Tax or in which it fails to meet the criteria to be a QFZP, and the four subsequent Tax.

### Calculation of taxable income

#### Basis of calculating taxable income

The taxable income shall be determined on the basis of adequate, standalone financial statements prepared for financial reporting purposes in accordance with accounting standards accepted in the UAE. International Financial Reporting Standards (IFRS) are commonly used in the UAE. However, consideration may be given to permit alternative financial reporting standards.

As per Article 20 of the UAE CT law, accounting/book profit (or loss) as stated in the financial statements of a business shall be the starting point for computing taxable income. This shall be adjusted for items specified in Article 20(2). These shall typically include the following adjustments -

Treatment of unrealized gains or losses – Election available for following realization basis of accounting. However, such election must be made in first tax period and is irrevocable.

Limitations on expenses deduction – Deduction of certain expenses such as entertainment expenses (expenses incurred for purpose of entertainment and amusement of Taxable Person’s customers, shareholders, suppliers, or other business partners), interest expenses, shall be subject to certain restrictions.

Interest capping rules: There are general interest deduction and specific interest deduction rules which are clarified in detail in Ministerial Decision No. 126 of 2023 and corporate tax guide on specific interest deduction rules - CTGIDL1. The general rule is to permit deduction of interest only to the extent of 30% of Earnings before Interest, Tax, Depreciation, and Amortization (EBITDA). However, there are safe harbors provided.

1 Corporate Tax Guide | CTGFZP1



Other Non-deductible expenses – These include donations, gifts except to a Qualifying Public Benefit Entity, fines and penalties, bribes, illicit payments, corporate taxes in UAE or outside UAE, recoverable VAT, dividends or similar profit distributions etc.

### Exempt Income

The main exemptions from UAE CT relate to income earned by UAE companies from investments in other companies and from operations conducted outside the UAE through foreign subsidiaries or foreign branches. Specifically, the following income shall be exempt as per Article 22 of the UAE CT law:

- All dividends and other profit distributions earned from UAE companies including companies in the free zone that benefit from 0% CT regime.
- Dividends and other profit distributions received from a Participating Interest<sup>2</sup> in a foreign juridical person.
- Any other income from Participating Interest.
- Income of a Foreign Permanent Establishment that meets the condition of Article 24 of the UAE CT law.
- Income derived by a Non-Resident Person from operating aircraft or ships in international transportation that meets the conditions of Article 25 of the UAE CT law.

### Treatment of tax losses

Losses incurred by UAE businesses would be allowed to be carried forward for an indefinite period and set off against future income upto maximum 75% of future taxable income/profit of each period.

Following losses will not be allowed to be set off:

- Losses incurred before the CT regime
- Losses incurred before a person becomes a taxpayer for the UAE CT regime
- Losses incurred from activities/assets generating exempt income

Transfer of tax loss from one group company to another group company with at least 75% common ownership is permitted. This set off will be limited to 75% of the taxable income of the profit-making company to whom losses are transferred in the relevant period.

Further, free zone companies falling under 0% CT regime and exempt entities will not be able to transfer their tax losses.

Conditions have also been prescribed for carry forward of tax losses in the event of change in shareholding.

### Withholding Tax

While the UAE CT law prescribes a withholding tax regime, the same is currently applicable only on state sourced income derived by a non-resident not attributable to his permanent establishment in UAE, and the rate of withholding tax is 0%.

Credit of tax withheld is available from the corporate tax due under the CT law.

### Foreign Tax Credits

UAE residents are subject to tax on worldwide income including foreign sourced income which may have been taxed in source country. Hence, in order to avoid double taxation UAE CT regime will allow foreign tax credit (FTC) for the tax paid in the foreign jurisdiction against the UAE CT liability.

Maximum FTC will be lower of:

- Amount of tax paid in foreign country; or
- UAE CT payable on the foreign sourced income.

If any FTC remains unutilized after applying the above formula, the same will not be allowed to be carried forward or back to other tax periods or be refunded.

### Tax Groups

A resident parent company fulfilling conditions prescribed in Article 40 of the CT Law can make an application to the FTA to form a tax group with its resident subsidiaries (95% or more ownership/rights).

A tax group formed under the provisions of the UAE CT law is treated as a single taxable person with the parent and subsidiary companies jointly and severally liable for corporate tax payable. The FTA has prescribed several other rules regarding date of formation, cessation, computation of taxable income of the tax group and implications on intra-group transfers and restructurings in its ministerial decision no.125 of 2023.

### Group Transfers and Business Restructuring Relief

Gains/loss on transfer of assets and liabilities between residents or non-residents having PE in UAE and holding at least 75% of direct or indirect ownership or are held (at least 75%) by a third person is not treated as taxable income subject to fulfillment of certain other conditions.

Further, gain/loss on transfer of entire business or an independent part of the same between taxable persons either by way of exchange of shares or other ownership interest including transfers in a merger arrangement is not treated as taxable income subject to fulfillment of conditions.

Where conditions prescribed in the various clauses of article 26 and 27 are not fulfilled, the transfer would be

<sup>2</sup> Participating exemption is available subject to meeting various conditions as prescribed.

treated as having taken place at market value as at the date of transfer.

More details on group reliefs can be found in corporate tax guide issued by FTA<sup>3</sup> on qualifying group relief.

### Introduction of Global Minimum Tax Rules in the UAE

The Global Minimum Tax (GMT), envisaged in Pillar Two of the Framework, strives to tax large Multinational Enterprises (MNEs), with annual consolidated revenue of above EUR 750 million (i.e. 3.15 billion dirhams) and having presence in more than one jurisdiction, at a minimum tax of fifteen percentage (15%) on their global profits.

UAE would be implementing the Pillar Two provision on Global Minimum Tax from 2025. The UAE Ministry of Finance released cabinet decision no. 142 of 2024 providing various conditions and rules on implementation of Pillar Two in UAE. UAE CT law has already been amended to include the tax rate of 15% for Multinationals Companies covered under the Pillar two rules.

## Foreign Account Tax Compliance Act ('FATCA') and – Common Reporting Standard ('CRS')

### FATCA & CRS Regulations

As per the Inter-Governmental Agreement (IGA) between United Arab Emirates (UAE) and the United States of America (USA)/other jurisdictions, when determining an entity's obligation under Foreign Accounts Tax Compliance Act (FATCA) and Common Reporting Standard (CRS), the starting point is to determine whether the entity is a 'Financial Institution.' The entity will be a UAE Financial Institution if it has been incorporated in UAE and it falls under one of the following types of entities:

- Depository institution - any entity that accepts deposits in the ordinary course of a banking or similar business. Depository institutions are usually banks or similar institutions.
- Custodial institution - any entity that holds, as a "substantial portion" of its business, financial assets for the account of others.
- Specified Insurance Company - any insurance company (or the holding company of such insurance company) that issues (or writes) or is obliged to make payments in respect of a Cash Value Insurance Contract or an Annuity Contract.

### Investment entity

Primarily conducts a business (or is managed by an entity that conducts a business) of one or more of the following activities or operations, for or on behalf of a customer:

- Trading in money market instruments (such as checks, bills, certificates of deposit and derivatives), foreign exchange, interest rate and index instruments, transferable securities or commodity futures trading;
- Individual and collective portfolio management; or
- Otherwise investing, administering, or managing funds, or money on behalf of other persons

Or the gross income of which is primarily attributable to investing, reinvesting, or trading in financial assets, if the entity is managed by another entity that is a Depository Institution, a Custodial Institution, a Specified Insurance Company, or Investment Company as described above.

- Further, as per the IGA, entities that are Financial Institutions are further classified as either Reporting Financial Institution (RFI) or Non-Reporting Financial Institution (NRFI). RFI are entities which are not NRFI. RFIs are required to register on the Internal Revenue Services (IRS) and local portal and also undertake the applicable requirements of due diligence and reporting. Further, NRFI primarily are not required to register on IRS and local portal (unless classified as Registered Deemed Compliant Foreign Financial Institutions).
- An entity is a NRFI if any of the conditions below are satisfied:

### Exempt Beneficial Owner

Exempt Beneficial Owner include Non-Fund and Fund Exempt Beneficial Owner. Non-Funds Exempt Beneficial Owner includes:

- The UAE Government at a national, state or local level and political subdivisions
- Certain international organizations and intergovernmental organizations;
- The UAE Central Bank;

### Fund Exempt Beneficial Owner includes

- UAE retirement funds
- Certain pension funds
- Investment Entities wholly owned by Exempt Beneficial Owners

### • Deemed Compliant Financial Institutions

Deemed Compliant Financial Institutions include certain small or limited scope Financial Institutions. An entity will be classified as Deemed Compliant Financial Institution, if it falls in any of the below listed types (relevant types are listed below):

- Financial institutions with local client base
- Certain UAE financial institutions that have only low-value accounts (which is not an investment entity)
- Investment advisors and investment managers

#### • Collective investment vehicle

Certain UAE-regulated collective investment schemes established in the UAE are regulated as collective investment vehicles, provided that all of the interests are held by one or more of following:

- Exempt beneficial owners
- Active non-financial foreign entities
- US persons that are not specified US persons
- Financial institutions that are not non-participating financial institutions

### Reporting Requirements

An RFI is required to report the financial accounts maintained by them with respect to specified US person or tax residents in CRS signatory authorities.

### Roles & Responsibilities of RFI

The company should assign maker and checker for the RFI every year in terms of responsibilities pertaining to FATCA-CRS submissions on the Ministry of Finance (MoF) portal or responding to any queries raised by the authorities.

The company may appoint an external consultant or internal auditor to perform an assessment on a periodic basis to highlight internal gaps in the Company's compliance of FATCA-CRS Regulations.

The company maintains responsibility of identifying any gaps to reinforce compliance with these regulations. The company will update the policy and procedures documents on a periodic basis in case of any change in the Regulations.

The company should assign a Compliance Officer (CO) who would be responsible for ensuring FATCA-CRS compliance on an annual basis and also ensuring that all relevant team members undergo training sessions, to be abreast with the latest changes/updates in the FATCA-CRS regulations in UAE.

### Transfer Pricing

Transfer Pricing (TP) refers to the pricing of transactions between related entities within the same multinational enterprise (MNE) group. Since tax rates vary across countries, MNEs have an incentive to structure their transfer prices in a way that minimizes the group's overall tax liability. This is often achieved by shifting profits from high-tax jurisdictions to low-tax or tax-haven countries. The pricing strategy in such cases typically deviates from the ALP which establishes that the transactions/arrangements between related entities shall be priced as if they were conducted between independent parties.

Such practices often lead to the erosion of tax revenues in high-tax countries, as profits are systematically shifted to jurisdictions with favorable tax regimes. While transfer pricing itself is a legitimate business planning practice, its misuse for tax shifting purposes remains a key concern for tax authorities worldwide.

In May 2018, the UAE joined the OECD Inclusive Framework on BEPS. By joining the Inclusive Framework, the UAE has committed to implementing BEPS minimum standards. In alignment with the same, the UAE MoF issued Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses (UAE CT Law) in 2022. This legislation introduced TP provisions effective for tax periods starting on or after 1 June 2023, with an intention to ensure compliance and transparency in business transactions among related parties.

Term used	Meaning
Related parties	<ul style="list-style-type: none"> <li>• Individuals related up to 4th degree of kinship by adoption or guardianship</li> <li>• Direct or indirect control/ownership <math>\geq 50\%</math> (alone or with related parties)</li> <li>• Common ownership <math>\geq 50\%</math> (alone or with related parties)</li> <li>• Branch or PE of taxpayers</li> <li>• Partners of unincorporated partnership</li> <li>• Trustee, founder, settlor, or beneficiaries and their related parties</li> </ul>

Term used	Meaning
Control	<ul style="list-style-type: none"> <li>• Holding ≥ 50% of voting rights</li> <li>• Determining ≥ 50% of board composition</li> <li>• Receiving ≥ 50% of profits</li> <li>• Exercising significant influence over business and affairs</li> </ul>
Connected persons (in relation to an individual's taxable business)*	<ul style="list-style-type: none"> <li>• Individuals who directly or indirectly own or control the Taxable Person.</li> <li>• A director or officer</li> <li>• Related parties of owner, director or officer</li> <li>• Partners in same unincorporated partnerships and their related parties.</li> </ul>

\*The following are excluded from the above definition: (i) Publicly traded Taxable Persons; (ii) Taxable Persons under regulatory oversight; (iii) Any other entity as determined by the Cabinet.

### Arm's Length Principle

In determining taxable income, it is essential that transactions and arrangements between related parties meet the arm's length standard, ensuring that their results are consistent with what would occur in a similar transaction between unrelated parties under comparable circumstances.

To assess if a transaction adheres to the arm's length principle, the Taxable Person must apply one or more of the following transfer pricing methods:

- Comparable Uncontrolled Price Method;
- Resale Price Method;
- Cost-Plus Method;
- Transactional Net Margin Method;
- Transactional Profit Split Method.

If these methods are not applicable, the Taxable Person may use an alternative transfer pricing method, provided it can be shown to meet the arm's length standard.

The selection of the appropriate method should consider various factors, such as the contractual terms and characteristics of the transaction, the economic context, the functions performed, the assets employed, the risks assumed by the related parties, and the business strategies employed. These factors must guide the choice of the most reliable transfer pricing method, ensuring consistency with the ALP.

If a transaction falls outside the acceptable arm's length range, the FTA has the authority to adjust the taxable income to reflect an arm's length result. Additionally, if such an adjustment is made, a corresponding adjustment will be made to the taxable income of the related party involved.

In cases where a foreign authority makes an adjustment, the Taxable Person can request the FTA to make a corresponding adjustment to its taxable income. This process ensures that the taxable income of both related parties aligns with the arm's length standard, preventing any discrepancies that may arise from cross-border transactions.

Furthermore, in UAE, payments made to Connected Persons must adhere to the ALP to qualify for a corporate tax deduction. Any payments that do not comply with the ALP will be disallowed for tax purposes.

### Transfer Pricing Documentation

Every Taxable Person is required to maintain Transfer Pricing documentation to demonstrate compliance with the ALP while dealing with the Related Parties. It provides FTA with a clear understanding of the Taxable Person's Transfer Pricing policies and their application, facilitating the assessment of Transfer Pricing outcomes for each relevant tax period.

The UAE legislation prescribes five Transfer Pricing documentation requirements for eligible Taxable Persons, to be prepared for each Tax Period:

- Transfer Pricing Disclosure Form (TPDF)
- Master File (MF)
- Local File (LF)
- Country-by-Country Report (CbCR)
- Additional Supporting Information, upon request by the FTA.

### Transfer Pricing Disclosure Form

Taxable persons are required to file together with their Tax Return, a disclosure containing information regarding the taxable person's transactions with its related parties and connected persons in the TPDF prescribed by FTA. The materiality threshold for transactions with related parties is as follows:

**Primary Threshold:** Aggregate value of all transactions with all related parties exceeds AED 40 million.

**Secondary Threshold:** Aggregate value of transactions per category with all related parties exceeds AED 4 million. For this purpose, the category of transactions is as follows:

- Goods;
- Services;
- Intellectual property;
- Interest;
- Assets;
- Liabilities, and
- Other.

Additionally, the transactions with connected persons are required to be reported if the aggregate payment or benefit to each connected person (together with their related parties) exceeds AED 0.5 million.

However, dividends declared between Related Parties are exempt from disclosure and should not be considered when determining the applicable thresholds of AED 40 million or AED 4 million.

### Three Tier Documentation Requirements (MF, LF and CbCR)

In addition to furnishing of above disclosure form, UAE has also introduced three tier documentation requirements as recommended by OECD Transfer Pricing Guidelines and BEPS Action 13, to be maintained by taxable persons:

#### Master File

A MF is a Transfer Pricing document that provides a high-level overview of an MNE Group's global business operations, Transfer Pricing policies, key value drivers, and the allocation of income and economic activity across jurisdictions.

#### Local File

A LF is a more detailed Transfer Pricing document that focuses on specific Related Party Transactions during the relevant Tax Period. It supplements the MF and demonstrates the Taxable Person's compliance with the ALP in a specific jurisdiction. The LF includes functional and economic analyses to substantiate the arm's length nature of the reported transactions.

#### Applicability thresholds for Master File and Local File

A taxable person must prepare and maintain a MF and a LF if either of the following conditions is met during the relevant tax period:

- The taxable person is part of an MNE group with a total consolidated group revenue of AED 3.15 billion or more; or
- The taxable person's revenue for the relevant tax period is AED 200 million or more.

However, a taxable person that is part of a UAE-headquartered group, which is not classified as an MNE group, is exempt from the requirement to prepare a Master File.

The TP documentation (MF and LF) must be submitted to the FTA within 30 days following a request. Similarly, the FTA may request taxpayers to provide additional supporting information within 30 days of a request.

Furthermore, irrespective of whether the taxable person meets the above thresholds, all transactions with related parties or connected persons must be conducted at arm's length.

The transactions or arrangements with the following Related Parties and Connected Persons shall be included in the Local File:

- A Non-Resident Person.
- An Exempt Person.
- A Resident Person that has elected to avail small business relief
- A Resident Person whose income is subject to a different Corporate Tax rate than that applicable to the Taxable Person's income.

The transactions or arrangements with the following Related Parties and Connected Persons shall be excluded in the Local File:

- Resident persons other than those mentioned above
- Natural persons acting independently of each other (i.e., on an arm's length basis)
- Juridical persons considered a related party or connected person by virtue of being a partner in an unincorporated partnership, acting independently of each other
- Permanent establishments of a non-UAE entity subject to corporate tax at 9%.

#### Country-by Country Reporting

CbCR is a compliance mechanism requiring MNEs to disclose detailed information on their operations, revenues, profits, taxes paid, and other key indicators across the jurisdictions in which they operate. This information is shared with tax authorities to enhance transparency and facilitate the identification of potential tax avoidance strategies, ensuring that profits are taxed where economic activities take place.

The CbCR regulations in the UAE have been effective for fiscal years beginning on or after 1 January 2019, and apply to MNE groups with consolidated revenues exceeding AED 3.15 billion.

In accordance with the OECD Transfer Pricing Guidelines, the CbC Report must be filed within 12 months following



the end of the MNE's reporting fiscal year. UAE tax residents that are not the ultimate or surrogate parent entity are required to notify the MoF of the reporting entity and its tax residence by the last day of the MNE's financial reporting year.

#### Administrative penalties

Offence	Penalty
<b>Failure to keep documents and information:</b> Failure to keep the documents and information required under the Resolution for a period of no less than five years from the date on which the CbCR is submitted to the Competent Authority  <b>Failure to provide information:</b> Failure to provide the Competent Authority with any information required in accordance with the CbCR and notification requirements.	AED 100,000
<b>Failure to report information for reporting/notification purpose:</b> Failure to report the information required on the reporting date fixed, or in case of failure to notify the Competent Authority, on or prior to the date fixed for reporting, of the intention to submit the CbCR with respect to a particular accounting period.	AED 1,000,000 (plus AED 10,000 for each day of failure up to a maximum of AED 250,000)
<b>Failure to provide full and accurate information:</b> Failure to report full and accurate information	AED 50,000 to AED 500,000

#### Transfer Pricing Guidance

Furthermore, the FTA has issued the UAE TP Guide, aligning the UAE's transfer pricing framework with the OECD Transfer Pricing Guidelines for Multinational Enterprises and Tax Administrations while incorporating certain UAE-specific requirements.

The guide provides comprehensive guidance on transfer pricing principles, the application of the ALP, and documentation requirements. It also addresses key considerations in determining arm's length conditions for various transactions, including financial transactions, intra-group services, and intangibles. Additionally, it covers other critical aspects such as Cost Contribution Arrangements, Business Restructuring, Permanent Establishments (PEs), and Group Synergies.

#### Substance Regulations

A QFZP must maintain adequate substance in the UAE to ensure genuine economic presence and prevent purely tax-driven activities. The Licensee<sup>4</sup> must conduct Core Income-Generating Activities (CIGA) in the UAE, which are central to generating gross income from its Relevant Activity<sup>5</sup>.

The Relevant Activity must be directed and managed in the UAE, requiring sufficient board meetings held and attended in the country. Additionally, based on the level of Relevant Income, the Licensee must have:

- An adequate number of qualified full-time (or equivalent) employees physically present in the UAE.
- Sufficient operating expenditure in the UAE.
- Adequate physical assets, such as premises, in the UAE.

#### Tax Administration

##### Corporate Tax registration

Corporate Tax is a self-assessment regime. This means that a Person is responsible for assessing whether they are in scope of Corporate Tax, and whether they will need to fulfil any Corporate Tax obligations. Persons who determine they are within the scope of Corporate Tax are required to register for Corporate Tax. This will allow them to fulfil their Corporate Tax obligations, such as submitting a Corporate Tax Return and paying any Corporate Tax due.

The Federal Tax Authority has issued Federal Tax Authority Decision No 3. of 2024, specifying timelines for making an application for CT Registration. These timelines are largely based on date of issuance of trade or commercial license and in some cases where entities are newly incorporated or are a PE/nexus of a non-resident person the CT registration timeline is based on the date of incorporation/existence as the case may be. Newly formed companies are required to register within 3 months post their incorporation.

##### Obligations once registered

Once a Person has registered for Corporate Tax, they will be subject to following obligations.

- Filing a Corporate Tax Return and paying any Corporate Tax due within 9 months of the end of their Tax Period
- Retaining all records and documents which support their tax position for a period of 7 years following the end of the Tax Period to which they relate; and

<sup>4</sup> A Licensee is any juridical person (incorporated within or outside the UAE) or Unincorporated Partnership, registered in the UAE, including Free Zones and Financial Free Zones, that conducts a Relevant Activity.

<sup>5</sup> Relevant activity includes (i) Banking Business (ii) Insurance Business (iii) Investment Fund Management Business (iv) Shipping Business (v) Lease-Finance Business (vi) Distribution & Service Centre Business (vii) Headquarters Business (viii) Intellectual Property Business (ix) Holding Company Business

- Ensuring that all of their registration details are up to date and informing the FTA of any changes within 20 business days, in order for administrative penalties not to be imposed.

### Penalties

Late submission of the CT Registration application would be liable to a penalty of AED 10,000 as per Cabinet Decision No. 75 of 2023

### Audit requirements

The following categories of taxable persons are mandatorily required to prepare and maintain audited financial statements:

- A Taxable Person deriving Revenue exceeding AED 50 million during the relevant Tax Period.
- A Qualifying Free Zone Person.

### Other administrative provisions

- Fines and penalties shall be prescribed for contravention under the law.
- Provisions of international agreements shall prevail over the provisions of the law.
- General Anti-abuse rules are prescribed to prevent tax evasion
- Tax deregistration can be done in the event of cessation of business by way of liquidation or otherwise by making an application within 3 months of cessation.
- Provisions for change of tax period are provided
- A person can also make an application to the FTA to seek clarification regarding the application of the UAE CT law or the conclusion of an advance pricing agreement with respect to a transaction or an arrangement proposed or entered into by the Person.
- Ministerial Decision No. 120 of 2023 specifies various adjustments under the transitional rules Specific implications on gains arising on financial assets, liabilities, intangible assets and immovable properties held prior to the first tax period are highlighted in the said decision.

## Introduction to Value Added Tax (VAT)

The United Arab Emirates with the intention of effective fiscal management at the federal level, on 1 January 2018 introduced Value Added Tax at a rate of 5% as a general consumption tax, with some goods and services being subject to 0% rate or exemption from VAT. The Federal Tax Authority (FTA) was established under Federal Law by Decree No. 13 of 2016. The authority takes charge of managing and collecting federal taxes and related fines, as well as distributing tax-generated revenues and applying the tax-related procedures in the UAE.

UAE imposes VAT on tax registered businesses on taxable supply of goods or services at each step of the supply chain. A business must register for VAT if the taxable supplies and imports exceed the mandatory registration threshold<sup>6</sup>. Furthermore, a business may choose to register for VAT voluntarily where the total value of its taxable supplies and imports (or taxable expenses) is in excess of the voluntary registration threshold<sup>7</sup>.

The key concepts under VAT legislation have been outlined below,

### Taxable Supply

A supply of Goods or Services for a Consideration by a Person conducting Business in the State where Input tax can be recovered.

Furthermore, taxable supplies can be classified into Zero rated and standard rated supplies.

The Zero rate shall apply to Goods and Services such as

- Direct or indirect Export of goods or services, subject to certain conditions,
- International transport of passengers
- International transport of goods and transport related services only when the same supplier supplies the services,
- Supply and import of air, sea and land means of transport and services supplied directly in connection with the means of transport,
- Supply or import of investment precious metals,
- Supply of crude oil and natural gas,
- Supply of educational services and healthcare services; and

<sup>6</sup> Mandatory Threshold limit for VAT registration is AED 375,000

<sup>7</sup> Voluntary Threshold limit for VAT registration is AED 187,500

- Import of rescue planes and ships.

### Exempt Supply

A supply of Goods or Services for Consideration while conducting Business in the State, where no Tax is due and no Input Tax may be recovered which includes:

- Financial services,
- Supply of residential buildings which are not for further supply,
- Supply of bare land and
- Supply of local passenger transport

### Input Tax

Tax paid by a Person Goods or Services are supplied to him; or

Tax due from him when conducting import of goods or services.

### Output Tax

Tax charged on a Taxable Supply made and

Tax on any supply considered as a Taxable Supply i.e deemed supply. The following cases shall be considered as Deemed Supply:

- Goods or Services, which earlier constituted the assets of a Taxable Person but are supplied further without charging any consideration. However, supply of commercial samples and gift is not a deemed supply.
- A supply of Goods or Services for which Input Tax was recovered but the Goods or Services were used, in part or whole, for purposes other than Business, the supply to the extent used for non-business purpose shall be considered as deemed supply.
- Goods and Services that a Taxable Person owns at the date of Tax Deregistration.

### Place of Supply of Goods

The place of supply of Goods shall be in the State if the supply was made in the State or outside the state in case of supply being made outside the state i.e. exports.

### Place of Supply of Services

The place of supply of Services shall be the Place of Residence of the Supplier.

However, there are certain exemptions such as:

- For the Supply of any restaurant, hotel, cultural, artistic, sporting, educational, installation or any similar services, the place shall be where such Services were performed;

- For transportation and related services, the place shall be where the transport begins;
- For services related to real estate, the place is location of the property;
- And for import of services, the place is UAE.

### Date of Supply

Tax shall be calculated on the date of supply of Goods or Services, which shall be the earliest of any of the following dates:

- Date of Tax invoice,
- Date of receipt of Payment or
- Date of delivery of goods/completion of service.

The date of supply of Goods or Services for any contract that includes periodic payments or consecutive invoices shall be the earliest of any of the following dates:

- The date of issuance of any Tax Invoice.
- The date payment is due as specified on the Tax Invoice.
- The date of receipt of payment.

### Reverse Charge Mechanism

If the Taxable Person imports Concerned Goods or Concerned Services for the purposes of his Business, then he shall be treated as making a Taxable Supply to himself, and shall be responsible for all applicable Tax obligations and accounting for Due Tax in respect of these supplies.

### Capital Assets Scheme

A Capital Asset eligible for the Capital Asset Scheme shall be monitored and the Input Tax incurred shall be adjusted, over a period of either ten consecutive years for buildings or parts thereof or five consecutive years for other Capital Assets, commencing on the day on which the owner first uses the Capital Asset for the purposes of its Business.

### Profit Margin Scheme

The Registrant may, in any Tax Period, calculate and charge Tax based on the profit margin earned on the Taxable Supplies and not based on the value of these supplies, and shall notify the Authority of the same.

### Tax Group Registration

Two or more persons conducting Businesses may apply for Tax Registration as a Tax Group if all of the following conditions are met

- Each shall have a Place of Establishment or Fixed Establishment in the State

- Relevant persons shall be Related Parties
- One or more persons conducting business in a partnership shall control the others.

### Tax Audits

The Authority may perform a Tax Audit on any Person to ascertain the extent of that Person's compliance with the provisions of the Tax Law. The Person subject to the Tax Audit shall be notified of the results of the Tax Audit within (10) business days from the end of the audit. A criminal case can also be initiated upon an application from the Director General.

### Tax Assessments and Administrative Penalties Assessment

The Authority shall issue a Tax Assessment to determine Payable Tax in cases where the Taxable Person fails to apply for registration, fails to submit a Tax Return, fails to settle the Payable Tax, submits an incorrect Tax Returns or a shortfall in Payable Tax is observed as a result of Tax Evasion.

### Voluntary Disclosure

If a Taxable Person becomes aware that Tax Return submitted to the Authority or a Tax Assessment sent to him by the Authority is incorrect, which resulted in calculating the Payable Tax according to the Tax Law at a value that is less or more than it should have been by AED 10,000, the Taxable Person shall, in such case, apply to correct such Tax Return by submitting a Voluntary Disclosure.

### Tax Refunds

A Taxpayer may apply for a refund of any Tax he has paid if it appears that the amount he has paid is in excess of the Payable Tax and Administrative Penalties.

### Tax Refunds under Tourists Scheme

An overseas tourist can apply for refund on compliance with the following conditions:

- The Goods which are subject to the Tax Refunds for Tourists Scheme must be supplied to an overseas tourist who is in the State during the purchase of the Goods from the supplier.
- The overseas tourist intends to depart from the State within 90 days from the date of supply, accompanied by the Goods.
- The goods are exported by the overseas tourist outside UAE within 90 days from the date of supply.

### Designated Free Zone

The Designated Zone is a specific fenced geographic area within UAE and has security measures and Customs controls in place to monitor entry and exit of individuals and movement of goods to and from the area. It shall be treated as being outside the State and hence outside the purview of VAT Legislation.

VAT Implications on supply of Goods with regards to Designated Zones are as follows:

Origin	Destination	VAT treatment
Designated Zone 1	Designated Zone 1	Outside the scope of VAT
Designated Zone 1	Designated Zone 2	Outside the scope of VAT
UAE mainland	Designated Zone	Subject to normal VAT rules
Designated Zone	UAE mainland	Subject to normal VAT rules for imports
Outside UAE	Designated Zone	Outside the scope of VAT
Designated Zone	Outside UAE	Outside the scope of VAT

VAT Implications on supply of Service with regards to Designated Zones are as follows:

- Supply of service whether to Designated zone company or Mainland company is taxable to standard rate of 5%

### Other miscellaneous provisions

#### Entertainment Expenditure

##### Entertainment expense provided to non-employees

VAT incurred on any costs which are used for a genuine business purpose, or which are incidental to a business purpose e.g. food and drink provided during a business meeting, shall be recoverable (subject to normal VAT recovery rules). However, where the hospitality provided becomes an end in itself, and could be construed as the purpose for attending an event, such costs will be considered to be entertainment in nature and the VAT incurred shall not be recoverable.

##### Entertainment expense provided to employees

Where goods or services are purchased by any person to be used by employees for no charge to them and for their personal benefit, including the provision of entertainment services, then the VAT incurred on the cost is not recoverable.

Further, VAT incurred on such costs should be blocked from recovery:

- retirement gifts;
- Eid gifts, or gifts for other festivals or special occasions;
- gifts given on the occasion of a wedding or birth of a child;
- employee of the month gifts; or
- a dinner to reward service

### Health Insurance

The provision of health insurance will be liable to VAT at the standard rate. Where this is provided by an employer to an employee as a benefit which is part of a contract of employment, the employer will be able to recover the input tax on such products, subject to the usual rules of VAT recovery.

Where an employer provides health insurance to the family of the employee, input tax will only be recoverable for one spouse and three children under the age of 18.

### Mobile Phones, Airtime, and Data Packages Made Available to Employees for Business Use

In instances where an employer acquires Phones, Airtime, and Packages for use by its employees solely for business purposes and has a strict policy in place to restrict the use of such Phones, Airtime, and Packages to business purposes, the right to use the Phones, Airtime, and Packages would not constitute a personal benefit for the employee.

A business is entitled to recover input tax in respect of Phones, Airtime, and Packages acquired if these costs are incurred to make taxable supplies and the following requirements are met:

- The business is registered for VAT and acquired Phones, Airtime, and Packages in its own name.
- The business has a documented policy in place.
- The business regularly monitors the use of Airtime and Packages and retains justification for the variances.
- The business retains valid tax invoices in respect of the Phones, Airtime, and Packages acquired.

### EMARA

EMARA is a platform that integrates FTA with other influential government entities such as the UAE Central Bank and national technology-based programs including UAE PASS to make best use of common data and simplify a range of user processes.

### UAE Login PASS

FTA has announced that signup and login on the portal will be available only through UAE Pass. Hence, all existing EmaraTax users are to link their UAE Pass with their accounts. It is UAE's National Digital Identity and Digital Signature application, allowing access to various government services by any federal or local government entity. It also allows users to link their direct and indirect tax registrations to access multiple accounts through a single application.

### Grace Period For Amendment

On 6 November 2024, FTA announced that a new decision is issued to allow grace period to Taxpayers to update their Tax Registration Information till March 25 and avoid Administrative Penalties.

The amendment application can be filed for updating following information:

- Name, address, email of the Registrant
- Activity listed in the commercial license
- Legal form, Partnership agreement for joint ventures, and Articles of Association
- Any changes in the nature of the registrant's business or address from which they conduct any of their business activities.

The initiative aims to encourage registrants to update their records with the FTA without incurring administrative penalties.

Typically, registered Taxpayers are required to notify the FTA, using the FTA's approved form and process, within 20 working days of any change in the information registered in the FTA systems. Failing to notify attracts administrative penalties as below:

- AED 5,000 for the first time.
- AED 10,000 in case of repetition
- AED 1,000 for each violation.
- AED 5,000 in each case of repeated violation within 24 months from the date of the last violation.

Furthermore, FTA clarified that if an administrative penalty was imposed on registrants during the period from 1 January 2024 until the implementation date, i.e., November 6 of the grace period for failing to update the information in their tax records held by the FTA, such penalty will be reversed.



## E-Invoicing

UAE's Ministry of Finance has officially announced UAE E-Invoicing Program which shall be introduced in a phased manner which is tentatively as below:

- **Quarter 4 of 2024:** Development of accreditation requirements and procedures for UAE service providers and Development of data dictionary for the UAE
- **Quarter 2 of 2025:** Issuance of e-invoicing-related legislation
- **July 2026:** Phase 1 go-live of e-invoicing reporting

All the business-to-business(B2B) and business-to-government(B2G) transactions, regardless of VAT registration status, shall be mandatorily covered in the scope of e-Invoicing.

Taxpayers shall be required to appoint an Accredited Service Provider (ASP) in order to facilitate exchange of invoices.

## Employment and Labor Law

UAE acts as a seamless gateway to regional and global markets. Employment relationships in the UAE private sector are governed primarily by the Federal Labor Law No. 33 of 2021 and its implementing regulations (Cabinet Decision No. 1 of 2022), as amended (Labor Law) together with its accompanying resolutions and decrees. UAE is a federation/group of seven emirates – Dubai, Abu Dhabi, Sharjah, Fujairah, Ras Al-Khaimah, Umm Al-Quwain, and Ajman. Labor Law does not apply in the DIFC or the ADGM. The DIFC and ADGM have autonomy about civil and commercial legislation, including labor laws.

The competent UAE courts are the only dispute resolution forums empowered to investigate any employment disputes (excluding DIFC and ADGM-based employers, as the DIFC and ADGM have their own court systems in place).

The following are some of the key features of Labor Law:

### Emiratization

Emiratization is a strategic initiative by the government of UAE aimed at promoting the employment of UAE nationals in both the public and private sectors. This policy is made to ensure that Emiratis are employed in meaningful and efficient roles, contributing to the country's economic development and reducing reliance on expatriate labor.

In keeping with the UAE's Emiratization initiative, various ministerial decrees have been published setting out requirements for private companies in respect of the

recruitment, employment and termination of UAE nationals. The drive to increase the number of UAE nationals working in the private sector is high on the government's agenda and a number of resolutions have been introduced over the years to support this initiative.

Most recently, a Ministerial Decision was implemented effective June 2022 which requires all companies with 50 or more employees to increase the number of UAE nationals in the workforce by 2% each year until a target Emiratization of 10% has been reached by 2026. Failure to meet the Emiratization quotas will result in fines and penalties being imposed and potential blocks on the employer's account with the Ministry of Human Resources and Emiratization (MOHRE). Extended periods of failing to meet the Emiratization requirements could also result in the company being reclassified at MOHRE into a lower level resulting in higher work permit application costs. Furthermore, entities employing 20-49 employees are required to hire one Emirati national employee by 31 December 2024 and an additional Emirati national employee before 31 December 2025.

### Background/Reference Checks Before Hiring

Background checks are generally permitted in the UAE, given they comply with legal requirements and respect individual privacy. Background checks usually include criminal record check, employment history, education verification, and credit history. Employer must obtain a written consent before conducting a background check. Many companies use professional background verification services to ensure thorough and compliant checks.

### Work Permit and Visa

UAE issues different types of work permits depending upon the nature of employment and the situation of the worker. Following are the common types:

- Recruitment from outside of UAE
- Transfer within the entities
- Family sponsorship
- Part-time work
- Temporary work
- Freelance permit

Obtaining the work permit requires an application to be submitted with Ministry of Human Resources and Emiratization (MoHRE).

Following are the different types of Visas required for working in UAE.

- **Green Visa:** For freelancers, self-employed individuals, and skilled employees. This visa allows self-sponsorship for 5 years.
- **Standard Work Visa:** Typically for employees in the private sector, valid for two years.
- **Golden Visa:** For long-term residency based on specific criteria.

Non-UAE nationals must obtain a work permit and residence visa to legally work for a particular entity and reside in the UAE. These permissions are generally obtained through the employer, which must have an entity established in the UAE.

There are some exceptions in terms of residence visa like:

- GCC nationals do not require any residence visas
- Employees who are eligible to be self-sponsored by means of golden visa
- Employees may be sponsored for residency purpose by spouse

It is recommended that offers of employment are conditional upon the individual obtaining the residence visa (if required) and work permit.

Residency visas and work permits must be periodically renewed, with the standard term being two years.

## Health Checkup

The following are the legal requirements with respect to mandatory health checks of employees.

- Employers are required to conduct medical fitness tests for expatriate employees as part of the visa and work permit application process.
- A medical fitness certificate is necessary for obtaining a residency visa and work permit. This certificate confirms that the employee is free from contagious diseases and fit for work.

Health checkups must be conducted at government-approved medical centers. The tests include general health screening, blood tests, chest x-rays, and other tests like hearing test, vision test etc. depending on the job requirements.

Employers are responsible for arranging and covering the cost of the medical fitness tests. Employers must ensure that all health checkups are completed and documented before the employee starts work.

## Employment Contract

Employment contracts in the UAE are governed by Federal Decree-Law No. 33 of 2021 and Cabinet Resolution No. 1 of 2022.

For those companies regulated by the Ministry of Human Resources and Emiratization (MOHRE), the hiring of any new employee, whether from within the UAE or abroad, requires executing and submitting a standard form offer letter to obtain the necessary approvals from the authorities.

The terms of the offer letter must reflect the terms of the final employment contract that will be executed at a later stage.

As part of the process of obtaining the work permit, a template employment contract issued by the MOHRE (or relevant free zone authority if the employer is established in a free zone) must be signed by the parties and submitted to the MOHRE (or free zone authority). The template employment contract includes basic employment terms and is drafted in English and Arabic.

Due to the basic nature of the MOHRE (or free zone authority) template employment contract, it is common practice to execute a supplementary employment contract which includes more terms that are not reflected in the basic MOHRE or free zone employment contract template. Accordingly, it is common for employees in the UAE to hold two employment contracts: (a) a MOHRE (or free zone) employment contract; and (b) a private employment contract which describes the employment relationship in more detail.

In the UAE, there are different types of employment contracts, each with its own terms and conditions. Here are the main types:

### Limited-Term Contracts

**Duration:** These contracts are for a specific period, usually up to two years.

**Renewal:** They can be renewed or extended by mutual agreement.

**Termination:** Early termination may require compensation

### Unlimited-Term Contracts

**Duration:** These contracts do not have a specified end date.

**Termination:** They can be terminated by either party with notice, as per the contract terms

### Part-Time Contracts

**Working Hours:** Employees work fewer hours than full-time employees.

**Benefits:** Part-time employees receive benefits proportional to their working hours.

## Temporary Contracts

**Duration:** These are for short-term employment, often for specific projects or seasonal work.

**Termination:** They end when the project or work period is completed.

## Flexible Work Contracts

**Work Arrangement:** These contracts allow for flexible working hours and locations, such as remote work or job sharing.

Each type of contract has its own legal implications and benefits, so it is important to choose the one that best suits your needs and complies with UAE labor laws.

## Compensation

There is no statutory or minimum wage requirement or mandatory annual salary increase required in the UAE pursuant to the Labor Law. There isn't a universal federal minimum wage in the UAE, so salaries are largely negotiated between employers and employees.

In the UAE, the compensation structure typically includes several key components:

- **Basic Salary:** This is the core amount agreed upon in your employment contract, excluding additional allowances like housing or transport. It forms the basis for calculating key benefits like gratuity and overtime.
- **Housing Allowance:** Given the high cost of living, many employers offer a housing allowance to cover accommodation expenses. This can be a significant portion of the salary package.
- **Transportation Allowance:** This helps employees offset their commuting expenses. While not mandatory, it is commonly provided.
- **Other Allowances:** These can include education, utilities, and relocation expenses, tailored to the specific needs of employees.

There are no mandatory legal requirements for bonus payments in the UAE.

## Taxes

There are no tax or social security payments for private sector employees.

## Social Security

Most of the employees in the UAE are expatriates, who are not entitled to any state pension. However, UAE nationals who have a 'family book,' as well as nationals of GCC countries, are entitled to a pension. Employers must

therefore register their UAE and GCC national employees with the relevant pension authority. Failure to do so will give rise to fines.

## Medical Insurance

Both Abu Dhabi and Dubai have a compulsory health insurance scheme, which obliges employers to provide private health insurance to their employees through approved health insurance companies. The Abu Dhabi Health Insurance Law further obligates an employer to provide health insurance to the employee's spouse and up to three dependent children.

## Working Days/Working Hours

### Working Days

**Public Sector:** Typically operates from Monday to Friday.

**Private Sector:** Generally, operates from Sunday to Thursday. Some businesses may have a half-day on Friday.

### Working Hours

**Standard Hours:** Employees usually work an 8-hour lifecycle or 48 hours per week.

**During Ramadan:** Working hours are reduced by 2 hours per day.

**Outdoor Workers:** There are restrictions on working hours between 12:30 pm and 3 pm from mid-June to mid-September to avoid the extreme heat.

### Overtime

**Maximum:** Employees can work up to 2 hours of overtime per day

**Pay:** Overtime is compensated at the normal hourly rate plus 25%, or 50% if the overtime is between 10 pm and 4 am.

The maximum working hours per day are set at eight hours per day, 48 hours per week. Working hours may differ, depending on the relevant industry, by a special ministerial decree. No worker may work for more than five hours without a break for work, rest and prayer. Working hours are reduced by two hours per day during the holy month of Ramadan.

If the employer requires employees to work overtime, during the working week, such employees are entitled to be paid 125% of their basic salary for the overtime worked. If, however, the employee's overtime falls between 10:00 pm and 4:00 am, they are entitled to a higher rate of 150% of their basic salary.

The maximum amount of overtime allowed per day is two hours. Overtime wages should not be included in employees' regular compensation, which means that any overtime must be compensated separately.

The working time provisions do not apply to certain categories of employees. This includes (but is not limited to) employees occupying supervisory positions provided that such individuals have authority to act on behalf of the company.

**Note:** Overtime rates may vary slightly in some of the free zones.

### Weekend

Employees are entitled to at least one rest day per week (although in practice most companies close over Saturday and Sunday). An employee cannot be required to work more than two consecutive rest days.

Moreover, in the event that an employee is required to work on a rest day, that employee is entitled to receive either time off in lieu or normal salary for the hours worked plus a supplement equal to 50% of the employee's basic salary for that day.

### Leaves

The following are the different types of leaves in UAE.

#### Sick Leave

Employees are entitled to a maximum of 90 calendar days of sick leave. The first 15 days are fully paid while the next 30 days are subject to half pay.

The remaining 45 days are unpaid. An employee on probation (and for three months thereafter) is not entitled to paid sick leave. Sick leave may not be rolled over to the following year.

#### Maternity Leave

A female employee is entitled to 45 calendar days of fully paid maternity leave with an additional 15 days of half-pay. In the event that a female employee suffers from a medical condition as a result of birth or pregnancy, she may take an additional 45 days of unpaid "maternity sick" leave, as long as the condition is supported by a physician's note. If the employee gives birth to a disabled child requiring permanent care the employee will be entitled to an additional 30 days of maternity leave with full pay and then a subsequent 30 days without pay.

Upon resuming work, a female may take two additional breaks per day (together not exceeding one hour) for the purpose of nursing the child, up until the child is 6 months old.

#### Parental Leave

Both male and female employees are entitled to five working days of parental leave upon the birth of a child, which may be taken consecutively or inconsecutively within six months of the child's birth. For female employees, this leave is in addition to statutory maternity leave.

### Special Leave

Employees are entitled to bereavement leave of 5 fully paid days in the case of the death of a spouse, and 3 fully paid days in the case of the death of a parent, child, grandparent, grandchild, or sibling.

Employees that are enrolled in an accredited educational institution in the UAE and have been employed by the employer for at least two years are entitled to 10 fully paid working days per year to sit for exams.

UAE national employees are entitled to sabbatical leave to perform national military/armed forces service, or reserve forces refresher trainings when called upon by the armed forces. Employees are to receive their normal salary during their sabbatical leave.

### Annual Leave

Excluding the first year of employment, an employee is entitled to 30 calendar days of paid vacation per year, which is equivalent to approximately 22 working days (based on a five-day working week). In the first year of employment, an employee accrues two paid days of leave per month, if they have been employed for more than six months but less than 12 months. However, in practice many employers do not put a different system in place for new recruits and provide all employees with the same holiday entitlement.

### Official Holidays

Employees are entitled to holidays for the private sector as are officially announced by the UAE Government. These will include:

- Islamic New Year
- Gregorian New Year's Day
- Eid al-Fitr
- Eid al-Adha
- Martyrs' Day
- National Day
- Prophet Mohammed's birthday
- UAE National Holidays.

However, holidays may be added/removed at the discretion of UAE Government. Except for the Gregorian New Year's Day on 1 January, Martyrs' Day on 30 November, and National Day on 2 December, all other holidays are Islamic holidays and vary depending on the lunar calendar. The actual dates are declared each year and holidays are declared separately for the public and private sectors.

## Term and Termination

### Probationary Period

Probationary periods are common in the UAE. The maximum period of probation is six months.

During the probationary period, either party may terminate the employee's employment, upon 14 days' notice. However, if the employee is resigning in order to join another UAE employer he/she is obliged to provide the employer with 30 days' notice (and the new employer is obliged to repay the current employer the recruitment costs incurred in onboarding the employee).

- For Mainland, the probation is of 6 months.
- For DMCC, the probation is of maximum 6 months.
- For ADGM, the probation is of 6 months.
- For other free zones, the probation period might vary but it is between 3-6 months only.

### Term

All employment contracts must be fixed term. There is no limit on the length of the term and the contract may be renewed for equal or shorter periods an unlimited number of times.

Any extensions will be considered part of the original term and, therefore, should be included in calculating the employee's total period of service.

### Summary Causes for Dismissal by the Employer under Article 44

Subject to complying with the process stipulated under Section 4(e) below, (and after having conducted a written investigation with the employee) an employer is permitted to legitimately terminate the employment contract of an employee without notice for the reasons stipulated under Article 44 of the Labor Law as follows:

- If the employee adopts a false identity or nationality, or submits forged documents or certificates.
- If the employee commits an error causing substantial material loss to the employer - provided that the employer advises the labor department of the incident within 7 working days from having knowledge of the same.
- If the employee violates instructions concerning safety of the place of business - provided that such instructions are displayed in writing in conspicuous places.
- If the employee fails to perform his/her basic duties under the contract of employment, and persists in violating them despite having undergone formal investigation, and having been warned twice that s/he is at risk of dismissal if the same is repeated.

- If the employee divulges any company secret related to industry or intellectual property, which resulted in losses to the Company.
- If the Employee starts working for another company without complying with the rules and procedures in the law.
- If the employee exploits his/her job position to obtain results and personal gains.
- If, during working hours, the employee is found drunk or under the influence of drugs or committing an act against public morals in the work place.
- If, in the course of work, the employee commits an assault on the employer, the manager or any of his/her colleagues
- If the employee is absent without lawful excuse for more than twenty intermittent days or for more than seven successive days during one year.

Employees terminated under Article 44 that have completed at least one year of continuous service will continue to be entitled to any end of service gratuity accrued up to the termination date.

### Legitimate Causes for Termination by Employee under Article 45

An employee is also entitled to terminate the employment contract without notice if any of the grounds related to the employer's conduct stipulated in Article 45 of the Labor Law are present. These grounds are as follows:

- Where the employer is in breach of its obligations prescribed in the employment contract or under the applicable laws, provided the employee has notified MOHRE within 14 working days prior to the date of leaving work and the employer has not rectified the breach despite being told to do so.
- Where the employer or the employer's representative assaults or subjects the employee to harassment, provided that the employee informs the authorities and MOHRE within five working days from the date they are able to do so.
- If there is a serious danger in the workplace that threatens the safety or health of the worker provided that the employer is aware of its existence and no measures were taken to indicate its removal.
- The employer assigns the employee to carry out work that is fundamentally different from the work agreed upon in the employment contract without the employee's written consent (except for in cases of necessity).



## Process for Dismissal/Termination/Disciplinary Measures

Disciplinary penalties expressly permitted by the Labor Law include a warning, suspension, fine, forfeiture of promotion, termination with notice and termination without notice.

The following procedure must be conducted before imposing any disciplinary sanction, including dismissal, upon an employee:

- The employee must be notified in writing of the charge or allegation.
- The employee must be given an opportunity to defend himself/herself against the allegations. In practice, employees will attend a meeting in this regard.
- The matter must be adequately investigated and the employee must be provided with written reasons for any penalty being imposed, which should also be recorded in the employee's personnel file.

An allegation cannot be raised after the lapse of 30 days from the date of discovery of the violation and a penalty cannot be imposed after the lapse of 60 days from the date on which the disciplinary investigation ended.

## Redundancies

The Labor Law recognizes redundancy only in narrow circumstances, namely: (i) permanent closure of the company; (ii) bankruptcy or insolvency of the company; (iii) any economic or exceptional reasons that prevent the continuation of the project. In order for to rely on (ii) and (iii) a court order confirming the bankruptcy or insolvency or an official decision from the concerned authorities confirming that the employer cannot continue operations for exceptional economic reasons, respectively, is required.

Any reduction in force not falling within (i) - (iii) above should be treated in accordance with the normal termination framework.

## Notice/Payment in Lieu of Notice

In accordance with the Labor Law, the minimum notice period for a fixed term contract is 30 days, with a maximum of three months. The contract can also be terminated by the employer without notice if the employee is terminated for cause on the grounds outlined under Article 44, as stated in Section 4(c).

Notice cannot be waived or reduced. This means that an employer should pay in lieu of notice if it does not require employees to work their notice period.

Following are the details of notice period in other regions:

- For DMCC, 14 days notice if the employee is on probation and not exceeding 90 days in general cases.
- For ADGM, 7 days if the employment is for less than 3 months. 30 days if it is less than 5 years and 90 days if it is more than 5 years.
- For Mainland, 1 month (30 days) to 3 months (90 days).

## Gratuity

### End-of-Service Gratuity

An employee whose contract is terminated or expires and who has completed at least one year of service is entitled to an end-of-service gratuity. In the absence of any higher rate agreed by the parties, the end-of-service gratuity is equivalent to 21 days wage for each of the employee's first five years of service and 30 days' wage for each year thereafter.

End-of-service gratuities are capped at an amount equivalent to two years' total wages and are proportionately calculated for any partial year worked.

**Note:** Wage for end-of-service gratuity purposes is exclusive of allowances and benefits in kind.

## Wage Protection System (WPS)

- The Wages Protection System (WPS) was introduced in 2009 by the MoHRE. It mandates that salaries be paid electronically through banks, exchange houses, or other financial institutions authorized by the Central Bank of the UAE.
- Employers located onshore, Jebel Ali Free Zone, and the Dubai Multi Commodities Centre are subject to the Wage Protection Scheme, which aims to protect employees via an electronic salary transfer scheme that ensures timely payment of the agreed wage amount to the employee. According to the WPS guidelines, payments of employee remuneration must be made via banks, exchange offices and financial institutions which have been approved and authorized to provide the service.

## Registration

**Corporate Bank Account:** Employers must open a corporate bank account with a recognized financial institution.

**MOHRE Registration:** Companies must register with MoHRE and obtain a WPS registration number.

### Salary Information File (SIF)

- Employers prepare a digital document detailing employee wage, including salaries, bonuses, and deductions
- The SIF is submitted to the WPS agent (bank or financial institution), which processes the payments

### Payment Processing

Salaries are transferred electronically to employees' accounts, ensuring transparency and timely payments

### Compliance and Penalties

- **Timely Payments:** Employers must pay salaries on the due date specified in the employment contract. Failure to do so can result in penalties
- **Penalties:** Companies that fail to comply with WPS regulations may face fines and other penalties

### Benefits of WPS

- **Transparency:** Ensures clear and transparent wage payments
- **Employee Protection:** Safeguards workers' rights by guaranteeing timely salary payments.
- **Dispute Reduction:** Minimizes disputes related to wage payments

Understanding and complying with WPS is crucial for employers in the UAE to ensure fair treatment of employees and avoid legal issues.

### Involuntary Loss of Employment (ILOE)

The Involuntary Loss of Employment (ILOE) insurance scheme in the UAE provides financial support to employees who lose their jobs involuntarily, excluding cases of resignation or disciplinary action. Here are the key details:

- **Eligibility:** The scheme covers Emiratis and residents working in the federal government and private sectors. However, certain categories like investors, domestic helpers, temporary-contract workers, juveniles under 18, and retirees with pensions are exempt.
- **Compensation:** Eligible employees receive up to 60% of their average basic salary from the last six months prior to job loss. The compensation is provided for a maximum of three consecutive months per claim.
- **Premiums:** The monthly premium is AED 5 for those with a basic salary of AED 16,000 or less, and AED 10 for those earning above AED 16,000.

- **Registration:** Employees must register for the scheme and pay premiums for at least 12 consecutive months to be eligible for benefits. Failure to register can result in a fine of AED 400.
- **Claims:** The maximum compensation per claim is AED 10,000 for Category A (basic salary ≤ AED 16,000) and AED 20,000 for Category B (basic salary > AED 16,000). The total compensation over an employee's work life in the UAE cannot exceed 12 monthly benefits.

This scheme aims to provide a safety net for employees during unexpected career transitions, helping them maintain their standard of living while searching for new job opportunities.

## Immigration and Residency

### Introduction

With the constant favorable changes in the legislations, tolerant values and astonishing infrastructure, UAE is attracting workforce and investors across the world.

Investors and workforce who enters the UAE market enjoy a large degree of Independence in managing the immigration process. While all the Emirates follow the rules and regulation of the Federal Immigration Authority, Dubai has more flexible process of acquiring the residency permits in the form of either employment or investment.

With the recent changes in the immigration laws the country has made major improvements in the residency system including introduction of long-term residency for the investors, accomplished professionals, students, artisans etc. Also known as Golden Visa, the residency has a validity of 10 years with renewal provision of the same terms.

### Types of Residency permit years in the UAE

In April 2022 the UAE cabinet has widened the scope of long-term residency for Investors, Entrepreneurs and Professional Talent which was initially introduced vide UAE cabinet resolution No. 56 of 2018.

The new set of regulations which will come into effect in September 2022 aims to attract investors, entrepreneurs and retaining global talents and skilled worker from all over the world.

The regulations not only simplify the eligibility criteria to apply for long-term visas but also widen the category in which various sets of professionals and high net-worth individuals (HNIs) can apply for the same.

## Golden Residence

The long-term 10-years residence is granted to entrepreneurs, investors, exceptional talent, scientist and professional, outstanding students and graduates, humanitarian, and frontline workers without any sponsor.

It will also allow the holder of golden residence to sponsor their families, domestic helper without limiting their numbers. Also, there is no restriction on the maximum duration of stay outside UAE in order to keep the golden residence valid.

### Eligibility for Golden Residence

S.N.	Categories	Requirements
1	Green Residence for freelancers and self-employed	Any individual holding bachelor's degree or a specialized diploma and having obtained freelance or self-employed permit from MoHRE, whose annual income from self-employment in the last two years is not less than AED 360,000 is eligible to have a green residency without any sponsor.
2	Green residence for Investor or partner	It replaces the erstwhile 2 years residency for partners or investors. Requirements include approval from the competent authority on the basis of proof of investments in the country. If the investor has multiple licenses, then the total invested capital will be calculated
3	Golden residence for professionals	The professionals having bachelor's degree or equivalent in the field of medicine, sciences, and engineering, information technology, business and administration, education, law, culture and social sciences and whose occupational level is classified in the first or second occupational level as per Ministry of Human Resources and Emiratization classification and whose salary is not less than AED 30,000 is eligible for golden residence in this category.

S.N.	Categories	Requirements
4	Golden residence for exceptional talents	This golden residence is regardless of educational qualification, employment status, monthly salary, or professional level. However, recommendation in this category should come from approved federal or local government entity. It includes talented individuals in the field of culture, art, sports, inventors and innovators and other vital fields.
5	Golden residence for outstanding students and graduates	This category targets high performing students in UAE secondary school and universities as well as from the top 100 universities worldwide.
6	Golden residence for CEOs	A CEO working in public or private sector earning a monthly salary of AED 50,000 holding a bachelor's degree with 5 years' experience in UAE is eligible for golden residence in this category
7	Golden Residence for Scientists	This is granted to the scientist and researchers based on recommendation from Emirates Scientist council and a candidate should have a PhD or master's degree in the stream of engineering, technology, life sciences and natural sciences from the recognized universities around the world.

## Green Residence

This is a crucial step to make the multiple years residency within the reach of wider category of people who are not eligible for the golden residency. This 5 years residency plan has more relaxed threshold for skilled professionals, freelancers, investors, and entrepreneurs. The green residence provides benefits such as sponsoring of families and longer flexible grace period that extend up to 6 months to stay in the country after the residence permit is cancelled or expired (which is 30 days for the normal residence visa).

## Eligibility for Green Residence

S.N.	Categories	Requirements
1	Golden Residence for real estate investors	<p>The investor can obtain the golden residence when purchasing a property of not less than AED 2 million.</p> <p>This eligibility will also be extended if the property is purchased by way of loan from the specified banks and it can also be an off-plan properties purchased from approved real estate companies.</p>
2	Golden residence for entrepreneurs	<p>The entrepreneurs owning a small and medium enterprises (SMEs) which generates annual revenue of not less than AED 1 million can obtain the golden residence. Start-ups approved by the competent authority also falls in this category.</p> <p>Founders of entrepreneurial projects which have been sold for not less than 7 million, are also eligible under this category.</p>

The relevant immigration department oversees the issuance of the freelance residence permit and freelance trade license.

The validity of the residence permit is up to 3 years while the trade license is required to be renewed annually.

### Tourist or Visit Visas

In addition to the regular tourist visa the Government has recently introduced a five-years multi-entry tourist visa.

This does not require a sponsorship, and an individual can stay in the country for a continuous period of 90 days and may extend it for a similar period provided that the entire period of stay does not extend 180 days in one year.

### Job Exploration Visa

This form of visa is introduced to attract young talents and skilled professionals to explore job opportunities available in the country, it does not require a sponsor or a host. Fresh graduates of the best 500 universities in the world and the minimum educational level of bachelor's degree or its equivalent are eligible to apply for this visa.

### Temporary work mission visa

This is intended for those who have a temporary work assignment like probation testing or project-based mission and is sponsored by the employer. It requires a temporary work contract or a letter from the employer clarifying the visit purpose and proof of health fitness to work.

## Other work permit authorization

Foreign nationals who intended to take the employment in any of the UAE registered companies must have a work and residence permit sponsored by such entities. The residency is issued in the form of a residency sticker as well as an Identity card which is known as an Emirates ID.

The recruitment process differs from free zone to free zone and mainland while the businesses established in the free zone are required to apply for a work permit for their employees via the relevant free zone authorities. The mainland entity applies for a work permit at the immigration department. The validity of the work permit is up to 3 years and eligible for renewal for the same term at the expiry.

## Freelance work and residency permit

Apart from the above residences and work permits various free zones across UAE offer freelance work and residence permits to the foreign nationals. This facility enables an individual to conduct business in the country as a sole practitioner.

# About Nexdigm

Nexdigm is a privately held, independent global organization that helps companies across geographies meet the needs of a dynamic business environment. Our focus on problem-solving, supported by our multifunctional expertise, enables us to deliver customized solutions tailored for our clients.

We provide integrated, digitally-driven solutions encompassing Business and Professional Services across industries, helping companies address challenges at all stages of their business lifecycle. Through our direct operations in the USA, Poland, the UAE, and India, we serve a diverse range of client base, spanning multinationals, listed companies, privately-owned companies, and family-owned businesses from over 50 countries. By combining strategic insight with hands-on execution, we help businesses not only develop and optimize strategies but also implement them effectively. Our collaborative approach ensures that we work alongside our clients as partners, translating plans into tangible outcomes that drive growth and efficiency.

At Nexdigm, quality, data privacy, and confidentiality are fundamental to everything we do. We are ISO/IEC 27001 certified for information security and ISO 9001 certified for quality management. Additionally, we comply with GDPR and uphold stringent data protection standards through our Personal Information Management System, implemented under the ISO/IEC 27701:2019 Standard.

We have been recognized over the years by global organizations, including the Everest Group Peak Matrix® Assessment, International Tax Review, World Commerce and Contracting, ISG Provider Lens™ Quadrant Report, International Accounting Bulletin, Avasant RadarView™ Market Assessment, and Global Sourcing Association (GSA) UK.

Nexdigm resonates with our plunge into a new paradigm of business; it is our commitment to Think Next.

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