

DOING BUSINESS IN DUBAI

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DUBAI & SHARJAH

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BASIC INFORMATION

History

Originally a small fishing settlement, Dubai was taken over in about 1830 by a branch of the Bani Yas tribe from the Liwa oasis led by the Maktoum family who still rule the emirate today.

Traditional activities included herding sheep and goats, cultivating dates, fishing and pearling, but the inhabitants built up trade too. By the turn of the century, Dubai was reputed to have the largest souks on the Gulf coast, with 350 shops in the Deira district alone.

Commercial success allied to the liberal attitudes of Dubai's rulers, made the emirate attractive to traders from India and Iran, who began to settle in the growing town. But, while trade developed, Dubai remained politically a protectorate of Britain as part of the Trucial States extending along the northern coast of the Arabian Peninsula.

On the British withdrawal in 1971, Dubai came together with Abu Dhabi, Sharjah, Ajman, Umm Al Quwain, Fujairah and (in 1972) Ras Al Khaimah to create the federation of the United Arab Emirates.

This was shortly after the discovery of oil in 1966, which was soon to transform the emirate and its way of life. Dubai's first oil exports in 1969 were followed by a period of rapid development that laid the foundations for today's modern society. Much of the credit for this development can be traced to the vision of the late Ruler, HH Sheikh Rashid bin Saeed Al Maktoum, who ensured that Dubai's oil revenues, despite being relatively modest by the standards of the region, were deployed to maximum effect.

His work has been continued by the present Ruler, HH Sheikh Maktoum bin Rashid Al Maktoum, and his brothers, Their Highnesses Sheikh Hamdan bin Rashid Al Maktoum, Deputy Ruler of Dubai and UAE Minister of Finance and Industry, and General Sheikh Mohammed bin Rashid Al Maktoum, Crown Prince of Dubai and UAE Minister of Defence. The result is that Dubai is constantly building up its infrastructure of transport facilities, schools, hospitals, tourism developments and other amenities of an advanced society.

Climate

The UAE has a sub-tropical, arid climate. Rainfall is infrequent and irregular. Falling mainly in winter, it amounts to some 13 centimetres a year. Temperatures range from a low of about 10 degrees Celsius to a high of 48 degrees Celsius. The mean daily maximum is 24 degrees in January rising to 41 degrees in July.

Government

The Supreme Council of the UAE, comprising the hereditary rulers of the seven emirates, is the highest federal authority. It is responsible for general policy matters involving communications, education, defence, foreign affairs and development, and for ratifying federal laws. The President, HH Sheikh Zayed bin Sultan Al Nahyan, who is also Ruler of Abu Dhabi, and the Vice-President, HH Sheikh Maktoum bin Rashid Al Maktoum, who is also Ruler of Dubai, are elected by the Supreme Council from among its members.

The Federal Council of Ministers, responsible to the Supreme Council, has executive authority to initiate and implement laws. The Federal National Council is a consultative assembly of 40 representatives who are appointed for two years by the individual emirates. The council monitors and debates government policy but has no power of veto.

While Abu Dhabi is the centre of federal government activities, most ministerial departments also maintain offices in Dubai.

Economic Policy

In matters unrelated to diplomacy and defence, each emirate enjoys considerable autonomy in managing its own affairs. In business, the government of Dubai is committed to liberal, free market policies and to the creation of a business environment conducive to commercial activity. This approach is well illustrated by the incentives available to investors in the Jebel Ali and Airport Free Zones and by the continuing high level of public sector investment in the infrastructure.

LIFE STYLE

A Welcoming Environment

Expatriates and foreign visitors - both male and female - can enjoy a relaxed and pleasant lifestyle in Dubai. There is virtually no crime, the city is clean, there are few traffic jams, apartments and villas are modern and spacious and, surprisingly to many, the climate is not only tolerable, but also extremely pleasant for most of the year.

There are many clubs and societies in Dubai. Freedom of worship is allowed to all religions, and Christian churches have existed in Dubai for many years. Foreign newspapers, magazines, films and videos are readily available. Alcohol may be consumed at home, in hotels, and on licensed club premises. Women can drive and move about unaccompanied.

Transport

It is virtually essential to have a car - or two (for husband and wife) - as Dubai is a spacious city with most residences situated some distance from shops, schools and the office. Most Japanese, European and American models are readily available and there is an active second-hand market. Vehicle third party insurance is compulsory. Dubai has an excellent road system. Driving is on the right hand side of the road.

A vehicle licence may be secured at Dh.360 for first registration, then subject to annual renewal - following a roadworthiness test - at a charge of Dh.290.

Taxis are easily obtainable in Dubai. The Dubai Transport Corporation's ivory coloured cabs are fitted with fare meters. In the case of all other taxis, fares are subject to negotiation between driver and passenger.

Driving licences issued by some overseas governments may be exchanged for a Dubai licence. Where reciprocal arrangements do not exist, it is necessary to take a driving test to obtain a licence. Full details about obtaining and exchanging driving licences are available from the Traffic Department of the Police, telephone number 692222, or by writing to PO Box 1493, Dubai.

Education

There is a comprehensive network of government schools throughout the emirate, providing free primary and secondary education to UAE nationals.

For expatriate families, there are 85 private foreign schools offering education of a high standard to the curriculum requirements of the UK, USA and a number of others, including Italy, Japan, Iran, India and Pakistan. In neighbouring emirates there are French and German schools. English is usually the main language of instruction, but foreign schools use other languages as necessary

Communication

Telecommunications in Dubai are excellent. Telephones have international direct dialling to most countries in the world. Full telex, facsimile, and electronic mail facilities are widely available.

There is an efficient and reliable postal service. The General Postal Authority also offers a courier service known as Mumtaz Post which delivers to almost anywhere in the world. Commercial courier services are widely used.

Accommodation

Dubai is the easiest place to live in the Gulf and high quality accommodation is in good supply.

Luxury apartments are available in plaza complexes throughout the city. All have excellent recreational facilities, in-house video and covered car parking. Some residential complexes provide a daily maid service.

A wide variety of villas is available to suit most tastes and circumstances. Most expatriate executives choose to live in the Jumairah suburb stretching southward along the coast from the city centre. For villas at the top of the range, the choice is between larger independent properties or smaller villas in compounds. The latter usually have swimming pools, and squash and tennis courts.

Most rented accommodation in Dubai is unfurnished and kitchens only partly equipped, but many villas and new apartments have central air-conditioning already installed. However, all types of furniture and household equipment are readily available.

Clothing

For men, office wear is generally lightweight trousers, long or short sleeved shirts and ties. Jackets are worn for formal visits to Government offices and important meetings. Normally, a lounge suit is acceptable for most evening business functions, but a dinner jacket may also be required for some social occasions. For ladies, normal smart lightweight office wear, such as a dress or long sleeved blouse and skirt is expected, or national dress. All offices are air-conditioned.

In the evenings for informal dinners, casual evening dresses and skirts are usually worn. It is also recommended that a shawl or stole should be included in ladies' wardrobes, as the air-conditioning in hotels and restaurants can be quite strong.

For women, as summers are very hot and humidity can on occasions be high, a variety of cotton outfits is recommended. Cotton trousers are popular with expatriate wives for casual wear and, although revealing sun dresses and tops are acceptable for home wear, they should be avoided in the city.

Even in winter, temperatures at midday rarely fall below 21°C (70°F) but a sweater or cardigan is useful for when the temperature drops in the evening. A coat or raincoat is unnecessary, but an umbrella is useful for the occasional shower. All type of beachwear including bikinis is acceptable but only on the beach or by the pool.

Medical Services

The Health and Medical Services Department provides medical care for all UAE nationals, visitors and resident expatriates.

Dubai has many well-equipped public and private hospitals offering high quality health and dental care services. There are seven hospitals in Dubai and government clinics in the districts of Jumairah, Satwa, Buhail, Rashidiya, Qusais, Hatta, Al-Lusaili, Jebel Ali, and at the airport and Port Rashid.

Emergency medical care in Dubai is free for anyone and there are no restrictions. For non-urgent health care, any UAE resident seeking treatment may register for a health card for which a fee is paid.

New arrivals are advised to register immediately for a health card. They may otherwise have to pay full medical costs after the first two visits.

Media

In addition to the Arabic press, there are four English language dailies published in the UAE - Gulf News, Khaleej Times, Gulf Today and Emirates News. Popular magazines include What's On and Emirates Woman. International newspapers, magazines and journals can be bought at bookshops and supermarkets. Dubai has both Arabic and English commercial radio and television stations, as well as access to international satellite TV programming.

DUBAI BUSINESS IN DUBAI

The Opportunities

Dubai presents international business with a wide range of opportunities for different activities and operations, including:

- Trade.
- Transport and distribution.
- Manufacturing and processing.
- Regional offices.

The Market

As the leading regional trading hub, Dubai offers access to a market of outstanding potential for overseas companies in a wide range of sectors. Among its key characteristics are:

- A large market - more than \$17 billion in domestic imports annually; gateway to a \$150 billion p.a., 1.4 billion population regional import market;
- A growing market - Dubai's imports have more than doubled since 1989; regional economic growth and liberalisation is set to boost demand;
- A prosperous market - strategic location at the heart of one of the world's richest regions;
- A diversified market - wide import requirements; opportunities for suppliers of most products;
- An accessible market - served by more than 170 shipping lines and 86 airlines; An open market - no exchange controls, quotas or trade barriers.

The Business Environment

Dubai offers incoming business all the advantages of a highly developed economy. Its infrastructure and services match the highest international standards, facilitating efficiency, quality and service. Among the benefits are:

- Free enterprise system.
- Highly developed transport infrastructure.
- State-of-the-art telecommunications.
- Sophisticated financial and services sector.

- Top international exhibition and conference venue.
- High quality office and residential accommodation.
- Reliable power, utilities etc.
- First class hotels, hospitals, schools, shops etc.
- Cosmopolitan lifestyle.

The Costs

Overseas companies setting up in Dubai can secure cost advantages not generally available internationally. Among the reasons are:

- No corporate taxes.
- No income taxes.
- No foreign exchange controls.
- No trade barriers.
- Competitive import duties (4% with many exemptions).
- Competitive labour costs.
- Competitive energy costs.
- Competitive real estate costs.

Doing Business

Dubai offers foreign companies a wide choice of business options, including:

- Direct trade - selling directly to established dealers and distributors.
- Commercial agency arrangements - appointee must be a UAE national or company; agreement to be registered with Ministry of Economy and Commerce.
- Branch or representative office - 100% foreign ownership permitted; local agent (sponsor) must be appointed; Economic Development Department licence required.
- Limited Liability Company - foreign ownership restricted to 49%; Economic Development Department licence required.
- Special free zone investment incentives (see below).

Special Investment Incentives

Dubai's highly successful Jebel Ali Free Zone and new Airport Free Zone provide all the advantages available elsewhere in the emirate, with the following additional benefits:

- 100% foreign ownership and control.
- Renewable 15-year guarantee of no taxation.
- No customs duties.
- Flexible investment options
- Efficient transport and distribution facilities.
- Full administrative and recruitment support.

SETTING UP IN DUBAI

Dubai Business Climate

In the UAE, individual emirates as well as the Federal Government regulate economic activity. In Dubai, the authorities have deliberately sought to create an environment that is well ordered without being unduly restrictive. As a result, Dubai offers businessmen operating conditions that are among the most liberal and attractive in the region.

There are many options open to international companies seeking to establish a business relationship with Dubai. Apart from forming a trading relationship, many companies find that there are distinct advantages in having an on-the-spot presence in order to research market prospects, make contacts, liaise with customers, and see through the details of any transactions and orders secured.

Having such a presence can provide considerable business advantages in the Middle East. Businessmen in the region prefer to deal with someone they know and trust and personal relationships are much more important in doing business in the Arab world than they are in western Europe or America. Also, the buying patterns of some countries served by Dubai tend to be unpredictable, creating a need for first class market intelligence and information.

Licensing

The basic requirement for all business activity in Dubai is one of the following three categories of licences:

1. Commercial licences covering all kinds of trading activity;
2. Professional licences covering professions, services, craftsmen and artisans;
3. Industrial licences for establishing industrial or manufacturing activity.

These licences are issued by the Dubai Economic Development Department (with the exception of licences for hotels and other tourism-related businesses which are issued by the Department of Tourism and Commerce Marketing.) Also, licences for some categories of business require approval from certain ministries and other authorities: for example, banks and financial institutions from the Central Bank of the UAE; insurance companies and related agencies from the Ministry of Economy and Commerce; manufacturing from the Ministry of Finance and Industry; and pharmaceutical and medical products from the Ministry of Health.

More detailed procedures apply to businesses engaged in oil or gas production and related industries.

In general, all commercial and industrial businesses in Dubai should be registered with the Dubai Chamber of Commerce and Industry.

Ownership Requirements

Fifty-one per cent participation by UAE nationals is the general requirement for all UAE established companies except:

1. Where the law requires 100% local ownership;
2. In the Jebel Ali and Airport Free Zones;
3. In activities open to 100% AGCC ownership;
4. Where wholly owned AGCC companies enter into partnership with UAE nationals;
5. In respect of foreign companies registering branches or a representative office in Dubai;
6. In professional or artisan companies where 100% foreign ownership is permitted

Legal Structures for Business

Federal Law No. 8 of 1984, as amended by Federal Law No. 13 of 1988 - the Commercial Companies Law - and its by-laws govern the operations of foreign business. In broad terms the provisions of these regulations are as follows:

The Federal Law stipulates a total local equity of not less than 51% in any commercial company and defines seven categories of business organisation which can be established in the UAE. It sets out the requirements in terms of shareholders, directors, minimum capital levels and incorporation procedures. It further lays down provisions governing conversion, merger and dissolution of companies. The seven categories of business organisation defined by the Law are:

1. General partnership company
2. Partnership-en-commendam
3. Joint venture company
4. Public shareholding company
5. Private shareholding company
6. Limited liability company
7. Share partnership company

Partnerships

General partnership companies are limited to UAE nationals only. The Dubai government does not presently encourage the establishment of partnership-en-commendam and share partnership companies.

Venture

A joint venture is a contractual agreement between a foreign party and a local party licensed to engage in the desired activity. The local equity participation in the joint venture must be at least 51%, but the profit and loss distribution can be prescribed. There is no need to license the joint venture or publish the agreement. The foreign partner deals with third parties under the name of the local partner who (unless the agreement is publicised) bears all liability.

In practice, joint ventures are seen as offering a suitable structure for companies working together on specific projects.

Public and Private Shareholding Companies

The Law stipulates that companies engaging in banking, insurance, or financial activities should be run as public shareholding companies. Foreign banks, insurance and financial companies, however, can establish a presence in Dubai by opening a branch or representative office.

Shareholding companies are suitable primarily for large projects or operations, since the minimum capital required is Dh. 10 million (US\$ 2.725 million) for a public company, and Dh. 2 million (US\$ 0.545 million) for a private shareholding company. The chairman and majority of directors must be UAE nationals and there is less flexibility of profit distribution than is permissible in the case of limited liability companies.

Limited Liability Companies

A limited liability company can be formed by a minimum of two and a maximum of 50 persons whose liability is limited to their shares in the company's capital. Such companies are recognised as offering a suitable structure for organisations interested in developing a long-term relationship in the local market.

In Dubai, the minimum capital is currently Dh. 300,000 (US\$ 82,000), contributed in cash or in kind. While foreign equity in the company may not exceed 49%, profit and loss distribution can be prescribed. Responsibility for the management of a limited liability company can be vested in the foreign or national partners or a third party.

The following steps are required in establishing a limited liability company in Dubai.

1. Select a commercial name for the company and have it approved by the Licensing Department of the Economic Development Department;
2. Draw up the company's Memorandum of Association and have it notarised by a Notary Public in the Dubai Courts;

3. Seek approval from the Economic Development Department and apply for entry in the Commercial Register;
4. Once approval is granted, the company will be entered in the Commercial Register and have its Memorandum of Association published in the Ministry of Economy and Commerce's Bulletin. The licence will then be issued by the Economic Development Department;
5. The company should then be registered with the Dubai Chamber of Commerce and Industry.

Branches and Representative Offices of Foreign Companies

The Commercial Companies Law covers the formation and regulation of branches and representative offices of foreign companies in the UAE and stipulates that they may be 100% foreign owned, provided a local agent is appointed.

Only UAE nationals or companies 100% owned by UAE nationals may be appointed as local agents (which should not be confused with the term commercial agent). Local agents - also often referred to as sponsors - are not involved in the operations of the company but assist in obtaining visas, labour cards, etc and are paid a lump sum and/or a percentage of profits or turnover.

To establish a branch or representative office in Dubai, a foreign company should proceed as follows:

1. Apply for a licence from the Ministry of Economy and Commerce, submitting an agency agreement with a UAE national or 100% UAE owned company. Before issuing the licence, the Ministry will:
 - i. Forward the application to the Department of Economic Development to obtain the approval of the Dubai government;
 - ii. Forward the application specifying the activity that the office or branch will be authorised to undertake in the UAE, to the Federal Foreign Companies Committee for approval;
2. Once this has been done, the Ministry of Economy and Commerce will issue the required Ministerial licence specifying the activity to be practised by the foreign company;
3. The branch or office should be entered in the Economic Development Department's Commercial Register, and the required licence will be issued;
4. The branch or office should also be entered in the Foreign Companies Register of the Ministry of Economy and Commerce;
5. Finally, the branch or office should be registered with the Dubai Chamber of Commerce and Industry.

Professional Firms

In setting up a professional firm, 100% foreign ownership, sole proprietorships or civil companies are permitted. Such firms may engage in professional or artisan activities but the number of staff members that may be employed is limited. A UAE national must be appointed as local service agent, but he has no direct involvement in the business and is paid a lump sum and/or percentage of profits or turnover. The role of the local service agent is to assist in obtaining licences, visas, labour cards, etc.

TRADING WITH DUBAI

Direct Trade

International manufacturers and exporters may conduct business with Dubai by concluding transactions directly with importers and traders who are already established in the market.

This type of arms' length arrangement may be suitable for low volume trade. However, for an on-going business relationship, overseas companies may want to consider a more permanent form of representation.

Commercial Agencies

A foreign company wishing to supply goods and services from abroad, but without establishing a physical presence in Dubai, may find it advantageous to appoint a commercial agent. The main provision of the Federal Commercial Agency Law No. 18 of 1981 as amended by Law No. 14 of 1988 is that an agent must be a UAE national, or a company 100% owned by UAE nationals.

A commercial agent may not carry out activities in the UAE unless its name is entered in the Commercial Agency Registry maintained at the Ministry of Economy and Commerce. The procedures and conditions for such an appointment are as follows:

A commercial agency agreement should be drawn up specifying the products and territories to be covered by the contract;

The agreement should be signed by both parties (principal and agent) and, if signed in Dubai, legalised before a Court Notary Public. A sworn translator licensed to operate within the UAE should then translate the agreement into Arabic. The services of sworn translators are readily available in Dubai.

If the agency agreement is signed outside the UAE:

- i. It must be authenticated by a local notary public;
- ii. The local Ministry of Foreign Affairs must then certify and authenticate the signature and seal of the notary public;
- iii. The agency agreement must be certified by the UAE Embassy or Consulate or, where none exists, the Embassy of any other Arab country;
- iv. when the documents arrive in the UAE they should be taken to the Foreign Ministry, so that the stamp of the UAE Embassy or Consulate may be authenticated, and translated into Arabic by a sworn translator licensed to operate within the UAE;

The agency should be registered at the Federal Ministry of Economy and Commerce.

Principals may seek the services of a sole agent in the UAE or may appoint a commercial agent in each emirate or for each product. In practice, many overseas companies appoint several agents to cover different defined areas of the country. A commercial agent is entitled to territorial exclusivity and, as such, will receive infringement commissions on transactions concluded by the principal himself or through others within the agent's area of activity.

Although the term of the agreement may be limited to a specified period, it is not permissible for a principal to terminate an agency agreement without the agent's approval, except for reasons seen as valid by the Commercial Agencies Committee of the Ministry of Economy and Commerce. In the absence of any justifiable reason, the failure to renew an agreement may entail compensation to the former agent. Clearly, therefore, great care should be taken in the initial selection of an agent.

In certain cases, an agent with rights to the entire UAE appoints distributors in the other emirates or enters a joint venture or partnership with a national of a neighbouring emirate.

FREE ZONES IN DUBAI

Background

The Jebel Ali Free Zone and Dubai Airport Free Zone have been set up with the specific purpose of facilitating investment. Accordingly, the procedures for investing in the zones are relatively simple.

While the free zones are designed to complement and contribute to Dubai's growth and development, their legal status is quite distinct. Companies operating there are treated as being offshore, or outside the UAE for legal purposes.

The option of setting up in the free zones is therefore most suitable for companies intending to use Dubai as a regional manufacturing or distribution base and where most or all of their turnover is going to be outside the UAE.

Free Zone Incentives

- 100% foreign ownership;
- Exemption from all import duties;
- 100% repatriation of capital and profits;
- Freedom from corporate taxation, as applied throughout Dubai, with the added bonus of a renewable 15 year guarantee in the free zone;
- Abundant inexpensive energy;
- Simple and efficient recruitment procedures ensuring the availability of a competitive skilled and experienced workforce;
- A high level of administrative support from the free zone authorities.

Licenses

Companies approved for operation in Jebel Ali Free Zone or Dubai Airport Free Zone, are granted one of the following types of licences: Trading; Industrial; Service; or National Industrial. These licences are renewable annually for as long as the company holds a valid lease from either of the Free Zones.

1. Trading licences will be granted to companies holding a valid licence issued by the Dubai Economic Development Department or an equivalent authority in the UAE, and to companies incorporated outside the UAE. In each case, the permitted activities on the Free Zone licence must conform to those on the existing licence. Trading licences are also issued to Free Zone Establishments (FZE).

2. Industrial licences are issued to companies incorporated outside the UAE and to Free Zone Establishments.
3. Service licences are only granted to companies holding a valid UAE licence.
4. National Industrial licences are issued to industrial companies registered within or outside the UAE, provided they meet the conditions of having at least 51% AGCC equity and their local production accounting for at least 40% value added. Such companies must obtain provisional approval from the UAE Ministry of Finance and Industry. A National Industrial licence grants its holder the same rights as those of national and other AGCC companies, and products exported to AGCC states will be exempted from custom duties.

If a company wishes to practise more than one of the above mentioned activities, it must obtain a separate licence for each category of activity.

Companies holding a Free Zone licence are permitted to operate in the Jebel Ali or Dubai Airport Free Zones and outside the UAE. Operation within the UAE can be undertaken either by a commercial agent, representative, distributor, or the mother company licensed by the relevant UAE authority. Any company holding a Free Zone licence can itself purchase goods or services within the UAE.

Setting Up a Branch of a Foreign Company

Any company wishing to set up a project in the Free Zones must first complete a simple questionnaire. From the information provided, the Jebel Ali Free Zone Authority or Department of Civil Aviation can make a first assessment of whether the company's needs can be met.

After consideration of this questionnaire, the company will be provided with:

1. A licence application including an appendix with details of the documents required concerning the company's legal status;
2. A pro-forma of information required for planning; and
3. A consumer request for electricity supply.

On receipt of these documents, the Free Zone authorities will consider the proposal. If provisional approval is given, the company will be asked to prepare and submit the documents called for in the appendix to the licence application.

After the checking of these documents, a meeting will be called to discuss and finalise the project details. If everything is satisfactory, the Free Zone authorities will issue conditional approval for the project. Thereafter, a lease agreement and, if required, a personnel secondment agreement will be prepared by the Free Zone authorities for signature by the company.

At the time of signing, the applicant will be required to provide the insurance policies called for in the agreements and should pay the agreed rental and licence fees prior to collection of the licence.

If the company wishes the Free Zone authorities to sponsor employees on its behalf, applications for entry permits may be submitted once the licence has been issued. The bank guarantee called for in the personnel secondment agreement will be required at this stage together with visa charges.

If the company's project involves the erection of a structure, detailed plans must be submitted after the lease has been signed. When the plans have been agreed, a building permit will be issued.

Administrative work, such as importing equipment or engaging labour for installation of equipment, may proceed in parallel with construction work. But application for entry permits for operatives to be sponsored by the Free Zone authorities will not normally be accepted until a completion certificate for the construction has been issued.

Setting Up a Free Zone Establishment

A Free Zone Establishment - or FZE - is an establishment formed and registered within the Free Zones and regulated solely by the Free Zone authorities.

Such establishments must have a capital of at least Dh.1 million and liability will be limited to the amount of paid-up capital. A FZE need only have a single shareholder and is an independent legal entity.

Any company, organisation or individual wishing to form a Free Zone Establishment must submit a completed application to the Free Zone authorities. A decision on whether permission has been granted will be given within 30 days of receipt of the application and any other information and documentation required.

If permission is granted, the authorities will record all relevant details in the FZE Register and issue a Certificate of Formation. This will specify the date of registration after which the FZE will be free to conduct any such business as is permitted in its licence.

EMPLOYMENT REGULATIONS

Labour Law

Administered by the Federal Ministry of Labour and Social Affairs, Labour Law in the UAE is loosely based on the International Labour Organisation's model. UAE Law No. 8 of 1980, as amended by Law No. 12 of 1986 (the Labour Law), governs most aspects of employer/employee relations, such as hours of work, leave, termination rights, medical benefits and repatriation. The Labour Law is protective of employees in general and overrides conflicting contractual provisions agreed under another jurisdiction, unless they are beneficial to the employee.

The Ministry issues a model form of labour contract in Arabic which is widely used, but other forms of contract are enforceable, provided they comply with the Labour Law. End of contract gratuities are equivalent to 21 days pay for every year of the first five years of service and 30 days for every year thereafter. The total gratuity should not exceed two years' wages. Employees are entitled to pro-rated amounts for service periods less than a full year, provided they have completed one year in continuous service.

Trade unions do not exist. In the case of a dispute between employer and employee, or in interpretation of the Labour Law, the Ministry of Labour and Social Affairs will initially act as an adjudicator. If a party wishes to appeal any such decision, it can take its case to court. Strikes and lockouts are forbidden.

Working Hours and Holidays

The normal maximum working hours are eight per day or 48 per week. However, these hours may be increased to nine daily for people working in the retail trade, hotels, restaurants and other such establishments. Similarly, daily working hours may be reduced for difficult or dangerous jobs. Many businesses work on a two-shift system (for example, 8am - 1pm and 4pm - 7pm). As in all Muslim countries, Friday is the weekly day of rest.

In practice, commercial and professional firms work 40-45 hours a week and government ministries about 35. The weekend for office workers has traditionally been Thursday afternoon and Friday (for government office workers, Thursday and Friday), but a number of organisations have changed to a five-day week with Friday and Saturday as the weekend. During the Muslim holy month of Ramadan, normal working hours are reduced by two hours per day.

There are 10 days of public holidays (paid) in any year. The employee's annual leave is two days for every month if his service is more than six months and less than a year. In every completed year of service after the first, an employee is entitled to 30 days annual paid leave. This is in addition to public holidays, maternity leave for women and sick leave.

Overtime is used extensively and additional pay is required for manual and lower ranking staff.

SELECTED BUSINESS REGULATIONS

AGCC Customs Exemption

According to the AGCC Unified Economic Agreement drawn up on 8 June 1981, products originating in any AGCC state are exempted from customs duty (and other charges having an equivalent effect) in any other AGCC state.

However, to qualify as national products, the value added ensuing from their production in member states must not be less than 40% of their final value and the factory must be licensed by the Ministry of Finance and Industry. In addition, the share of the member state citizens in the ownership of the producing plant must not be less than 51% unless the ownership is 100% AGCC. A certificate of origin duly authenticated by the appropriate government agency must accompany every item for which exemption is claimed.

Tenders

In Dubai, government projects and orders are generally put out to tender. The required qualifications, specialisations and other terms and conditions for participation vary according to the project and the authority concerned.

Certain tenders are offered internationally but where local tenders are involved only those companies licensed and registered with the department concerned are eligible to bid. In order to qualify to participate in a tender one or more of the following may apply:

1. The tenderer shall be a firm wholly owned by UAE nationals. In the case of a partnership, at least 51% of the equity must be owned by UAE nationals. A foreign party may only tender if it has a UAE representative or agent with the necessary documents;
2. The tenderer should hold a valid licence from the Economic Development Department;
3. The tenderer must be a member of the Dubai Chamber of Commerce and Industry.

Taxation

There is no corporate tax in Dubai. The only exceptions to this are oil producing companies and branches of foreign banks. Likewise, there are no personal taxes. Direct taxation is against the traditions of the UAE and it is highly unlikely that it will be introduced in the near future.

Trade Regulations and Practices

Imports into Dubai can only be undertaken by those importers who have the appropriate trade licence. Import duties have been largely standardised at

4%, but there are many exemptions, including food, building materials, medical products and any item destined for the Jebel Ali and Airport Free Zones. Food products must carry dates of manufacture and expiry and meat for the local market must have a certificate to prove compliance with Islamic law.

Trade practices in Dubai are in line with normal international standards. All correspondence should be in Arabic or English. As a sophisticated market, full technical specifications should be provided with CIF Dubai prices and Middle East references. Payments are normally effected by letter of credit.

The UAE is a member of the World Trade Organisation.

Exchange Control

There are no exchange controls in the UAE and its currency, the UAE Dirham, is freely convertible. The Dirham is linked to the US dollar, the currency by which oil prices are measured. The exchange rate has remained at Dh 3.675 = US\$ 1 since 1977.

Banking and Finance

The regulatory authority since 1980 has been the UAE Central Bank. Some 47 commercial banks operate, with a total of around 370 branches, of which about 27 are foreign banks with a combined total of more than 200 branches. Federal law restricts foreign banks to no more than eight branches each.

Federal law requires that every commercial bank must have a paid-up capital of at least Dh 40 million. There are few investment or merchant banks at present.

For medium-term or long-term industrial finance, local companies can approach the Emirates Industrial Bank, set up by the UAE government with an initial capital of Dh 500 million. Its main objective is to help develop the private sector.

Bill discounting can be arranged with the commercial banks, either foreign or locally owned. Leasing and hire purchase are available from local finance companies specially in this business. Factoring is not practised in the UAE.

Import and export financing can be arranged through the commercial banks. Margins are often required by the banks. Such margins and the facilities offered by the banks will mainly depend on their relationships with their customers.

Accountancy

The registration of accountants and auditors in the UAE is governed by

Federal Law No. 22 of 1995. There is no local professional body of accountants but many of the large international accountancy firms have offices in Dubai. Under Federal Law No. 13 of 1988, all commercial companies are required to keep financial records, while Federal Law No. 18 of 1993 specifies the books and records that are required to be kept by traders.

Land Ownership

Foreign companies and individuals are not permitted to own land or real estate in Dubai. All property must be rented or leased for the purposes of running a business.

Trade Marks and Patents

Three UAE Federal Laws cover the protection of industrial and intellectual property. They are: Federal Law No. 37 of 1992 on Trademarks, Federal Law No. 40 of 1992 on Protection of Intellectual Property and Copyright, and Federal Law No. 44 of 1992 on Protection of Industrial Property.

Legal System

There is a comprehensive framework of legislation to ensure that business in the UAE is conducted in a fair and orderly manner. There are laws dealing with commercial transactions, intellectual property, labour and other aspects of business life.

Dubai has many local and international law firms willing to advise foreign business organisations on legal matters.

There are Federal Courts in all emirates except Dubai and Ras Al Khaimah, which have retained their local courts. Dubai has civil, criminal and Shariah (Islamic) Courts of first instance. All court decisions may be brought to the Dubai Court of Appeal. Thereafter, a final appeal may be made to the Dubai Court of Cassation.

The Civil Court (as opposed to the Shariah court) has jurisdiction over labour, civil and commercial transactions, as well as personal matters (e.g. wills, divorces etc) relating to non-Muslims. The language of the Courts is Arabic and advocates admitted to plead are Arab nationals.

