



## Dubai / United Arab Emirates

### Doing Business in the Mainland Dubai

Dubai is the Middle East's most important trading hub. The emirate has a liberal outlook and is committed to free trade. Therefore establishing a business entity in Dubai can be an attractive option for foreign investors. Economic activities conducted in Dubai outside of the numerous free zones (Jebel Ali, Dafza, Internet City,...) are regulated by the Dubai Department of Economic Development (DED). The DED is the vital government body for registering and licencing companies who intend to do business in the mainland of Dubai.

The DED recently has been updating its rules and regulations to act as a one stop service center for all licenses in mainland Dubai. Today DED provides fast track services compared to most of the government authorities in other emirates or neighboring Gulf countries.

Last year Dubai government has issued a new law in order to clear the way for free zone companies (FZ-Co.) or free zone establishments (FZE) to open branch offices and subsidiaries in Dubai.

There has been however some irritation about the consequences of this new law (Law No. 13 of 2011) which was issued by His Highness Sheikh Mohammad Bin Rashid Al Maktoum, Vice-President and Prime Minister of the UAE and Ruler of Dubai regulating the economic activities for licenses to be issued by the DED. The pivotal question is whether the law permitted all free zone entities to do business outside the free zone without the need to obtaining any additional and appropriate licenses from the Dubai authorities.

Popular Freezones like Jebel Ali or Dubai Airport Freezone do not permit companies registered and licenced within the zone to do business in the mainland of Dubai unless such company obtains a DED license or set up a branch in mainland Dubai in accordance with the conditions stated in Law No. 13 of 2011 on business registration and licencing in the Emirate. The DED is the only responsible authority for issuing such licenses.

According to the law no company is permitted to conduct economic activities outside the free zones except through a corporate entity licensed by the DED. Companies who violate these provisions can be fined up to AED 100,000. Therefore free zone companies can do business in mainland Dubai especially via limited liability companies or branches.

A limited liability company established outside of the freezones must have a UAE national legally holding at least 51% (majority shareholder) of that limited liability company.

In case of a branch, it will be wholly owned by the free zone entity and will have the same trade name as of its parent. A UAE local service agent will need to be appointed. If however the free zone company is owned 51% or more by a UAE national the branch will be exempted by the Ministry of Economy from appointing a local service agent.

The local service agent will sponsor employees for the branch at the Ministry of Labour. He will have no rights of voting or decision-making in the company and does not have any responsibility or financial obligations related to the business of the branch. The agent is paid a fixed fee every year for his service.

Law No. 13 of 2011 doesn't stipulate any restrictions of the activities that can be provided by a mainland branch, in practice however there are some

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important limitations: The branch must be registered with the Ministry of Economy and this Ministry has certain restrictions regarding the activities of the branch, e.g. the Ministry will not allow a branch to conduct the activity of commercial agencies or restaurants.

Below there is an overview of the current requirements of the Ministry of Economy for the setup of a branch office in Dubai:

- Initial approval and trade name certificates issued by the DED.
- Corporate documents of the free zone entity including duly notarized Board Resolution calling for the setup of the branch and authorization delegating powers to the manager of the branch
- Passport copy of the manager and the local service agent (or copy of the license in case the local agent is a corporate entity).
- Local service agent agreement (notarized)
- Fee for the Ministry of Economy: AED 15,000.
- Bank guarantee of AED 50,000 in favour of the Ministry of Economy.

Currently business licenses in Dubai mainland are issued for the following activity types:

- Commercial Trading
- Service Providers
- Professional Consultancies
- Tourism and Travel Agencies
- Manufacturing

### Summary:

Although the new Law No. 13 of 2011 paths the way for setting up branch offices and limited liability companies in Dubai mainland, foreign investors have to keep in mind the restrictions regarding the activities of such entities. International Investors do have to make sure that their business approach is compatible with the current legal framework in the UAE.

For any information on the legal framework or the requirements for doing business in mainland Dubai please contact us:

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