

Part V

UAE Free Zones:

The ushering in of Free Zones has transformed the economic scenario of the UAE in a short span of 18 years, bringing about tremendous change in the industrial scene of this young nation. The pioneer in the Free Zone Empire in the UAE is Jebel Ali Free Zone, which was started in Dubai on 9th February, 1985. This was totally a new concept to the Middle East. When the Dubai Government issued a Decree establishing the Jebel Ali Free Zone Authority (JAFZA), the announcement received little attention. The idea of a "Free Zone" was relatively new amongst the business circle. Even those who were aware of the concept, were doubtful whether it would work in the traditional environment of the Gulf. However, 18 years have passed and the Free Zone concept is now thriving in the UAE. Jebel Ali Free Zone being the first Free Zone in the country has created the benchmark for regulations and incentives. Its rapid growth has also provided a powerful economic inspiration to the other Emirates, which have set up their own Free Zones to attract investment. Success of any viable Free Zone largely depends on quality of service and facilities it offers and the UAE is a brilliant example of this hypothesis. With the number of Free Zones increasing, their impact on the UAE economy has deepened. Proximity amongst the Free Zones has not been a deterrent to their development. By now, the UAE Free Zones are home to more than 4000 companies and this number keeps on increasing day by day.

The UAE Free Zones are listed hereunder:

1. Jebel Ali Free Zone, Dubai
2. Dubai Airport Free Zone
3. Dubai Cars & Automotive Zone
4. Dubai Technology, Electronic Commerce and Media Free Zone
5. Gold & Diamond Park, Dubai
6. Sharjah Airport International Free Zone
7. Hamriyah Free Zone, Sharjah
8. Ajman Free Zone
9. Ras Al Khaimah Free Zone
10. Fujairah Free Zone
11. Ahmed Bin Rasheed Free Zone, Umm Al Qaiwain

The highlights of the above Free Zones are covered hereunder:

1. Jebel Ali Free Zone, Dubai

Established by a Government decree in 1985, the 100 square kilometre Jebel Ali Free Zone has gone from strength to strength.

Situated midway between east and west, and convenient stopping off point for global trade traffic, the Jebel Ali Free Zone with its excellent facilities and incentives has grown and developed through years of experience to take its place amongst the world's leading Free Zones.

As a port-based Free Zone, supported by a superb infrastructure, the Jebel Ali Free Zone has easy access to all world class cargo handling facilities and quality services, and it is easy to see why so many multinational giants have chosen the Free Zone as their distribution centre.

The incentives and facilities offered by the Free Zone are:

- Access to a market of over 2 billion people;
- 100% foreign ownership;
- No personal income taxes. No corporate taxes for 50 years, a concession that is renewable;
- 100% repatriation of capital and profits and no currency restrictions;
- Modern efficient communications;
- Simple and efficient recruitment procedures ensuring the availability of a competitive work force of the required level of skills and experience;
- A high level of administrative support from the Free Zone Authority including in-house e-business support and "MyJAFZA" portal service.
- Attractive working environment;
- Excellent support service from Dubai Ports Authority's two modern container terminals;
- Competitive freight charge for outgoing cargo;
- Availability of land on long term lease and warehouses, offices and labour accommodation on annual lease; and
- Mortgage of premises built on leasehold land permitted.

Recently, new regulations have been introduced by the Jebel Ali Free Zone Authority for registering and governing offshore companies. A Summary of the relevant regulations is given at the end of this part.

2. Dubai Airport Free Zone

The Dubai Airport Free Zone is located on more than 1.2 million sq. metres of land that includes apron space of 473,000 sq. metres, on the north side of the Dubai International Airport.

The significant advantages of Dubai Airport Free Zone are its location within the boundaries of Dubai International Airport; fast and effective cargo clearance services; on-the-spot presence of international freight forwarders and logistics companies; on-line customer service; excellent business facilities and round -the -clock services provided online by the Customs Authority.

The highpoint of the Airport Free Zone is the attractive business incentives which include 100% foreign ownership, no corporate or personal income taxes, the freedom to repatriate both capital and profits, full exemption of import duties on goods used in re-export trade and for industrial purposes and the waiving of currency restrictions. To smoothen the flow of business, the Airport Free Zone ensures that there is no red tapism or bureaucracy in the day to day operations. Co-operation between the airport authorities and the customs ensures the clearance is streamlined and efficient.

The Airport Free Zone is built around a high quality infrastructure which includes digital communication, Etisalat's satellite facilities, reliable power supply and ultra modern equipment and utilities. High tech companies producing items such as electronics components, microchips, watches, pharmaceuticals, jewelry, spare parts and other valuable goods will find the Airport Free Zone a perfect base for their operation in the Middle East.

3. Dubai Cars & Automotive Zone (DUCAMZ)

DUCAMZ which is situated at Ras Al Khor occupying an area of 8 million sq. ft. was established with the objective of re-exporting used cars to the Asian and African Region where the demand exists and continues to grow. The location has easy access to all airport and seaports in the Region and from here, the automobile is reloaded onto feeder vessels, or on to trucks which travel throughout the region on a modern network of highways, linking all the neighboring countries in the Middle East and beyond.

Jebel Ali Free Zone Authority is charged with the supervision of DUCAMZ. Its responsibilities include providing companies with all assistance required including: licensing, administration services, customs and clearing etc, if they wish to operate within the Free Zone. Procedural matters have been kept simple. Other salient features of DUCAMZ are:

- No restrictions on maximum import of automobiles
- No personal income and capital taxes
- No corporate taxes for 50 years - a concession that is renewable
- 100% repatriation of capital and profits
- Modern efficient communications

- No recruitment problems
- Attractive working environment
- Abundant energy
- No currency restrictions
- No administration problems
- Hassle-free clearance from: Police (Traffic Department), Customs, Port and Bank
- Excellent support services from Dubai Ports Authority and other service institutions such as: Shipping, Insurance, Banking and Automobile Workshops
- Competitive freight charges
- Transfer of Ownership within the Zone

4. Dubai Technology, Electronic Commerce and Media Free Zone (TECOM)

Dubai Internet City

The Dubai Internet City was established under the Dubai Technology, Electronic commerce and Media Free Zone Law which was promulgated by a Decree of H. H. The Ruler of Dubai in January 2000. This new Free Zone creates a business and regulatory environment in which Technology, Electronic Commerce, Internet and Media companies can operate globally out of Dubai with significant competitive advantages.

Unlike the other Free Zones in Dubai, The Dubai Internet City is industry specific. The business and activities that can be carried out in the Free Zone include the following:

- Web Based
- Back Office
- Consultancy
- IT Support
- Software Development
- Sales and Marketing
- ASP

The companies registered in The Dubai Internet City are permitted to deal in all kinds of products except those goods and services that are in violation of intellectual property laws, products boycotted in the UAE and the goods and services that are generally prohibited under the UAE law.

Companies operating in the Free Zone are allowed to be 100% foreign owned. The companies are also able to obtain renewable leases of up to fifty years on ready-to-operate offices or land and are facilitated by a "single window" clearance for all Government

approvals. These companies are permitted to sell their goods and services throughout the UAE and are exempted from any taxes on corporate or personal income. There are also no restrictions on the repatriation and transfer of capital, profits and wages in any currency to any place outside the Free Zone.

Dubai Media city

In March 2001 many prominent media businesses representing the multifaceted media community, comprising broadcasting, production, music, multimedia, publishing, advertising, research and printing, commenced operations from Dubai Media City. The buildings in the city are interlinked with smart networking that reflects its core philosophy to provide a free and flexible environment where ideas flow with transparency and without any barriers. The aim is to provide the media business community, the creative talent in this City, together with the regional and international cooperation a launch-pad to the future of the global media operations.

Dubai Media City brings to the media community an advance infrastructure based upon a global interconnected network, linked by satellites, computers, the internet, television, radio, journalism, cinema and film production. The city also offers the most advance scalable IT network including web hosting. In addition, unique voice/data services and globally accessible email options will be offered at competitive rates. A Customer Care Centre provides all technical and support services.

Companies working in Dubai Media City have the unique edge of commercial benefits derived from the Free Zone status including 100% business ownership requiring no sponsorship, no customs duties, guaranteed 50 years exemption from tax on personal and corporate income. Media trade license will be issued from Dubai Media City. With the assurance of hassle free, single-window completion formalities for all its partners – be it large corporation or independent entrepreneurs.

To pave the way for freelance talent in the rapidly growing arena of media evolution, Dubai Media City also offers total office solutions through the Media Business Centre which provides a modern, supportive, dynamic, and flexible infrastructure inclusive of latest technology and professional administrative services. Assured sponsorship simplified visa procedures flexibility in leasing arrangements, a comprehensive business infrastructure, highly skilled business assistance are just some of the facilities the Media Business Centre offers to allow individual and corporate investors to participate in the media industry's promising future.

5. Gold and Diamond Park

The Gold & Diamond Park is a part of the Jebel Ali Free Zone Area, whereby all tenants can benefit from the facilities offered by the free zone authority. Tenants can form their own companies having 100% ownership and also easy access to obtain visas for owners and employees alike. Other facilities include:

- Healthy environment through proper ventilation systems, exhaust facilities and provision of acid disposal points.
- Safety and security through 24-hour security (patrols & video surveillance), fire alarms and fire defense systems.
- Handy labour accommodation and transport.
- Hallmarking provided by the Dubai Municipality's regular pickup services for all gold manufactured and sold from the Gold & Diamond Park.
- Visitors centre attracting tourists and shoppers.

6. Sharjah Airport International Free Zone (SAIFZ)

Spread over 10 million square metres and equipped with the state-of-the-art facilities, SAIF-ZONE has been designed to cater to both local and international investors and offers the tools to cope with the rapidly changing business environment in the region. Ideally located in the centre between the east and the west, SAIF-ZONE is looking to become a major distribution centre for the European market and the Far East market as well as catering to the growing demand from the CIS and Africa.

The various advantages of operating in SAIF-ZONE include:

- No corporate or personal income-tax for 25 years – a concession that is renewable for additional 25 years, 100 per cent foreign ownership and full repatriation of capital and profits.
- Access to the Sharjah International Airport which receives all categories of aircraft and handles all types of cargo and has one of the most sophisticated hub stations in the region.
- Companies can utilize the port facilities on both East and the West coasts of the UAE. Access to the port of Khorfakkan on the East Coast offers an opportunity to save sailing time by two days and reduce freight and insurance costs for both importers and exporters. There is also priority and special handling for SAIF-ZONE goods at any Sharjah port and a simplified customs procedure has been provided.
- The available resources of the work force with an economical wage structure and a simplified and cost-effective administrative, recruitment and services policy adopted by SAIF-ZONE greatly facilitate a quick start-up and efficient operation of the business.

7. Hamriyah Free Zone

Located 15 kilometres north of Sharjah city and based around Hamriyah Port in Sharjah, this new Free Zone derives its strength from its strategic location which not only provides deep water access but also, being on the UAE's highway network, links all the seven Emirates and provides connections to neighbouring Gulf states.

The Free Zone area consists of approximately ten million square metres of prime industrial and commercial land and a deep-water harbour with enough room for expansion in future. It offers purpose built office accommodation, warehousing and factory units and an international business centre having space for Executive office suites with state-of-the-art conferencing and Internet facilities. Over 1 million sq. metre is being zoned for developing a residential area, an international hotel and recreation and leisure facilities on the beach and the Hamriyah sea water lagoon.

In addition to usual investment incentives of 100% foreign ownership, no corporate or personal income taxes, exemption from all commercial levies, full repatriation of capital and profits and land lease up to 25 years renewable for further 25 years, the special advantages offered by Hamriyah Free Zone include:

- Access to the Arabian Gulf and the Indian Ocean through the two ports of Sharjah situated on east and west coasts linked by modern multilane highway network;
- Customs privileges for goods destined for Hamriyah Free Zone;
- Quick and simple procedures for approval of License Applications and unrestricted recruitment and sponsorship of personnel and procurement of visas;
- Easy access to one of the most important cargo hubs of the region at Sharjah International Airport; and
- Access to Internet, e-mail and other secretarial and day-to-day administrative services existing at the Free Zone.

With a highly flexible and dynamic management, Hamriyah Free Zone is all set to develop into a leading industrial base of the UAE.

8. Ajman Free Zone

A massive multi-million Dirhams plan to develop the Ajman Free Zone covering over a million square metre area is currently under progress and already a large number of companies are operating in the Free Zone. Also under progress, is a major development plan for Ajman Port, which is aimed at enhancing its facilities to world class level in the near future.

Ajman's strategic location at the entrance of Arabian Gulf and proximity to Sharjah and Dubai enables it to access two international airports and five ports lending it an unbeatable edge. With these sea and air connections and hi-tech road network which connect Ajman to Oman, Qatar, Bahrain, Saudi Arabia, Iran, Kuwait and beyond, Ajman Free Zone is effectively positioning itself as an ideal redistribution centre for regional markets.

Ajman Free Zone offers the usual advantages including 100% foreign ownership, full repatriation of capital and profits, no corporate or personal income taxes etc., and also provides a carefully developed "special cost advantage package" which includes cheap rents and energy, economic wage structure, access to vast workforce, exceptionally low port handling charges, 20 years lease contract renewable for another 20 years and total exemption from customs duty on goods used in re-export trade and for industrial purposes.

9. Ras Al Khaimah Free Trade Zone

Ras Al Khaimah is the northern most of the UAE's seven Emirates and therefore closer to main shipping lane traversing the Strait of Hormuz and closer to CIS and Iranian markets which are the Zone's main targets.

The RAK Free Zone is unique in that it comprises three different business parks specializing in different functions. This diversification of the free zone parks, both functionally and geographically, is advantageous to the Free Zone's tenants since each business chooses where it wishes to invest based upon the type of activity in which it is involved:

Heavy Industry & Warehousing: This Free Zone Industrial Park is comprised of 117 Hectares of land in close proximity to Port Saqr. It is available for heavy industrial production and warehousing of raw materials or finished products. Its proximity to Port Saqr means that receiving or shipping is expedited by the short drive to port.

Light & Clean Industry: Light Industrial zone, i.e. the Technology Park, with 71 Hectares of undeveloped and developed plots, is dedicated to activities requiring a clean production environment and / or close proximity to RAK's international airport.

Trading & Services: Located in the Al Nakheel business district of Ras Al Khaimah, the Business Park has fully-equipped offices replete with ample electrical power, fax and telephone connections, spacious office space, and other amenities.

The Free Zone has a number of advantages including providing world class service at low costs and offering amenities for a quality stress-free style in the city. All normal investment and taxation incentives and facilities offered by other free zones are also available in the RAK Free Trade Zone.

10. Fujairah Free Zone

Located on the East Coast of United Arab Emirates outside the straits of Hormuz, Fujairah Free Zone in the Emirate of Fujairah offers all benefits offered by other Free Zones. It also offers simplified licensing procedures and simple and efficient customs facilities besides attractive land rates, highly competitive tariffs for energy and other utilities and prompt administrative services.

A Business Club erected on a 1000 sq. metre area specially meets the basic needs of the Investors. It includes a Conference room, Auditorium and furnished Trading Offices.

As a part of the ongoing development programme of the Fujairah Free Zone Authority, a purpose-designed conference centre has been constructed to serve both local organizations and visiting events to Fujairah. The centre has been designed to include the most modern specifications of room layout, technical equipment and services and offers a flexibility so as to accommodate a wide range of meetings and presentations.

11. Ahmed Bin Rasheed Free Zone - Umm Al Qaiwain

The Ahmed Bin Rashid Free Zone in Umm Al Qaiwain is beginning to carve out a niche for itself in the Free Zone market. The area today is slowly but surely attracting more investors interested in setting up their businesses there.

The Zone measuring 118,800 square metres, reserved for light industrial development, is located within the port complex itself, thus facilitating easy cargo movement both by sea and over land. The port facilities operate on the Free Port concept, which has now been extended to include manufacture and assembly.

The Free Zone offers investors all the benefits offered by other Free Zones including 100% foreign ownership, full repatriation of capital and profits, no corporate or personal income taxes, no import duties, no export taxes etc. Also available is a comprehensive warehousing service, which includes receiving, accounting and subsequent distribution on the manufacturer's behalf, with control of all movements in or out remaining with the owners. As a result of personalized services, papers are quickly processed, which has been encouraging a lot of new clients to come into this Free Zone.

Establishment of businesses in the Free Zones in the Emirate of Dubai

A company in the Free Zone can be established with 100% foreign ownership either as (a) Branch of a foreign company including a company registered in the UAE or (b) Free Zone Establishment (FZE) or (c) Free Zone Company (FZC). Given below is a brief summary of the relevant procedural formalities:

a) Branch of a Foreign Company

There is no minimum capital requirement for establishing a branch of a foreign company. The licensing procedures require submission, to the Free Zone Authority, of the parent company's incorporation and related documents, board resolutions and other specified details. Licenses are issued upon verification of these documents and after payment of the agreed rental and license fees. If required by the company, the Free Zone Authority can sponsor employees on its behalf. The provision of a bank guarantee and payment of visa charges is a pre-condition to such sponsorship of employees.

b) Free Zone Establishment (FZE)

A separate legal entity called the Free Zone Establishment (FZE) with limited liability can be formed with its Head Quarters in the Free Zone. All Free Zone Establishments are regulated solely by the Free Zone Authority and can only have a single shareholder and at least one Director, who must be a resident of the UAE. After acceptance of the application and other required information and documents, permission will be granted by the authorities and all relevant details will be recorded in the Free Zone Establishment register and a Certificate of Formation will be issued accordingly. The FZE will be able to conduct its business as permitted in the license.

c) Free Zone Company (FZC)

The Free Zone Company (FZC) will be a private Company, and therefore, no invitation can be made to the public to subscribe for its shares. The FZC shall have a minimum of two and maximum of five shareholders. The FZC shall have a Board of Directors consisting of not less than three persons (at least two directors and one secretary) although the offices of Director and Secretary can be held jointly by a single person. At least two of the Directors and the Secretary must be resident of the UAE. The FZC must comply with the conditions stated in its license and also the implementing regulations of the Free Zone Authority.

All above entities can operate in the various Free Zones under one or more of four different categories of licenses namely, Trading, Industrial, Services and National Industrial License. Each license is categorized by the nature of the permitted activity. Some limitations in the licensing of activities would, however, be applicable in certain Free Zones covering specific areas of operations e.g. The Dubai Technology, Electronic Commerce and Media Free Zone, DUCAMZ, Gold and Diamond Park etc.

- A Trading License allows the holder to import, export, sell, distribute, and store all the items specified on the license. Sales in the UAE, however, must be carried out through a distributor or agent.
- An Industrial License allows the holder to import raw materials, carry out the manufacture of specified products and export the finished products to any country. The manufactured products can be sold in the UAE through a distributor or agent.
- A Service License allows the holder to carry out the service specified in the license within the Free Zone subject to compliance with the regulations specified in that behalf.
- The National Industrial License is designed for manufacturing companies which are registered either within or outside the UAE. The ownership or shareholding must be at least 51 per cent AGCC (Arabian Gulf Cooperation Council – Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates). The value added to the product in the Free Zone must amount to a minimum of 40 per cent of the sale value. This license allows its holder the same status as local or AGCC companies inside the UAE. A National Industrial License allows the holder to import raw materials, carry out the manufacture of specified products and export the finished products to any country. The activity must conform with the National Industrial Production Certificate, issued by the Ministry of Finance & Industry on behalf of the Company. Companies holding a National Industrial License qualify for customs duty exemptions on their products imported into the AGCC states.

Establishment of businesses in Free Zones in other Emirates

The licensing and other administrative procedures for establishing businesses in Free Zones in other Emirates are more or less similar to those in Dubai Free Zones. However, the capital requirement and the structure for the companies that can be set up in each Free Zone is dependent on the laws and regulations formulated by the respective Free Zone Authority. The type of documentation, costs and time required for registration of any business entity also depends upon its proposed activity and structure, and the prescribed regulations of each such Free Zone.

Offshore Companies

Recently, the Jebel Ali Free Zone Offshore Companies Regulations 2003 ("the Regulations") have been introduced for registering and governing offshore companies. Under the Regulations, an offshore company with limited liability can be formed with at least one shareholder, two directors and a secretary. The capital structure can be decided by the shareholder(s). However, all the shares must be fully paid when allotted and the company is not allowed to create different classes of shares or issue bearer shares. The Articles of Association specifying the regulations for the offshore company should be delivered to the Registrar along with the application for the Certificate of Incorporation.

An offshore company is required, at all times, to have:

- A registered agent, approved by the Jebel Ali Free Zone Authority ("the Authority"). Such registered agent shall be located in the Free Zone or in Dubai;
- A registered office, which must be an office maintained in the Free Zone by the company or an office maintained in the Free Zone or in Dubai by its registered agent, to which all communications and notices may be addressed.

An offshore company may conduct any lawful business subject to the following restrictions as provided by the Regulations. An offshore company cannot:

- Carry on business with persons resident in the UAE;
- Own an interest in real property situated in the UAE, other than a lease for use as a registered office or ownership of properties specified in the Regulations or as approved by the Authority;
- Carry on banking business or business as an insurance or re-insurance company, insurance agent or insurance broker or any other business which may be prohibited by the Authority under the Regulations.

An offshore company can hold a bank account in the UAE for the purpose of conducting its routine operational transactions.

If an offshore company wishes to conduct trade or other business in the Free Zone or elsewhere in the UAE, it must obtain the appropriate license from the competent authorities.

Every offshore company is required to keep proper accounting records which shall be examined and reported upon by auditors as provided in the Regulations.