

Smoothing The Path

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According to the Doing Business Report 2011, which was published by the World Bank and assesses the efforts of 183 countries worldwide, the UAE has made notable recent strides when it comes to providing opportunities to the private sector. And this progress has been in no small part due to the initiatives of Dubai's government – Dubai Customs' new Mirsal 2 e-clearing system, for example, was singled out for particular praise in the latest report.

The World Bank also commended the UAE for enhancing access to credit, so making it easier to launch new enterprises, and it's this aspect of the business environment to which Dubai has been paying close attention in recent months. The emirate already boasts an advantageous geographic location, stable political system, talented labour market, and world-class infrastructure. And as its government focuses on smoothing the path for corporate set-ups, Dubai is likely to become an even more attractive prospect for foreign direct investment (FDI).

“Dubai Government has always been consistent in reviewing and aligning the emirate's regulatory framework to cater to new challenges,” says Samer Qudah (pictured), a partner and Head of Corporate Structuring at law firm Al Tamimi and Company. “Dubai has built a leading position as a major commercial, industrial and trading hub in the region, and in order to maintain that position, particular attention has been paid to easing the process of setting up companies, to attract more foreign investment,” he adds.

The Business Registration and Licensing Division is a key component of Dubai's Department of Economic Development (DED), and is constantly reviewing existing procedures to simplify rules and regulations related to trade licensing. It has also embraced the internet age, launching a series of e-initiatives which means users may now pay for their licence, renew their licence, reserve a company name and secure initial approval to set up a company, all at the click of a mouse.

At the same time, Dubai Government has established a dedicated office within the DED, to drive foreign direct investment into the emirate. The Foreign Investment Office (FIO) works with potential investors to identify opportunities, and provides valuable support services to those same would-be business partners. At Al Tamimi, Qudah notes that the work of bodies such as the FIO is likely to increase the rate of corporate set-ups in the emirate, as a formal corporate set-up “would normally act as a repository of FDI, in the form of a joint venture company, or a special purpose vehicle”.

Dubai Government has also taken advantage of an amendment to Article 227 of the UAE Commercial Companies Law, which means that limited liability companies (LLCs) no longer require a minimum share capital of Dh300,000 (US\$81,673) upon start-up. The shift, which came in 2009, means that prospective business partners seeking to establish an LLC have the freedom to determine the capital requirements of their new company, and there is no minimum par value for the company's shares. Instead, the law provides that the LLC must have “sufficient capital... to achieve the object of incorporation”.

As Qudah points out, no discussion of FDI growth in Dubai would be complete without mention of the free zones that have attracted such significant foreign interest, particularly in the industrial sector. The emirate's pioneering adoption of the free zone concept dates back to Jebel Ali Free Zone, which was established in 1980. Since then, Dubai has unveiled a host of increasingly successful free zones, which act as a catalyst for foreign investment by offering incentives including 100 per cent foreign ownership, statutory exemption from corporation and income taxes, duty-free import of goods and services, no foreign currency restrictions, streamlined labour and immigration procedures, and full repatriation of profits and capital.

“Free zones can offer more incentives compared to an LLC incorporated on mainland Dubai,” says Qudah, of the 36 existing and proposed free zones in the emirate. “This could be in terms of shareholding and dedicated services for companies involved in particular commercial activities - Dubai Healthcare City, Dubai Media City and Dubai Textile city, for example.”