

DUBAI FREE ZONES

Attractive tax-free Business Incentives & Solutions for International Investors



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Dubai's global marketing efforts have proven to be extremely successful over the past years and have brought substantial investment and new businesses to the UAE. Normally operating a business and obtaining a trade license would require partnering with a local sponsor who owns 51% of the business by law. However, Dubai as the first emirate has chosen to offer attractive alternatives in the form of Free Zones which guarantee the investor 100% ownership and a completely tax free status.

What is a Free Zone?

According to the World Federation of Free Zones (WFFZ) a Free Zone is a portion of a clearly defined and isolated land or setting, with a special tax, customs and imports regime, usually involving a status of extra-territoriality. Free Zones provide state of the art infrastructure and are designed as special investment models allowing total ownership of the business in the UAE. Therefore, to establish a business entity in one of the UAE's many Free Trade Zones (FTZs) can be an attractive option for foreign investors who wish to keep 100% ownership of their business.

An independent Free Zone Authority (FZA) governs each free zone, and is the agency responsible for issuing FTZ operating licenses (which can be service, trading or industrial/manufacturing). However, not all businesses will fit into a free zone. Purpose of the business has to be clearly defined and laid out in a detailed business plan.

Investors can either register a new company in the form of a Free Zone Establishment (FZE), which means the company has one shareholder (individual or corporate person), or a Free Zone Company (FZC, FZCO, FZ-LLC). In this case the company needs a minimum of two shareholders (maximum of 5 shareholders). Alternatively investors can establish a branch office of their existing or parent company. Free Zone companies are in general limited liability companies.

What Kind of Licenses will be issued?

All businesses who wish to set up in any Dubai Free Zone will have to lease either office premises or land and acquire a business/trade license from the respective Free Zone Authority (regulated by law). Dubai Free Zones do not allow to rent office/warehouse space outside their boundaries (except: If no space is available at the time of registration some of the Free Zones issue a temporary license to rent space outside until space will be available inside the Free Zone). Strictly speaking companies with trade and industrial licenses can only conduct business within the Free Zone or abroad. To sell their products in the UAE, a UAE official agent is required by law. For service based businesses no agent is required. All new entities such as FZE or FZC (also FZCO or FZ-LLC) have to show share capital upon registration ranging from AED 50,000 to AED 1,000,000 depending on the Free Zone requirements and the structure of the company. All licenses are valid for 1 year and need to be renewed prior to expiry.



Registration Process

The actual application and registration process can be quite tedious. Depending on the structure of the company (individual owners or corporate) a number of documents need to be notarized and UAE Consulate attested in the applicant's home country. Also the reviewing process whether a company will be accepted can take anything from 2 weeks to 2 months. Dubai Free Zones prefer established companies with a proven track record. Start-up companies will find it difficult to set up in a Dubai free zone. These days Free Zones take the liberty to refuse giving licenses to companies that do not fit into their overall framework. However, there are also solutions for small and start up companies (e.g. E-Office is the cheapest solution that does not require to rent office space, however, licensed only through selected Northern Emirates Free Zones). Individuals, small companies or labor intensive businesses are highly welcome to set up their business in any of the Northern Emirates Free Zones, which are also improving and extending their infrastructure and provide the same tax benefits.

What Costs are involved setting up in a Dubai Free Zone?

Due to the heavy demand from international investors Dubai Free Zones have raised their fees over the years quite considerably, whereas the major part of the costs effectively has to be attributed to rent. Setting up a business in a Dubai Free Zone can cost anything from AED 50,000 to AED 500,000 or more (depending on the space requirements). Office space within the free zone boundaries currently starts at around AED 230 per sq.ft per year, however price increases are dynamic. New office space is usually handed over as "core & shell" and the tenant has to do the complete fit out work by hiring a fit-out company. In most cases fit-out companies as well as the drawings for the new office have to be approved by the free zone authority (Zoning Authority).

Can I buy my own Office inside the Free Zone?

The new trend is to offer freehold office space within Free Zone boundaries. Examples are Jumeirah Lake Towers - JLT (licensed through Dubai Multi Commodities Centre DMCC), International Media and Production Zone - IMPZ, Dubai Silicon Oasis - DSO and many more are planned for the future. However, in order to operate from a freehold office applying for a business/trade license to be issued by the respective Free Zone Authority is still mandatory. Prices for freehold offices are on average around AED 800 per sq.ft. and way up depending on location and status of the construction. A trading license will only be given once the office is ready for handover. Buying off plan does not qualify to get a license immediately.

Which Free Zone?

The selection of the right Free Zone depends on the type of activity the company wants to engage in (e.g. trading, e-commerce, internet and software development, automotive, heavy industry, broadcasting, publishing, healthcare, etc.) as well as the infrastructure required (e.g. warehousing facilities, airport or seaport access). Dubai has divided its Free Zones into various clusters (e.g. healthcare/medical/ spa = Healthcare City, IT, software, media = TECOM, trading = Jebel Ali...) offering state-of-the art infrastructure.

Types of Free Zone Companies

- Branch Office (associate of an already existing mother company in UAE or abroad)
- Free Zone Establishment = FZE (single partner – can be individual or legal entity)
- Free Zone Company = FZCO, FZC, FZ-LLC (minimum 2 partners/shareholders)
- Offshore Company (registered agent required, businesses are not allowed to operate within UAE, number of allowed activities strongly regulated)

Typical benefits of UAE Free Zones include (but are not limited to):

- 100% Foreign ownership
- 100% Tax exemption for corporate, import/export, personal income
- 100% Repatriation of capital & profits
- State-of-the art purpose built infrastructure
- No foreign exchange controls
- Companies can operate 24 hours, security around the clock
- Postal services, banking facilities, food courts in close reach to all free zones
- Residence visas granted for 3 years (renewable)

What are the factors that need to be considered when choosing a free zone:

- Distance from international air- and seaports
- Facilities and infrastructure offered at the free zone
- Real estate options
- Types of activities allowed by the respective free zone authority
- Annual rent for office space and size of office units
- Minimum capital required, registration, trade licence fees
- Processing time of application



In the UAE 100% ownership is only guaranteed if a company sets up in a Free Zone - only in this case no local partner is required

List of Dubai Free Zones

- Jebel Ali Free Zone – JAFZA, www.jafza.ae
- Dubai Media City, www.dubaимediacity.com
- Dubai Internet City, www.dubaiinternetcity.com
- Dubai Knowledge Village, www.kv.ae
- Dubai Outsource Zone, www.dubaioutsourcezone.com
- Dubai Airport Free Zone – DAFZA, www.dafza.ae
- Dubai Cars & Automotive Zone – DUCAMZ, www.ducamz.ae
- Dubai Multi Commodities Centre – DMCC, www.dmcc.ae
- Dubai Aid City, www.dubaiaidcity.ae
- Gold & Diamond Park, www.goldanddiamondpark.com
- International Media Production Zone, www.impz.ae
- Dubai Maritime City, www.dubaimaritimecity.com
- Dubai Studio City, www.dubaistudiocity.com
- Dubai Biotech & Research Park – DuBiotech, www.dubiotech.com
- Dubai Healthcare City – DHC, www.dhc.ae
- Dubai International Financial Centre – DIFC, www.difc.ae
- Dubai Silicon Oasis – DSO, www.dso.ae
- Heavy Equipment & Trucks Free Zone, www.aafz.ae
- Dubai Industrial City, www.dubaiindustrialcity.ae
- Dubai Flower Centre, www.dubaiflowercentre.com
- Dubai Logistics City, www.dubailogisticscity.ae
- Dubai Carpet City (upcoming)
- Textile Village (upcoming)

Free Zone Set up Assistance available for International Investors:

- Comprehensive company formation consultation, set up seminars
- Preparation and submission of all legal and application documents
- Negotiation and clarification of all issues between investor and the free zone
- Set up of bank account in UAE
- Obtain business licence and all legal documentation from Free Zone
- Assistance with all issues regarding company formation
- Handling of visa application formalities (medical test)
- Coordination of Office fit out work

For further information on Free Zone requirements, procedures or assistance (as outlined above) with setting up in a Free Zone, please contact.

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