

# Prime Advisory Network

YOUR WEEKLY REPORT ON BUSINESS OPPORTUNITIES ACROSS THE GLOBE

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## *What is Prime Advisory Network*

Prime Advisory Network is an international and highly professional network, made up of expert accountants, auditors and lawyers qualified to provide a complete consultancy service to companies and groups operating in several fields.

Thanks to a completely innovative communication technology for the management of the client, Prime Advisory Network represents the first “digital” global network of the accountant offices in the world.

Professionals can cooperate worldwide with each other in an integrated way, by managing their clients all over the world and expanding their services and of course growing the number of their customers.

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# Country Report

## I. GENERAL DATA

Dubai is the most populous city in the United Arab Emirates (UAE). It is located on the southeast coast of the Persian Gulf and is the capital of the Emirate of Dubai, one of the seven emirates that make up the country.

Abu Dhabi and Dubai are the only two emirates to have veto power over critical matters of national importance in the country's legislature. The city of Dubai is located on the emirate's northern coastline and heads the Dubai-Sharjah-Ajman metropolitan area.

Dubai has emerged as a global city and business hub of the Middle East.

It is also a major transport hub for passengers and cargo. By the 1960s, Dubai's economy was based on revenues from trade and, to a smaller extent, oil exploration concessions, but oil was not discovered until 1966.

Oil revenue first started to flow in 1969. Dubai's oil revenue helped accelerate the early development of the city, but its reserves are limited and production levels are low: today, less than 5% of the emirate's revenue comes from oil.

The emirate's Western-style model of business drives its economy with the main revenues now coming from tourism, aviation, real estate, and financial services. Dubai was recently named the best destination for Muslim travellers by Salam Standard.

Dubai has recently attracted world attention through many innovative large construction projects and sports events. The city has become iconic for its skyscrapers and high-rise buildings, in particular the world's tallest building, the Burj Khalifa. Dubai has been criticized for human rights violations concerning the city's largely South Asian and Filipino workforce.

Dubai's property market experienced a major deterioration in 2008–09 following the financial crisis of 2007–08, but the emirate's economy has made a return to growth, with a projected 2015 budget surplus.

As of 2012, Dubai was the 22nd most expensive city in the world and the most expensive city in the Middle East.

In 2014, Dubai's hotel rooms were rated as the second most expensive in the world, after Geneva. Dubai was rated as one of the best places to live in the Middle East by U.S. global consulting firm Mercer.

- Dubai also has large Christian, Hindu, Sikh, Bahá'í, Buddhist and other religious communities residing in the city. Non-Muslim groups can own their own houses of worship, where they can practice their religion freely.
- Dubai is home to several man-made islands, most of which were created in the 2000s and 2010s.
- The New York Times described Dubai as "the kind of city where you might run into Michael Jordan at the Buddha Bar or stumble across Naomi Campbell celebrating her birthday with a multiday bash".

## II. FOREIGN INVESTMENT

Dubai is the most important hub for investments in the Middle East. Out of the eight Emirates that form the United Arab Emirates (UAE), Dubai is the top future destination among investors in the region. Foreign companies use Dubai as the perfect place to set up an office and run their operations in the Middle East region.

The country has not implemented a legislation targeting foreign investments, each Emirate has its own regulations with respect to the rights and investment opportunities for international players. Dubai's strongest points in attracting FDI are the hydrocarbons, water and electricity industries followed by the ongoing development of the tourism, financial and services sectors.

The Dubai Government compensates by granting foreign investors other benefits. Such as:

- no corporate taxes for most types of companies,
- no direct income taxes,
- no limitations on the repatriation of profits.

The Company Law does not allow for full foreign ownership of companies within Dubai, but the Emirate's free zones do allow the establishment of companies 100% owned by international enterprisers. Also, to compensate for the lack of a legislation on foreign investments, Dubai has signed several international agreements among which:

- bilateral and multilateral international treaties,
- double tax treaties,
- international cooperation agreements.

### **Investor confidence**

The positive trend for foreign direct investments in Dubai is the most notable proof that the city is a major hub for development and business. Investor confidence guarantees that Dubai will maintain its future economic development.

Foreign direct investment in Dubai has more than economic advantages and it brings some of the following benefits to the Emirate:

- Increased trade flows - with the help of multinational companies that create new opportunities for exports and create new trade relations;
- Increased business opportunities – market expansion;
- Job creation – an important number of new jobs are created as a result of FDI in Dubai;
- Knowledge transfer – the Emirate is seeing the newest technological advances.

### **Free investment zones**

Dubai offers good infrastructure and logistics as well as strategic sectors for investments. The quality of life index is the highest for Dubai among all of the Middle Eastern cities.

Dubai has a number of free trade zones, special areas that are tax free and customs duty free for foreign investors. The free zones are governed by special rules and regulations and if you want to invest in one of the free zones, our attorneys in Dubai can help you pick the right one for your business. Moreover, our Dubai lawyers can help you prepare a special power of attorney to delegate the company incorporation procedure to one of our attorneys-at-law or another trusted partner.

Some of the most important free trade zones in Dubai are: Jebel Ali, the Dubai Media City, the International Media Production Zone, the Dubai Biotechnology and Research Park, the

Healthcare City, the Maritime City, the Airport Free Zone, the Cars and Automotive Zone, the Sports City or the Design District.

The most popular Emirate has numerous opportunities for investments and our law firm in Dubai can help you start your business there.

## Economy

One of the world's fastest growing economies. Dubai's gross domestic product is projected at US\$107.1 billion, with a growth rate of 6.1% in 2014. Although a number of core elements of Dubai's trading infrastructure were built on the back of the oil industry, revenues from oil and natural gas account for less than 5% of the emirate's revenues.

It is estimated that Dubai produces 50,000 to 70,000 barrels (7,900 to 11,100 m<sup>3</sup>) of oil a day and substantial quantities of gas from offshore fields.

The emirate's share in the UAE's total gas revenues is about 2%. Dubai's oil reserves have diminished significantly and are expected to be exhausted in 20 years. Real estate and construction (22.6%), trade (16%), entrepôt (15%) and financial services (11%) are the largest contributors to Dubai's economy.

Dubai's non-oil foreign trade stood at \$362 billion in 2014. Of the overall trade volumes, imports had the biggest share with a value of \$230 billion while exports and re-exports to the emirate stood at \$31 billion and \$101 billion respectively.

## Dubai taxation

Dubai is a popular destination for expats from all across the globe, not just for the opportunities it promises but also for the lure of living a 'tax-free' life. The UAE is known as a tax-free country, but what does that really mean for those living here or for expats looking to move to Dubai? Here, we explain the ins and outs of taxation in Dubai and everything you need to know about working and living here from a taxation point-of-view.

To answer the question on everyone's mind, yes! Dubai is largely a tax-free country with massive tax advantages for those who live and work here, but there are circumstances in which you will be required to pay taxation in some form. The UAE has been toying with the idea of introducing income tax in the country for a long time; in 2010 there were alarming headlines screaming about Dubai residents having to prepare to pay taxes but these turned out to be measures imposed by the Emirate of Dubai to collect fees from car registration, road toll and Emirates ID cards, Which is a form of taxation, but not really of any significance compared to individual earnings in the emirate.

## Income Tax

The UAE Federal Government does not impose taxes on the wealth of companies and individuals in the UAE, and contrary to some reports, the ruling family of Dubai has indicated that Dubai will never resort to taxation as a means of relieving debt, so it is unlikely that we will see any income tax levied in the years to come. However, if you are earning an income in Dubai, but are a tax resident of another country, you may be liable to declare your income and pay taxation on it. For example, if you are a tax resident of the UK and you own a property in Dubai that you earn a rental income from, you are required to declare this income on your British tax returns and may potentially have to pay tax on it, subject to certain conditions. The same is true if you move to the UAE for 6 months to live and work here but remain a tax resident of the UK; in this case you are likely to be subject to taxation in the UK. Alternatively, if you move permanently to the UAE and are out of the UK for a full tax year, you may be able to earn a 100% tax-free salary in Dubai under the following conditions as published on the HMRC website:

- If you are absent from the UK and not employed in the UK for more than one full tax year
- You spend less than 183 days in the UK during the tax year
- You average less than 91 days a tax year during your visits to the UK for a maximum period of 4 consecutive years (normally, for tax purposes days of arrival and departure are not counted as days spent in the UK).

## Corporate tax

Each emirate has its own laws on corporate taxes for companies operating within the emirate, but in reality taxes are imposed only on the following entities:

- Foreign gas or oil producing companies dealing in oil or hydrocarbon production within the UAE. Although the tax rates are generally 55% of the company's operating profits, they vary based on individual agreements between the company and the emirate in which it is operating. These agreements are usually confidential and rates may range from between 55% to 85%.
- Branches of foreign banks operating within each emirate are subject to corporate tax, although not all emirates enforce this law. In Sharjah, Dubai, Abu Dhabi and Fujairah, foreign banks are subject to tax rates of 20% on their taxable income. There may be slight variations in the rate from emirate to emirate.

Furthermore, there are no withholding taxes levied on companies who remit income outwards whether it be dividends, royalties or interest.



## Indirect Taxes

Contrary to popular belief, there are many other taxes levied in Dubai and these are taxes that individuals who live here would pay on a regular basis. The emirate of Dubai levies a 10% municipal tax on hotel revenues and entertainment. So whenever you visit a hotel in Dubai for a stay or even a meal, 10% is added to your bill. Alcohol imports are heavily taxed – you pay 50% to bring alcohol into the country and a further 30% on purchase of alcohol (legally with a liquor license) for home consumption, which is why many people choose to purchase alcohol illegally. All the emirates, with the exception of Abu Dhabi, levy a tax on income from rentals – municipal tax of 10% is levied on the rental of commercial premises and 5% on the rental of residential premises. Abu Dhabi does not levy tax on rental incomes, but landlords do have to pay annual license fees. Taxes are also levied by DEWA (Dubai Electricity and Water Authority) on utility bills. In addition to this, Dubai has a system of road toll known as Salik, which has been set up on all major roads leading into and out of Dubai. Every time you drive across a toll road, you pay AED 4; up until a year ago there was a cap of AED 24 that could be paid out in Salik on any given day, but this cap has since been removed; you now pay toll as many times as you use the road.

## Double Taxation Avoidance Agreements

The UAE has signed a number of DTAAAs with countries to ensure that individuals do not get stuck paying tax to two different governments on income earned in one country.

## The right partners for you in Dubai. Meet our members

### **Di Siena Consulting DMCC**

is a company established in Dubai Multi Commodities Centre's Free Zone and was formed by Ms. Roberta Di Siena, to offer a consultancy services to the companies who are going to invest in United Arab Emirates ("UAE") and in the Gulf Cooperation Council.

R. Di Siena Consulting DMCC is operating under Management Consultancies License, Feasibility Studies Consultancies, Commercial Information Services, Facilities Resources Planning Consultancy and Project Development Consultancy and is RAKIA Offshore Agent.

R. Di Siena Consulting DMCC has a joint venture agreement with the Law Firm AIOwais & AIMatrooshi Advocate & Legal Consultant and delegate to them for the legal services and court case. This collaboration offers the clients a wide range of services to protect their investments in this part of the world in both the commercial and real estate sectors.

The firm supports their clients in all stages of the investment from advising on the right choice of kind of entity through to actual investment process.

Di Siena Consulting DMCC also support actual or potential real estate investors in the due diligence of the documentation and interfacing with the local authorities, where they have gained significant experience.

Their hub is Dubai office, but they also have cooperation in the major business center of the Middle East: they have already cooperation in Qatar and Bahrain.

The firm is endorsed by the Italian Embassy, Consulate General of Italy, and Institute for Foreign Trade and the Italian Chamber of Commerce in the United Arab Emirates.

# Our Network keeps on growing.

Let us introduce you our latest members!



From Germany.  
Office Riera WP/Rae.



From Italy  
Studio Decaminada,  
Studio Legale Tamagnone Di Marco,  
MB CONSULENZE.

## Prime Advisory Network coverage across the Globe.







We are here to help you. Don't hesitate to contact us if you have questions or wish to represent your country by writing an article. We will publish it on our blog and insert it in our weekly newsletter.

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