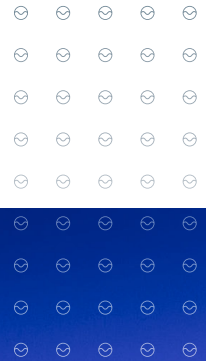




# Dubai Company Formation Guide

IFZA.COM





# Dubai as a Business Hub

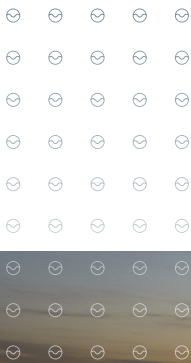
Dubai has been ranked the top city in the Middle East and Africa in the Global City Index 2024 report by Brand Finance.

The city also climbed to fifth place globally, surpassing major cities like Singapore, Los Angeles, Sydney, San Francisco, and Amsterdam, which ranked sixth to tenth, respectively.

Scoring 86 out of 100, this recognition reflects Dubai's exceptional infrastructure and its ability to harmonize international innovation with its rich cultural heritage.

Dubai remains a magnet for foreign investors and entrepreneurs, drawn to its dynamic business environment and robust economy.

With a strong focus on diversification and sustainable development, the city continues to offer a highly supportive and attractive ecosystem for business growth and success.



DUBAI'S  
RANKING  
GLOBALLY

5TH

Dubai climbed to fifth place globally.



# Dubai In Numbers

Top **20**

## Global Financial Center

Dubai is the financial capital of the Middle East, North Africa, and South Asia, offering unparalleled access to global markets.

No. **01**

## In MENA and Top 20 Globally for Ease of Doing Business

Ranked among the world's top 20 for ease of doing business, Dubai simplifies the process of starting and running a business.

No. **07**

## Globally for Economic Competitiveness

As an economic powerhouse, Dubai provides a dynamic platform for business growth and expansion.

No. **02**

## Globally for Foreign Direct Investment (FDI) Inflows

Dubai attracts billions in foreign direct investment annually, fueling economic growth and creating lucrative opportunities.

Top **10**

## Smart City Ranking

Dubai's commitment to innovation and technology creates fertile ground for cutting-edge businesses.

Top **10**

## For Quality of Life Globally

Enjoy a world-class lifestyle with top-tier healthcare, education, and entertainment options.

# Benefits of Company Formation in Dubai

Regional economic growth and liberalization that is positioned to drive demand.

Access to vast markets in the Middle East, Africa, South Asia, and Europe.

Favourable tax policies.

A vibrant business culture.

A stable political environment and supportive government policies.

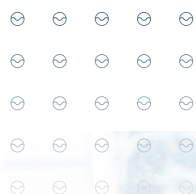
A strategic location for international trade and mobility.

A cosmopolitan lifestyle with access to top-notch hotels, hospitals, schools, & shopping.

A well-developed transportation and logistics infrastructure.

Access to world-class exhibition & conference venues.

The presence of high-level talent.



## Advantages for Foreign Investors

Incorporating a business in the UAE is straightforward and even easier than in many more established locations.

The country offers a tax-friendly environment with a 0% personal tax rate and one of the lowest corporate tax rates in the world.

Relocating to the UAE is simple with multiple visa options available, and the nation's Free Zones provide even more benefits, including:

- . 100% customs tax exemption.
- . 100% foreign ownership.
- . Zero currency restrictions.
- . The freedom to repatriate capital and profits.



# Company Formation

## Prerequisites for 2025

### Full Commitment is Essential

Starting a business requires more than just an idea—it demands full dedication. If you're unable to commit fully and dedicate time and resources, consider if this is the right moment to launch. Successful entrepreneurs invest time and effort into the early stages to build a solid foundation.

### Clearly Define Your Unique Selling Points (USPs)

Even if your business idea feels unique, it's likely that certain aspects overlap with existing products or services. Your USPs are the features that differentiate you from competitors. Understanding and clearly communicating these to your target audience is crucial.

### Set Specific, Realistic Targets

Setting clear goals is essential for business growth. Break your objectives into smaller, measurable targets, like achieving X sales in six months or acquiring X clients in a year. In 2025, businesses with defined goals are more likely to thrive and stay on track.

### Assemble the Right Team

As a business founder, you might wear many hats in the beginning, but what happens when your business grows? A strong, reliable team is essential for scaling operations and achieving long-term success. The right team that shares your vision and brings complementary skills to the table can drive your business forward faster than you can alone.

# What is a Business Entity?

A business entity is a legal structure that is used to conduct business activities. It determines the way a company is owned, managed, and taxed.

The most common business entities are sole proprietorships, partnerships, Free Zone Companies (FZCOs), limited liability companies (LLCs), and corporations. The choice of the business entity depends on the type of business, ownership structure, liability protection, and tax implications.

## Sole Proprietorship

This type of business is owned by a single individual who has complete control over all operations and holds 100% of the profits. The owner is responsible for any debts or financial obligations.

- Professional sole proprietorship: Open to individuals of any nationality.
- Commercial or industrial sole proprietorship: Must be 100% owned by UAE or GCC nationals.
- Local Service Agent (LSA): Required if the owner is not a UAE National.
- No minimum capital requirement.

## Partnership Company

Shared ownership between two or more partners who share profits and losses.

- General Partnership and Limited Partnership.
- UAE Nationals must be general partners in a limited partnership.



# Know More on The Types of Business Entities in Dubai

## Public Shareholding Company

A complex business structure where the capital is divided into negotiable shares.

- Can have multiple branches.
- Subject to regulations of the Department of Economy & Tourism.

## Private Shareholding Company

Requires a minimum of three investors and at least 51% ownership by a UAE National.

- Approval from the Ministry of Economy required.

## Limited Liability Company (LLC)

A business entity where the liability of the partners is limited to their investment. LLCs require a UAE National to hold 51% ownership, while the remaining 49% can be owned by others.

- Can engage in industrial or commercial activities.
- Min. 2 and max 50 shareholders.
- Requires a UAE accredited auditor.

## Civil Company

Open to professionals such as doctors, accountants, engineers, and lawyers. Foreign companies from the same business activity can invest as partners.

## Branch of a Foreign Company

Expands the company's presence in new regions but operates under the same name and ownership as the parent company.





# Business Setup Options in Dubai

Businesses can set up their companies in any of the 3 main jurisdictions—Mainland, Free Zone and Offshore.

In the following sections, we dive into the main differences between a Free Zone and a Mainland (onshore) company.

## Free Zone Companies

Free Zones are designated areas in Dubai that offer special incentives and benefits to companies registered there. These companies are 100% foreign-owned and are exempt from certain regulations and taxes.

## Mainland Companies

Mainland companies are registered with the Dubai Department of Economy and Tourism and are subject to regulations and taxes. They can be owned by both foreign and local investors and have access to the entire UAE market.

## Offshore Companies

Offshore companies are registered in special zones outside of the UAE but are considered to be located in the UAE for legal and tax purposes. They are used for international trade and investment activities.



# Company Formation in Mainland vs Free Zone

## Authority

Dubai Free Zones are managed by independent authorities, either governmental or non-governmental, that oversee the operations within the specific zone. Dubai Mainland companies are regulated by the Dubai Department of Economy and Tourism (DET), a governmental body ensuring compliance with local laws and regulations.

## Ownership

A major advantage of Dubai Free Zones is 100% foreign ownership, allowing full control without a local sponsor. While most Dubai Mainland companies require a local sponsor to hold a majority stake in the business, they allow control over daily operations. Free Zones offer entrepreneurs greater autonomy and ease of ownership.

## Area of Business

Dubai Free Zone businesses can operate both within the zone and internationally, providing global reach without mainland limitations. Although free zone companies cannot operate directly within the UAE mainland, the international scope can outweigh this restriction for many entrepreneurs. Dubai Mainland companies can conduct business anywhere in the UAE but face more regulatory complexities.

## Control of Business

Dubai Free Zone companies enjoy 100% ownership and flexibility in operations, with a more flexible and supportive environment for growth. Dubai Mainland companies are governed by legal frameworks set by the government and offer more stability. Free Zones are often more appealing for control and speed.

## Licensing

The licensing process in Dubai Free Zones is often simpler and faster, with a single-window system that streamlines approvals. In comparison, the licensing process for Dubai Mainland companies is more comprehensive, involving multiple authorities and potentially lengthy approvals. Free zones offer an advantage in terms of ease and speed of setup, which is ideal for businesses looking to get up and running quickly.

# How to Start a Business in the Mainland

## STEP

# 01

### Identify the Nature of Your Business Activity

Define your business activity to choose the appropriate license type (commercial, professional, industrial, etc.) that aligns with your operations.

## STEP

# 02

### Determine Your Company's Legal Structure

Select a legal structure, such as a sole proprietorship or LLC, based on your business needs. Foreign investors often require a local sponsor for ownership.

## STEP

# 03

### Register the Trade Name

Register a unique trade name with the Department of Economy and Tourism (DET), ensuring it meets local regulations and reflects your business activity.

## STEP

# 04

### Apply for Initial Approval

Obtain approval from the UAE government to ensure your business complies with local laws and there are no legal obstacles.



# How to Start a Business in the Mainland

## STEP

# 05

### Create LSA or MOA

For certain businesses, create a Local Service Agent (LSA) agreement or a Memorandum of Association (MOA) outlining the structure and ownership terms.

## STEP

# 06

### Choose Your Business Location

Secure physical office space that complies with local zoning and regulatory requirements for your business.

## STEP

# 07

### Apply for Additional Government Approvals

Certain business activities may require approval from other government authorities depending on the nature of your business.

## STEP

# 08

### Submit Required Documents

Submit the necessary documents, including the MOA, lease contract, and any additional approvals.

# How to Start a Business in the Mainland

STEP

09

Pay Fees and  
Collect License

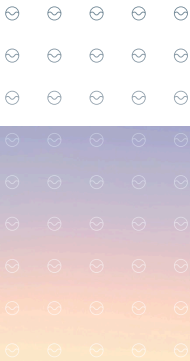
After paying the required fees, collect your  
official business license.

STEP

10

Register with the  
Chamber of Commerce

Complete your business registration with the  
Dubai Chamber of Commerce and Industry.



# How to Set Up a Business in Dubai Free Zones

## STEP

# 01

### Determine the Nature of Business Activity

UAE Free Zones offer various business licenses depending on your business activity, including:

- Commercial Trade
- Consultancy or Professional Services
- Industrial
- Offshore
- Freelance
- Other specialized activities

## STEP

# 02

### Determine Your Company's Legal Structure

Choose a legal structure based on your business needs. The common options in UAE Free Zones are:

- Free Zone Limited Liability Company (FZ LLC)
- Free Zone Company (FZCO)
- Free Zone Establishment (FZE)

## STEP

# 03

### Register Your Trade Name

Ensure that your chosen trade name is unique and not similar to any already registered companies in the UAE.

## STEP

# 04

### Select a Business Space and Location

With over 40 Free Zones in the UAE, select the one that suits your business activity. Depending on the type of activity and the number of employees, you can rent or purchase office space or even land for a factory. Some Free Zones offer fully or partially furnished office spaces.



# How to Set Up a Business in Dubai Free Zones

By completing these steps, you will be able to set up your business in a Dubai Free Zone smoothly.

## STEP

# 05

## Get Initial Approval

To proceed, submit your documents for initial approval. Certain industries like tourism, travel, or health may require additional government clearances. Required documents typically include:

- . Completed application form\
- . Business plan
- . Passport copies of shareholders and manager
- . Specimen signatures of shareholders and manager
- . Title deeds (if applicable)
- . Letter of Intent
- . Financial statements or bank reference certificate (if applicable)

## STEP

# 06

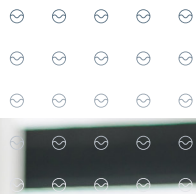
## Registration and Fee Payment

Once initial approval is granted, pay the required fees to secure your company's license. Documents needed for registration include:

- . Completed registration form
- . Board resolution appointing the manager/director (attested)
- . Power of attorney for the manager/director (attested)
- . Memorandum and Articles of Association (attested)
- . Specimen signature of manager/director (attested)
- . Passport-sized photos of the manager/director
- . Share capital information

# Taxation in Dubai

Dubai has a favorable tax environment, with no individual income tax. However, businesses are subject to several local and federal taxes, including VAT, Excise Tax, Customs Duties, and Corporate Tax.



## Value Added Tax (VAT)

The UAE introduced a 5% VAT on January 1, 2018, applicable to most goods and services.

Businesses with taxable supplies and imports exceeding AED 375,000 annually must register for VAT, while businesses with supplies over AED 187,500 can opt for VAT registration.

VAT is collected from customers and remitted to the government, with businesses also able to claim back VAT paid to suppliers. Additionally, non-UAE residents can reclaim VAT incurred during their visits to the UAE.

## Customs Duties

A 5% customs duty is applied to the cost, insurance, and freight (CIF) value of most imported goods. However, specific items, such as alcohol and tobacco, may have different rates.

The UAE is part of the GCC Customs Union, which eliminates customs duties on trade between GCC member states.

Additionally, duty-free imports apply to goods from countries in the Greater Arab Free Trade Agreement, Singapore, and the European Free Trade Association (Norway, Switzerland, Iceland, and Liechtenstein).

Goods imported into UAE Free Zones (FTZs) are exempt from customs duties until brought into the local GCC market.

# Taxation in Dubai

## Corporate Tax

Starting from June 1, 2023, companies in the UAE became subject to a 9% Corporate Tax on profits exceeding AED 375,000, while profits below this threshold are taxed at 0%. This positions the UAE as one of the most competitive globally, compared to rates like 21% in the US, 25% in the UK, and 29.9% in Germany.

Dubai's tax rate remains highly competitive and attractive for businesses looking to maximize profitability. This shift to Corporate Tax was part of the UAE's efforts to align with international standards while maintaining an attractive business environment.

## Excise Tax

Excise Tax is levied on goods considered harmful to health or the environment. The rates, as outlined in Cabinet Decision No. 52 of 2019, are as follows:

- . Tobacco products: 100%
- . Energy drinks: 100%
- . Electronic smoking devices: 100%
- . Electronic smoking device liquids: 100%
- . Carbonated drinks: 50%
- . Products containing added sugar or sweeteners: 50%

## Tourist Facility-Related Taxes

Hotels, resorts, restaurants, and similar establishments in Dubai may impose a variety of taxes, such as:

- . 10% service charge
- . 10% municipality fee
- . 6% tourism fee
- . 10% tax on room rates
- . City tax, ranging from 6% to 10%

Dubai also imposes a "Tourism Dirham Fee" ranging from AED 7 to AED 20 per room per night, depending on the hotel's category. This fee is capped at 30 consecutive nights.





# Visa Process for Employees and Employers in Dubai

To live and work in the UAE, a visa is required. The process involves several key steps:

## STEP

# 01

## Status Change

Once you receive your permit, you need to activate it. You can do this through an in-country or out-of-country status change. In-country status change involves submitting your passport to immigration for stamping, while an out-of-country change occurs when you present the permit to immigration upon arrival in the UAE.

## STEP

# 02

## Medical Exam and Emirates ID

A medical fitness test, including a blood test, fitness exam, and chest X-ray, must be completed. After passing, you can apply for an Emirates ID card.

## STEP

# 03

## Entry Permit

The first step is to apply for an entry permit from the Ministry of Labor. This allows you to enter the UAE for up to 30 days, extendable for another two months. It's best to stay in the UAE during the visa processing period.

## STEP

# 04

## Residence Visa for Family Members

Employers and employees holding valid UAE residence visas can sponsor family members, provided the employee earns at least AED 4,000 per month, or AED 3,000 plus accommodation. Medical fitness checks are required for family members over 18.

# Requirements for a Dubai Business Visa

To obtain a business visa in Dubai, the following documents are generally required.

Additional requirements may vary based on nationality and visa type.

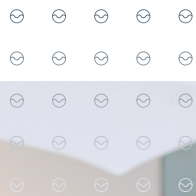
- A valid passport with at least six months' validity
- Completed visa application form
- Two passport-size photographs
- Return flight ticket
- Proof of accommodation (hotel booking or host letter)
- Invitation letter from a UAE company
- Employer's letter confirming your position & salary (if applicable)
- Proof of sufficient funds (bank statements or payslips)
- Health insurance covering your stay



# Emirates ID

The Emirates ID is a legal requirement for all UAE citizens and residents. It is issued by the Federal Authority for Identity, Citizenship, Customs and Ports Security (ICP) and serves as an official identification.

The Emirates ID is used to access government services, vote in elections, travel within GCC countries, and pass through immigration using eGates at UAE airports.



## Features of the Emirates ID:

- Smart Card: Contains a digital signature and authentication certificates
- Biometrics: Includes fingerprint data for identification
- Identification Number: A unique 15-digit number tied to the holder for life
- Electronic Chip: Stores personal data, which can be read and authenticated by authorized authorities

## How to Get an Emirates ID

You can apply for an Emirates ID through the ICP website or an accredited typing center.

You may need to visit one of the ICP service centers to provide biometric details. Track your application status on the ICP website.

Note: Companies are not allowed to hold their employees' Emirates IDs; they can only record the personal data. Unauthorized seizure of an Emirates ID is illegal.

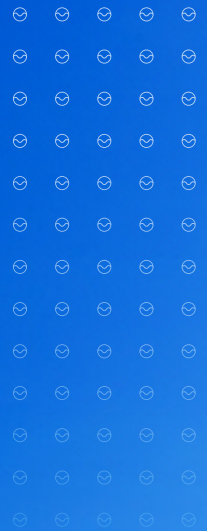


# Set Up Your Business in Dubai in 2025

Starting a business in Dubai's vibrant Free Zones is easier than ever with the right assistance. At IFZA, we are committed to making your entrepreneurial journey smooth and efficient.

Our expert team will support you through every step, from document preparation and submission to translations, bank account setup, and navigating the approval processes. We offer tailored advice and consultation to ensure your business launch is both successful and stress-free. Connect with an IFZA Professional Partner today to learn how we can help you establish your business in Dubai's dynamic and globally connected Free Zone in 2025.

IFZA Professional Partner







**FOR MORE INFORMATION,  
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