



THE CASE FOR TAX RESIDENCE IN UAQ, UAE

A free trade zone (FTZ) entity in UAE offers many tax and business possibilities.

For a start, a FTZ company enjoys full exemption from income and corporate taxation, can have 100 percent foreign ownership, no exchange restrictions, free profit repatriation and avails to tax benefits accruing from UAE's nearly 80 double tax treaties.

A further possibility is to apply and obtain tax residence status and certificates from the UAE authorities for its foreign shareholders and executives.

Umm Al Quwain Free Trade Zone ("UAQ FTZ") is considered a premium investment opportunity in the UAE today, offering excellent working environment in a pleasant location at affordable rates, where an expatriate can work and live comfortably with his family.

• UAQ FTZ

UAQ FTZ is located in Umm Al Quwain, a friendly, progressive and prosperous emirate with modern infrastructure. Renowned for its desert landscape and unique flora and fauna, it is also a popular leisure destination within the UAE and is located only 45 km from Dubai.

Umm Al Quwain's stable economy, open investment climate and low costs of living and labour make it a strategic business base within the MENA regions, Subcontinent, Far East and European markets all within easy reach.

The benefits of licensing a company in UAQ FTZ:

- ensures economic substance
- enjoys double tax treaties benefits of UAE with 80 other countries
- 100 percent foreign ownership
- zero corporate and personal income taxes
- 100 percent capital repatriation
- allows up to 50 shareholders
- full range of business activities permitted
- 100 percent import and export tax exemption within the FTZ
- fast registration process with licensing taking one week
- ideal location for SMEs and micro businesses
- proximity to two international airports, Dubai and Sharjah, and major sea ports
- special concessions at UAQ's sea port
- no restrictions on hiring foreign employees
- modern and investors friendly rules and regulations

• Type of entities

There are several options when it comes to establishing a business within UAQ FTZ:

- a free zone establishment (FZE), which is suitable for a single shareholder
- a free zone company (FZC), which is for two and up to 50 shareholders
- a branch of an existing company

Licenses offered:

- Commercial license (3 different product lines or 10 similar product lines)
- General trading license
- Consultancy license
- Service license
- Freelance permit
- Industrial license

• Tax residence

Obtaining a residence permit is the primary condition for being considered as resident in the UAE.

A UAE residence permit and a tax residence certificate can be useful to many foreign owners and executives of FTZs who wish to register tax residency in the UAE. It is worth noting, that banking institutions in UAE and outside consider UAE tax residence certificates as sufficient proof of tax residency in the UAE.

Requirements for a personal tax residence certificate from the UAE Ministry of Finance:

- passport copy and valid visa copy
- bank statement for the last 6 months
- certificate from the UAE company starting the individual activity and source of income
- AED 1,000 (US\$300)
- request letter from the individual

As a general rule, one has to have a sponsor in order to apply for a residence permit in the jurisdiction. For foreigners, setting up a company is a practical way of obtaining sponsorship.

As far as the company is concerned, it must have physical presence in the UAE. In that regard, the most interesting and cost effective options are proposed by free zones situated in a number of emirates including UAQ FTZ. Usually, these options consist of "flexi desks" or "flexi offices".

Subject to the sponsoring company being properly maintained ie the company's licence must be renewed on a yearly basis, the residence permit is valid for a period of 3 years. Then, the resident ie the person who received a residence permit via his company, can sponsor the members of his family, for a similar period of 3 years.

UAQ FTZ offers the following logistics facilities which enhance business opportunities further:

Offices: small and medium sized office spaces available. The business centres also offer fully equipped meeting and conference room facilities

Warehouses: available in a range of sizes, prefabricated units offer flexible and high quality solutions for all manner of storage and light manufacturing activities

Land: a range of plot sizes are available depending on specific requirements, the preferred solution for those who wish to build their own facilities.

• **Setting up and ongoing costs**

The fees and costs for setting up of a company in UAQ FTZ including basic office facility are as follows:

- Initial, all inclusive: US\$9.500 (€8.500)

The maintenance fees and costs from the second year onwards

inclusive of office facilities:

- Year 2 onwards, all inclusive: US\$8.000 (€7.250)

The setting up process for a UAQ FTZ company usually takes no more than a week.

As far as residence visas are concerned, the cost for one visa which extends for 3 years including disbursements is \$2.250 (€2.000).

The processing of a residence permit through a UAQ FTZ takes approximately 3 weeks.

Mention also needs be made for Hamriyah FTZ (in the emirate of Sharjah) and Ajman FTZ (in Ajman). They are also relatively easy to set up FTZ entities, have competitive fees and can be useful also for tax residency situations. The cost of setting up a FTZ entity in Hamriyah and Ajman is in the region of US\$12.000 (€11.000) inclusive of all costs, fees and expenses. Year 2 onwards ongoing, annual costs are around US\$10.000 (€9.000).

• **Economic substance**

As world markets become increasingly intertwined, taxpayers need to be ever more aware of cross border considerations. This is especially important in the current environment, where focus on the disclosure, reporting, and taxation of foreign assets has sharpened. Rules are introduced continuously and the focus on anti-avoidance rules is building up.

Whilst domicile in the UAE may not be possible depending on the laws of the home country, certainly with a renewable residence visa that is issued to persons or associates of a FTZ, individuals may reduce or eliminate home country taxation. If they also obtain a tax residence certificate in UAE they can claim tax residency which they can reinforce, by having a private accommodation and maintaining a local bank account.

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For more information you can contact our regional manager Mr Mahmood A Tassadaq m.tassadaq@freemontgroup.com or our associate Ms Zhansaya Tukeyeva



FREEMONT GROUP

HDS Business Centre, 3204, Cluster M, Jumeirah Lakes Towers,
Dubai PO Box 309071, UAE
T +971 444 57 900 F +971 444 57 901
www.freemontgroup.com