

# KONNECT GLOBAL

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08 / Ultra  
wealthy in  
UAE worth  
\$255b

13 / UAE  
sets up a  
knowledge  
economy

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Global Business Services DMCC

Economic performance during 2nd half of 2015 and the beginning of 2016 looks considerably slow and it thus now appears that the entire region will pass through turbulent times during 2016.

Low oil prices has resulted into sizable budget deficit of all GCC economies which is expected to continue well into 2017 as well. This coupled with reduced investible surplus would have an impact on the property prices and thus the construction sector which is a key driver of the gulf economies. The prospects of revival soon seem to be dim considering that oil is expected to remain at low levels due to excessive surplus inventory of oil across the world. Furthermore global economic growth engines viz. US, Europe, China and BRICS economies have also slowed down considerably and thus global growth is not expected to pick up any time soon.

These budgetary pressures on GCC governments have galvanized them to raise alternate means of revenue viz. through introduction of VAT / Corporate Taxes and also

reduced subsidies. Governments of GCC countries have already reached a tentative agreement on implementation of VAT and thus it is expected to be levied by 2018 or thereafter though the rates and mode of it's implementation are yet to be announced.

All the above factors are expected to have direct or indirect impact on corporate revenue & costs as well as pressure on liquidity. Managing corporate budgets and cash flows would be a challenge in the times ahead. Our suggestion to corporates is maintain a healthy leverage ratio of less than 1. Thus De-leveraging is highly recommended to the extent possible even if that requires selling of assets so as to avoid debt trap.

UAE economy in general and Dubai in particular is, of course, expected to get a boost from infrastructure spending by the govt on Expo 2020 projects and the impact of these is expected to be seen in 2017 and thereafter. Thus companies which are healthy, "lean & mean" and have survived the downturn will have immense

possibility of benefiting from the expected growth of the economy in years leading up to 2020.

Furthermore we would strongly recommend the corporates to have a well laid down "Succession Planning" to ensure smooth transition of management from one generation to the next.

Our team at Kothari Auditors & Global Business Services is well equipped to advise / guide / assist clients with de-leveraging process and managing the business during these times as well as advising on succession planning.

## Director's Note





# Substantial increase in UAE's GDP

According to Ministry of Economy, the total volume of foreign investments in the UAE, at present a regional base for over 500 international companies, exceeded \$100 billion in the past 10 years. FDI has contributed more than Dh 47 billion to the UAE GDP, 3% of the total GDP.

Within just 44 years, the UAE's GDP has tremendously leaped from Dh6.5 billion (1971) to Dh 1.47 trillion (2014) maintaining positive growth level of 3.50% in the coming year despite slide in oil prices and global economic turmoil. UAE is further aiming to lower the oil sector's present contribution from 31% of gross domestic product (GDP) to around 20%, in the next few years, through a diversification drive.

**The UAE comes first regionally and 22nd globally in Global Investment Index 2015, connecting the East with the west by both sea and air.**

Foreign ownership has now been made possible with zero tax rates and 100% profit transfer with 34 multi speciality free zones in the country, developing infrastructure, attracting foreign investment flows, transferring knowledge and technology to UAE and building a sustainable knowledge economy.

According to Ministry of Energy, the consumption of government subsidized services –power and water in UAE has touched nearly Dh 35 billion per annum which is aimed to be reduced by 10%, which will save Dh 3.5 billion per annum to the government.







## IMF recommendation on spending cuts and introducing taxes

The International Monetary Fund( IMF) has recommended fiscal reforms which includes expenditure cuts and diversification of government revenues to improve the long term sustainability of UAE's public finances in the context of the decline in oil prices. While fiscal consolidation requires spending cuts, the IMF has warned that the quality of spending cuts is crucial to avoid damaging the country's competitiveness and long term growth prospects. It has also recommended taxation to raise more non hydrocarbon revenues and effective structural reforms focusing on diversification of the economy.

The Fund officials lauded the fiscal consolidation efforts of UAE, including recent energy subsidy reforms and said that these reforms could focus on further opening up foreign direct investment, improving selected areas of the business environment and easing access to finance for startups and small & medium enterprises.

# Dubai non oil trade sustained at Dh 652 billion



Dubai's re-exports and imports sustained high foreign trade figures despite the turmoil across global markets due to deflation in oil and commodity prices as well as fluctuation in the exchange rates of major global currencies. Its foreign trade during the first half of 2015 remained stable at Dh 652 billion compared to Dh 654 in the same period last year.

The emirate's exports registered double digit growth during the January-June period as it reached Dh65 billion from Dh59 billion in the same period last year.

The emirate's first half imports fell 1.47% to Dh402 billion while year to year re-exports dropped by 1.06% at Dh 185 billion. Phones and automobiles contributed to the lion's share in total non-oil foreign trade with Dh 95 billion and Dh 35 billion worth of transactions, respectively.

These figures reflect robust trade ties, which are growing day by day, between Dubai and major global economies.

China led the list of Dubai's top trading partners, with total bilateral trade volume of Dh90 billion in the first half of 2015.

It was followed by India and United States at Dh 50 billion and Dh 39.3 billion, respectively. Saudi Arabia was the fourth global and top Arab trading partner of Dubai at Dh 32.2 billion.

"Dubai has shown that it is strong enough to withstand the global economic turmoil, relying on innovative work systems, long standing expertise and know-how, highly skilled workforce and advanced infrastructure for telecommunications, transport, freight and logistics. The flexibility and diversity of Dubai's trade as well as its ability to make inroads into new markets have

had a positive impact on the competitiveness of the UAE in general and Dubai in particular."

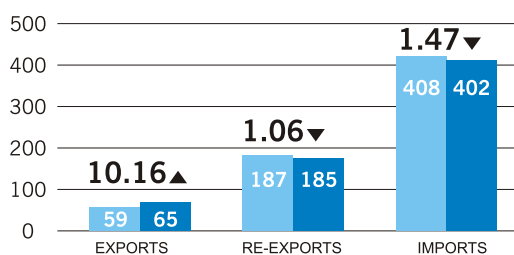
“Reduction in oil prices has forced the gulf economics to focus more on non oil sector. Trade with conventional partners like China and India is expected to increase fuelled by the drop in the Chinese currency and the dipping of Indian rupee.”

Dubai customs has joined hands with other government agencies to deliver an integrated package of superior services. The AEO programme, Virtual Freight and Logistics Corridor and e-Inspection facility are some of the initiatives which are aiming at increasing the returns of investors and traders, who in turn favor Dubai as the platform for their business operations.

## Another healthy performance for Dubai

Non-oil foreign trade in January-June 2015

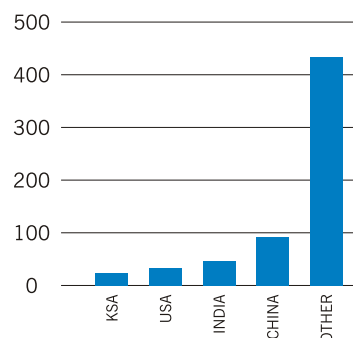
(Figures in Dh/billion)



■ 2014 H1 (TOTAL 654) ■ 2015 H1 (TOTAL 652) TOTAL %AGE CHANGE:0.30%

## Top trading partners in H1 2015

(Dh/billion)





# UAE reserves expected to grow to \$83.7 billion in 2016

The International Monetary Fund forecasted that the gross official reserve of the UAE is projected to grow 8.9% to \$83.7 billion in 2016 and hit \$118.4 billion in 2020.

The UAE will also witness gradual pickup in its current account surplus from \$ 17.6 billion in 2015 to \$22.6 billion or 5.9% of GDP in 2016 and would hit \$ 33.4 billion by 2020. Its non oil growth which remained robust at 4.8% in 2014 is projected to slow down to 3.4% in 2015 and would pick up stream from 2016 and post 4.6% growth by 2020. Lowering oil prices have eroded long standing fiscal and external surpluses. The UAE has continued to benefit from its perceived safe haven status and large fiscal and external buffers.

The IMF said that with past increase in rents, the real estate inflation increased to 4.3% reflecting upward adjustments of electricity and water tariffs in Abu Dhabi.

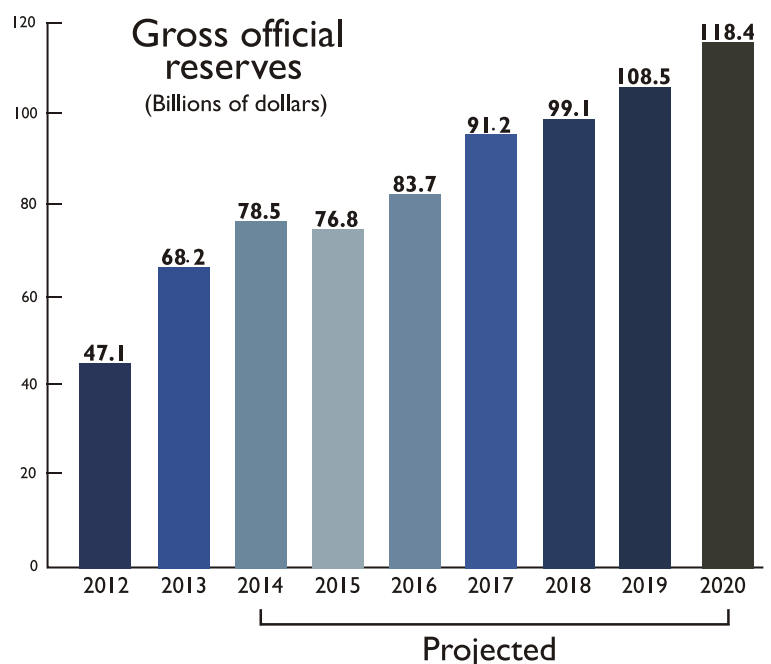
The Washington based fund said that the economic outlook of UAE is expected to moderate amid lower oil prices. Annual inflation is projected to pick up to 3.8% in 2015. The overall fiscal balance and current account surpluses may turn negative but are expected to return to surplus from 2016 with gradual recovery in oil prices.

The fund suggested that in an adverse scenario with decline in deposits, liquidity management could be eased to support credit growth. Government deficit financing should avoid a tightening in liquidity in banking system.

To this suggestion, the IMF argued that with fiscal consolidation, the quality of spending is crucial to avoid damaging the country's competitiveness and long term growth prospects.

The IMF accepted the Central Bank of UAE's plan to strengthen the banking regulatory and supervisory framework with no exemptions in holding banks accountable.

Government investments should be preserved relative to non-hydrocarbon GDP to support infrastructure while there should be parallel growth of GRE megaprojects according to demand. The bank has enough capital to withstand an adverse shock. It plans to phase in Basel III capital and liquidity standards over 2015-19.





# Ultra wealthy in UAE worth \$255b



According to the Global authority on wealth intelligence, there are nearly 6000 Ultra High Net Worth (UHNW) individuals in the Middle East with a combined net worth of \$995 billion of which 45% are based in Saudi Arabia and UAE.

There are 1495 UHNW in Saudi Arabia , ranked 17th in Wealth-X's global ranking and approx 1,275 in UAE, ranked 22, out of which 495 are based in Dubai and 450 in Abu Dhabi. The combined wealth of UHNW in Saudi Arabia and UAE is \$320 billion and \$255 billion respectively of which more than 57% of population in UAE earns fortune via entrepreneurship.

The Wealth-X research further revealed 35% of the ultra wealthy population partially inherited their fortunes and then grew their wealth. The most significant source of wealth of UHNW is industrial conglomerates.

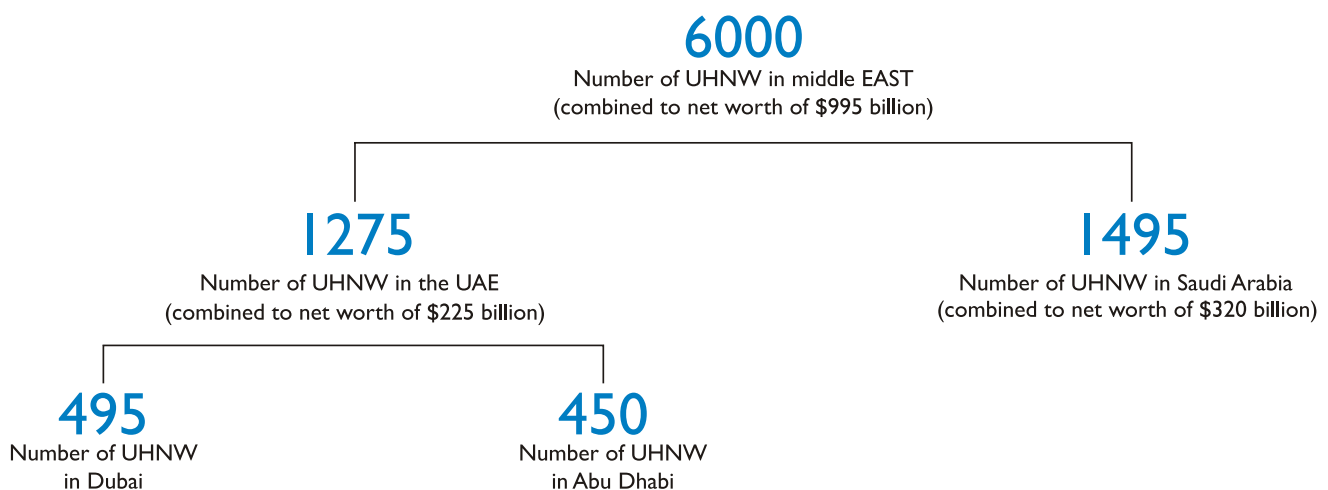
The research also revealed that the typical wealthy individual is connected to seven other UHNW individuals, one of whom is a billionaire.

**On average, these seven individuals are worth \$6.5 billion.**

90% of these individuals are married and through their spouse have an extra connection to five other UHNW individuals. These personal connections constitute a person's social graph which Wealth-X regards as the most important and effective method for business to generate qualified client referrals.

Looking at the connection of the average billionaire, UHNW and high net worth (HNW) individuals reveal a few interesting differences in the composition of their social graph.

- HNW individuals, worth at least \$1 million, hold more connections in their social graph compared to UHNW individuals worth at least \$30 million.
- HNW individuals also seem to network with individuals who are significantly wealthier than themselves (36.9 times wealthier) and collectively their social graphs are 214 times more valuable than their own net growth.



UHNW: Ultra High Net Worth



## Energy subsidy reforms likely to boost UAE's public finances

According to economists in the UAE, there will be sustainable impact on government's finances and fiscal balances by the recent fuel and power subsidy reforms.

Energy subsidies distort consumer incentives and are not environmentally friendly. They are a drag on financial resources that could be used more productively elsewhere such as education and infrastructure. They ultimately tend to be more beneficial to upper middle classes, who have no need of subsidies than the poorest in the society. Fuel prices have been kept low in UAE which estimated loss of Dh12 billion to the government fuel distribution companies.

Total subsidies and transfer cost the UAE \$17 billion, out of which \$7 billion was spent on petroleum subsidies which could be saved depending on how quickly prices are allowed to rise.

"In the context of a tax free environment and falling energy prices, the rationalizing of fuel

subsidy's impact on the competitiveness of the economy will be negligible. It is estimated that water, electricity, gas and other fuels account for 10%, whereas housing accounts for 30% on the UAE consumer price index basket.

"With the move a likely one-off impact on inflation rates reflecting the first price increase is expected. This will close the gap between the subsidized prices and the new prices."

Progressive step: In context to low oil revenues and more effective utilization of resources, a number of countries in the region are moving towards rationalizing subsidies to strengthen public coffers .

Energy subsidies in the Middle East and North Africa (Mena) regions are high, costing at about \$237 billion in 2011, that is 8.6% of regional GDP and 22% of government revenue - and accounted for 48% of global energy subsidies, which is much

higher than food subsidies, estimated at 0.7% of regional GDP.

Oman has ended subsidies on industrial gas usage while Egypt has implemented subsidy reforms. Abu Dhabi has worked towards reducing domestic power subsidies.

A new tariff system is introduced - based on usage - water and electricity tariffs will be increased by upto 170% and 40% respectively, for expatriates.

According to International Energy Agency, energy subsidies in the UAE are equivalent to 5.6% of GDP.

In the GCC, these subsidies range from a low of 5.5% of GDP in Qatar to almost 11.5% of GDP in Saudi Arabia.

2016 fiscal surplus is forecasted to reach 2.5% of gross domestic product (GDP) from 2.2% previously to capture the savings on current expenditure next year.



# Introduction of taxes and VAT across the region

With context to sharp decline in oil prices and subsequent contraction of government revenues, a number of governments in the Middle East and North Africa (Mena) have undertaken various forms of subsidy reforms to boost government finances.

The introduction of a tax regime and some amount of spending retrenchment could be the next step in fiscal reforms across the region but the concern will be its impact on competitiveness and investment which is unlikely to deter investment by introducing indirect taxes.

Fiscal policy initiatives are now focusing on ways to broaden the revenue base, promote investment in projects that create value addition to existing oil and gas export projects and stimulate investment in the non oil and gas sector.

The deficits due to lower oil and gas revenues and expected new norm of oil prices at lower levels, forced the countries to recognize

the need to further broaden the revenue taken from taxation and to introduce indirect taxation regimes.

Value Added Tax (VAT) is actively considered in many GCC countries and Egypt which could gain momentum in context of the deterioration of fiscal balances and growing deficits as a result of the decline in oil revenues. The UAE government is working on a draft of the corporate tax law and the value added tax law.

These regimes will be introduced over the next two to three years and are likely to be low in the initial years after implementation, contributing positively to government revenue collection.

Indirect tax will be tax on consumption and will inevitably be borne by the end consumer of the goods and services, which in result will be passed on by businesses to the end consumer; therefore not expected to be a deterrent to businesses planning to establish in the region.



# Gulf finances may require major alterations



Most of the Gulf Corporation Council countries are facing more than 60% decline in prices of oil, from which they derive most of their revenues. This decline could majorly hit Saudi Arabia, the largest exporter of oil.

To return this stability, they may continue to post budget deficits for a few more years, forcing them to raise more debt.

The policy response consists of a reduction in capital spending (expected mid single digits in 2016 and 2017) which will take time to gain traction with a gradual recovery in oil prices.

According to Fitch ratings, lower oil prices and increased spending will widen the general government deficits to 14.4% of GDP in 2015.

These deficits would likely stay in double digits if there is no consolidation. Transparency on fiscal policy and out-turns is a weakness relative to rating peers.

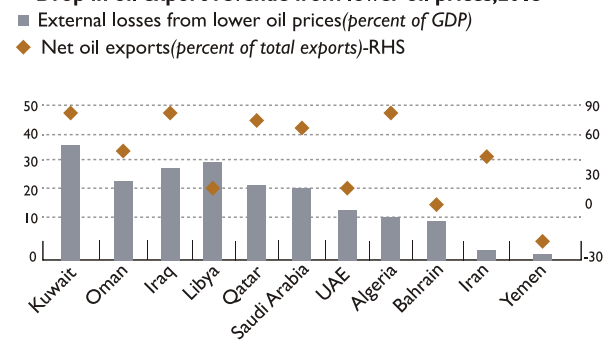
- Saudi Arabia raised \$5.33 billion to bridge the widening gap; through debt earlier and

also opened its \$ 500 billion strong equities market to foreigners to attract more international funds. Despite that, S & P expects GDP growth of 2.5% in Saudi Arabia in 2015, down from 3.6% in 2014. It derives about 40% of GDP, 90% of government revenues and 85% of exports from hydrocarbon sector.

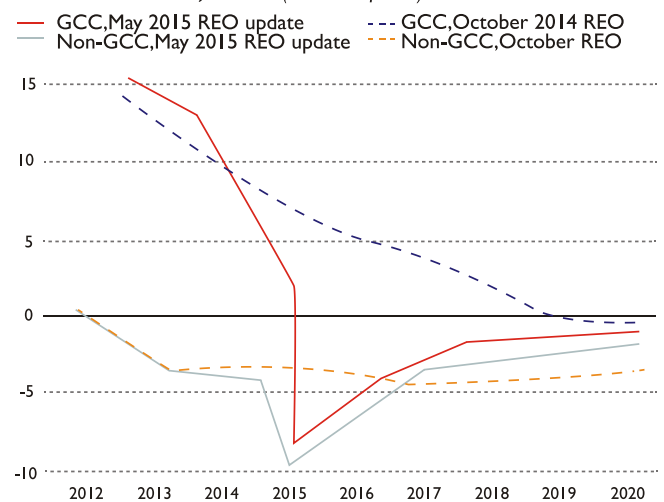
- UAE has introduced number of fiscal reforms measures showing proactive stance to lower oil price, like moving the subsidy on gasoline, a move that could save \$12.64 billion, or 2.87% of GDP, in 2015.

- Qatar has limited potential of gas revenues to rise, with production flat from 2018 and further downside risks to the price on the back of rising global supply. Though hydrocarbon output is expected to contract sharply on the back of substantially lower energy prices, it is expected to face relatively weaker contraction than other GCC countries with long term gas agreements.

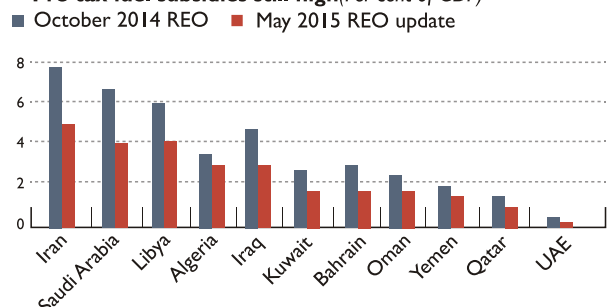
**Drop in oil export revenue from lower oil prices, 2015**



**Fiscal balance, 2012-20 (Per cent of GDP)**



**Pre-tax fuel subsidies still high (Per cent of GDP)**



# UAE government revenue expected to decline by 22.4%

According to the latest quarterly economic bulletin of the Central Bank, the consolidated government revenue of the UAE is expected to fall by 22.4%, due to the sharp decline in oil prices and a reduction in the revenues of local governments.

Also taxes, mostly fees paid by hotels and restaurants, fees on foreign banks' profits, and royalties on oil and natural gas, are expected to fall by Dh92 billion or 33.4 percent. The fiscal balance is projected to turn negative for the first time since 2009 to a deficit of 2.3 percent of GDP.

**Multilateral agencies have been urging the UAE and other GCC oil exporters to diversify their revenue sources and reduce subsidies to deal with oil market volatility.**

To this, the central bank is projecting a decline of 4.2 percent in the consolidated UAE government

spending from Dh480.8 billion in 2014 to Dh460.6 billion in 2015.

Its report said that following an expansionary fiscal stance in 2014, first steps in a gradual fiscal consolidation is expected to start in 2015, with a decrease in public spending of local governments by Dh21.4 billion or 5.5 percent, reflecting a decrease in subsidies and grants totaling Dh17.4 billion.

The Central Bank estimates the UAE's consolidated budget to turn into deficit in 2015 reaching Dh30.6 billion or 2.4 percent of gross domestic product (GDP) and 8.6 percent of non-oil GDP in 2015,

while the federal budget is expected to remain balanced.

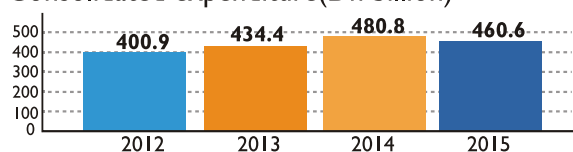
Further reduction is projected in subsidies by 34.3% from Dh 19.8 billion in 2014 to Dh 13 billion in 2015 and Local Government grants are seen declining from 50.4% from Dh 21 billion to Dh10.4 billion.

However, with progressive cuts in fuel and energy subsidies and a potential introduction of value-added taxes, the UAE is seen speeding up the process of revenue diversification and fiscal retrenchment ahead of its GCC peers.

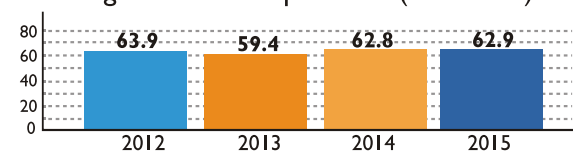


## Trends in UAE government expenditure

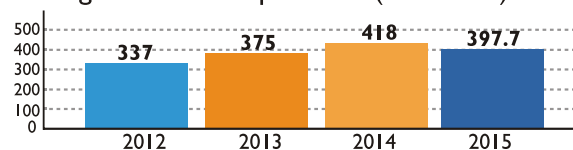
Consolidated expenditure(Dh billion)



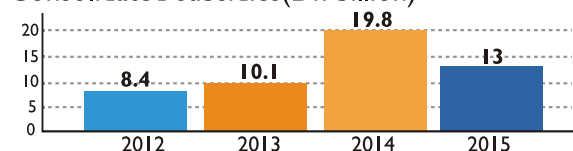
Federal government expenditure(Dh billion)



Local government expenditure(Dh billion)

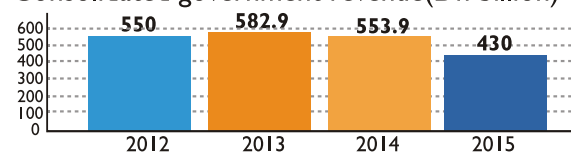


Consolidated subsidies(Dh billion)

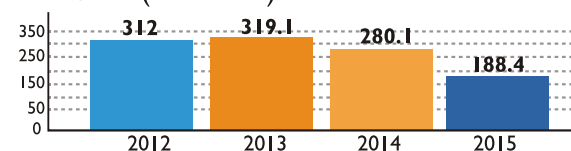


## Trends in UAE government revenues

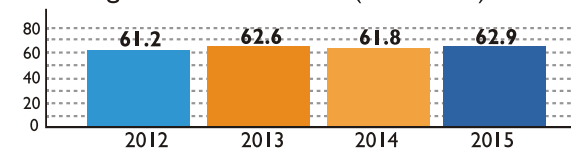
Consolidated government revenue(Dh billion)



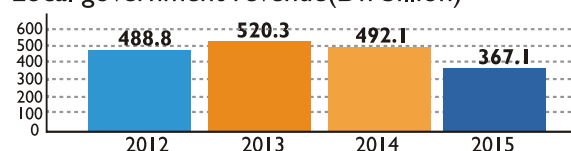
Taxes/Fees(Dh billion)



Federal government revenue(Dh billion)



Local government revenue(Dh billion)





# UAE sets up a knowledge economy

The Science, Technology and Innovation's Higher Policy is adopted by UAE which includes 100 national initiatives in the educational sector, health, energy, transportation, space and water investing over Dh300 billion to build a vibrant knowledge based economy in UAE.

The national investment, related to the policy is expected to be more than Dh 300 billion distributed in clean energy projects amounting to Dh 128 billion; Dh72 billion in the renewable energy sector; Dh 40 billion in aviation research; Dh20 billion in space sector investment; Dh 31 billion in research and developments.

It is working towards establishing a solid future for the coming generations which will be a turning point in social and economic development of UAE.

The Federal government supported in achieving this policy and defining a new scientific and knowledgeable reality for UAE.

Higher policy is planned for UAE in the field of science, technology and innovation that includes scientific initiatives, legislative recommendations, financial investment, and policy in technology, education and development of knowledge economy to change the national economy equation and to drive it away from depending on limited oil resources.

The policy includes the establishment of

funds for science, research and innovation, targeting to increase investment in research and development and increase in percentage of knowledgeable workers to 40% by 2021. It also includes national strategic support to various industries by providing a number of investment and legislative incentives to attract global pharmaceutical industries to the UAE by facilitating contractual partnership with local factories and new legislative frame works to protect intellectual property, copyright, attract scientists and researchers, facilitating easy movement of advanced scientific equipment and resources into the UAE.

It aims to redouble the focus on STEM(Science, Technology, Engineering and Mathematics) in all educational

institution by establishing research centers in all UAE universities, focusing on innovation as the main factor; offices for technology transfer in all the universities in the UAE; programmes for graduates in basic and applied research and drive cooperation between universities and private sector in the fields of science, technology and innovation.

It also establishes specialized innovation complexes in technology, auto industry techniques and spare parts as well as R&D in robotics and genome research. It also promotes the peaceful use of nuclear energy.

“Dh 128 billion is the outlay for clean energy projects and Dh 72 billion set aside for renewable energy sector.”

### Importance of Science, Technology and Innovation

- achieves social-economic development and faster economic growth
- creates sustainable wealth independent of natural and non-renewable resources
- fosters investment in talent and human capital required for development
- provides innovative solutions for a number of challenges in health security, environment & society

### Strategic sectors in the UAE

- Education
- Health
- Water
- Renewable and Clean energy
- Space
- Technology
- Transportation

### Focus Areas of the Science, Technology and Innovation Policy

- Education Innovation and Technology
- Health Information Technology and Bioinformatics
- Public Health, Non-Communicable Diseases and Wellness
- Biotechnology and Genomics
- Water Management and Economics
- Solar Energy and Alternative Energy Technology Systems
- Space Science
- Cubesats and Nanosatellites
- Cybersecurity
- Semiconductor Process Development
- Robotics and Artificial Intelligence
- Smart City Applications and Solutions
- Architecture and urban design
- Arabic Digital Technology
- Financial services
- Petroleum Geosciences
- Internet of Things and Big Data
- Additive Manufacturing (3D Printing)
- Advanced Building and Construction Materials
- Food Security
- Transportation Logistics, Analytics and Security
- Aerospace Advanced Materials, Manufacturing, Maintenance and Testing
- Commercial unmanned Aerial vehicles
- Autonomous Vehicles



# Setting up a company in Dubai Technology Entrepreneur Centre (DTEC)

Dubai Technology Entrepreneur Centre is a business centre developed by Dubai Silicon Oasis Authority for accommodating and supporting young technology companies and entrepreneurs. With over 3,600 square meter of space, it is the largest entrepreneur centre in the Middle East, housing space for over 1,000 innovative and technology driven minds. The main mission of DTEC is to attract and support inspiring tech ideas within a creative environment that encourages the success and growth of the entrepreneur.

**DTEC is designed as a high-tech ecosystem which offers businesses a plethora of advantages, including a state-of-the-art infrastructure, in-house business services and strong business support such as technology investment incentives for large enterprises, entrepreneurial support, incubation centre and venture capital funding.**

**The key benefits of setting up business in DSO are as follows:**

- 100% foreign ownership, 100% repatriation of capital,
- 100% exemption from personal income tax, corporate tax, service tax, import and export tax, low cost of operations, no currency restriction, access to regional pool of talented and engineering professionals
- Access to consumer markets of 5 billion people across MENA and Indian Subcontinent.

## 1. Location:

DTEC Building, Dubai Silicon Oasis, Dubai, (U.A.E.)

## 2. Proposed activity:

Computer Consultancies, Computer Graphic, Design Services, Software House, Education & Training Computer Software, Electronic Chips Programming, Network Consultancy, Graphic Designer, IT Consultants, Internet Consultancy, Internet Content Provider, IT Infrastructure, Payment Services Provider, Portal, Portal Building, Public Networking Services, Web-Design, Science & Technology Consultancy. (Any 4 activities can be selected under one trade license)

## 3. License available:

Trading & Service licenses can be obtained

## 4. Type of entities:

FZE (single shareholder), FZCO (2-10 shareholders) & Branch office

## 5. Shareholder:

Can be individuals or a Corporate entity

## 6. Director:

Individuals only (Minimum one Shareholder can also be Director)

## 7. Share capital:

Minimum of AED 10,000/- & multiples thereof, whereas AED Nil/- in case of Branch

## 8. Audit:

Not required

## 9. Estimated time:

Minimum of 5 - 6 weeks to register and incorporate the company

## 10. Documents required:

Step 1: Doc's required for initial approval

**Shareholder:** Individual

- a. Application form duly filled & signed
- b. Letter of intent
- c. Business plan in brief (if required)
- d. Original bank reference letter
- e. Passport copy of manager/shareholder
- f. Letter of authorization
- g. NOC from current sponsor for shareholder/ director/ manager, if holding a valid residence visa

**Shareholder:** Corporate

- a. Application form duly filled & signed
- b. Letter of intent
- c. Business plan in brief (if required)
- d. Original bank reference letter
- e. Passport copy of manager/director
- f. Audited financial report
- g. Letter of authorization
- h. Following doc's of corporate entity to be attested with UAE Consulate in country of corporate entity  
COI / MOA / AOA / POA / Board resolution
- l. NOC from current sponsor for director / manager holding a valid residence visa

Step 2: Documents required for registration process, after receiving initial approval

**Shareholder:** Individual

- a) Passport copy of director & secretary
- b) Original bank share capital letter in the name of FZE/FZCO under registration

**Shareholder:** Corporate

- a) Passport copy of director & secretary
- b) Original bank share capital letter in the name of FZE/FZCO under registration

Note: All shareholders (or authorized attorney in case shareholder is a corporate entity) are required to personally visit and sign in presence of licensing authority before incorporation of the company.

Alternatively they can issue a POA duly attested by UAE consulate in their country of residence & thereafter attested by UAE Ministry of Foreign Affairs.

## 11 Other notes:

- A. FZE stands for Free Zone Establishment with single shareholder (either individual or corporate)
- B. FZCO stands for Free Zone Company with multiple shareholders from 2-10 (either individual or corp.)
- C. Shareholder or directors wishing to have UAE residency visa on said company will need to revisit after issuance of license, immigration card and visa for stamping of visa on the passport and may need to stay in UAE from 5 to 7 days as that process may take time depending on free zone to free zone.



# Jebel Ali Free Zone (JAFZ) Offshore Company

Dubai is the commercial capital of the United Arab Emirates and is the business capital of the Middle East. In 2003, Jebel Ali Free Zone Authority (JAFZA) which manages one of the largest free zone in the region promulgated JAFZA Offshore Companies Regulation which permits setting up of an offshore company.

Characteristics of an offshore company registered in the JAFZA are as follows:

## A. Shareholders:

Minimum of one shareholder is required. Corporate shareholders are permitted. Shareholders will decide capital structure of the Company. Single class of shares permitted and bearer shares are not permitted.

## B. Directors:

A minimum of two directors are required and corporate directors are not permitted. Shareholder can be a director as well.

## C. Secretary:

Every company must have a secretary. Director can be a secretary as well.

## D. Restrictions on Name & Activity:

Names must end with Limited. The following words, and their associated activities, cannot be used: Assurance, Bank, Building Society, Chamber of Commerce, Chartered, Co-operative, Fund, Imperial, Insurance, Municipal, Mutual Fund, Royal, Consultants and Trust.

## E. Local Requirements:

Company must appoint an approved registered agent. A registered agent's office in the UAE or in the Jebel Ali Free Zone can also be used as the registered office.

## F. Timescale:

Registration of the JAFZA Offshore will take approx. 7 days. Shareholders or their authorized attorneys need to visit in person to sign in presence of JAFZA officials for incorporation of the company.

## G. Annual Reporting:

Every company must keep accounting records & get same audited. These must be approved by the shareholders. The accounts / audit report however, do not need to be filed with the Offshore Authority.

## H. Taxation:

JAFZA Offshore pays no taxes in UAE.

## I. Confidentiality:

Details of shareholders & directors need to be filed with authorities but are not available for public record.

## J. Limitations:

JAFZA offshore cannot:

- carry out business (or provide services) with a UAE based customer/supplier
- have a physical office in UAE
- sponsor UAE residence visas for employees / directors / shareholder
- not entitled to tax residency certificate

## K. Company Renewal:

Renewals for JAFZA Offshore companies falls every anniversary date of incorporation. Failure to do so would result in penalties of AED 120/- per month. In the event that the company is not renewed within 6 months of the renewal due date, the company will be struck off by the registrar of the companies.

Latest valid passport copy and recent utility bill for address proof of shareholder/director are required to be submitted at every renewal as a part of enhanced due diligence. If shareholder is a corporate entity, then latest certificate of incumbency and below stated docs of directors would be required.

## L. Documents Required:

Individual's KYC Docs:

- Passport Copy (clear copy with clear photo)
- UAE Visa Copy, if applicable
- UAE Entry Stamp, if applicable
- N.O.C. from UAE Sponsor, if applicable
- Address Proof (original recent utility bill for residence)
- Bank Reference letter (original)
- Professional Reference letter (original)
- CV / Profile
- 2nd Director Passport copy & address proof

## Corporate Shareholder's KYC Attested upto UAE/Consulate Ministry:

- Certificate of Incorporation
- Memorandum / Articles of Association
- Board Resolution
- Power of Attorney
- Certificate of Incumbency

All shareholders (or authorized attorney in case shareholder is a corporate entity) are required to personally visit and sign in presence of JAFZA Offshore Authority before incorporation of the company. Alternatively they can issue a POA duly attested by UAE consulate in their country of residence & thereafter attested by UAE Ministry of Foreign Affairs.



## Insolvency law, now to become a reality ?

The proposed new insolvency law is set to be largely based on French insolvency practices, drawing on a number of German laws, as well as legal codes from Netherlands and Japan. It contains provisions regarding decriminalization of bounced cheques and the ability to launch criminal charges against individuals who issue bad cheques.

It was highlighted that significant amendments to the UAE's penal code would be required if such provisions are contained in the insolvency law. This law will now be referred to the Federal National Council for approval, then to the rulers of seven emirates and finally to HH President Sheikh Khalifa for his signature.

The UAE ranked 22nd in the World Bank's influential Doing Business 2015 index last October up from 25th position in 2014. It's ranking for resolving insolvency slipped to 92nd position from 88th.

According to sources, with the knowledge of insolvency law, "for those who are going through the bankruptcy process, once the court has sanctioned the procedure, it will issue a letter that will enable postponing of criminal charges relating to bounced cheques until a restructuring plan has been agreed with creditors."



## UAE recommended law on corporate tax

***"In the UAE, foreign banking companies pay 20% corporate income tax on their earnings."***

The International Monetary Fund recommended the introduction of taxes after signing an agreement with the World Bank for the opening of its office in Abu Dhabi, which would be the third in the region after Kuwait and Riyadh.

The UAE is moving towards a tax regime as a draft law on corporate tax is under discussion with the local governments and the Ministry of Justice. Discussions are also going on with GCC member nations on the introduction of Value Added Tax (VAT).







# Knowledge economy is the vision of “Digital India”

The main vision of the Digital India Program is inclusive growth in areas of electronic services, products, manufacturing and job opportunities, etc.

- The first step is to provide high speed internet to all citizens of the country to interact with their government and avail public services. The impact is expected to be cross cutting by 2019, ranging from broadband connectivity in all Panchayats, Wi-Fi in schools and universities, and public Wi-Fi hotspots.

- Every citizen will be encouraged to avail unique online identification number, to allow to access benefits owed to them which will also tie up with a mobile phone and bank account to enable citizen participation in digital and financial space and space on a public cloud server.

- The Government is planning to upgrade the corresponding e-governance services seeking to integrate services across departments and jurisdictions, providing access to people in real time, from both online and mobile platforms making all government related financial transactions electronic and cashless.

- For the convenience of the

citizens, the government is planning to provide all these services in regional languages while collaborating with general public online which is known as “participative governance”

- The programme’s employment options and partnerships are expected to generate a huge number of IT, Telecom and Electronics jobs. Public-Private partnerships will be set up wherever possible, maintaining service standards and reducing government spending.

## **Digital locker –**

A cloud based personal storage space, dedicated and linked to each aadhaar number to store e-documents as well as URLs of e-documents issued by various departments. It will also has an e-Sign facility to digitally sign e-documents.

## **Mobile Seva –**

An access to government services via SMS or Smartphone apps for all the citizens.

## **National Optical Fiber Network -**

Over two years, a total of around 2,50,000 Gram Panchayats to be connected and provided with high-speed broadband, by Bharat Broadband Network Ltd, costing over 20,000 crore.

## **Better Policing –**

Crime and Criminal tracking network system, which will provide an online service through which policing system will be improved by automating police stations.

## **E-courts –**

A plan to automate court proceedings which will provide transparency while making them more affordable and cost effective.

## **Passport Seva –**

A process for issuing Passports nationwide, by having the police verification process and document submissions online, making it simple, efficient and transparent.

## **Common Services Centers –**

A village level service delivery points for the agriculture, health, education and utilities sectors.

## **Jeevan Pramaan –**

A biometric ID that can be used as an appeal by the government pensioners to receive the money due to them.

## **Mygov.in –**

An online forum allowing citizens to participate in their local governance, by suggesting solutions to civil problems, tracking the activity of the representatives, and reviewing government decisions.

“the biggest risk is not taking any risk...  
in a world that is changing really quickly,  
the only strategy that is guaranteed to fail  
is not taking risks”

mark zuckerberg



“success seems to be connected with  
action. successful people keep moving.  
they make mistakes, but they don't quit”

conrad hilton



## Kothari

auditors & accountants

Kothari Auditors and Accountants is a professionally managed accounting, auditing, management and financial consulting firm established in October 1992.

The firm is registered with the UAE Ministry of Economy & Commerce having offices in Dubai and Sharjah.

The firm excels in offering accounting, audit services that include: statutory, internal and management audit and a host of consultancy services. It offers professional guidance that leverages formalities needed to set up businesses in the industrial, trade or services sector either offshore, local or in any of the free zones in the UAE.

The fact that the firm is enlisted on the panel of approved auditors of many local and international banks as well as free zones authorities in the UAE has made Kothari Auditors and Accountants a reputed audit firm in the UAE.

### OUR SERVICES

- Audit
- Accounting
- System Designing & Implementation
- Computerization of Systems
- Management Consultancy
- Project Report & Feasibility Studies
- Cost Audits & Cost Analysis
- Business Restructuring
- Valuation of Business
- Guidance on UAE Commercial Laws



## Global Business Services

DMCC

Global Business Services (GBS), an associate of Kothari Auditors & Accountants, was established to offer company incorporation services in various onshore and offshore jurisdiction around the world.

GBS is dedicated to provide advisory on corporate formation, legal structuring, double tax avoidance treaties and assistance for formation of companies in various jurisdiction.

GBS has associated with various service providers across major jurisdiction worldwide and endeavors to provide every solution in identifying the right destination suitable to clients needs and to present expert insights & assistance with respect to setting up a business entity. Our team of professionals include experts in the international business structuring, tax consultants, finance & law.

### OUR SERVICES

- Company Formation (Offshore & Onshore) in UAE
- Company formation in major offshore jurisdictions
- Company Management and Administration
- Corporate Structuring and Re-Structuring
- Branch Registration of Foreign Corporations
- Establishments of Trusts and Foundations
- Trusteeship and provision of Foundation Councils
- Corporate Tax Planning
- Accounting

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