For Private Circulation Only

KONNECT Newsletter

Kothari auditors & accountants

GBS Global Business Services JLT

Issue No.26 May 2014

# INDEX



# Editorial

The UAE's economy is expected to witness a 5 percent growth during 2014, while inflation rates will rise by 2 percent.

Tourism has been one of the best performing sectors with an expected growth of at least 11 percent during 2014. With the upcoming Expo2020 tourism and aviation sectors are expected to excel. Foreign direct investment is projected to reach almost Dh44 billion in 2014.

Rising inflation in Dubai and at the national level is to be expected through the course of this year, as the sharp increase in housing costs over the last ten month feeds through to the official inflation indices. Nevertheless, the overall inflation is still relatively low: less than 2 percent at the national level and 3 percent in Dubai.

The non-oil sector is expected to expand, and UAE is set to become the world's biggest producer of aluminium in the next few years.

Exports are set to grow during 2014 to reach Dh1.4 trillion, from the 2013 figure of Dh1.3 trillion. Imports are also expected to grow in value to reach almost Dh858 billion - an increase from Dh797 billion last year.

Looking ahead past 2014, growth rates of 4.5 to 5.0 percent are expected to continue to the period between 2015 and 2018. Thus, GDP would reach approximately Dh1.7 trillion in 2018.

Growth is expected to accelerate during 2015, and possibly exceed a growth rate of five percent.

This forecast by experts, however, includes an inflation rate of over 4 percent. This inflation outlook will be the result of increase in rent due to the recent removal of the rent cap.

Renewed opportunities in Iran are cause for optimism as much of the development work in the country remains incomplete. Iran needs to develop its non-oil sector and create a business.

Despite the challenges, international companies are mindful of the latent prospects of the country.

Our teams at KAA and GBS are well positioned to advise & assist clients of these opportunities and assist in professional matters like feasibility study / project reports, company formation, accounting, system setup, auditing and advisory relating to commercial matters.



## 1.3m sq. ft. in warehouse space to be handed over by Kizad

Kizad (Khalifa Industrial Zone Abu Dhabi) will hand over warehouses spread across more than one million square feet in the Kizad Logistics Park (KLP) to tenants this month and 80 percent leased out prior to handover.

The first warehouse was handed over last month and a further 10 will be handed over in coming month with the rest to be staggered throughout the months.

contd. on page 6

# Dubai

## Funds in Dubai International Financial Centre

Dubai considers rule change to attract more domiciled funds. These regulatory reforms are aimed to persuade more funds to base themselves in its financial centre, though industry experts believe that other parts of its investment environment may also need to change for the emirate to compete globally.

The proposed rules would create a new class of funds in the Dubai International Financial Centre (DIFC) in an effort to attract asset managers, such as hedge funds and private equity funds, serving the richest and most risk-tolerant investors.

DIFC has boomed since it was set up as a financial free zone in 2004, becoming the Middle East's top banking hub. The number of registered firms operating in the DIFC jumped 14 percent to 1,039 last year, but it has not come close to competing with the likes of Luxembourg, Dublin and the Cayman Islands as a top domicile for funds.

Only nine funds have been domiciled in the DIFC since its current funds regime was introduced in 2010, compared with hundreds established in the leading centres.

The Dubai Financial Services Authority (DFSA), the regulatory body for the DIFC, is now moving to narrow that gap with its new fund class, which would impose less stringent regulation - and therefore lower costs - on asset managers.

Rapidly expanding financial markets and rising incomes in the Gulf suggest there is room for a fund management hub to develop in the region.

Experts say the DIFC would succeed in the long run if it could accommodate investors such as family offices from around the Gulf.A growing number of these offices, which help the region's wealthy families and business dynasties to manage their money, have been establishing a presence in Dubai.

Currently, DFSA rules permit two types of funds: public funds and exempt funds.Public funds serve the mass of retail investors, who can afford relatively little risk, with extensive regulation in line with International Organization of Securities Commissions standards.

Exempt funds, meanwhile, serve professional, experienced clients more able to cope with risk. Regulation is less stringent but subscriptions to exempt funds start at $50,000.

The DFSA's proposal would create a third category: qualified investor exempt funds (QIEFs). Rules would be relaxed further - for example, fund managers would have more flexibility in the appointment of custodians and the filing of reports on funds. The minimum subscription would be much higher at $1 million. The proposal was made after a review of other fund jurisdictions, including Bahrain, Luxembourg, Dublin, the Cayman Islands and Singapore, the DFSA said. A public consultation ended last month and the rules could be introduced this year.

Dubai has strengths as a fund centre. Tax and investment treaties between the United Arab Emirates and other countries, as well as the legal treatment of land ownership, can make it advantageous for foreign investors in Gulf assets - or Gulf-based investors in overseas assets - to have their funds domiciled in the DIFC. In effect, Dubai can act as a contact point for the Gulf and Western financial systems.

Dubai's move comes after the European Union introduced its Alternative Investment Fund Managers Directive, tightening the EU's regulation of hedge funds and private equity funds in the wake of the global financial crisis.

While the DFSA emphasizes that it is not sacrificing responsible regulation with its proposal, it has a chance to appear attractively lenient to European fund managers saddled with heavier regulation at home.

And though the QIEF proposal aims to streamline registration for funds, DIFC companies law and its requirements would still apply. Standalone investment fund incorporation rules may be needed to resolve this issue.

# Dubai

## Dubai Land Department – Unified Real Estate Contracts

Dubai Land Department (DLD) announced the launch of unified real estate contracts that will become a mandatory requirement starting May 1.

The move comes in line with its aims to create a transparent and professional real estate market with clear and measurable standards as the new agreements will regulate the relationship between the parties involved in property transactions.

"Having unified contracts between the parties not only avoids the misunderstanding and misinterpretation of articles that could previously have occurred, it also guarantees the rights of all the stakeholders involved," authorities said.

This important new document contributes to the enhancement of the competitiveness of the real estate market in Dubai and moves it to a new phase of leadership and excellence by establishing the principles of transparency and professional standards. It will be of great value in assisting us to keep pace with the real estate boom currently taking place in Dubai and will promote confidence in the market generally.

The new procedure will facilitate property transactions as it will allow the completion of registration procedures without the need of an agent.

The unified real estate contracts will be accessed via the Dubai government E-mart website, where it will provide customers with three models of unified contracts.

# Dubai

## Dubai Non Oil Foreign Trade

Non-oil foreign trade in Dubai exceeded AED1.32 trillion in 2013, a rise of AED94 billion than 2012.

Sheikh Hamdan bin Mohammed bin Rashid Al-Maktoum, Dubai Crown Prince and chairman of the Dubai Executive Council, said Dubai is taking huge leaps ahead with the announcement of the Smart Dubai initiative, which aims to raise the bar in enhancing the overall performance of Dubai government sectors and boost the economic sector in particular.

As far as Dubai's imports are concerned, China leads the list of trading partners followed by the US and then India. As for re-exports, Saudi Arabia comes first, followed by India and then Iraq. India, Turkey and Switzerland are respectively the leading partners of Dubai in terms of exports.

The year 2013 saw a remarkable 10 percent increase in tourist numbers to 11 million occupying Dubai hotels, with the number of passengers traveling through Dubai International Airport rising by 15.2 percent to 66.4 million passengers.

Moreover, new trade licenses recorded an increase of 12 percent that is equal to 18,700 licenses, while the total amount of real estate transactions in Dubai grew by 53 percent exceeding AED236 billion.

In addition, another record year was delivered in container volumes with the total number of containers handled reaching 13.6 million TEU.

In response to this massive leap in economic performance, foreign trade hits a growth rate that exceeds twice WTO's forecasted 2.5 percent global trade growth.

“Dubai foreign trade growth of 8 percent reflects the emirate's capability to enhance its trade dealings at all levels. The emirate's imports saw an increase of AED74 billion to reach AED811 billion in 2013, compared to AED737 billion in 2012. On the other hand, exports and re-exports increased by AED20 billion with a total value of AED518 billion, compared to AED498 billion registered last year," said Ahmed Butti Ahmed, executive chairman of Ports, Customs and Free Zone Corporation and director general of Dubai Customs.

Dubai's direct trade with the outer world rose to AED846 billion, up from AED808 billion.

Dubai free zones trade volume recorded AED467 billion, compared to AED417 billion. Customs warehouse trade went up from AED10 billion to AED16 billion.

The diversity of Dubai's foreign trade growth sources supports the emirate's ability to secure high performance levels that can further boost its economy.

In 2012, foreign trade with Dubai’s top five trading partners reached AED468 billion, while with the remaining partners the volume stood at AED861 billion.

India tops Dubai's major trade partners with a total trade volume of AED137 billion representing a 10 percent share.
China comes second with a value of AED135 billion, which accounts for around 10 percent.

The US is third with AED86 billion, that is a 6 percent share.
Saudi Arabia rises to the fourth position with a total share of 4 percent amounting to AED56 billion, then the UK with a total share of approximately 4 percent accounting for AED54 billion.

# Dubai

## Dubai handles 40% of global gold trade worth $75b

**EMIRATE EXPECTED TO BE RANKED SECOND AFTER LONDON INTERMS OF BULLION SALES**

The value of gold traded through Dubai stood at $75 billion last year, representing 40 percent of the world's physical gold trade, according to Ahmad Bin Sulayem, Executive Chairman of the Dubai Multi Commodities Centre (DMCC).

The trade of 2,250 tonnes of gold in 2013 marks a 73 percent increase compared to the previous year. The value of gold traded in 2012 at the DMCC was $70 billion.

Dubai is expected to be ranked second after London in terms of gold trade, according to Pradeep Unni, head of research, strategy and trading at Richcomm Global Services.

"When establishing DMCC, His Highness Shaikh Mohammad Bin Rashid Al Maktoum, Vice-President and Prime Minister of the UAE and Ruler of Dubai, announced that in the coming years Dubai will capture 50 percent of the gold market," said Bin Sulayem, who was speaking at the Dubai Precious Metals Conference 2014 in Dubai, which opened yesterday and will run until today.

Established in 2002, DMCC is a free zone with over 8,300 registered companies aimed at promoting and regulating the gold industry.

The growth in Dubai's gold trade can be attributed to a number of reasons including the transparency of trade, location and rising number of tourists, says Unni.

He explained that the emirate's imported and exported gold is pure. He pointed out that tourists, especially from India, account for the majority of gold consumption in Dubai.

"Seventy percent of gold consumed in Dubai is through the tourist population,' he said. By 2020, when Dubai is expected to attract 20 million visitors per year, he expects gold traded through Dubai to increase further. Given the strong demand for gold, more gold jewellery stores are opening across the emirate, he said.

Meanwhile, DMCC is planning to list a spot gold contract on the Dubai Gold and Commodities Exchange (DGCX) in around a month, according to Bin Sulayem.

## More cruise liners will be seen in Dubai soon

The emirate attracted around 400,000 cruise passengers in 2013, which is expected to grow by up to 6 percent this year.

Dubai could attract at least two additional cruise companies within the next five years, according to Hamad Bin Mejren, executive director of business tourism at Dubai's Department of Tourism and Commerce Marketing (DTCM).

The tourism authority is in talks with a number of cruise companies, such as US-based Carnival Corporation and PLC, which has Carnival Cruise Lines, Holland America Line, Aida Cruises and Costa Cruises, for instance, in its portfolio.

There will be four companies such as Costa and Aida operating in Dubai next season (December-March), and five in the following season. Dubai expects to attract a million cruise tourists by 2020. Last year, the emirate welcomed around 400,000 cruise passengers. This year, passenger numbers are expected to grow by between five and six percent. According to Cruise Lines International Association (CLIA), North America's cruise industry trade organisation, global passenger numbers touched 21.3 million in 2013, and is expected to reach 21.7 million this year.

Cruise company Royal Caribbean International, which exited the Dubai market in 2013 because it did not record the expected revenue, will be returning for the 2015/2016 season, according to Helen Beck, the company's regional director.

"We left because we weren't as profitable [compared to previous seasons]. By switching the ship [from Serenade of the Seas] and working differently with the ports, we would be able to put a strong case together," Beck said.

She added that the new vessel is fuel efficient. Beck declined to comment on revenue forecast for the 2015/2016 season and revenue for its last season in Dubai (2012/2013). The company's Splendour of the Seas vessel will take passengers from Dubai to Khassab (a new stop) in the Musandam peninsula of Oman, Muscat and Abu Dhabi. Tickets will be sold starting next month. The new vessel will add more than 32,000 passengers. Most of the company's customers come from mainland Europe, followed by the US, China and India.

# Free Trade Zone News

## RAK Free Trade Zone

RAK FTZ's new client registrations rise nearly 30%. Increased registrations signal investor confidence in the free zone. The Ras Al Khaimah Free Trade Zone Authority (RAK FTZ) announced that new client registrations increased by nearly 30 percent over the previous year.

New companies registered with the RAK FTZ during 2013 touched 2,900, an increase of nearly 30 percent over the 2012 tally of 2,300.

The RAK FTZ says it plans to build a new office tower in its Business Park that will accommodate more than 700 new clients. It will also construct 100 new warehouses in its Technology Park for its trading and light manufacturing clients.

"The RAK FTZ continues to grow rapidly, attracting top companies from emerging and established markets around the world, and this is why we need to build more first-class offices and quality warehouses to accommodate them," said Peter Fort, Chief Executive Officer of the RAK FTZ. "Our substantial increase in client registrations reflects the investors' confidence in our cost-effective, award winning, business-friendly company setup services and high quality facilities."The total number of license renewals at the free zone in 2013 reached 5,100.

cover story...

## 1.3m sq. ft. in warehouse space to be handed over by Kizad

Kizad (Khalifa Industrial Zone Abu Dhabi) will hand over warehouses spread across more than one million square feet in the Kizad Logistics Park (KLP) to tenants this month and 80 percent leased out prior to handover.

The 1.3 million square feet of pre-built warehouse space is just the first of a six-phase plan to develop KLP within Kizad. Each phase will be around 1 million square feet and takes around nine months to construct. Overwhelming demand for phase one has encouraged Kizad to look at starting the development of phase two in either the second of third quarter.

## Dubai Silicon Oasis Free Zone (DSO)

Dubai Silicon Oasis Authority, a 100% government-owned free zone, was established following Law No. 16 of 2005 of the Government of Dubai with the mission to facilitate and promote modern technology based industries thus support the regions demand for business expansion.

DSO's urban master-planned community spans 7.2 million square meters and has been carefully divided into 5 main pillars based on industrial, commercial, education, living and residences and public facilities.

DSO 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 incentive for large enterprises, entrepreneurial support, incubation centre and venture capital funding.

Starting from AED 49,550/- onwards (inclusive of license, registration and workstation space rentals) and renewal charges amounts to same AED 43,550/- from next year onwards. However please note that the above mentioned charges can vary depending upon the type of license applied and also depends upon the leasing/office facility acquired.

| | | | |
|---|---|---|---|
| 1. | Location | : | Dubai Silicon Oasis, Dubai, (U.A.E.) |
| 2. | Permitted activity | : | Mobile Technology, Internet, Data Centre, Arabization and Localization Technologies, Software, Software-As-A-Services and Semiconductor |
| 3. | License available | : | Trading/Service and Industrial license |
| 4. | Type of entity | : | Free Zone Entity, Free Zone Company, Branch office |
| 5. | Shareholder | : | Can be Individual or Corporate entity |
| 6. | Director | : | Individuals only |
| 7. | Share capital | : | Minimum share capital of AED 100,000/-, AED Nil/- for branch office |
| 8. | Audit | : | Audit report is required to be submitted to free zone authorities |
| 9. | Estimated time | : | Minimum of 5 – 6 working weeks to obtain final trade license |
| 10. | Key benefits | : | Ownership, Taxation, Repatriation Advantage.<br>100% foreign ownership.<br>100% repatriation of capital and profits.<br>No personal income tax.<br>No corporate tax.<br>No currency restriction |

GBS provides you consultancy and helps you with company incorporation services at Dubai Silicon Oasis Free Zone.

For further information please click on following

## SEYCHELLES INTERNATIONAL BUSINESS COMPANIES (IBC)

### 1. SYNOPSIS

Seychelles is an archipelago located northeast of Madagascar in the Indian Ocean. The archipelago is approximately 2.5 times the size of Washington, DC. It is comprised of over one hundred islands. The total population of Seychelles is approximately 79,000. The weather ranges from humid to tropical marine. The government type is a republic. The capital city of Seychelles is Victoria.

Seychelles is one of the newer offshore center in the world and benefits from it's extensive offshore legislation.

### 2. THE SEYCHELLES INTERNATIONAL BUSINESS COMPANIES

A Seychelles IBC has the following characteristics:

**a. Shareholders:**

A minimum of one shareholder is required and can issue shares in registered form. No details of the shareholders appear on the public file but a register of shareholders must be kept at the registered office address of the company in Seychelles. Corporate shareholders are permitted.

**b. Directors:**

A minimum of one director is required and corporate directors are permitted. Details of the directors do not appear on the public file.

**c. Officers/Secretary:**

The secretary may be a natural person or body corporate, be of any nationality and need not be resident in the Seychelles.

**d. Restrictions on Name and Activity:**

Names must end with one of the following words, or abbreviations thereof – Limited, Corporation, Incorporated, Societe Anonyme or Sociedad Anonima. A wide variety of other suffixes such as BV, GmbH, and SARL may also be used if desired.

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 and Trust or it cannot have any word which implies that a licensable activity is being undertaken.

IBC cannot carry on business in Seychelles, may not own real estate in Seychelles and cannot undertake banking, insurance & registered agent business without special license.

**e. Local Requirement:**
As a matter of company law the IBC MUST maintain a registered office address within Seychelles and must also appoint a Seychelles resident as registered agent. We would generally provide these services as part of the domiciliary service fee.

The details of where the accounting records must be maintained via Board of Resolution, otherwise the Company will be subjected to penalties. Any change in this address must be notified within 14 days.

**f. Timescale:**
Incorporation can be achieved within 24 hours. However, it does take approximately 1 week for documents to arrive from Seychelles. We do keep ready-made companies in stock available for immediate purchase.

**g. Annual Reporting:**
No accounts need to be filed but annual returns are required to be filed. It should be noted that penalty fees will be incurred if the license fee is not paid when due.

**h. Taxation:**
An IBC is exempted from local taxation.

**i. Confidentiality:**
The Republic of Seychelles is an independent country. As such, it is not sharing or reporting information to any overseas "principal", or organization. Seychelles is not subject to the EU Savings Tax Directive, unlike some other offshore tax havens related to the EU member states (primarily, to the UK and its overseas territories).

Seychelles has avoided entering any information-sharing agreements with foreign countries or organizations for exchange of financial aid. Client confidentiality is robustly enshrined in the Seychelles corporate and business legislation.


**j. Required Documents:**

**KYC Documents for individual Director/Shareholder**
- Passport copy
- Proof of address (dated less than 3 months)
- Bank reference (dated less than 3 months with satisfactory record clearly mentioned and also the time period the client has been dealing with the bank: minimum of 2 yrs)
- Detailed CV
- Professional reference

**KYC for Corporate Director/Shareholder**
- Certificate of Incorporation
- Registered address and place of business
- Certificate of Current Standing if incorporated more than 1 year
- Register of Directors
- Register of Shareholders
- Financial Statements
- Memorandum & Articles of Association

# Dubai

## Dubai Silicon Park

Silicon Park will be Dubai's first integrated smart city. His Highness Sheikh Ahmed bin Saeed Al Maktoum, Chairman of Dubai Silicon Oasis, the integrated free zone technology park, launched 'Silicon Park', the first integrated smart city project to be built in DSO at a cost of EUR217.5 Million, spanning an area of 150,000 square metres.

"We are confident that this project will succeed in offering a modern lifestyle for residents, workers and visitors. The project's standards are aligned to the Dubai Government's strategic directions on smart cities that focus on six pillars: life, society, mobility, economy, governance and environment."

His Highness Sheikh Ahmed Bin Saeed Al Maktoum said: "Work has commenced, and the project will be completed by Q4 of 2017. This project is in line with the vision of His Highness Sheikh Mohammed Bin Rashid Al Maktoum, Vice-President and Prime Minister of the UAE and Ruler of Dubai to transform Dubai into the smartest city in the world over the course of the next three years. The project articulates Dubai's Vision 2021 to transform the emirate into a smart city while ensuring that it remains on par with the latest global trends for smart cities."

The Silicon Park project comprises 97,000 sq. mts. of office space, 25,000 sq. mts. of commercial space, 20,000 sq. mts. of residential area, and a 115 rooms business hotel in addition to value-added facilities that suit contemporary living such as restaurants, cafes, health and fitness centres, as well as running tracks and cycling trails, prayer rooms, a shopping centre and underground parking for more than 2,500 cars.

## Players in position in anticipation of IPO

The end to the crisis of confidence is in sight. The five-year drought of initial public offerings (IPO) in the local market in the wake of the financial crisis is finally ending with a pipeline of new issues waiting to hit the market. With this, the market is turning a new phase, signalling an end to the crisis of confidence created by the 2008 bubble burst.

The dry spell was broken by the announcement of a new local company under formation by a few local businessmen and investors to enter retailing. The company, named Marka, is raising a modest $75 million to set operations rolling in the UAE's fashion retailing and food sectors.

This will be followed by the plan by Emirates Reit to float shares on Nasdaq Dubai. The real estate investment trust plans to raise at least Dh500 million, to be used for acquisitions and other investments in the rapidly recovering real estate sector.
Emaar Properties added to the excitement by hiring Morgan Stanley to advise on the sale of 25 percent of its mall and retail business to raise up to Dh9 billion through a secondary market offering on Nasdaq Dubai and the London Stock Exchange. The issue is expected to happen around mid-June.

The latest addition to the IPO pipeline is that of freight forwarding company Able Logistics Group, which is majority-owned by a buy-out firm. This will only be the third logistics company in the region to go public after Aramex and Agility of Kuwait, both of which are listed on Dubai Financial Market (DFM).

Similarly, Abu Dhabi-based Senaat has hired HSBC and JP Morgan Chase for the sale of a part of its business, which includes the National Petroleum Construction Company, through an offering some time later this year. The issue is expected to be listed on the Abu Dhabi exchange.

It is reassuring that the announced IPO plans are from activities as varied as oil and real estate to retailing and logistics, signalling a wider spread, rather than being restricted to a more probable sector like the real estate, which has seen some genuine upswing in recent times. A public issue for retailing is particularly interesting as there have been few issues of this nature in the past.

The pick-up in market offerings has also set the ball rolling at the offices of investment banks and brokerages, which are reactivating their equity operations. There is also a poaching game going on in right earnest, with companies recruiting brokers and dealers with experience in local and regional markets.

Goldman Sachs recently announced that it was restarting its equity trading business in the region and followed up with some poaching on the rival Bank of America Merrill Lynch resources. The investment bank seeks to fill the space left vacant by Morgan Stanley and Credit Suisse, which had moved their Dubai operations to Saudi Arabia some time back to target the kingdom's bigger market.

Merrill Lynch in turn is said to have targeted the Dubai-based operations of another leading brokerage to hunt for people to lead its reactivated equity sales and trading business.

The prospective players probably include a Russian bank, which is apparently on a hiring spree to build up a full-fledged sales, trading and research operation in Dubai as part of its ambition to grow its influence in the region.

Until some time back, all announcements related to equity trading business used to be about companies down-sizing or winding up operations. Suddenly, there is a reversal of trend and all new announcements are about companies expanding activities or building up new teams.

# Dubai

## Oil in Dubai: History & timeline

Dubai has approximately 4 billion barrels of oil in reserve and holds the second place in terms of oil reserves in the UAE. Dubai Petroleum Co (DPC) is the main operator in the emirate. Dubai's oil production peaked in 1991 at 410,000 b/d and has been steadily declining ever since.

Dubai's oil reserves have reduced over the past decade and are now expected to be exhausted within 20 years. The main fields are offshore: Fateh, Southwest Fateh and two smaller fields, Falah and Rashid. The only onshore deposit is the Margham field. Dubai Petroleum Company (DPC) is the main operator.

The production of condensate from the onshore Margham field is running at around 25,000 b/d. Margham, previously operated by Arco International Oil and Gas Company, is now run by the Dubai Margham Establishment, which is wholly owned by the Government of Dubai.

The government of Dubai owns the National Oil Company (ENOC), and this company handles the oil operations in Dubai, The Emirates Petroleum Products (EPCO) is associated with the ENOC, which distributes petroleum products to more than 125 distribution stations in Dubai and Northern Emirates.

A look at Dubai's history and key moments in oil production and export Timeline:

**1966:** Oil is first discovered in Dubai at the offshore Fateh field

**1969:** Dubai starts to export of oil. The first export shipment of oil produced from the field Fateh was around 180 thousand barrels

**1972:** Oil drilling exploration wells begin operations in the field at Falah. Production begins June 1978

**1973:** A new oil field is discovered at Rashid and production begins in March 1979

**1982:** Another oil field was discovered at Margham, production started in 1984.

**1999:** Dubai government owned Emirates National Oil Company (ENOC) opens the first oil refinery of the company and follows a fully owned subsidiary. The refinery, which costs around Dh1.5 billion and produces 120 thousand barrels per day.

**2000:** Dubai joins the Dolphin project, signing a memorandum of understanding to provide the Dubai Supply Authority with Qatari gas through the project (Dolphin)

**2007:** Dubai Petroleum assumes control of all oil and gas related projects in Dubai, following negotiations with international oil companies.

# Dubai

## Dubai stands to make the most of opportunities in Iran

Dubai could not have asked for a better beginning for 2014 - first, the Expo 2020 award and then the prospect of the reopening of the Iranian market.The withdrawal of sanctions and reopening of trade are expected to benefit the emirate. While the two landmark events are by no means mutually exclusive, they are expected to perform two different roles in the emirate's growth prospects.

There are no two opinions on the importance Expo 2020 has in putting Dubai's economy back on track, but the impact is not expected to be fully realised until the infrastructure build-up starts in right earnest, which is as yet a long way off. Going by current indications, the Expo stimulus will start playing out to its full potential only after 2016.

In fact, the initial euphoria has given way to a greater sense of realism, with various segments of the economy reporting that, barring certain sectors, nothing much has changed on the ground.

But this is not the case with the opening of the Iranian market. The lifting of sanctions, although on a limited scale in the wake of the new initiatives for dialogue between Tehran and Western powers, has already prepared the ground for easing some of the trade restrictions, particularly for Dubai's trade with Iran. Traders are fully gearing up for a major thrust in this regard, exploring joint ventures, tying up supply sources and forging new commercial relationships with Iranian players.

Iran traditionally has been a captive market for Dubai, part of the trade going directly between Dubai exporters and the Iranian buyers and the rest routed through Dubai as a transshipment hub. Right from the time when Iranians were first invited to Dubai by the then rulers and provided with all means to set up business here, Iran has been a major destination for Dubai's export and re-export trade.

The Dubai Creek and the hundreds of dhows that line its two sides have played a legendary role in building up the emirate's status today as a leading trading hub.

Even as the UAE has fully complied with all the Western sanctions against trade with Iran, the deep linkages between Dubai and the Iranian market have remained intact, although it had become virtually impossible to carry on trade. In fact, the loss of the Iranian market has been a major setback for Dubai businesses and the problem hurt the most as other sectors of the economy struggled to grapple with the real estate downturn and the serious financial crisis.

The Dubai traders are now hoping to re-establish their hold on the Iranian market as they note that the trade sanctions did not allow any other player to get established as an alternative supplier. Apart from the collapse of the Iranian currency, traders on either side had tried out several alternative mechanisms for transacting payments, including a limited system of barters, but none of these really succeeded to break the impasse, which ensured that the market remained completely undersupplied and unoccupied.

The withdrawal of sanctions and reopening of trade would assure Dubai of a market starved for all kinds of products and additionally enjoying significantly higher liquidity levels, thanks to the unlocking of billions of dollars caught up in sanctions. According to reports, over $4 billion (Dh14.7 billion) of revenues held abroad is currently blocked from access to the Iranian authorities and release of this as well as additional sanctions-hit funds as per a timetable would ensure the flow of billions of dollars into the market, raising both the demand for goods as well as paying capacity.

# UAE

## Emerging Markets upgrade could attract foreign investments to UAE financial markets

Reclassification expected to increase liquidity in UAE's two financial markets, an investment firm Fortress Investments said on Monday it expects huge inflows into the UAE financial markets, specifically Abu Dhabi Securities Exchange and Dubai Financial Market, after UAE's indices are officially reclassified by New York's Morgan Stanley Capital International (MSCI) as "Emerging Markets" in May 2014.

Financial experts say the upgrade will help boost liquidity and attract more investors to the country, as UAE serves as the financial hub of the MENA region.

This major upgrade will significantly boost the financial standing of both markets, experts say.

# Qatar

## Global energy use to surge 50%

Qatar's natural gas production exceeded 7 trillion cubic feet mark in 2013. This includes 77 million tonnes of LNG exported to more than 25 countries, pipeline gas exports to the UAE and Oman, and domestic consumption.

Worldwide energy consumption is expected to increase by about 50 percent between now and 2035. Almost 90 percent of such growth is expected to come from non-OECD countries, led by emerging economies like China and India. Similarly, global LNG demand, which is growing at an average of about five percent per annum, is expected to almost double from around 240 million tonnes per annum in 2013, to 465 million tonnes by 2025. It is said that a double digit price per barrel of oil is history said a number of new challenges have emerged in the form of geopolitical developments impacting energy markets. Explaining the changing global energy landscape he said America's growing production of shale gas and crude oil will reshape the US energy economy, when crude oil production reaches 9.6 million barrels per day by the end of 2016, which is the historical high achieved back in 1970.

The EIA expects this tight crude oil production to level off and then slowly decline after 2020. On the other hand, it foresees that natural gas production will grow steadily, with a 56 percent increase between 2012 and 2040, when production reaches 37.6 trillion cubic feet.

Currently, there are a number of gas export projects in the western parts of Canada at various stages of permission and development. China is sitting on the world's largest shale reserves. In pursuit of a shale gas boom, China is actively engaged in building a capacity target of 230 billion cubic feet per year, as early as next year. Australia has an estimated 819 trillion cubic feet of gas reserves; and which is moving forward with efforts to raise its existing LNG capacity within the next 3-4 years. In addition to three operating LNG developments, Australia has seven new projects in various planning and implementation stages, costing more than $200bn. All these could impact the changing characteristics of global energy landscape.

However, different set of elements are increasing the geopolitical pressures causing energy concerns. But it is not clear yet when, and how hard this situation could affect energy markets. But as we watch these geopolitical developments, one cannot overlook the fact that worldwide energy consumption is expected to increase by about 50 percent between now and 2035. Almost 90 percent of such growth is expected to come from non-OECD countries, led by emerging economies like China and India.

## NRI Scan

Back in the 1990s, owning a house or even an apartment in south Mumbai meant serious wealth. For the new rich, or ultra high networth individuals (HNIs) of today, to whom no place is too far to go and no price too high to pay, that address is pretty much passe.

"Some of the fanciest districts in the world, such as Kensington, Belgravia or Holland Park in London or prestigious locations such as the Burj in Dubai and Nassim Road in Singapore are among the most popular global locations for Indian ultra HNIs to own luxury residential properties," Kotak Wealth Management and Crisil Research said in a recent report.

Money is no object. According to the Forbes Billionaires List, the number of Indian billionaires increased to 55 in March from 48 last year. The combined wealth of Indian billionaires as of March 2013 was $189 billion, which, to put it in perspective, is roughly one-and-a-half times the size of Bangladesh's economy or three times the size of the Sri Lankan economy in 2012, according to International Monetary Fund (IMF) figures.

Kotak and Crisil, in their 2011 Top of the Pyramid report, defined an ultra HNI household as one having a minimum average net worth of Rs.25 crore, essentially accumulated over the past 10 years. The latest report pegs the number of such households in the country at more than 100,900, which is poised to more than triple to over 329,000 by 2017-18.

The 2013 report says that driven by increasing globalization, comparable valuations overseas and investment considerations, more and more ultra HNIs are purchasing luxury properties abroad in places such as Singapore, London and Dubai. Knight Frank's The Wealth Report 2013 says that despite recent economic concerns, the number of HNIs in India is expected to more than double over the next 10 years, rising 137% in Mumbai alone.

Indians were among the top five international real estate buyers in the US in the year ended March, according to the US National Association of Realtors. Indians, along with buyers from Canada, China, Mexico and the UK, accounted for some 53% of international property buyers in the US in the year ended March, according to a survey by the association.

"Today's Indian consumer buying properties abroad is backing up his/her investment with solid reasoning," says Chawla. "For tax-free investments people are looking at Dubai, Singapore tops for its proximity to India plus its booming economy. For returns on rental investment the current favourite is London."

"Wealthy investors are also starting to buy into recovery, breathing new life into previously moribund markets such as Dubai and Dublin." A majority of real estate buyers on foreign shores comprise people who are looking for a second home or a place to holiday in, and for those whose children are studying abroad.

"Education- and business-related interests are the major drivers behind such acquisitions. Australia, the Middle East—including Dubai, Muscat and Abu Dhabi—and the UK (especially London) and the US are the prime locations, says Zaidi.

Then there are people who are working outside India and for whom buying a home in the country they are employed in makes more sense than buying one in India.

"London and Singapore are the most popular and also some of the most expensive markets. Usually, a good starting price for a decent property in these places is around $1 million. Dubai and Malaysia present opportunities to grab early-stage investments (i.e. bargains) and a good price there would be around $300,000," says Chawla. For homes that would cost around £2-3 million in India, people are now willing to shell out upwards of £10 million in London.

Some of the properties in central London, which is one of the most popular destinations, would cost anywhere between £3 million and £15 million.

## Foreign universities open India centers

Some global higher education brands are opening research centers in India to capture a portion of the growing market of executive education.

Although foreign universities are yet to open independent campuses in India because of regulatory hurdles, some global higher education brands are opening research centres to capture a portion of the growing market of executive education and other research partnership opportunities.

The University of Chicago had opened a centre in Delhi on 29 March. Virginia Polytechnic Institute and State University, popularly known Virginia Tech, is opening its centre in May. Harvard Business School has an Indian research centre in Mumbai, and Deakin University, a well-known name from Australia, has a centre in New Delhi.

Virginia Tech believes that India's growing population and expanding industrial sector is well positioned for high-quality research and graduate education in the areas of science and technology through a model of collaborative research, education and engagement.

India is becoming increasingly important for education and economy, There is a two-way opportunity here, to learn and to teach. The higher education landscape in India has changed, according to Ravneet Pahwa, country director India, Deakin University. "Brain drain is no more the way forward. It's about value addition, research and teaching collaborations," she said. "Any top global institutions looking for serious partnership cannot operate by flying in and flying out. You need a center and constant engagement."

Sam Pitroda, former head of the Knowledge Commission and adviser to Prime Minister Manmohan Singh on public information infrastructure and innovations, said: "They have a need to go global and India is a huge market. It is no more just about staying in America and knowing about America. It is also knowing about India, China, etc."

The trend signifies two points, the potential of the education market and the need to understand the Indian economy which is increasingly becoming global, said Debashis Chatterjee, director at Indian Institute of Management at Kozhikode.

The Indian education market is likely to be worth Rs.5.9 trillion in 2014-15 as against Rs.3.33 trillion in the 2011-12 financial year, according to rating agency India Ratings.

For now, executive education is the way forward for overseas institutions.

The University of Chicago

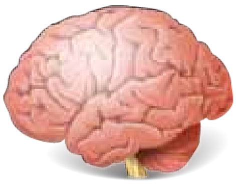
## Government grants & incentives for setting-up a new business in India

The government of India has made several administrative changes to help setting up factories and Industrial units in India easy for foreign investors and NRIs returning to India to set up businesses. The Indian Government has set up the Foreign Investment Promotion Board (FIPB) to promote foreign investment in India. The purpose of this board is to promote foreign investment in India as well as providing a single window facility for all matters related to foreign investment in India. The need to go from one department to the other for clearances in setting up business in India is to some extend eliminated by single window clearance facility. The Government of India has been supplementing the efforts of State Governments for accelerating the industrial development of backward areas and special category states through various policies and packages of incentives.

Those planning to set up industry or contemplating investing in India will find more information regarding investing in India from the Ministry of commerce and industry website http://www.dipp.nic.in


## Paying tax in India on rental income from property

There is no limit on the number of residential or a commercial property (other than agricultural land/farmhouse plantation property) that NRIs can buy. There is however one important taxation impact that is associated with owning more than one property in India the NRIs should be aware of. As per Indian Income Tax Act, there is no income tax charged on properties that are self occupied. If a person owns more than one property, then as per Indian tax rules, only one of these properties can be claimed as being self occupied. The second property in such a case cannot be claimed as self occupied, even if the owner keeps the property for their own use. The other one, whether you rent it out or not, will be deemed to be given on rent and in such cases, the rent will have to be calculated as per certain valuations prescribed under the income tax rules and the owner would have to pay tax on this deemed rental income.



# FOOD FOR THOUGHT

a. Returning NRI's/ PIO may continue to hold, own, transfer or invest in foreign currency, foreign security or any immovable property situated outside India, if such currency, security or property was acquired, held or owned when resident outside India. Also the income / sale proceeds of assets held abroad need not be repatriated to India.

b. If property was acquired out of rupee sources (from ordinary or NRO account), an NRI or a PIO may remit an amount of upto US$ 1 million per financial year out of the balance held in NRO account (inclusive of sale proceeds of assets acquired by way of inheritance or settlement) for all the bonafide purposes subject to tax compliances

# On a Lighter Note

## How to Recognize a Desi Engineer

You have ever taken the back off your TV just to see what's inside.

You're aware that computers are actually only good for playing games.

You rotate your screen savers more frequently than your car tires.

You still own a slide rule and you know how to work it.

You have more friends on the Internet than in real life.

Your IQ is lower than your weight.

You stare at an orange juice container because it says CONCENTRATE.

You can remember seven computer passwords but not your anniversary.

Your wife hasn't got the foggiest idea what you do at work.

You introduce your wife as mylady@wife.home.

## Do I Look Like A Foreigner?

A babu returns from China.

Babu asks wife: Do I look like a foreigner ?

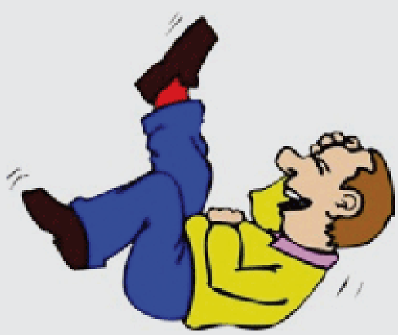
Wife: No.

Babu: Look carefully, do I look like a foreigner ?

Wife again replies: No.

By now Babu was fuming.

Babu yells: All those women in China were fools. Where ever I visited, they all said: "Look! A foreigner!"



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 in 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 (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






Kothari auditors & accountants كوتاري لتدقيق الحسابات

M 6&7, Above United Bank
Bank Street, Bur Dubai
Post Box 51504
Dubai (U.A.E)
**Tel :** +971 4 3526330
**Fax :** + 971 4 3526332

202, Above CBI, Bank Street
Rolla, Post Box 4706
Sharjah (U.A.E)
**Tel :** +971 6 5683997
**Fax :** + 971 6 5686714
Branch Office in SAIF Zone

**Email :** info@kothari.ae
**Website :** www.kothariauditors.com

GBS Global Business Services JLT

Office No. 12A-06, HDS Tower, Plot No. F2
Jumeirah Lakes Towers
Post Box 309074, Dubai (U.A.E)
**Tel :** +971 4 4471804
**Fax :** + 971 4 4471803

**Email :** info@gbsei.com
**Website :** www.gbsei.com


## GET IN TOUCH WITH US ON


www.facebook.com/KothariAuditorsandAccountants
http://ae.linkedin.com/in/kothariauditorsandaccountants
www.twitter.com/KothariAuditors

www.facebook.com/GlobalBusinessServicesJLT
http://www.linkedin.com/in/globalbusinessservices
www.twitter.com/GBS_JLT