

SETTING UP AN OFFSHORE
INVESTMENT HOLDING COMPANY
IN THE UNITED ARAB EMIRATES



PREFACE

This publication was written to provide an overview of the history, business entities, requirements, and other details to set up an offshore company in the United Arab Emirates. It presents a high-level summary of the prominent features of the topics discussed. This information was compiled from sources believed to be accurate and reliable; however, we cannot guarantee the accuracy of such information, as we have not independently verified the accuracy or completeness of such information.

Furthermore, this publication is not comprehensive and accordingly, should not be used as a substitute for detailed professional advice. Persons conducting or planning to conduct business in the United Arab Emirates are advised to obtain more detailed information from experienced professionals in the United Arab Emirates.

This publication was written by **Kanaan & Associates Certified Public Accountants & Advisors** (BKR Member Firm for the United Arab Emirates) and reflects rules current as of January 2016.

References:

<https://expo2020dubai.ae/en/>
<http://www.imf.org>
<http://www.jafza.ae>
<http://www.rakia.ae>
<http://www.rakftz.com>

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1/GENERAL INFORMATION

1.1 Introduction to this Publication

Thank you for reading our publication on Setting Up an Offshore Investment Holding Company in the United Arab Emirates!

We have witnessed a dramatic rise in the use of investment holding companies by entrepreneurs seeking offshore banking services and businesses operating in the United Arab Emirates looking to consolidate their operations and assets in a safe and efficient vehicle. This is where the use of an investment holding company plays a major role by allowing the free flow of capital and as the efficient consolidation of assets nationally and internationally.

Furthermore, investment holding companies are able to provide a unique method of succession planning that can protect an entrepreneur's family and avoid local inheritance laws.

Given the versatile nature of investment holding companies, the purpose of this publication is to provide an overview and introduction to the two primary investment holding company options available to be set up in the United Arab Emirates.

The first option is an Offshore Company formed at the Jebel Ali Free Zone and is detailed in Section 2 of this publication.

The second option is an International Business Company formed at the Ras Al Khaimah Investment Authority and is detailed in Section 3 of this publication.

Although similar in certain respects, each entity type possesses its own individual attributes and this publication is meant to provide information to investors interested in forming an offshore investment holding company domiciled in the United Arab Emirates.

As you read this publication, we trust it will provide you with a good understanding of offshore investment holding companies; however, please bear in mind that there is no substitute for professional advice and we would be pleased to meet in person to discuss how we can meet your objectives.

Please refer to our contact details presented in Section 4 of this publication.

1.2 Introduction to the United Arab Emirates

Despite its young age, The United Arab Emirates (Arabic: دولة الإمارات العربية المتحدة), often abbreviated as "Emirates" or the "UAE", is a country located in the Middle East with a shared border with Saudi Arabia, Oman, and the Arabian Gulf.

The UAE has witnessed remarkable development and growth since it achieved independence on 2 December 1971 from the United Kingdom.

The UAE is composed of a federation of seven Emirates, as follows:

- Abu-Dhabi;
- Dubai;
- Sharjah;
- Ajman;
- Umm Al Quwain;
- Ras Al Khaimah; and
- Fujairah

Abu-Dhabi is the capital city, while Dubai is the most populous city of the UAE. Although Arabic is the official language, English is widely spoken and understood.



The UAE occupies an area of area of 83,600 square kilometers along the south-eastern tip of the Arabian Peninsula with Abu-Dhabi and Dubai comprising approximately 87% and 5%, respectively of the total land area. The total land area of the UAE is about the size of the State of Maine in the United States of America. Geographically, Qatar lies to the northwest, the Kingdom of Saudi Arabia to the southwest, the Arabian Gulf to the north, and Oman to the south.

According to the last official census taken in 2005, the population of the UAE was 4.1 million; however, current estimates as to the total population of the UAE as of the end of 2015 is closer to 10 million, representing an expected more than doubling of the population during the past ten years.

Based on IMF estimates, the population of the UAE is expected to top 11 million by the year 2020 which is the year in which the Emirate of Dubai will host the World Expo under the theme “Connecting Minds, Creating the Future” with sub-themes of “Sustainability, Mobility, and Opportunity.” This will be the first time that a World Expo is staged in the Middle East.

Among the incentives to live and work in the UAE include a free market economy, high standard of living, supportive transportation infrastructure, low crime rate, international standards of healthcare and education, diverse mix of residents, and ample entertainment options. Based on the annual MasterCard Global Destination Cities Index, Dubai has become the fifth most popular tourism destination in the world. This is partially driven by many of the unique tourism developments that were recently completed, such as:

- Burj Khalifa (Tallest man made structure in the world);
- Dubai Mall (One of the largest shopping malls in the world);
- Burj Al Arab (One of the most luxurious hotel in the world);
- Ski Dubai (Indoor ski slope);
- Palm Islands (Man-made multi-use islands); and
- World Islands (Man-made multi-use islands).

In line with attracting tourists worldwide and becoming one of the leading countries in the world, the United Arab Emirates recently issued Vision 2021 which leads with the following quote:

“In a strong and safe union, knowledgeable and innovative Emiratis will confidently building a competitive and resilient economy. They will thrive as a cohesive society bonded to its identity, and enjoy the highest standards of living within a nurturing and sustainable environment.”

It is the expectation that Vision 2021 and other government initiatives (such as the Abu Dhabi Economic Vision 2030 and Etihad Rail) will continue to propel the UAE towards a diverse economy that is not dependent on oil revenues while offering the highest standards of living for Emiratis and residents well into the future.

1.3 Introduction to the Jebel Ali Free Zone

Jebel Ali (Arabic: جبل علي) is an area located in the Emirate of Dubai home to the Jebel Ali Free Zone and the Port of Jebel Ali, which is the largest man-made sea port in the world and the busiest sea port in the Middle East.

The Port of Jebel Ali was constructed in the late 1970s after a directive by the then ruler of Dubai, HH Sheikh Rashid bin Saeed Al Maktoum to supplement the limited facilities at Port Rashid.

The Jebel Ali Free Zone is the free zone of Jebel Ali and has emerged as one of the premier destination within the UAE and internationally to establish manufacturing and trading operations. The Jebel Ali Free Zone, often abbreviated as “JAFZA”, was established in 1985 as the first free zone in the United Arab Emirates and is currently the largest free zone in the world.

The introduction of a free zone in 1985 helped spur investment and development of the Port of Jebel Ali, which is expected to become the largest sea port in the world by 2030. In addition, JAFZA is now widely credited with serving as the benchmark for

all future free zones in the Emirate of Dubai, United Arab Emirates, and the member states of the Gulf Cooperation Council (“GCC”). In addition, JAFZA has played an important role towards the UAE’s goal of diversifying into non-oil revenue streams.

As a result of the resounding success of JAFZA, it is no surprise that about a half of Dubai’s exports pass through JAFZA, which contributes to an estimated 25% of Dubai’s Gross Domestic Product.

The benefits of establishing operations at JAFZA include:

- 100% foreign ownership;
- International recognition;
- World-class regulatory environment and infrastructure;
- 0% corporate tax rate for 50 years;
- 0% personal income tax;
- Onsite customs;
- No restrictions on the repatriation of profits;
- Access to local banking markets; and
- Close proximity to the Port of Jebel Ali.

1.4 Introduction to the Ras Al Khaimah Free Zones

Ras Al Khaimah (Arabic: *رأس الخيمة*) is one of the seven Emirates that comprise the United Arab Emirates and is situated in the North East portion of the UAE and shares a border with Oman.

As oil is minimal in Ras Al Khaimah, other sources of revenue were historically cultivated, including tourism with several high profile hotel brands operating in the Emirate, such as the Waldorf Astoria and the Hilton. In addition, RAK Ceramics, the world’s largest ceramics producer, is based in Ras Al Khaimah and is listed on the Abu Dhabi Securities Exchange stock market.

The Ras Al Khaimah Free Zones is comprised of two free zones, each with a particular focus of business.

The first, Ras Al Khaimah Free Trade Zone, often abbreviated as “RAKFTZ” was established in 2000 by an Emiri Decree of HH Sheikh Ahmed Bin Saqr Al Qasimi. RAKFTZ was formed to encourage operating enterprises to set up in the Emirate of Ras Al Khaimah with promotion centers located nationally in Dubai and Abu-Dhabi and internationally in areas such as India, Turkey, and Germany. The infrastructure in place at RAKFTZ is set along the lines of 4 license types: commercial, services, industrial, and educational.

The second free zone in the Emirate is the Ras Al Khaimah Investment Authority, often abbreviated as “RAKIA”, which was established in 2005 to provide a gateway for investment in the Emirate and currently offers the International Business Company (“IBC”) legal structure as the investment holding company licensed by RAKIA.

Similar to JAFZA and other free zones in the UAE, both RAKFTZ and RAKIA, offer 100% foreign ownership, cost effective options, modern facilities, modern regulatory environment, no restrictions on the repatriation of profits, and a zero tax environment.

In addition, the licensing offices of RAKFTZ and RAKIA are about an hour drive from the Emirate of Dubai making it accessible from the most populous city in the UAE.



2/ JEBEL ALI OFFSHORE COMPANY

2.1 Overview

The JAFZA Offshore Company was introduced in 2003 in accordance with the Jebel Ali Free Zone Authority Offshore Companies Regulations of 2003, which is the governing legislative framework for the formation and ongoing regulation of JAFZA Offshore Companies.

As the first free zone in the UAE to introduce the Offshore Company to domestic and international investors in January 2003, the JAFZA Offshore Company has proved to be quite popular by investors seeking access to offshore banking, as well as traditional holding company activities within an internationally recognized licensing authority. This is due to the numerous benefits, modern infrastructure, and low cost offered. In addition, the JAFZA Offshore Company is the only destination available to purchase real estate in Dubai, as other offshore companies in the UAE and internationally are not permitted to purchase real estate in Dubai in accordance with the registration requirements of the Dubai Land Department.

In accordance with the Jebel Ali Free Zone Authority Offshore Companies Regulations of 2003, the JAFZA Offshore Company may not perform the following activities:

1. Carry on business with persons resident in the United Arab Emirates;
2. Own an interest in real property situated in the United Arab Emirates unless approved by the Jebel Ali Free Zone Authority;
3. Carry on banking business;
4. Carry on business as an insurance or re-insurance company, insurance agent or insurance broker; or
5. Carry on any other business which may be prohibited by the Jebel Ali Free Zone Authority.

Note that the JAFZA Offshore Company shall not be treated as carrying on business with persons resident in the United Arab Emirates by reason only that:

1. It makes or maintains professional contact with legal consultants, accountants, management companies or other similar persons carrying on business within the UAE;
2. It prepares and maintains books and records within the UAE;
3. It holds a lease of property for use as a registered office or owns real property in select locations as approved by the Jebel Ali Free Zone Authority;
4. It holds within the UAE meetings of its directors or members; or
5. It holds an account in a bank in the UAE for the purpose of conducting its routine operational transactions.

Note that if the JAFZA Offshore Company wishes to conduct trade or other business in the Jebel Ali Free Zone or elsewhere in the UAE, it must obtain the appropriate license to conduct the trade or other business activity from the competent authorities.

Similar to other free zone entities in the UAE, the benefits of forming a JAFZA Offshore Company include:

- 100% foreign ownership;
- 0% tax rate;
- No minimum capital requirements;
- Ability to purchase real estate;
- Efficient regulatory environment;
- Proximity to major airports and ports;
- Access to banking facilities; and
- International credibility.

Note that the purchase of real estate includes the right to purchase in Dubai, but is limited to approved developments open to foreign ownership, unless the company is owned by a GCC national.

The JAFZA Offshore Company is registered through the approved Registered Agent which is responsible for maintaining the affairs of the Offshore Company in accordance with the rules and regulations of the Jebel Ali Free Zone Authority. In addition, the address of the Registered Agent will be used for all legal documents of the Offshore Company and will represent the Offshore Company in front of the Jebel Ali Free Zone Authority for all services with the free zone.

Unlike an onshore free zone company or local UAE company, the Offshore Company will be incorporated without a trade license at the point of incorporation. Rather, an original and duly executed Memorandum of Association and Certificate of Incorporation will be issued at the time of formation by the Jebel Ali Free Zone Authority.

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2.2 Characteristics

The following section provides details on the characteristics of forming a JAFZA Offshore Company:

Shareholders	Minimum of one. May be an individual or corporate shareholder. No restrictions on nationality or residency of individual shareholder.
Activities	All activities should be conducted outside the UAE and include the following permitted activities: <ul style="list-style-type: none">• Owning the equity of other companies;• Owning real estate;• Granting loans to affiliated entities;• General trading; and• Other activities as approved by the Jebel Ali Free Zone Authority.
Name	Must end with the word "Limited" as the general suffix.
Timeline	Approximately 10-12 working days from submission of documents date.
Capital	No minimum or maximum capital and the capital may be in AED or US\$. Does not need to be paid-up at formation.
Bearer Shares	Not permitted.
Directors	Minimum of 2 Directors to be nominated.
Secretary	Minimum of 1 Secretary to be nominated.
Registry	All information regarding shareholding, directors, and secretaries are maintained by the Jebel Ali Free Zone Authority and the Registered Agent, but not available in public records.
AGM	At least yearly.
Residence Visa	Not eligible.







2.3 Procedures and Documentation Requirements

Historically, the UAE did not recognise trusts until Forming the Jebel Ali Offshore Company begins with submitted at least three proposed names, all of which should end with the suffix “Limited”. Once the name is approved, an appointment to submit the application form and required documents will be initiated by our team as the shareholders must be present in front of the Jebel Ali Free Zone Authority in person, unless a Power of Attorney is obtained. The required documents to be submitted during the appointment are as follows:

Individual Shareholder’s documents

1. Passport copy with visa page (if UAE resident);
2. No Objection certificate to own business from the visa sponsor (if UAE resident);
3. Short CV of the shareholder;
4. Bank reference letter; and
5. Proof of residence.



Corporate Shareholder's Documents

- | |
|---|
| 1. Certificate of Incorporation of the Company (Attested and Notarized); |
| 2. Certificate of Good Standing of the Company (Attested and Notarized); |
| 3. Memorandum and Articles of Association (Attested and Notarized); |
| 4. Board Resolution calling for the establishment of the offshore company (Attested and Notarized); and |
| 5. Power of Attorney (Attested and Notarized). |

In addition, passport copies of all Directors and the Secretary will need to be submitted. Note the attestation of corporate documents should be performed by the UAE Embassy in the country of origin. Once formed, the following services can be availed by the Registered Agent on the Offshore Company's behalf:

- Company renewal;
- Document attestation;
- Specimen Signature;
- Certificate of Good Standing;
- Certificate of Incumbency;
- Amendments to MOA;
- Change in share capital;
- Change in Company's Name;
- Transfer of Share; and
- Change in Director/Manager/Secretary.

3/RAS AL KHAIMAH INTERNATIONAL BUSINESS COMPANY

3.1 Overview

Licensed by the Ras Al Khaimah Investment Authority ("RAKIA"), the offshore company equivalent in Ras Al Khaimah is the International Business Company ("IBC").

The IBC is regulated under the Ras Al Khaimah Investment Authority International Business Companies Regulations of 2006.

The IBC option has also received popularity by investors due to its fast and efficient registrar that can form the IBC in the same day as filing the form. In addition, the shareholders do not need to sign the documents in the presence a RAKIA representative. Rather, the shareholders may sign the documents at the Registered Agent office who can attest the documents on RAKIA's behalf.

Furthermore, the costs are substantially lower to form an IBC as compared to other options, contributing to the success of the IBC.

Among the attributes of the IBC, include the following which are similar to other equivalent offshore companies:

- 100% foreign ownership;
- 0% tax rate;
- No minimum capital requirements;
- Ability to purchase real estate;
- Efficient regulatory environment;
- Proximity to major airports and ports;
- Access to banking facilities; and
- International credibility.

In contrast to the Jebel Ali Offshore Company, the number of directors required by the RAKIA IBC is 1 rather than 2.

As such, it is possible to form a RAKIA IBC with only 1 individual acting as the shareholder, director, and secretary. Furthermore, the physical presence of the shareholder, director, and secretary is not required at RAKIA as the documents will be attested by us.



3.2 Characteristics

The following section provides details on the characteristics of forming a RAKIA IBC:

Shareholders	Minimum of one. May be an individual or corporate shareholder. No restrictions on nationality or residency of individual shareholder.
Activities	All activities should be conducted outside the UAE and include the following permitted activities: <ul style="list-style-type: none">• Owning the equity of other companies;• Owning real estate;• Granting loans to affiliated entities;• General and specialized trading;• Various consultancy activities;• Other activities as approved by RAKIA.
Name	Must end with the word "Limited" as the general suffix.
Timeline	Approximately 1 working day from submission of documents date.
Capital	No minimum or maximum capital and the capital may be in AED or US\$. Does not need to be paid-up at formation.
Bearer Shares	Not permitted.
Directors	Minimum of 1 Director to be nominated.
Secretary	Minimum of 1 Secretary to be nominated.
Registry	All information regarding shareholding, directors, and secretaries are maintained by the RAKIA and the Registered Agent, but not available in public records.
AGM	At least yearly.
Residence Visa	Not eligible.



3.3 Documentation Requirements

Forming the RAKIA IBC begins with submitted at least three proposed names, all of which should end with the suffix “Limited”.

Once the name is approved, our team sets up a meeting in our office in Business Bay or at the client’s location to obtain the signatures on the application form and Memorandum of Association, all of which are attested by the Registered Agent during the meeting.

These documents and other requirements are submitted in person with RAKIA to obtain the Certificate of Formation and original and fully executed Memorandum of Association in the same day of our appointment.

The following are the other required documents to be submitted during our appointment with RAKIA, as follows:



Individual Shareholder’s documents
1. Passport copy with visa page (if UAE resident);
2. No Objection certificate to own business from the visa sponsor (if UAE resident);
3. Short CV of the shareholder;
4. Bank reference letter; and
5. Proof of residence.

Corporate Shareholder’s Documents
1. Certificate of Incorporation of the Company (Attested and Notarized);
2. Certificate of Good Standing of the Company (Attested and Notarized);
3. Memorandum and Articles of Association (Attested and Notarized);
4. Board Resolution calling for the establishment of the IBC (Attested and Notarized); and

In addition, passport copies of all Directors and the Secretary will need to be submitted. Note the attestation of corporate documents should be performed by the UAE Embassy in the country of origin. Once formed, similar services to the Jebel Ali Offshore Company can be availed by the Registered Agent on the IBC’s behalf.

4/ ABOUT US

Founded in January, 1980 in the United Arab Emirates, Kanaan & Associates is a fully licensed and accredited professional services entity licensed by the Department of Economic Development of Dubai and the UAE Ministry of Economy with a long and successful track record in the UAE.

Our diverse team is comprised of individuals with diverse work experiences and who hold advanced educational and professional credentials, such as Masters of Business Administration, Certified Public Accountants, and Chartered Accountants with several decades worth of experience.

All of our services are performed in accordance with international standards using the highest level of professionalism and ethics.

As one of the first established public accounting firms in the UAE and the exclusive member firm of BKR International, we are able to provide a wide range of services, while maintaining a personalized service approach based on our unique local knowledge and international standards.

We are also one of the earliest licensed Registered Agents with a seasoned team of experts who have formed over 500 companies in the UAE over the years and can provide a seamless experience in the company formation process, from A to Z.

Related to the company formation process, we can also assist in the opening of bank accounts as we maintain the requisite forms in our office and have long-standing relationships with several banks of international repute. Also available are administration, accounts outsourcing, and nomination services.

We value the relationships with all our clients on the basis of ethics and competence and look forward to forge new relationships, especially with new comers to the dynamic country of the United Arab Emirates which we are proud to call our home for almost 40 years.

Contact Us

For further resources and assistance, please contact us:

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5/ ABOUT BKR INTERNATIONAL

BKR International is one of the world's largest accounting association of more than 135 leading-edge accounting firms located in over 350 cities throughout the world.

The International Accounting Bulletin ("IAB") has ranked BKR International #8 worldwide, after the Big 4, with more than US \$1.4 billion in annual revenue.

BKR International was formed in 1989 as the result of a merger of the U.S.-based National CPA Group and certain members of DHR International, an association comprised primarily of European accounting firms.

The Power of the BKR Association (a top 10 public accounting association)

BKR firms combine resources and share information to increase their competitive advantages, improve the quality and range of their work, and better serve their clients. Members are part of a large team, and have expertise available to them in virtually every area of practice.

Through BKR International, various committees exist, such as the Technical Committee based in London, to provide member firms with technical resources, guidance, and practical experience to help our clients solve problems on a daily basis.

For more information about us, please visit:

www.bkr.com

www.bkremae.com

www.bkruae.com



6/WORLDWIDE LOCATIONS

BKR International currently has over 300 offices in over 70 countries around the world. Partners in member firms are experts in accounting and business advisory of their own, and consider direct partner contact with clients to be the key to successful professional relationships.

Our firms have offices in each of the following countries to enable a seamless client service experience across borders. With a BKR member firm, you can rest assured that your best interests are taken care of.



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| Albania | El Salvador | Macedonia | Saudi Arabia |
| Argentina | FYR Macedonia | Malaysia | Serbia |
| Australia | France | Malta | Singapore |
| Austria | Germany | Mexico | South Africa |
| Belgium | Greece | Montenegro | Spain |
| Brazil | Guatemala | Morocco | Sweden |
| Bulgaria | Honduras | Nepal | Switzerland |
| Canada | India | Netherlands | Taiwan |
| Cayman Islands | Indonesia | New Zealand | Togo |
| Channel Islands | Ireland | Nigeria | Tunisia |
| Chile | Israel | Norway | Turkey |
| China | Italy | Pakistan | Ukraine |
| Colombia | Japan | Palestine | United Arab Emirates |
| Cyprus | Jordan | Poland | United Kingdom |
| Czech Republic | Korea | Portugal | United States of America |
| Denmark | Kuwait | Puerto Rico | Uruguay |
| Dominican Republic | Lebanon | Romania | Venezuela |
| Ecuador | Liechtenstein | Russia | Vietnam |
| Egypt | Luxembourg | | |