



RAK Licensing Procedures

Regulatory Framework

Under the UAE law, nationals must have at least 51 percent shareholding in joint or foreign ventures established outside free zones. Foreign companies or individuals wanting to do business in the UAE must at least have a sponsor or service agent and obtain a trade license. The RAK investment Authority may choose to partner with investors on request and where the project meets the overall objectives of the Emirate. There are several ways of establishing a business presence in the UAE, most of which have varying degrees of compulsory local participation. The most commonly used methods by which foreign businesses establish a presence in the UAE are:

- Appointing a commercial agent
- Incorporating a limited liability company in the UAE
- Establishing a branch or representative office of a foreign company
- Establishing a professional partnership or professional sole proprietorship
- Incorporating a company or establishing a branch office in the RAK Investment Authority Free Zone

Commercial Agents

Generally a foreign business operating in the private sector can supply products to its customers directly in the UAE and therefore does not need to appoint an agent. However this method of operation may not be appropriate where no client base has been established or a potentially high volume of business is to be conducted. In addition, foreign companies may be required to appoint a commercial agent in order to tender for projects in the UAE (examples include Government projects such as oil and gas supply services).

Registered Agency Agreements

The UAE Agency Law provides that only UAE nationals or 100 percent UAE owned companies may be registered as commercial agents. Registered agency agreements must be formally notarized before being registered with the Federal Ministry of Economy & Commerce. Registered commercial agents are given substantial protection under the UAE Agency Law, including the exclusive right to market and sell a specified product in at least one Emirate. Where the principal or another agent sells such products in the same Emirate, the registered agent will be entitled to commission payable on these transactions regardless of whether the registered agent contributed to them.

Unregistered Agency Agreements

It is possible to enter into an agency agreement that is not capable of registration with the Federal Ministry of Economy & Commerce. The UAE Agency Law does not apply to unregistered agency agreements and therefore the difficulties associated with exclusivity and terminating registered commercial agents generally should not arise. However the practical protection afforded to unregistered commercial agents varies from Emirate to Emirate.

Strictly speaking, a foreign business that supplies products to its agent pursuant to an unregistered agreement may be precluded from enforcing payment for such products through the courts. However, claims can be heard under the provisions of the UAE Civil Code. It is nonetheless advisable to insist on a guaranteed method of payment or alternatively enter into a separate side agreement with the agent that details the required method of payment. In all cases, commercial agency agreements should be carefully drafted and it is advisable to seek competent legal advice before entering into one.

Incorporating a Limited Liability Company

Under the UAE Commercial Companies Law, foreign investors can conduct business through LLCs.



UAE National partner Requirements

An LLC can be incorporated with a minimum of two and a maximum of fifty shareholders provided a UAE national holds not less than 51 percent of the shares. Whilst a foreign partner's equity in the company may not exceed 49 percent, profit and loss distribution can be prescribed to favour the minority shareholder in ratios of up to 90/10 in Ras Al Khaimah. However, it is expected that a new provision in law to consider the foreign ownership up to 70 percent with the majority of the ownership vested with the foreign partners. Responsibility for the management of an LLC can be vested in the foreign or national partners or a third party. It is possible to enter into various side agreements with the UAE national partner to protect and define the interests of the minority partner, particularly in situation where in reality the minority partner provides all the capital in the company.

Capital Requirements

Whilst it is necessary to show that capital has been deposited in a UAE Bank in order to establish an LLC, the capital may be released once the company has been registered with the Ras Al Khaimah Chamber of Commerce.

Branches and Representative Offices of Foreign Commercial Companies

A foreign company can establish a branch or representative office in the UAE. The registration of a branch/representative office of the foreign company does not constitute the establishment of a new company or separate legal entity. Consequently, the foreign company will be fully responsible for the liabilities of its branch/representative office. A representative office theoretically is limited to gathering information and marketing the activities of its parent company and is issued with a professional (ie. Non-trade) licence. By contrast, a branch office is a fully-fledged business, permitted to perform contracts or conduct other activities in the name of its parent company. Such activities must be specified on the branch office trade licence and must be related to the objects of the parent company.

Professional Partnerships and Sole Professional Proprietorships

Professional partnerships may be formed between two or more individuals carrying out 'noncommercial' or professional/artisan activities. An individual can also conduct such activities through a professional licence issued in his or her own name. These types of businesses may be 100 percent foreign owned but are generally required to appoint a UAE national agent similar to those required by branch and representative offices. Individuals conducting business under a professional partnership or a sole professional proprietorship are liable to the full extent of their assets for the liabilities of the business. Examples of professional partnerships or sole professional proprietorships include those rendering legal advice, auditing and accounting services, civil engineering, architectural consultancies and services, managerial and economic consultancy, educational services, medical services, technical and other similar services.

Public Joint Stock Company

As per the draft Federal Corporate Law, a public joint stock company must have a minimum capital of AED 15 million (USD 4.08 million) and the number of its shareholders must not be below 10. It must be licensed by the Ministry of Economy and Commerce and must be approved by the Central Bank if it covers banking or investment activities. Founders of the company must subscribe at least 20 per cent of its capital and a maximum of 45 per cent. A single shareholder must not subscribe more than 10 per cent of the capital. The board of directors must not be fewer than five and not over nine and must have a term of three years in office. Each member must control a minimum AED 100,000 (USD 27,250) of its shares and is not allowed to hold that post in more than three companies in the country at a time.

Private Joint Stock Company

Its shareholders must not be fewer than three and must subscribe to its full capital of at least AED 2 million (USD 545,000). A private joint stock company is not allowed to put up its shares for public subscription.



Free Zone Businesses

It is possible to establish branches of foreign companies in the UAE free zones or to incorporate a free zone entity. Businesses such as single shareholder limited liability companies, commonly known as free zone establishments, and free zone companies with two to five shareholders can be incorporated.

Procedure

Companies wishing to operate in Ras Al Khaimah must obtain a suitable license, renewable annually, from RAK Investment Authority and enter into a pro-forma lease agreement for land. Long term leasing of land is possible with 25 years renewable to similar periods. Various corporate documents similar to those required for the setting up of LLCs or branch offices must be also submitted.

The Regularity Environment

Legislation and Translation of Documents

Most documents originating outside the UAE must be notarized and legalized through diplomatic channels prior to being submitted to the UAE authorities. In particular, documents should be certified by a Notary Public and then legalized by the UAE Embassy or consulate in the country in which they originate. If there is no such office in that country, legalization through any other Gulf or Arab Embassy is acceptable.

With the exception of some documents required to establish entities in the Ras Al Khaimah Free Zones, most documents originating outside the Ras Al Khaimah will also need to be legalized by the necessary to obtain a certified Arabic translation of corporate documents before these can be submitted to the UAE authorities. Legalisation fees vary, ranging from AED 100 (approximately USD 27) for a simple degree certificate to AED 2,500 (approximately USD 680) for a company's memorandum and Articles of Association

Fees, Taxes and Charges

With the exception of foreign banks and oil companies there is no corporate or individual tax levied in the UAE. Annual fees are payable to the local department in each Emirate in order to obtain and renew business licenses. Additional fees may also be payable to the pertinent Chamber of Commerce and other government departments. There are no taxes or duties on import of raw materials for industries in UAE. There is presently a 5 percent import duty on most goods entering the UAE. Additional and possibly substantial duties are levied on products such as alcohol and tobacco.

Land Ownership

As a general rule, foreigners are not permitted to own land and all property must be leased or rented for the purposes of doing business. A notable exception extends to certain residential developments in Ras Al Khaimah and Dubai. Steps have been taken to allow foreigners to own and register properties in developments such as the Al Marjan island, Dana Island, Mina Al Arab with Al Hamra village in Ras Al Khaimah through Government order to Lands department

Price Controls

Price controls in the UAE are limited to a few items, such as medicines and petroleum products.

Acquisitions and Mergers

The Federal Commercial Companies law permits acquisitions and mergers if they are carried out in accordance with the provisions adopted for the amendment of the company's memorandum and articles of association are approved by the competent authority specified for that type of company. Acquisitions and mergers must comply with the law relating to minimum local ownership.



Consumer Protection

There is no specific consumer protection legislation. However, there exist legal provisions for unfair trading practices/cheating. "Law of suppression against commercial deceits" is a separate legislation specially applied in trademark infringement cases.

Special Industries

Industries subject to specific regulatory laws include banking, financial services, brokerage, and insurance.

Patents, Trademarks and Copyrights

As a precursor to its membership in the World Trade Organization, the UAE introduced intellectual property rights legislation governing the registration of patents, trademarks and copyrights, which came into effect between 1992 and 1994.

The UAE operates a strict enforcement policy of its piracy and patent laws, seeing the protection of creativity as a necessity in itself and protection of the rights of investors. As a member of the World Intellectual Property Organisation (WIPO), the UAE acceded to the Paris Convention for the protection of industrial property in 1996 following the implementation of three intellectual property laws in 1993. The rating of the UAE in the world piracy is now in line with most ratings of the European countries.

- Trademarks can be registered in the Trademark Register maintained by the Ministry of Economy and Commerce. Protection lasts for ten years and can be renewed for a further ten years. Violators face monetary fines and possible imprisonment. In addition, they may have their goods confiscated and be made to pay damages to the trademark holder.
- Patent Law covers inventions, industrial designs and models, and technical know-how and is enforced by the Ministry of Finance and Industry. Patent protection lasts for 15 years and is renewable for a further period of not more than five years. The protection period for industrial designs is five years and is renewable for two further successive five-year periods. Penalties for breaching the law include fines and possible imprisonment.
- Copyright Law covering original work, including work on cassettes and video and computer software, is enforced by the Ministry of Information and Culture. Copyright protection varies from 10 to 15 years depending on the type of classified material for which protection is being sought. Penalties for violating the law include fines and imprisonment.

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