

# How to do business in the UAE

## Legal considerations

The two main sources of law are the Sharia (Islamic) law and civil law. In some Emirates, commercial disputes can be judged by Sharia courts. Sharia law can be used based on the contract – please refer to the Ministry of Justice portal at: <https://moj.gov.ae/web/ejusticesite/home>.

Arbitration is not much used in the UAE.

You need to comply with the federal laws governing business activity including the:

- Commercial Companies Law (CCL)
- Companies Laws (MOE)
- Commercial Register Law
- Commercial Agencies Law
- Civil and Commercial Codes

If you intend to trade or invest in the UAE, you need the correct authorisations and licences. Each Emirate may also have additional requirements.

## Export licences for the UAE

You must have a licence to supply anything on the UK strategic export control lists to the UAE.

You can find out more about getting a licence to export military or dual use goods, services or technology to the UAE at: <https://www.gov.uk/guidance/beginners-guide-to-export-controls>.

To find out which products will need certification or licensing before they can be exported to the UAE, see: <https://www.gov.uk/starting-to-export/licences>.

## Import restrictions

The UAE does prohibit and restrict the importation of specified products. The Federal Customs Authority has details of prohibited and restricted goods for the whole of the UAE at: <https://www.fca.gov.ae/en/Home/Pages/default.aspx>.

The restrictions and prohibitions of goods are determined in accordance with GCC Customs Tariff Codes. However, if you want to re-export within other GCC markets, you should take note of the individual member states' lists, as they are not harmonised.

### **Law on marketing and selling**

The UAE National Media Council licenses all publications. You are strongly urged to consider cultural sensitivities in any promotional activity.

### **Standards and technical regulations**

The Emirates Authority for Standardization and Metrology (ESMA) is the sole UAE standards authority.

Contact ESMA for product registration (ECAS), obtaining a quality mark (EQM), Halal accreditation and lists of all certified products. See: <http://www.esma.gov.ae/en-us/> for more information.

You should consider taking out product liability insurance if you manufacture or supply a physical product that is sold or given away for free. See: <https://www.abi.org.uk/products-and-issues/choosing-the-right-insurance/business-insurance/liability-insurance/product-liability-insurance/>.

### **Packaging**

Your goods should be appropriately packed for the UAE. Consider cultural norms and values when designing and developing product packaging for an Arab market.

Packages may receive heavy handling and be left in the open air for longer than anticipated, so you must take into account the UAE's climate.

### **Labelling requirements**

Labelling in Arabic is required on all consumer products. Labels need to provide information including details of the manufacturer, product information, and standard quality disclosures.

There are some products which must be clearly marked, stamped, branded or labelled so as to indicate the country of origin. Additionally, many food products may also have to comply with hygiene and ingredients regulations, for example alcohol and pork may not enter in the composition of food products.

All imported meats require a health certificate issued by the country of export and a "halal" slaughter certificate issued by an approved Islamic centre in the UAE. Please refer to the Emirates Authority for Standardization and Metrology (ESMA) for information on HALAL certification, at: <http://www.esma.gov.ae/en-us>.

The UAE enforces a shelf-life standard for 100 food products, for which production and expiry dates must be printed on the original label or container (dates cannot be added after the fact via a sticker). The supplier must therefore work closely with the importer to ensure compliance.

You should check with The Gulf Standardization Organization (GSO) at: <https://www.gso.org.sa/en/>, for further information on health certificates, shelf-life standards and other labelling requirements.

### **Protecting your Intellectual Property (IP)**

The IP framework is clear in the UAE and rights are protected. Please refer to the Ministry of Economy (MOE) site at: <http://www.economy.gov.ae/english/Ministry/MinistrySectors/Pages/CopyRightSector.aspx> for further information.

The two main challenges IPR holders face in the UAE are in the areas of royalty payments for copyrighted music, and counterfeit goods.

Enforcement can take several forms, and specialist legal advice is recommended. Also you can check the GCC Patents Office website at: <http://www.gccpo.org/DefaultEn.aspx> for more information.

You should consider how to obtain patent and trademark protection before introducing your products or services to the UAE. Refer to the information provided on the UK Government's Intellectual Property page at: <https://www.gov.uk/browse/business/exports>.

*[Source – DIT/ gov.uk]*

### **Taxation**

The UK and the UAE have signed a double taxation agreement: <https://www.gov.uk/government/publications/united-arab-emirates-tax-treaties>, ensuring the same income is not taxed in more than one country. The agreement entered into force in December 2016, and took effect:

- with regard to taxes withheld at source, in respect of amounts paid or credited on or after 1st January 2017
- with regard to other taxes, in respect of taxable years (and in the case of United Kingdom corporation tax, financial years) beginning on or after 1st January 2017

Contact the DIT team in the UAE at: <https://www.gov.uk/government/world/organisations/department-for-international-trade->

united-arab-emirates#contact-us to help find tax advisers before entering into agreements in the UAE.

### **Value added tax (VAT)**

VAT has been implemented in the UAE from 1st January 2018 at a rate of 5%. However, 100 food items, health, education, social services and bicycles are exempt.

If you are registered for VAT you can zero-rate the VAT on most goods you export to the UAE. You will need to get evidence of the export within three months from the time of sale.

Find more information on VAT in non-EU markets and zero-rating conditions at: <https://www.gov.uk/guidance/vat-exports-dispatches-and-supplying-goods-abroad>.

*[Source – DIT/ gov.uk]*

### **Excise tax**

Excise tax is a form of indirect tax levied on specific goods. These goods are typically those that are harmful to human health or the environment. The intent of the tax is to reduce consumption of these commodities while also raising revenues for the government that can be spent on beneficial public services.

In the UAE, excise tax applies to the following goods:

- tobacco products
- carbonated drinks (note that this excludes sparkling water)
- energy drinks

End consumers of these products will generally pay a higher retail price once excise tax is implemented.

All businesses that import, produce or store excisable goods must consider if they need to be registered with the Federal Tax Authority and are accountable for filing and paying excise tax. Please refer to 'getting ready for excise tax' at: <https://www.tax.gov.ae/getting-ready-for-excise.aspx> for further details.

*[Source – UAE Federal Tax Authority (FTA)]*

Customs and documentation in the UAE

### **Complying with HMRC regulations to export to the UAE**

You must make export declarations to HMRC through the National Export System (NES)

(<https://www.gov.uk/guidance/export-declarations-and-the-national-export-system-export-procedures>) to export your goods to the UAE.

You must classify your goods as part of the declaration, including a commodity code and a Customs Procedure Code (CPC).

Commodity codes and other measures applying to exports can be found in the UK Trade Tariff at: <https://www.gov.uk/trade-tariff>.

Contact the HMRC Tariff Classification Service at: <https://www.gov.uk/government/publications/notice-600-classifying-your-imports-or-exports/notice-600-classifying-your-imports-or-exports#list-of-useful-contacts> for more help.

You must declare any goods that you take with you in your baggage to sell outside the EU, at: <https://www.gov.uk/take-goods-sell-abroad>.

### **Temporary export of goods to the UAE**

You can use an ATA (Admission Temporaire/Temporary Admission) Carnet (<https://www.gov.uk/taking-goods-out-uk-temporarily>) to simplify the customs procedures needed to temporarily take goods into the UAE for International Trade Fairs only.

You need an export licence to temporarily take dual use goods to the UAE.

Use the SPIRE system at: <https://www.spire.trade.gov.uk/spire/fox/espire/LOGIN/login> to apply for a temporary export licence.

### **Customs**

A UAE Certificate of Origin is needed for all exports to clear customs. Certificates of Origin must be provided by the original exporter and recognised by an authorised representative in the UK.

The UAE generally levies customs duties on imported goods at the rate of 5%. Higher rates of duty apply to alcohol and tobacco. Some categories of goods are exempt, such as certain agricultural products, printed material and pharmaceuticals. Exemptions may also be granted for goods imported for industrial or manufacturing purposes.

Where goods are imported into a UAE free zone, customs duties are not payable.

As a member of the GCC, the UAE applies the GCC common external tariff. This has four rates – zero, 5% (the general tariff rate), 50% on alcohol and 100% on tobacco.

For more information on UAE tariffs, see the UAE Federal Customs Authority at: <https://www.fca.gov.ae/en/Home/Pages/default.aspx>.

Goods can only be imported into the UAE by a company that is registered in the UAE, and the goods must be relevant to the licenced business activity of the business.

Prohibited items include:

- goods manufactured in Israel cannot be imported into the UAE
- pornographic material, ivory/rhino horns, cannabis, alcoholic beverages, firearms, fireworks, narcotics and opium are also strictly prohibited
- all printed matter, films and tapes

Dubai Customs has a complete list of prohibited items and goods for permit requirements at: <https://www.dubaicustoms.gov.ae/en/Pages/default.aspx>.

See also the UAE Federal Customs Authority (FCA) site at: <https://www.fca.gov.ae/en/Home/Pages/default.aspx>.

You can find more about import tariffs in the Market Access Database at: <http://madb.europa.eu/madb/indexPubli.htm>.

## **Documentation**

The documents needed for the import and export of goods to and from the UAE are:

- invoices – initiated by the supplier
- Certificate of Origin stating the country of origin, and approved by the Chamber of Commerce in the country of origin
- bills of lading or air waybill

In addition, the following certificates are required for food products:

- health certificate issued by government agency in the exporting country
- Halal slaughter certificate for meat and poultry products

Shipment of all other goods to the UAE requires “legalisation” of documents. A list of lawyers in the UAE is available at: <https://www.gov.uk/government/publications/united-arab-emirates-list-of-lawyers>.

*[Source – DIT/ gov.uk]*

## Shipping your goods

If you are not knowledgeable about international shipping procedures you can use a freight forwarder to move your goods. A forwarder will have extensive knowledge of documentation requirements, regulations, transportation costs and banking practices in the UAE.

Find freight forwarding companies to help you transport your goods to the UAE via the British International Freight Association (BIFA) at: <http://www.bifa.org/home> or the Freight Transport Association (FTA) at: <http://www.fta.co.uk/>.

## Posting goods

You can find out about sending goods by post to the UAE at: <http://www.royalmail.com/united-arab-emirates>.

## Shipping dangerous goods

Special rules apply if you are shipping dangerous goods to the UAE. See: <https://www.gov.uk/shipping-dangerous-goods/what-are-dangerous-goods>.

## Terms of delivery

Your contract should include agreement on terms of delivery using Incoterms: <https://www.gov.uk/guidance/international-trade-paperwork-the-basics#international-trade-contracts-and-incoterms>.

## UK Export Finance

The government can provide finance or credit insurance specifically to support UK exports through UK Export Finance (UKEF) – the UK's export credit agency. See: <https://www.gov.uk/government/organisations/uk-export-finance>.

For up-to-date country-specific information on the support available see UKEF's cover policy and indicators for the UAE at: <https://www.gov.uk/guidance/country-cover-policy-and-indicators#united-arab-emirates-uae>.

*[Source – DIT/UKEF/gov.uk]*

## Challenges and risks of doing business in the UAE

The UAE does not present major challenges to UK companies wanting to develop trade. However, competition for business is fierce from high-growth Asian economies as well as from the more-traditional competitors in Europe and North America.

Each of the seven Emirates retains control of regulatory powers, including commercial activities such as issuing of trade licences. The interaction of federal laws, individual Emirate laws and free zone laws can be complex and confusing.

Other challenges include:

- restrictions on company ownership by non-GCC nationals (a national sponsor must retain 51% ownership)
- a lack of a competent legal and regulatory framework to enforce market discipline, reduce red tape and improve accountability
- contract enforcement could be an issue as the UAE is not party to the Vienna Convention
- terminating a non-performing agent or distributor is extremely difficult in the UAE, so you need to get the contract right
- an increasing obligation to hire UAE nationals
- government procurement places heavy emphasis on selection of the lowest bidder
- contracts are in Arabic – they can be in any other language as long as they are translated via a legal translator

You should ensure you take the necessary steps to comply with the requirements of the UK Bribery Act: <https://www.gov.uk/government/publications/bribery-act-2010-guidance>.

Read the Foreign and Commonwealth Office's (FCO) Overseas Business Risk report for the UAE at: <https://www.gov.uk/government/publications/overseas-business-risk-uae>.

*[Source – DIT/FCO/gov.uk]*

Overseas business risk

## **Bribery and corruption**

Bribery is illegal. It is an offence for British nationals or someone who is ordinarily resident in the UK, a body incorporated in the UK or a Scottish partnership, to commit bribery anywhere in the world. This is similarly the case in UAE law.

In addition, a commercial organisation carrying on a business in the UK can be liable for the conduct of a person who is neither a UK national nor resident in the UK nor a body incorporated or formed in the UK. In this case it does not matter whether the acts or omissions which form part of the offence take place in the UK or elsewhere.

According to Transparency International's latest 2017 Corruption Perceptions Index, the UAE ranks 21st out of 180 countries: [https://www.transparency.org/news/feature/corruption\\_perceptions\\_index\\_2017](https://www.transparency.org/news/feature/corruption_perceptions_index_2017).

The UAE ratified the United Nations Convention Against Corruption (UNCAC) in February 2006. The UAE has not yet passed legislation to implement UNCAC, but has prepared a draft anti-corruption law. The UAE is not a signatory to the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions.

The Federal Penal Code of 1987 is the main federal law which regulates anti-bribery practices in the UAE. Articles 234 to 239 of the Penal Code contain provisions which criminalise the acceptance of bribes by both public and private sector employees, and the bribery or attempted bribery of public sector officials. It should be noted that there is no provision in the Federal Penal Code which makes it an offence to offer a bribe to an employee within the private sector.

See the UAE State Audit Institution (SAI) site at: <http://saiuae.gov.ae/en> and also the UK Business Anti Corruption portal page for the UAE at: <http://www.business-anti-corruption.com/country-profiles/united-arab-emirates> for relevant information and advice.

### **Protective security advice**

The Centre for the Protection of National Infrastructure also provides protective security advice to businesses. See: <https://www.cpni.gov.uk/>.

### **Government support**

The government can provide finance or credit insurance specifically to support UK exports through UK Export Finance at: <https://www.gov.uk/government/organisations/uk-export-finance> – the UK's export credit agency. For up-to-date country-specific information on the support available

see: <https://www.gov.uk/guidance/country-cover-policy-and-indicators#united-arab-emirates-uae>.

*[Source – FCO Overseas Business Risk/gov.uk]*

## Getting paid in the UAE

Commercial Letters of Credit (LCs) are commonly used in the UAE as a means of payment in overseas trade.

The UAE has a dual banking system, with conventional western banks as well as Islamic banking based on Sharia law, which prohibits the payment of interest in favour of profit-sharing.

You may wish to talk to a specialist about finance, including how to get paid in the UAE. This could be a bank, an accountant or you can contact the DIT team in the UAE at: <https://www.gov.uk/government/world/organisations/department-for-international-trade-united-arab-emirates#contact-us> to help find a financial adviser in the UAE.

You will need to work out how you are going to get paid before you sign a contract, and include wording on how you should resolve a dispute – for example, whether you go to arbitration.

Your contract should specify the terms for payment. If there is any dispute you will need to go through the UAE legal system for resolution.

## Payment risks in the UAE

UKEF helps UK companies to get paid by insuring against buyer default.

Be confident you will get paid for your export contract. Speak to one of UKEF's export finance

advisers at: <https://www.gov.uk/government/publications/find-an-export-finance-manager-for-free-and-impartial-advice-on-your-insurance-options-or-contact-one-of-ukef-s-approved-export-insurance-brokers>

at: <https://www.gov.uk/government/publications/uk-export-finance-insurance-list-of-approved-brokers/export-insurance-approved-brokers>.

## Currency risks when exporting to the UAE

If you have not fixed your exchange rate you have not fixed your price.

You should consider whether the best option for you is to agree terms in Sterling, US Dollars or AED (Dirham) in any contract. You should also consider getting expert financial advice on exchange rates (sometimes called FX).

The Emirati Dirham has been pegged to the US Dollar at AED 3.671 = USD 1 since 1980.

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