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Preface

This book was prepared by Ernst & Young, United Arab Emirates, a member of Ernst & Young Global. It was written to give the busy executive a quick overview of the investment climate, taxation, forms of business organisation and business and accounting practices in the United Arab Emirates. Making decisions about foreign operations is complex and requires an intimate knowledge of a country’s commercial climate, with a realisation that the climate can change overnight. Companies doing business in the United Arab Emirates or planning to do so—are advised to get current and detailed information from experienced professionals. This book reflects information current at January 2012.

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A. Environment

This book was prepared by Ernst & Young, United Arab Emirates, a member of Ernst & Young Global. It was written to give the busy executive a quick overview of the investment climate, taxation, forms of business organisation and business and accounting practices in the United Arab Emirates. Making decisions about foreign operations is complex and requires an intimate knowledge of a country’s commercial climate, with a realisation that the climate can change overnight. Companies doing business in the United Arab Emirates–or planning to do so–are advised to get current and detailed information from experienced professionals. This book reflects information current at 5 January 2010.

A.1 Business and Investment Environment

Since the mid–1960s, exploitation of oil and gas reserves has enabled the seven emirates of the UAE to achieve substantial economic growth. Economic activity centers on the development of a modern infrastructure including roads, ports, airports, telecommunications, electric utilities and desalination projects; the construction of residential and commercial facilities, schools, hospitals and hotels; and the establishment of petrochemical and manufacturing industries.

The UAE’s dynamic economic environment and the economic diversification strategy, has been made possible due to the massive investment in the infrastructure comprising of efficient road networks, excellent telecommunications facilities and the links with the outside world through first–class ports, both sea and air, which are constantly being upgraded.

In Dubai, hotels, office blocks, shopping malls and entertainment complexes are being developed rapidly and are putting the Dubai property market on the world map. The trigger for much of this expansion was the Emirates’ decision to allow non-nationals to purchase freehold property in several property developments such as Nakheel’s development of The Palm, Jumeirah and The Palm, Jebel Ali, which are the latest residential island projects currently in Dubai.

The following are some of the principal features of the economic and business environment in the UAE.

- A coordinated infrastructure that provides all essential utilities to the major centres
- Excellent communications systems
- A virtual absence of taxation
- A well-structured financial sector with virtually no exchange-control regulations
- Free-trade zones that ensure ease of registration and efficient operating facilities.
- International fairs and exhibitions regularly held in the UAE and
- An attractive social environment, including modern educational, medical and recreational facilities.

A.2 Business trends and performance

Nominal GDP is expected to grow by 12 per cent to US$256 billion in 2010 compared with the projected figures of US$228 billion in 2009. Appendix 4, provides the details of the GDP, at basic prices for the UAE economy from 2008.

The UAE enjoys a trade surplus, with oil, gas and related products accounting for a substantial portion of total exports. Other exports consist primarily of goods imported by the UAE and then exported to other countries in the region. From an inflation perspective, the average increase in the general level of prices was estimated to be 11% for 2007.

Appendix 1, presents leading economic performance indicators of the UAE for 2008.

A.3 Currency

The unit of currency is the UAE Dirham (Dh), which is divided into 100 fils. The government has fixed the UAE Dirham to the US Dollar, at an exchange rate of approximately 3.67 UAE Dirhams to one US dollar since 1980.

Dirham notes are issued in denominations of 1000, 500, 200, 100, 50, 20, 10 and 5.

A.4 Economic structure

General

Oil, gas and related industries account for a substantial proportion of the UAE’s exports. Other key sectors include utilities, communications, construction, banking and financial services, manufacturing projects and tourism. These sectors tend to be located in or near the major urban centres of Abu Dhabi, Dubai and Sharjah, and certain designated industrial zones.

Abu Dhabi

Abu Dhabi, the federal capital of the UAE, is the emirate with the greatest petroleum reserves and revenues. Abu Dhabi is financially dominant, providing almost 75% of federal revenues and grants to the smaller emirates. This is largely due to Abu Dhabi’s huge
oil reserves, which account for over 90% of the country’s oil output and approximately 9% of the world's proven oil reserves. Abu Dhabi has substantial natural gas reserves and has developed associated petrochemical industries, which produce liquefied natural and petroleum gas, as well as ammonia and urea.

Abu Dhabi also has a wide range of medium and small-scale manufacturing industries, which produce building materials, processed foodstuffs, beverages and plastic products.

As the federal capital, Abu Dhabi accommodates the headquarters for a number of federal ministries, the Central Bank and other government institutions and agencies. Etihad Airways was set up by a Royal decree in July 2003, with Abu Dhabi as its hub. Commercial operations commenced in November 2003 to major Middle Eastern, European and Far Eastern centers.

Dubai
As one of the seven Emirates which make up the United Arab Emirates, Dubai is a cosmopolitan city with a distinctive cultural blend. It is a home to a large expatriate population. Dubai is the commercial hub of the UAE and has traditionally been a trading center, serving as an entry port into the Middle East region and, in recent years, for the markets of the Near and Far East, Europe and the United States as well. It is a bustling place with lots of modern buildings, shopping malls and entertainment facilities. Dubai has relatively small oil reserves, in comparison to Abu Dhabi.

Dubai's non-oil activities now account for a significant proportion of its GDP. Its manufacturing base includes aluminium smelting; the production of copper cables, lubricating oil and cement; and a wide range of medium and small scale industries. With one of the world's largest dry docks, it has facilities to accommodate and repair even the largest vessels.

The government of Dubai has played a key role in promoting Dubai as a commercial, financial, trading and tourist center. Several free zones have been set up to provide excellent facilities for trading, manufacturing, services and other industries. With the creation of "Dubai Internet City", Dubai became the e-commerce capital of the Middle East with over several hundred IT companies. The Dubai International Financial Center-DIFC-was established as a Financial Center in 2004, strengthening Dubai’s position in the world's financial markets.

Dubai's re-export trade is enhanced by the city's role as a major regional shopping center. It acts as a major entry port for the Gulf and beyond, with re-exporting accounting for a major portion of the import sector.

In 1986 Emirates airline was set up in Dubai and has expanded operations to major Middle Eastern, European and Far Eastern centers. In conjunction with the creation of the airline, Dubai, like the other emirates, has established a comprehensive program to develop its tourism industry. Dubai hosts a variety of international conferences, exhibitions and sporting events.

Dubai is planning to set up another International Airport City at Jebel Ali and the construction is to begin in 2007. The Airport City project will cover 140 square kilometers and will include, not just an airport, but also several smaller cities which will cater to the financial, industrial, service and tourism industry needs connected to the aviation industry. The core of the city will be one of the world's largest airports.

Sharjah
Sharjah produces both oil and condensate. A facility located on the coast at Hamriyah produces liquefied petroleum gas for export. In addition, the emirate produces cement and has a variety of small-scale industrial projects.

Sharjah has two important free trade zones, one situated at its international airport (rated fourth in the world for sea/air cargo handling) and one at Hamriyah Port. Sharjah also has a container port, Khorfakkan, on the eastern seaboard of the UAE giving direct access to the Indian Ocean.

Sharjah is the only emirate with a coastline on both the Arabian Gulf and the Gulf of Oman. To capitalize on this strategic location, good roads have been constructed between the coastlines for shipping cargo from the Gulf of Oman to the Arabian Gulf.

Other Emirates
Ajman
Ajman lies 10 km from Sharjah and is best known as the largest dhow building center in the country, using traditional methods and tools; while competing favorably in the international market with the ultra-modern leisure craft.

High growth rates have been achieved in sectors such as construction and industry, including the manufacture of foodstuffs, beverages, ready made garments, leather, shoes, furniture, paper and paper products, chemicals, plastics and basic metals. A rapidly expanding free trade zone, together with tourism potential, is contributing to Ajman's development.
Umm Al Quwain
Lying between Sharjah and Ras Al Khaimah, Umm Al Quwain has a long history of seafaring, and today is the base for the Ministry of Agriculture and the Fisheries' Marine Research and Culture Center, which includes a commercial fish-breeding farm. A large lagoon is ideal for water sports and small boat activities; while islands have been set aside as natural reserves for species such as oryx and gazelle.

Ras Al Khaimah
Ras Al Khaimah is the northernmost of the seven emirates. Ras Al Khaimah today presents investors with dynamic investment opportunities. Major economic developments are under way with the start of oil exploration, the setting up of a free trade zone, expansion of the cement industry, ceramic and pharmaceutical sectors.

Fujairah
Located on the east coast along the Indian Ocean is the emirate of Fujairah. Fujieirah Port, with its geographic advantage, is the only operation on the UAE’s east coast that offers cargo-handling facilities to both containerized and non-containerized cargo. In Fujairah Free Zone, there are several resident companies engaged in projects such as ready-made garments, textiles, perfumes, chemicals, animal fodder, color film slides, precious stones, tobacco, etc.

A.5 Relationship of government and business
The government has traditionally played a key role in the planning and development of the economy. In addition, the government is involved significantly in the ownership of key sectors of the economy, including oil and gas production and refining, the petrochemical industry, large-scale manufacturing, energy and water production, telecommunications and transportation. In recent years, attempts have been made to increase the involvement of UAE nationals in the ownership of these businesses. The government maintains a pro-business attitude towards attracting foreign expertise, technology and capital and has sought to create a free-market economy.

In their efforts to achieve diversification, the federal government and the governments of the individual emirates have been actively involved in the development of petrochemical, manufacturing, agricultural and service industry projects in association with both local and foreign businesses. They welcome foreign expertise and technology in fields that will benefit the country and its people. To attract foreign businesses, free-trade zones have been established in Dubai, Sharjah, Umm Al Quwain and Fujairah. Companies operating in these zones benefit from attractive concessions.

A.6 Financial sector
Since its formation in 1980, the UAE Central Bank has controlled the country’s monetary policy.

Article 5 of Law No. (10) of 1980 states that the Central Bank shall direct monetary, credit and banking policy and supervise its implementation in accordance with the State’s general policy and in such ways as to help support the national economy and the stability of the currency. In order to attain those objectives, the Central Bank is required to:

- Exercise the privilege of currency issue in accordance with the provisions of the 1980 Law,
- Endeavor to support the currency, maintain its stability
The Central Bank Law establishes five principal categories of institutions in the UAE—commercial banks, investment banks, financial establishments, financial intermediaries, and monetary intermediaries, all of which must be licensed by both the Central Bank and the local licensing authorities.

The well-structured network of local banks and branches of foreign banks provides a full range of commercial banking services. In accordance with an instruction issued in 1981 by the Central Bank, foreign-owned banks have reduced their operations to a maximum of eight branches each. In addition, the Central Bank no longer issues licenses for new non-GCC foreign banks to establish branches in the UAE. Commercial banks are the principal source of short, medium and long term credit.

Since 1993, banks have had to conform to the Basel guidelines on risk-weighted capital adequacy, except that the ratio of risk-weighted capital to assets is 10% (instead of 8%) and that they are not allowed to lend more than 7% of their capital to corporate clients and 25% to public borrowers.

The aggregated balance sheet of banks operating in the country grew by US$51.2 billion (41.9%), to reach US$173.6 billion at the end of 2005, against US$122.38 billion at the end of 2004. Credit extended by banks operating in the country was estimated at US$107.45 billion in 2005, an increase of 26.9% from the previous year.

Anti-Money laundering rules
The United Arab Emirates has a comprehensive anti-money laundering system, this position was further enforced by the passing of Federal Law No.4 of 2002 on Money Laundering Criminalization on 22 January 2002 and is compliant with the Financial Action Task Force on Money Laundering (FATF).

Dubai International Financial Centre (DIFC)
The DIFC was inaugurated in September 2004 by the Government of Dubai with the aim of being the leading financial centre for the region between Western Europe and South East Asia.

The DIFC is a separate legal jurisdiction with its own legal and regulatory framework. Financial services activities in the DIFC are regulated by the Dubai Financial Services Authority (DFSA). The DFSA’s regulations are intended to form a world class regulatory regime.

The DIFC offers the attraction of a guaranteed zero rate of tax for 50 years and full foreign ownership, however there are restrictions over dealings in the UAE market, particularly in respect of dealing in UAE Dirhams.

As at 28 December 2009, over 850 firms have registered at DIFC for financial services companies and a number of significant non-financial services entities have established their holding companies in the DIFC.
Securities Markets

Emirates Securities and Commodities Market

Authority (ESCA)

ESCA is the Federal agency charged with overseeing and regulating securities and commodities exchanges in the UAE. It is headed by the Minister of Economy supported by a board of directors that includes representatives from the Ministry of Economy, the Ministry of Finance and Industry, and the Central Bank. Four other members who have “specialized knowledge and expertise” are to be appointed by the Minister of Economy in consultation with the Minister of Finance and Industry.

ESCA has the authority to enact rules governing:

- Exchange operations,
- Broker operations and suspension,
- Trading, clearing, settlement, transfer of ownership and custodianship of securities,
- Exchange membership; disclosure and transparency; and
- Dispute resolution
- Regulations in these areas, however, must be adopted in cooperation and consultation with the individual exchanges

Dubai Financial Market (DFM)

Securities trading began in Dubai, in March 2000, in the DFM. The DFM is intended to operate as a secondary market for trading of securities issued by public share holding companies, bonds issued by the Federal Government or any of the Local Governments and public institutions in the country, investment units issued by local investment funds and any other financial instruments, local or foreign, which are accepted by the market.

The value of shares traded on the DFM during 2008 was US$83 billion representing 76 billion shares traded. At 5 January 2010 the DFM had 66 traded securities.

Abu Dhabi Securities Market (ADSM)

Following the launch of the Dubai Financial Market, the Abu Dhabi Securities Market (ADSM) was inaugurated on 8 November 2000.

The value of shares trade on the ADSM during 2005 was US$28.5 billion representing 70.169.27 billion shares traded. At 31 December 2009.

The Dubai International Financial Exchange (DIFX)

The DIFX was established in September 2005 as the financial exchange of the Dubai International Financial Centre at 31 October 2008 the DIFX had 16 traded securities.

A.7 Essential industries

The essential industries of the UAE are centered in the energy sector, including oil and gas production and related petrochemicals. Public utilities, transportation and communications also play key roles in the economy. An increasing trend is the development of a diversified manufacturing base, which takes advantage of
abundant supplies of relatively low-cost energy, land and labor, and government financial incentives.

In recent years, the federal government has invested heavily in sectors such as aluminium production, shipbuilding, cement industry, tourism, aviation, re-export commerce, and telecommunications. As part of its strategy to further expand its tourism industry, the UAE is building new hotels, restaurants and shopping centers, and expanding airports and duty-free zones. Agriculture contribution to the economy has increased in the last few years. Dubai has become a central Middle East hub for trade and finance, accounting for about 70% of the Emirates' non-oil trade.

A.8 Energy, minerals and other natural resources

Oil and gas are the country’s most significant energy and natural resources. The UAE accommodates proven crude oil reserves of 97.8 billion barrels, or slightly less than 10% of the world total oil reserve, with almost 90% in the emirate of Abu Dhabi.

A natural gas reserve of 213 trillion cubic feet makes the UAE the world’s fourth largest after Russia, Iran, and Qatar. Increased domestic consumption of electricity and growing demand from the petrochemical industry has provided incentives for the UAE to increase its use of natural gas. Over the last decade, gas consumption in Abu Dhabi has doubled.

A.9 Foreign trade

Leading exports and imports

Exports

UAE continues to depend heavily on oil and gas exports. Every day the UAE produce 2.396 million bbl. Oil exports accounts approximately 55% of total exports in 2004 (re-exports were not included).

Likewise, refined petroleum products and non-monetary gold constitute a major component of export. Re-exports, aluminum, dried fish and dates are other main UAE exports. The UAE government actively encourages exports of UAE products in efforts to reduce the nation’s reliance on oil and gas exports with volatile prices.

Imports

UAE’s leading imports are manufactured goods, machinery and transportation equipment, chemicals, and food. Imports in 2007 saw an increase to US$120.5 billion. Much of the growth stems from consumer goods. Such increases may be attributed to strengthening economic activity in non oil sectors, an increase in demand ensuing from population increase, and the annual increase in re-exports owing to opening of new markets in Africa, and further strengthening of various market in the region and in Asia.

UAE is a member of the World Trade Organization (WTO).
Foreign investment
B. Foreign investment

B.1 Exchange controls and debt-to-equity requirements

There are no restrictions on the transfer of funds into or out of the UAE, except that Israeli currency may not be bought or sold in the UAE. All other currencies are traded freely at market-determined prices. No licence is required to change money. The UAE Dirham has been pegged to the US Dollar at 3.67 Dirhams per Dollar since 1980. Equity capital, debt, interest, dividends, branch profits, royalties, management and technical service fees and personal savings may be remitted freely abroad. The government does not impose debt-to-equity ratio requirements on corporations.

B.2 Restrictions on Foreign Investment

Under the Commercial Companies Law (CCL), Federal Law No. 8 of 1984, UAE nationals must own a minimum of 51% of all public and private shareholding companies and limited liability companies. Ministerial Decision No. 194 in 2004, allows GCC nationals to set up LLCs without a UAE national participation. However, it is not clear whether they replace the UAE National shareholder requirement when non GCC shareholders are also involved. A new Companies Law is being drafted which should provide further clarity. It is also envisaged that this new Companies Law will increase the foreign share holding ceiling but it is not yet known what the revised ceiling will be.

UAE Federal Law No. 15 (1998), an amendment to the UAE CCL, states that with respect to companies established in UAE free zones, the UAE free zone regulations will take precedence over conflicting provisions of the CCL. (For more details on entities exempted from UAE majority ownership requirements, see Section C. Structure of Business Entities).

A foreign non-GCC owned company may establish a branch in the UAE but a local sponsor or agent is required who must be either a citizen of the UAE or a company wholly-owned by citizens of the UAE.

The recent property laws in Dubai, Abu Dhabi and Um al Quwain have led to a boom in foreign acquisition of local freehold and leasehold properties.

B.3 Investment incentives and initiatives

General

In general, the government seeks to provide a free-market economy with minimal regulatory restrictions. To attract foreign and local investment, the federal government and the governments of the individual emirates have developed a modern and sophisticated infrastructure and provide a business environment largely free of taxation, and exchange controls.

Foreign investment in the UAE is restricted, but in order to generate revenue, the government has enacted a series of historic reforms. As of October 1999, GCC citizens have been able to own real estate. GCC citizens are also permitted to purchase valuable general trading licenses. Previously, other businesses were subject to majority UAE ownership, but the UAE now allows GCC countries’ citizens to have majority ownership in domestic companies. As part of a privatization initiative, both foreign and local investments are now allowed in the utility sector. In some sectors, including oil and gas operations and petrochemicals, foreign investment is still restricted.

In addition, free repatriation of capital or earnings, low import duties, and the existence of free trade zones constitute attractive incentives to bring in foreign investments. Moreover, the UAE in recent years has signed double tax and investment protection treaties with several countries.

Free trade zones

There are presently over 30 free trade-zones in the UAE. The chief attraction of the free trade-zones is the waiver of the requirement for majority local ownership. In the free-trade zones, a foreigner may own up to 100% of the equity in the enterprise. Most free zones also provide 100% customs duty exemption, 100% exemption from commercial levies, 100% repatriation of capital and profits, multi-year leases, easy access to sea and airports, building for lease, energy connections (often at subsidized prices), and assistance in labor requirement. In addition, for a nominal fee the free-trade zone authorities provide significant support services, such as sponsorship, worker housing, dining facilities, requirement, and security. Free Zone entities are not licensed to carry out trading activities in the main emirate. The free-trade zones also offer exemption from corporate taxes generally for 50 years, renewable for an additional number of years at the Ruler’s discretion. However, customs duty is levied on goods that leave the free zone and enter the Emirates.
To date the largest and most successful of the free-trade zones is the Jebel Ali Free Zone (JAFZ) in Dubai. Some of the more prominent free zones in the UAE are highlighted below:

**Jebel Ali Free Zone**
The Jebel Ali Free Zone (JAFZ) is built around the largest man made port in the world and covers 100 square kilometers which includes office units, warehouses and land sites that are available on lease, whilst storage spaced in the cold and cool stores, open storage areas and ultra modern cargo handling equipment can be hired. JAFZA was established in 1985 and is around 40 km from the Dubai International Airport.

The growth of JAFZ has been dramatic: from 16 companies in 1985, the number has increased to over 5000 companies. These firms represent almost 120 countries. JAFZA provides service, trading and industry licenses. Since 1992, companies can be incorporated in Jebel Ali as totally independent Free Zone Establishments (FZE) or Free Zone Companies (FZCO). FZE or FZCO, both, have a distinct legal identity and the liability of the shareholders is limited to the amount of paid-up share capital. FZE or FZCO therefore share many of the key characteristics of limited liability companies. Furthermore foreign companies are able to establish branches in JAFZ. In order to establish a FZE the share holder needs minimum capital amounting to Dhs 1 million and for the FZCO requires Dhs 0.5 million.

**Dubai Airport Free Zone**
Dubai Airport Free Zone (DAFZA) was established in 1996 and is one of the fastest growing government projects in the country and is located close to the Dubai International Airport. DAFZA is an ideal location for service activities related to the aviation industry. The minimum capital for the FZE entity is Dhs 1 million and for the FZCO 0.5 million.

**Dubai International Financial Center**
The focus of DIFC is comprehensive and includes Banking Services (Investment Banking, Corporate Banking & Private Banking); Capital Markets (Equity, Debt Instruments, Derivatives and Commodity Trading); Asset Management and Fund Registration; Insurance and Reinsurance; Islamic Finance; Business Processing Operations to Ancillary Services. Since it opened in September 2004, the DIFC has attracted approximately 300 businesses from around the globe as well as its region.

Participants within the DIFC are able to choose one of the following entities:
- Company with Limited Liability
- Limited Liability Company
- General Partnership
- Branch of Foreign Entity
- Protected Cell Company

**Dubai Health Care City**
Dubai Health Care City (DHCC) is approximately 4.1 million square feet in size and the first health care free zone in the world. The goal of this free zone is to establish a health care centre which provides medical services, medical education, and life science research and development in the Middle East. A number of foreign medical centers especially from Great Britain, Germany, and the United States are interested in participating in DHCC, with particular interest directed to the academic medical center component. Investors can set up a Free Zone Limited Liability Company as well as a branch.

**Dubai Technology, E-Commerce & Media Free Zone**
Dubai Technology, E-Commerce & Media Free Zone (Tecom) established in 2000, accommodates Dubai Internet City, Dubai Media City and Dubai Outsource Zone, enables Information and Communications Technology (ICT) enterprises to operate locally, regionally and globally, from Dubai, with significant competitive advantage.

Companies can be incorporated in TECOM as Free Zone Limited Liability Companies with one shareholder or many shareholders (known as FZ LLC’s), another option is to set up a branch of a foreign company. The minimum capital for the FZ LLC’s varies according to the focus of the company however; Dhs 50,000 is the absolute minimum.

**Dubai Multi Commodities Centre**
Established in 2002, Dubai Multi Commodities Centre (DMCC) is a free zone authority established to support the specific needs of the commodities industry such as Gold & Precious Metals, Diamonds & Colored Stones, Energy and Other Commodities industries. Investors can set up a Free Zone Limited Liability Company as well as a branch.
Hamriyah Free Zone

Hamriyah Free Zone was established by an Emiri decree issued on November 12, 1995. It is located in Sharjah, United Arab Emirates and the Dubai International Airport is 35km away.

The Free Zone area comprises approximately 10 million square meters of industrial and commercial land and a 14 meter deep water port which is poised to expand. This unique water port is able to dock Panamax Ships, one of the largest ships in the world. The prime location of the Zone's land underscores the importance of the Zone to the development strategy of the Sharjah Emirate. In addition to the deep water port, Hamriyah Free Zone has an inner harbor with 5 meter to 7 meter draft which is an ideal location for Ship repairing, dry docking, ship building and various other marine services.

In the Hamriyah Free Zone investors are able to set up a branch as well as a FZE or a FZCO. The minimum capital requirement for both an FZE and the FZCO is Dhs 150,000.

Real Estate Law

Property Laws in Dubai and Abu Dhabi

A new property law for Dubai was issued in March 2006. This law stipulates that non-UAE nationals may own property in some (to be designated) parts of Dubai, on a freehold basis or on a 99 year lease.

The new Abu Dhabi property law, signed in August 2005, will give non-GCC nationals the right to own apartments or floors in buildings in certain investment areas. The ownership of land is not extended to non-UAE nationals (GCC nationals can own land and property in certain investment areas).

Property Law in Umm Al Quwain

A new property law for Umm Al Quwain was issued in July 2006. This law will allow foreigners to own properties, not land, on a 99-year lease basis in designated areas. Freehold ownership is restricted to UAE and GCC nationals.

B.4 Sources of finance for Foreign Investors

A well-structured network of local banks and branches of foreign banks provides a full range of banking services. Commercial banks are the principal source of short, medium and long-term credit. Even so, banks lack sufficient lending opportunities for their funds, and consequently place many of them abroad.

Governed by Federal Commercial Transactions Law, No. 18 of 1993, various types of securities are available to secure loans and facilities granted by banks and financial institutions. These include a mortgage on land, a pledge on movable assets, a pledge on shares in a joint stock or limited liability company as well as a pledge on the commercial business on the whole (comprising material and intangible assets for the practice of commercial business). The latter two, which are particularly attractive to foreign investors not owning land, don't bar those pledging from managing their pledged business in the ordinary course of business.

B.5 Importing and exporting

Restrictions

Local government authorization is required for, alcoholic beverages, firearms, fireworks and sparklers, ammunition, explosives, narcotics and medical drugs, agricultural pesticides, pork/pork products and wireless transmitters. All imported beef and poultry products require a health certificate from the country of origin and a halal slaughter certificate issued by an approved Islamic center in the country of origin. The Ministry of Information must clear all printed matter, films and tapes. Pornographic material, ivory/rhino horns, cannabis, and irradiated food products are prohibited.
Imports into free-trade zones are duty-free; however, normal rates of duty are imposed if the imports are re-sold subsequently in the UAE.

All goods exported or re-exported from the UAE must have proper documentation issued by the Ministry of Economy and the various Chambers of Commerce in the respective individual emirates. There are no restrictions on exports, expect for items of historical value, which are subject to permission from the appropriate government authority.

GCC Customs Union
The UAE has a unified customs duty rate which is generally 5% on dutiable imports. The duty is levied on the basis of the cost, insurance and freight (CIF) value of the imported goods as evidenced by the manufacturers’ or suppliers’ invoices.

B.6 Escrow Law
Prior to the introduction of this law, most buyers of units within developments to be constructed or in the process of construction (off-plan developments) had no guarantee that the payment installments they were making to the developer were being used to construct the development in which they were investing, or that a particular stage of construction would be reached before the next payment was due. Recent press attention has highlighted a few cases of buyers being left without recourse to claim a return of payments made when the development they invested in failed to complete. The Escrow Law is designed to protect buyers from such events occurring again and will apply to all developers selling units on an off-plan basis in Dubai. This law is bolstered by the introduction of a Real Estate Regulatory Authority (RERA) which will have responsibility for, among other matters, implementing the Escrow regulations. RERA is established pursuant to Law No. 14 of 2007 and is formed under the umbrella of the Dubai Land Department (Land Department) with authority to regulate the real estate sector in Dubai.

In terms of buyer’s protections under the Escrow Law, payment installments on off-plan developments will no longer be paid directly to the developer but must be paid into a trust account specially managed by financial or banking institutions approved by the Dubai Land Department (Escrow Agent). The developer and the Escrow Agent will agree on the terms and conditions relating to the management of the account, and the developer must manage its investors’ funds in accordance with the agreed regulations. The Escrow account will be solely dedicated to one project and the account will be opened in the name of the project. If developers are carrying out more than one development, a separate Escrow account must be opened for each development. Funds will be released in stages in accordance with the agreement and only when certain levels of construction are completed. A copy of the agreement will be lodged with the Land Department.

Where a developer mortgaged a development or obtains a loan from a financing firm or company, Article 13 of the Escrow Law stipulates that such funds but be deposited into the Escrow account and will be disposed of in accordance with the agreed regulations.

Further protection is offered to buyers under articles 14 and 15 of the Escrow Law. Under Article 14, the Escrow Agent will retain five percent (5%) of the total amount paid into the Escrow account after the developer has obtained the certificate of completion. Such funds must remain in the Escrow account for a period of one year after the date of registering all units in the buyers’ names. Article 15 applies in the event of unforeseen emergencies that result in non-completion of the development and provides that after consultation with the Escrow Agent, the Land Department may take such measures required to protect the buyers’ rights and complete the development or refund to the buyer the monies paid by them.
Structure of business entities
Until 1984 the UAE did not have a federal commercial company law. Instead, the government of each emirate formulated practices and procedures concerning the establishment of business organizations within its emirate. As a result of the absence of codified commercial legislation, Federal Commercial Company Law No. 8 of 1984 was promulgated.

Federal Commercial Company Law No. 8 of 1984 defines the following categories of business organizations that may be established in the UAE: public shareholding companies; private shareholding companies; limited liability companies; general partnership; limited partnership; partnerships limited by shares; and joint participations (ventures). Branches of foreign companies and sole proprietorships are also recognized forms of business organizations. The law specifies requirements concerning the number of directors and shareholders, minimum capital levels and incorporation procedures for each category. It also contains provisions governing the conversion, merger and dissolution of companies. Fifty-one percent participation by UAE nationals is the general requirement for all UAE-established companies except:

- Where the law requires 100% local ownership,
- In activities open to 100% GCC (Gulf Cooperation Council) ownership,
- Where wholly owned GCC companies enter into partnership with UAE nationals,
- In respect of foreign companies registering branches or a representative office where local sponsors or service agent is required; and
- In professional or artisan companies where 100% foreign ownership is permitted

C.1 Companies

The provisions of Federal Commercial Company Law No. 8 of 1984 that apply to public and private shareholding companies and limited liability companies are described below.

Public Shareholding Companies

A public shareholding company (PSC) must have a minimum of 55% share participation by the general public. Shareholders liability is limited to the nominal value of their shares in the company’s capital. The minimum capital of a PSC is AED 10 million (US$2.725 million), and at least one-fourth of the amount must be paid in on subscription. Contributions to capital may be made in cash or in kind. The PSC must have at least ten founders, unless a government entity is involved, in which case the number of founders may be lower.

Shares may not be issued at a price below their nominal value and must be registered in a share register. All shares have equal rights unless the Articles of Association stipulate otherwise.

The board of directors must have at least 3 members and no more than 15. The majority of the directors, as well as the chairman, must be UAE nationals.

Banking, insurance or financial companies are required to be run as public shareholding companies. Foreign companies in this category are allowed to open branch or representative offices.

Private Shareholding Companies

Private shareholding companies must have a minimum of three shareholders. In general, these companies are subject to the same statutory provisions applicable to public shareholding companies. Shares may not be offered to the public. The private shareholding company’s incorporating documents must preclude public offering of shares. The minimum capital of private shareholding companies is AED2 million (approximately US$545,000).

Limited Liability Companies

A limited liability company may be formed by a minimum of two and maximum of 50 persons whose liability is limited to the value of their shares in the company’s capital. The minimum capital of a limited liability company prescribed by Federal Commercial Company Law No. 8 of 1984 is AED150,000 (approximately US$40,870), although, in practice, a higher figure may be required in certain emirates (e.g. AED300,000 in Dubai, approximately US$81,700). No more than five designated managers, who are not necessarily members of the company, handle management. Non-GCC nationals may own up to 49% of an LLC.

UAE Companies Law provides that limited liability companies may engage in any lawful activity expect banking, insurance, or investment of funds for third parties.

C.2 Partnerships

Partnerships are covered by Federal Commercial Company Law No. 8 of 1984, which includes provisions relating to general partnerships, limited partnerships and partnerships limited by shares. Partnerships must register with the Chamber of Commerce and the municipality of the emirate in which they operate. The provisions of the partnership agreement govern the partners and the partnership’s affairs. Partners may be corporate entities or individuals.
General partnership
A general partnership is formed by two or more UAE nationals who are jointly and severally liable for the partnership's debts. This form is generally not available to non-UAE nationals.

No names other than those of the actual partners may be included in the company name, but the company may have a special trade name.

A partnership interest may be transferred only with the approval of all partners or in accordance with conditions stated in the partnership agreement. The management of the partnership must rest in one or more managers who must be UAE nationals and who may or may not be partners in the company. A partnership is dissolved on the death, insanity, bankruptcy or withdrawal of one of its partners, unless the remaining partners decide unanimously to continue the partnership and their decision is registered in the commercial register.

Limited partnership
A limited partnership is composed of one or more general partners who are jointly and severally liable for all of its debts, and one or more limited partners who are liable for the limited partnership's debts only to the extent of his capital contribution. No minimum capital contribution is required by law. While all general partners must be UAE nationals, the limited partners can be non-UAE nationals. A limited partner may not participate in management or act in the name of the partnership. The death, insanity, bankruptcy, withdrawal or dismissal of a limited partner does not result in the dissolution of the partnership unless otherwise provided in the partnership agreement. This type of partnership is similar to a “Sociiti en Commanditi Simple” under French law. Procedures for setting up limited partnerships are similar to those for general partnerships.

Partnership limited by shares
A partnership limited by shares is a company that has both general partners with unlimited liability and partners whose liability is limited to the value of the share capital for which they have subscribed. The company must have minimum capital of Dh 500,000 (approximately US$ 163,000), and has to be divided into negotiable shares of equal value. General partners in partnerships limited by shares must be UAE nationals. An annual audit is required.

The rules applicable to public share holding companies apply generally to partnerships limited by shares. Partnerships limited by shares are similar to Sociitis en Commanditi Simple under French law.

C.3 Joint ventures
A joint venture is a contractual agreement between two or more natural or legal persons who are already registered in the UAE. Its objectives and terms are governed by the joint venture contract. The joint venture might be between a foreign party and a local party licensed to engage in the desired activity. The local equity participation in the joint venture must be at least 51%, but the profit and loss distribution can be prescribed. There is no need to license the joint venture or publish the agreement. The foreign partner deals with third parties under the name of the local partner who-unless the agreement is publicized-bears all liability. In practice, joint ventures are seen as offering a suitable structure for companies working together on specific projects.

C.4 Operations of foreign companies
Branches
A foreign company may establish a branch in the UAE, but a local service agent who must be either a citizen of the UAE or a company wholly owned by citizens of the UAE is required.

A branch must be registered with the Chamber of Commerce in the local emirate and with the municipality.

Ministerial Decision No. 69 of 1989 requires branches of foreign companies to register with the Ministry of Economy. A branch office of a foreign company does not have a separate legal entity. It merely represents the mother company and carries out business under its name. The UAE service agent will render the necessary services for obtaining licenses, visas and other permits, and run the business of the office without assuming any financial obligation. A branch office should provide the Ministry of Economy with the following information and documentation:

- Articles of association of the company,
- Certificate of incorporation,
- A resolution of the board of directors of the company to a) set up the office and practice activities in the UAE, b) power of attorney authorizing the representative to establish an office and submit the required applications to the local government authorities,
- The last two audited balance sheets of the foreign company together with the auditor’s report, or any other documents which proves the sound financial position of the company,
- A copy of the national agent/sponsor agreement duly authenticated,
- Photocopies of the passport of the national agent/sponsor,
- A valid lease agreement of the company’s office premises,
• All the above-mentioned documents should be notarized and authenticated by the concerned governmental authorities.

Commercial agencies
In order to make use of and conduct commercial agency activities, a foreign business is required to appoint an agent (an UAE national or a company owned by UAE nationals) for doing business in the UAE. Exception is granted to national production firms and units in any GCC country who are allowed to export their products to other GCC countries without being obliged to appoint a local agent. Commercial agencies are governed by the Federal Commercial Agencies Law No. 18 of 1981, as amended. According to this law, all commercial agency agreements have to be registered with the Federal Ministry of Economy. The Federal Commercial Agencies Law grants a commercial agent certain statutory rights, which cannot be waived by contract. The most important are:

• Any agent is entitled to territorial exclusivity in at least one emirate and, accordingly, will receive infringement commissions on transactions concluded by the principal himself or by others within his territory;
• The agent is entitled to prevent products subject to their agency from being imported into the UAE, if the agent is not the consignee
• It is possible to appoint an agent with rights to the entire UAE or for each or more than one of the single emirates. The agents may themselves appoint distributors or sub-agents
• Recent amendments to the law in June 2006 state that non-renewal of an agency agreement is no longer sufficient cause for claiming compensation from foreign entities. Furthermore, the law allows foreign entities to terminate an agency agreement for a justified cause.

C.5 Structures used by Foreign Investors
The non-GCC foreign investor may choose to participate with up to 49% in a company formed in one of the structures open to foreign investors (i.e. limited liability companies). Other available methods are the establishment of a branch or a representative office or the use of commercial agency agreements. Special attention should also be paid to the possibilities offered by the Free Trade Zones where businesses are exempt from most requirements applicable in the regular UAE territory.

The type of business structure chosen by a non-GCC foreign investor depends on a number of factors, including activity to be carried out, the extent of the investor’s operational needs and presence in the country, the investor’s financial needs and the working capital and fixed asset requirements of the business.

Alternatively, depending on the nature, type and volume of activities to be carried out, a free zone entity may be more appropriate especially as there is no foreign ownership restriction in a free zone.

C.6 Establishing a business
In the UAE, the individual emirates, as well as the federal government, regulate economic activity. A business must be registered with the municipality or the relevant Economic Department and the Chamber of Commerce of each emirate in which activities of the business are conducted, and with the Ministry of Economy. In addition, the following businesses require approval from the specified federal ministries and agencies:
• Banks and financial institutions must obtain approval from the Central Bank. Insurance companies and related agencies must obtain approval from the Commissioner of Insurance at the Ministry of Economy.
• Manufacturing businesses must be approved by the Ministry of Finance and Industry.
• Pharmaceutical and medical products must obtain approval from the Ministry of Health.

Special procedures apply in each emirate regarding the registration of businesses engaged in oil and gas production and related industries.

The requirements for registering a company, including the time required, fees payable, number of shareholders and minimum capital depend on the particular type of business entity being established. It takes foreign investors longer to establish branches of foreign companies than to establish limited liability companies.

C.7 Annual requirements for businesses
All companies must renew their registration with the Ministry of Economy, Municipality or Economic Department and the Chamber of Commerce annually. Registration fees are levied and vary according to the type of entity being registered and the government authority concerned. Companies engaged in the oil, gas and petrochemical sector and branches of foreign banks are the only entities required to file tax returns. However, following are some of the businesses that must have their accounts audited annually:
• Banks (local banks and branches of foreign banks),
• Insurance companies and agencies,
• Public and private share holding companies,
• Limited liability companies,
• Branches of foreign companies,
• Partnerships limited by shares,
• Other companies whose articles require annual audits

Under Federal Law No. 13 of 1988, all commercial companies are required to keep financial records, while Federal Law No. 18 of 1993 specifies the books and records that are required to be kept by traders.

C.8 Mergers and reorganizations
Federal Commercial Company Law No. 8 of 1984 provides for the reorganization, merging, dissolution and liquidation of the different types of business entities permitted under the law.

The provisions of the law relating to reorganization and merging deal primarily with procedural matters, including the formal steps to be taken in reorganizing and merging companies, the valuation of assets and liabilities, and shareholders’ interests in the existing and reorganized or merged entities.

The provisions of the law that relate to the dissolution and liquidation of companies focus on the factors that can trigger dissolution or liquidation, and the duties and responsibilities of the liquidator.
Labour force
D. Labour force

D.1 Labour supply and relations

Traditionally, business operations in the UAE have been staffed with skilled and semi-skilled employees from abroad. The need to attract workers with specialized skills from other countries continues; however, since expatriates comprise some 90% of the UAE workforce, the government is pursuing an Emiratisation program to encourage the development of more jobs for UAE nationals in the various sectors of the economy. In efforts to achieve the Emiratisation of the work force the UAE Cabinet, in May 1998, approved plans to force banks to increase their UAE national workforce to at least 40% of total staff within 10 years. The Ministry of Education announced that teachers of grades 1-5 in the public school system must henceforth be UAE national women.


Trade unions are not permitted in the UAE. For resolution of work related disputes, workers must rely on conciliation committees organized by the Ministry of Labor and Social Affairs or on special labor courts.

Workers in the industrial and service sectors are normally employed under contracts that are subject to review by the Ministry of Labor and Social affairs. The purpose of the review is to ensure that pay will satisfy the employee’s basic needs and secure a means for living. There is no legislated or administrative minimum wage.

Labor regulations prohibit employment of persons under age of 15 and have special provisions for employing those aged 15 to 18.

In 1996, the UAE ratified three treaties of the International Labor Organization (ILO), the 1951 Equal remuneration Convention, the 1957 Abolition of Forced Labor Convention, and the 1973 Minimum Age Convention.

D.2 Social security

General Pension & Social Security Authority (GPSSA) was established in January, 1999, to manage, administrate and develop civilians pension and social security rules and laws.

The applicable rules and laws cover UAE nationals working in the government and private sectors. The government established a pension fund for UAE nationals requiring employers in the private sector to contribute 12.5% of their payroll to the scheme.

Retirement age in the UAE is 60 years. Foreign workers are not covered by social security or pension schemes.

Pension contribution formulas are as follows:

<table>
<thead>
<tr>
<th>Sector</th>
<th>Employee</th>
<th>Employer</th>
<th>Subsidy</th>
</tr>
</thead>
<tbody>
<tr>
<td>Government</td>
<td>5</td>
<td>15</td>
<td>-</td>
</tr>
<tr>
<td>Private</td>
<td>5</td>
<td>12.5</td>
<td>2.5</td>
</tr>
</tbody>
</table>

D.3 Other payroll taxes and employee benefits

Most foreign workers receive employer provided housing or a housing allowance, medical care and homeward passage from their employers. However, employees must obtain health cards, which entitle them to use government health care facilities. A modest fee is charged for the card. Labor legislation in the UAE provides for overtime pay for employees who work on weekends and public holidays. It also establishes minimum periods of paid vacation for employees. The Federal UAE labor law No. 8 of 1980 states that an
employee who completed a year or more of continuous service is entitled to an end-of-service benefit calculated at the conclusion of his services with the employer as follows:

- 21 days pay for each year served for the first five years
- 30 days pay for every year after the first five years

Provided that the aggregate may not exceed a total of two years payment. The calculation takes into account the fractions of years served, which means that an employee who served 3 years and 6 months (which is 3.5 years) is entitled to an end of service benefit calculated as follows: 21 days pay × 3.5. The basic wage is taken as a basis for the calculation of the end of service benefit; this means that allowances and bonuses are excluded from the calculation. The employer is entitled to deduct from this benefit any dues owed by the employee. Employees who are paid monthly, weekly or daily wages are paid based on the employee’s last received basic wage before the employment was terminated. This wage is the basis for calculating the gratuity for the whole period of an employee’s employment. Should the employee get a commission or a payment by percentage, both will be considered as wages and will be taken into consideration in calculating gratuity.

D.4 Special requirements for Foreign Nationals

Non-GCC foreign nationals wishing to take up employment in the UAE need labor permits, which are issued by the Ministry of Labor, and residence permits, which are issued by the Immigration Department. Until a residence permit is issued, a foreign national may not obtain a driving license. Family members of a foreign national normally are sponsored by the foreign national. However, the vast majority of such workers, do not earn the minimum salary of AED4000 (approximately US$1,090) per month currently required for them to sponsor their families for a UAE residence visa.

D.5 Special requirements for Foreign Nationals

In 2009 the Ministry of Labor in the UAE issued a Decree requiring all employers registered with them to start to transfer employee wages to financial institutions in the UAE using the Wages Protection System (WPS).

WPS is an electronic salary transfer system that allows institutions to pay workers’ waged through authorized banks, bureau de change and financial institutions. The Central Bank of the UAE will regularly issue an updated list of financial institutions that are approved and authorized to offer wage payment serviced through WPS (agents’). WPS enables the Ministry of Labor to create and maintain a database of wage payments in the private sector.

Timeline

The deadline to transfer worker’s wages via the WPS is as follows:

<table>
<thead>
<tr>
<th>Number of workers</th>
<th>Period granted (starting 1st September)</th>
<th>Deadline</th>
</tr>
</thead>
<tbody>
<tr>
<td>100 to above</td>
<td>3 months</td>
<td>30 November 2009</td>
</tr>
<tr>
<td>15-19 workers</td>
<td>6 months</td>
<td>28 February 2010</td>
</tr>
<tr>
<td>Less than 15</td>
<td>9 months</td>
<td>31 May 2010</td>
</tr>
</tbody>
</table>

During the transition period, employers with 50 or more workers are required to submit a monthly Payment of Workers’ Wages Declaration, stating that they have read and understood the provisions of the new legislation and that all employees have been paid in full, except where non payment is in accordance with Labor law or contracts of employment.
Taxation
E. Taxation

E.1 Taxes on Corporate Income and Gains

Corporate Income Tax

Although there is currently no Federal UAE taxation, each of the individual Emirates (Dubai, Sharjah, Abu Dhabi, Ajman, Umm Al Quwain, Ras Al Khaimah and Fujairah) have issued corporate tax decrees which theoretically apply to all businesses established in the UAE. However, in practice, these laws have not been applied. Taxes are currently only imposed on foreign oil and gas producing companies as per specific Government concession agreements, and on branches of foreign banks under specific tax decrees or regulations or fixed in agreements with the Rulers of the Emirates in which the branches operate.

Note that this is merely how the practice has evolved in the UAE. There is no general exemption in the law. Anyone investing in the UAE should be aware of the risk that the law may be more generally applied in the future and of the remote risk that it may be applied retroactively.

The income tax decrees which have been enacted in each Emirate provide for tax to be imposed on the taxable income of all bodies corporate wherever incorporated, and their branches which carry on trade or business, at any time during the taxable year through a permanent establishment in the relevant Emirates. Bodies corporate are taxed if they carry on trade or business directly in the Emirate or indirectly through the agency of another body corporate.

Abu Dhabi

According to the Abu Dhabi Income Tax Decree, all corporate entities carrying out trade or business in Abu Dhabi are taxable. In practice, tax is imposed as follows:

- Corporate taxes on foreign oil and gas producing companies at rates specified in the relevant concession agreement.
- Oil companies also pay royalties on production,
- Branches of foreign banks are assessed a fee at the rate of 20% on annual fees income. The fees income of banks shall be calculated by reference to their audited financial statements

According to the Abu Dhabi Income Tax Decree of 1965 (as amended by Abu Dhabi Income Tax Decree Number (4) of 1972) every chargeable person who conducts trade or business, including the rendering of any services in Abu Dhabi, shall be subject to tax at a sliding scale of rates up to a maximum of 55%

A chargeable person means a body corporate wherever incorporated, or each and every branch thereof, carrying on trade or business at any type during an income tax year through a permanent establishment situated in the Emirate whether directly or through the agency of another body corporate, (and not entitled under an agreement with the Ruler to an exemption from liability to income tax). Two or more such branches of a body corporate so carrying on trade shall each be treated as separate chargeable persons. The fact that a body corporate has a secondary body corporate carrying on trade or business through a permanent establishment in the Emirate shall not in itself constitute that parent body corporate as a chargeable person.

Carrying on trade or business means:

- Selling goods or rights in such good in the Emirate,
- Operating any manufacturing, industrial or commercial enterprise in the Emirate,
- Letting any property located in the Emirate,
- Rendering services in the Emirate, (excluding the mere purchasing of goods, or rights in such goods in the emirate.)

A chargeable person in Abu Dhabi shall be charged taxes on a sliding scale as described above except that the tax so charged shall be reduced by the credit aggregate of oil dealt in for that fiscal year so long as the total of all reductions granted to all...
chargeable persons in that fiscal year shall not exceed the credit aggregate of oil dealt in for that fiscal year.

Taxable income is computed after the deduction of all costs and expenses incurred by a chargeable person earning such income. Deductible costs and expenses include acquisition cost of goods, the expenses of operating the business, allowances for depreciation, obsolescence and exhaustion of both tangible and intangible assets and losses sustained by the chargeable person in connection with the business.

Dubai

According to the Dubai income tax decree, all companies carrying on trade or business in Dubai are required to pay tax on their earnings. The rates of tax are on a sliding scale up to a maximum of 55 per cent. In practice however, only.

Foreign oil and gas producing companies pay tax at rates specified in the relevant concession agreement. Oil companies also pay royalties on production.

Branches of foreign banks pay tax at a flat rate of 20% on annual profits. The taxable income of banks is calculated by reference to their audited financial statements.

The Dubai Income Tax Ordinance of 1969 and Dubai income tax decree (and its amendment 1970) specifies that an organization that conducts trade or business in Dubai shall be subject to taxation.

A chargeable person means a body corporate wherever incorporated, or each and every branch thereof, carrying on trade or business at any type during an income tax year through a permanent establishment situated in the Emirate whether directly or through the agency of another body corporate, (and not entitled under an agreement with the Ruler to an exemption from liability to income tax). Two or more such branches of a body corporate so carrying on trade shall each be treated as separate chargeable persons. The fact that a body corporate has a secondary body corporate carrying on trade or business through a permanent establishment in the Emirate shall not in itself constitute that parent body corporate as a chargeable person.

Carrying on trade or business means:

- Selling goods or rights in such good in the emirate,
- Operating any manufacturing, industrial or commercial enterprise in the emirate,
- Letting any property located in the Emirate,
- Rendering services in the Emirate, (excluding the mere purchasing of goods, or rights in such goods in the Emirate).

A chargeable person in Dubai shall be charged taxes on a sliding scale as described above except that the tax so charged shall be reduced by the credit aggregate of oil dealt in for that fiscal year so long as the total of all reductions granted to all chargeable persons in that fiscal year shall not exceed the credit aggregate of oil dealt in for that fiscal year.

Taxable income is computed after the deduction of all costs and expenses incurred by a chargeable person earning such income. Deductible costs and expenses include acquisition cost of goods, the expenses of operating the business, allowances for depreciation, obsolescence and exhaustion of both tangible and intangible assets and losses sustained by the chargeable person in connection with the business.

Sharjah

According to the Sharjah Income Tax Decree, all corporate entities carrying out trade or business in Sharjah are taxable. In practice, tax is imposed as follows:

- Foreign oil and gas producing companies pay tax at rates specified in the relevant concession agreement. Oil companies
also pay royalties on production,

- Branches of foreign banks pay tax at a flat rate of 20% on annual profits. The taxable income of banks is calculated by reference to their audited financial statements.

The Sharjah Income Tax Decree 1968 (and its amendments) specifies that there shall be imposed upon the taxable income of every chargeable person for each income tax year ending after the date of this Decree tax at the following scale:

A chargeable person means a body corporate wherever incorporated, or each and every branch thereof, carrying on trade or business at any type during an income tax year through a permanent establishment situated in the Emirate whether directly or through the agency of another body corporate, (and not entitled under an agreement with the Ruler to an exemption from liability to income tax). Two or more such branches of a body corporate so carrying on trade shall each be treated as separate chargeable persons. The fact that a body corporate has a secondary body corporate carrying on trade or business through a permanent establishment in the Emirate shall not in itself constitute that parent body corporate as a chargeable person.

Carrying on trade or business means:

- Selling goods or rights in such good in the Emirate,
- Operating any manufacturing, industrial or commercial enterprise in the Emirate,
- Letting any property located in the Emirate,
- Rendering services in the Emirate, (excluding the mere purchasing of goods, or rights in such goods in the Emirate)

**Investment incentives**

Several of the Emirates have free zones which offer tax and business incentives aimed at making the UAE a global financial and commercial center. The incentives usually include tax exemptions for a guaranteed period, the possibility of 100% foreign ownership, absence of customs duty within the free zone and a one-stop shop for administrative services. The free zones include, but are not limited to, the Dubai Airport Free Zone (DAFZ), Dubai International Financial Centre (DIFC) for financial services, Dubai Internet City (DIC), Dubai Media City (DMC), Dubai Studio City (DSC) and Jebel Ali Free Zone (JAFZ). Approximately 30 free zones are located in the Emirate of Dubai alone.

**Miscellaneous matters**

**Foreign-exchange controls**

No foreign-exchange controls are imposed by either the federal government of the UAE or the individual Emirates.

**Withholding tax**

There are no withholding taxes in the UAE.

**Other taxes**

Personal income tax.

No personal taxation currently exists in the UAE.
Capital gains
There is no capital gains tax in the UAE. For tax paying entities, capital gains are taxed as part of business profits.

Value added tax
There is no VAT in the UAE at present.

Social security
The UAE does not impose social security taxes on expatriates. UAE and other GCC-national employees contribute to retirement and pension funds in accordance with specific regulations.

Municipal tax and property tax
Municipal taxes are imposed on hotel services and cinema shows. Service charge percentages vary among the Emirates. A service charge of 5% to 10% is charged on food purchased in restaurants. Hotels charge a 10 to 15% service charge per night on room rates. These charges are usually included in the customer’s bill, which the municipality will collect from restaurants and hotels. Individuals living and working in Dubai for example pay a 10% service charge on food purchased in most restaurants. Hotels also charge an additional 15% service charge on the services they provide. In most of the Emirates, property tax is payable by residential and commercial tenants by reference to the annual rent of residential property, generally at a rate of 5% and for commercial property at a rate of 5 to 10% payable to the local Municipality.

Sale/Purchase fee
A sale registration fee of 1% of the value of the sale is imposed on the seller, payable to the Dubai Land Department. A purchase registration fee of 1% of the value of the sale is payable by the buyer of the property. The rate can differ in other Emirates.

Customs duty
Please refer to the section on GCC Customs Union.

Tax treaties
The UAE has more than 40 tax treaties currently in force including treaties with Algeria, Armenia, Austria, Belarus, Belgium, Bulgaria, Canada, China, the Czech Republic, Egypt, Finland, France, India, Indonesia, Italy, Korea (South), Lebanon, Luxembourg, Malaysia, Malta, Mauritius, Morocco, Mozambique, New Zealand, Pakistan, Philippines, Poland, Romania, Seychelles, Singapore, Spain, Sri Lanka, Syria, Thailand, Tunisia, Turkey, Ukraine and Vietnam.

In addition, treaties with the following countries are in various stages of negotiation, renegotiation, signature, ratification, translation or entry into force.

Financial reporting and auditing requirements
F. Financial reporting auditing requirements

F.1 Statutory requirements

Books and records
The Commercial Transactions Law (Federal Law No. 18 of 1993) provides that a business enterprise must keep such commercial books as the nature and scope of its business requires in a manner that accurately reflects its financial position, including assets and liabilities.

Method of accounting
The accrual method of accounting is generally used in the UAE.

Financial Statements
The entities required to issue audited financial statements are listed in Section C.7.

For public shareholding companies, the boards of directors are responsible for preparing annual accounts and reports on the activities of the companies during the financial year. A company’s accounts and report on activities must be signed by the chairman and presented by the board of directors to the general meeting, which must be held within four months after the end of the company’s financial year. A company’s financial year-end must be specified in its articles of association.

F.2 Sources of Accounting Principles

Accounting and auditing practices are not codified in the UAE. Businesses and practicing accountants generally follow International Financial Reporting Standards (IFRSs) and International Standards on Auditing.

F.3 Accounting Principles and Practices

Accounting practices and principles are not codified in the UAE. Companies generally follow International Financial Reporting Standards (IFRSs) and best industry practices for financial reporting.

F.4 Financial Reporting

Disclosure requirements
The UAE does not regulate the form or content of annual financial statements for entities other than banks and insurance companies.

Banks and insurance companies must prepare accounts in accordance with formats established by the relevant regulatory authorities. For example, the annual published financial statements for banks must include at a minimum the disclosure requirements prescribed by the Central Bank.
All banks and financial and investment companies in the UAE have also been directed by the UAE Central Bank to prepare their financial results in accordance with the International Financial Reporting Standards (IFRSs) with effect from 1 January 1999.

Reporting requirements
Public share holding companies and banks must publish their annual audited financial statements in the local press.

Filing requirements
Federal Commercial Companies Law No. 8 of 1984, together with certain ministerial decisions, requires that public and private share holding companies, limited liability companies and branches of foreign companies file annual audited financial statements with the Ministry of Economy. In certain emirates, limited liability companies and branches of foreign companies may be required to file audited accounts to renew their trade licenses.

Within three months of their year-end, banks must file with the Central Bank their audited accounts, together with certain other forms and returns specified by the Central Bank. Insurance companies and agencies must file their audited accounts with the Commissioner of Insurance at the Ministry of Economy within four months of their financial year-end.

Companies in the free zones are governed by the laws of the free zones. Financial statements require to be filed within three months of the year end and are usually prepared under IFRSs.

F.5 Audit requirements
Although auditing standards are not codified in the UAE, auditors usually follow International Standards on Auditing.

Annual audits are required for public and private share holding and limited liability companies, banks and insurance companies (including agencies), branches of foreign companies and entities whose constitutional or contractual terms require an audit. The auditor must be independent of the company being audited and must be enrolled in the register of accountants and auditors.

F.6 Accounting profession
The accounting profession is well represented in the UAE, with most of the large international accounting firms maintaining offices in the major centers. According to the Federal Law No. 22 of 1995 and the supplementing ministerial resolutions No. 49 of 1996 and No. 7 of 1997, foreign accounting firms can now only be listed in the register of active accountants if they have operated in the UAE prior to the effective date of the 1995 law. Further, the new law requires that all foreign firms will have to take on UAE nationals as partners.

No local professional body of accountants exists in the UAE.
General
G.1 Geography and climate

Geography
The UAE extends along the southern coast of the Arabian Gulf from Qatar on the west to Oman on the east. Saudi Arabia is the country’s neighbor to the south and the west. The UAE’s coastline is about 700 kilometers (438 miles) in length with approximately 600 kilometers (376 miles) on the Arabian Gulf and 100 kilometers (62 miles) facing the Gulf of Oman. The UAE covers an area of approximately 83,600 square kilometers (32,650 square miles), including approximately 200 islands. Along the Arabian Gulf Coast are offshore islands, coral reefs and salt marshes, whilst stretches of gravel plain and barren desert characterize the inland region. Inland, the topography is predominantly desert, sand dunes and gravel plains with isolated oases, the largest of which are located at Al Ain and Liwa. The Hajar Mountains lie close to the sea on the east coast near Fujairah.

Although the UAE is characterized largely by arid and barren desert, the gravel plains located on either side of the Hajar mountain range have fertile areas and more plentiful rainfall. In recent years, the authorities have promoted agricultural development in the country’s fertile areas, especially the production of vegetables, fruits and various grains. These efforts are evidenced by large tracts of cultivated land flanking the Hajar Mountains and attractive parklands in and around the major urban centers.

The largest of the emirates is Abu Dhabi, with an area of approximately 67,300 square kilometers (26,290 square miles), followed by Dubai (3,900 square kilometers or 1,520 square miles) and Sharjah (2,600 square kilometers or 1,015 square miles). The areas of the other emirates range from 260 to 1,700 square kilometers (102 to 664 square miles).

Climate
The climate is characterized by hot and humid summers with temperatures reaching 48C (118 F) and mild winters with an average rainfall of less than 6.5 centimeters annually, more than half of which falls in December and January. The average annual temperature is approximately 24C (75 F).

G.2 Population and language

Population
The population of the UAE is estimated to be approximately 4.5 million, of which, over 80% resides in the emirates of Abu Dhabi, Dubai and Sharjah. The population includes a large number of expatriates who come primarily from other countries of the Middle East, as well as from India, Pakistan and the Far East.

Language
The official language of the UAE is Arabic, but English is used widely in business and commerce.

G.3 Government and political system

Federal Government
During 1971 and 1972, the seven emirates–Abu Dhabi, Dubai, Sharjah, Ajman, Umm Al Quwain, Ras Al Khaima, and Fujairah–formed a federation, creating the UAE as a sovereign state. The UAE’s Supreme Council, the highest federal authority, which is responsible for matters of national policy, is made up of the hereditary rulers (emirs) of the seven emirates. The Supreme Council from among its members elects the president and vice-president. The president is H H Sheikh Khalifa bin Zayed Al Nahyan (Abu Dhabi), and the vice-president and prime minister is H H Sheikh Mohammed Bin Rashid Al Maktoum (Dubai). Abu Dhabi is the Capital of the UAE. The Council of Ministers or Cabinet is described in the constitution as “the executive authority for the federation”. It includes the usual complement of ministerial portfolios, and is headed by a Prime Minister, chosen by the president in consultation with his colleagues on the Supreme Council. The council of Ministers has executive authority to introduce and promulgate legislation.

The Federal National Council (FNC) has a number of members drawn from the individual emirates on the basis of their population. The FNC has both a legislative and supervisory role under the Constitution. It is responsible for examining, and, if it wishes, amending, all proposed federal legislation, and is empowered to summon and to question any federal minister regarding ministry performance. Discussing the annual budget is also one of its main duties.

Local Government
Parallel to, and, on occasion, interlocking with, the federal institutions, each of the seven emirates has its own local government. A high degree of political and economic power resides in the individual emirates. Under UAE constitution, each ruler retains control over natural resources, including oil, within his emirate, and regulates commercial activity.

G.4 Legal environment

The various emirates were given the constitutional right to opt for joining the federal judicial system or to maintain their own judicial systems. Except for Dubai and Ras Al Khaimah which
maintain their own judicial systems, the other emirates have joined the federal system.

The federal court system consists of federal courts of first instance, federal courts of appeal, and a federal Supreme Court. The court of first instance consists of civil, criminal, and Sharia (Islamic Law) courts. The Sharia and civil legal systems exist concurrently for the most part in UAE. Relying heavily on French law, civil law has jurisdiction over commercial and labor matters. All cases involving banks and financial institutions are required to be heard by civil courts. The Sharia law is applied chiefly to personal status matters (e.g., marriage, divorce, inheritance, etc.).

There is a comprehensive framework of legislation to ensure that business in the UAE is conducted in a fair and orderly manner. There are laws dealing with commercial transactions, intellectual property, labor and other aspects of business life. In certain cases, the courts consider foreign laws, primarily from other Arab countries, and international practice.

The UAE has started to enforce Law No. 21 of 1991 under which only UAE nationals will be allowed to represent clients in local courts, and expatriate lawyers may continue to serve as legal consultants.

G.5 Entry visas and work permits

Entry visas

AGCC Citizens
Citizens of the Arab Gulf Council member states do not need a visa to enter the UAE.

AGCC Residents
AGCC expatriate residents who meet certain conditions may obtain a non-renewable 30-day visa upon arrival at the approved ports of entry.

UK Citizens
UK Citizens with the right of abode in United Kingdom do not need to obtain visa in advance. On entry, they will be given a special free of charge visit visa enabling them to stay for 30 days. This visa may be renewed once for a period of 30 days.

Only nationals of the following countries shall be issued entry permits upon arrival at any of the UAE airports:

Western Europe
France, Italy, Germany, Holland, Belgium, Luxembourg, Switzerland, Austria, Sweden, Norway, Denmark, Portugal, Ireland, Greece, Finland, Spain, Monaco, Vatican City, Iceland, Andorra, San Marino, and Liechtenstein. The visa enables them to stay for 30 days. The visa may be renewed once for a period of 30 days for a fee.

Other Countries
USA, Canada, Australia, New Zealand, Japan, Brunei, Singapore, Malaysia, Hong Kong and South Korea. The visa enables them to stay for 30 days. The visa may be renewed once for a period of 30 days for a fee.

For all other Nationalities, the following Visa Rules Apply:

30 day Tourist Visa
This special category of visit visa is available for individual tourists from East and West Europe who are not entitled to be issued with a visa on arrival, as well as visitors from Thailand, South Africa and China. The tourist visa, which must be sponsored by hotels and tour operators, entitles its holder to a 30-day stay and is non-renewable.

Six-month Multiple-Entry Visa
Multiple-entry Visas are availed to business visitors who have a relationship with either a multinational or other reputable local establishments, and who are frequent visitors to the UAE. This type of visa is valid for six months from the date of issue and the duration of each stay is 30 days. The validity is non-renewable. The visitor must enter the UAE on a visit visa and obtain the multiple entry visa while in the country.

14 day Entry Service Permit
An Entry Service Permit applies to businessmen and tourists. It requires the sponsorship of companies or hotels licensed to operate within the UAE. This visa is valid for use within 14 days from date of issue.

Transit Visa
A 96 – hour transit visa is a special type of visa for individuals travelling to or from Europe or the United States, to Asia or Africa and passing through UAE airports. An individual must be sponsored by an airline operating in the UAE an individual must have a valid ticket for their onward flight.
Residence visa

A residence visa can be issued to the following:

- An employee at the request of his employer
- An investor who has a valid business license in the UAE
- A dependent spouse or child whose resident spouse earns a minimum of AED4,000 per month or a monthly salary of AED3,000 and a monthly accommodation allowance of no less than AED1,000

Applications for residence permits must be made within 30 days of arrival. Residence permits are valid for three years and may be renewed. In order to issue or renew the Residence visa applicants must pass a medical test.

G.6 International Relations and Associations

The UAE is a member of several regional and international organizations, including, the Arab League, the Gulf Cooperation Council (GCC), the Organization of Petroleum Exporting Countries (OPEC), the World Intellectual Property Organization (WIPO), the International Monetary Fund (IMF), the World Bank, and the World Trade Organization (WTO), the United Nations and its affiliates. It is also a member of a wide range of Arab, Middle Eastern and international organizations in the fields of trade and industry, finance, education and health care.

The UAE is a major donor of development assistance and emergency relief aid. Much is given through support for international agencies such as the International Committee of the Red Crescent and Cross, to which the UAE is one of the leading contributors.

G.7 Living in the United Arab Emirates

Business hours

Working hours vary according to the type of business. Government offices are usually open between 7:30 a.m. and 2:30 p.m. Banks are open between 8:00 a.m. and 1:00 p.m., Saturday to Thursday, although the trend is to extend opening hours into the afternoon. Private businesses generally are open between 8:00 a.m. and 5:00 p.m. or 6:00 p.m. Foreign embassies and consulates are usually open between 9:00 a.m. and 1:00 p.m. during the working week. During Ramadan, the month of fasting, business hours are restricted to six hours a day. For most businesses, the weekend is Friday and Saturday.

Time

The UAE is four hours ahead of Greenwich Mean Time (GMT). Time differences between the UAE and major world cities are shown in the following table.

<table>
<thead>
<tr>
<th>City</th>
<th>Hours ahead or behind UAE*</th>
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<tbody>
<tr>
<td>Beijing</td>
<td>4</td>
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<td>Buenos Aires</td>
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<td>-2</td>
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<td>Frankfurt</td>
<td>-3</td>
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<td>Hongkong</td>
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<td>London (GMT)</td>
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<td>Sydney</td>
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<td>Tokyo</td>
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*Note: In the UAE, the system of Daylight Saving Time is not in use

Public holidays

The government and the public generally follow the Gregorian calendar. The Islamic calendar is seldom used for business purposes, but it does determine certain religious holidays that are observed by businesses.

National holidays

<table>
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<tr>
<th>Holiday</th>
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<tbody>
<tr>
<td>New Year’s Day</td>
<td>1 January</td>
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<tr>
<td>National Day</td>
<td>2 December</td>
</tr>
<tr>
<td>Islamic Holidays</td>
<td>Islamic Calendar</td>
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<tr>
<td>Eid Al-Fitr (end of Ramadan)</td>
<td>1-3 Shawal</td>
</tr>
<tr>
<td>Waqfa</td>
<td>9 Dhul Hijjah</td>
</tr>
<tr>
<td>Eid Al-Adha (feast of sacrifice, end of the pilgrimage period)</td>
<td>10-12 Dhul Hijjah</td>
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<tr>
<td>Islamic (Hijri) New Year</td>
<td>1 Muharram</td>
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<tr>
<td>Al-Mawled Al-Nabawi (Prophet’s Mohammad Birthday)</td>
<td>12 Rabi’I</td>
</tr>
<tr>
<td>Al-Isra’a wa Al-Mi’raj (Prophet’s ascending to heaven)</td>
<td>27 Rajab</td>
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</table>
Because the Islamic year is based on the lunar cycle, the Muslim holidays recur 10 or 11 days earlier each year on the Gregorian calendar. The actual dates may vary a day or two from those indicated above.

Transportation and communications
Taxis are the main source of public transportation and are widely available through the Emirates. Local bus services exist in some cities. Rental cars are available, including rentals from international car rental companies. Dubai has recently started to construct a Metro.

In order to drive in UAE, residents must obtain a UAE driver's license. Foreign driver's licenses are not recognized and temporary UAE licenses are no longer issued. However, a non-resident visitor to the UAE can drive if he/she obtains a valid international driver's license issued by the motor vehicle authorities of the country whose passport the travelers hold.

The UAE has six international airports, the principal ones located in Abu Dhabi and Dubai. Excellent connections are available to other Middle Eastern countries and most international centers.

Telecommunication and postal facilities provide efficient telephone, facsimile, telex and mail services.

The postal system in the UAE is very modern and the post offices are among the most efficient in the Gulf. Between the UAE and Europe or the USA, mail takes about ten days. To Australia, mail takes about eight to ten days.

Education
In the UAE there are a number of reputable private schools. The major urban centers have private English and American schools staffed by expatriate teachers. In addition, German, French, Japanese and Dutch schools are available. These schools generally provide kindergarten and primary education; although many of the English and American schools provide secondary education as well. There are also several public and private universities which offer programs through the graduate and post-graduate levels in a wide range of subjects.

Medical service
In the UAE there are many private and public hospitals and clinics which provide medical and dental care. Public health services are provided to all foreign residents for a small fee. However, the government has been continuously encouraging treatment in the private sector due to the fact that the public sector is over-burdened.

Housing
Various types of residential accommodation are available, including spacious villas set in their own grounds, villa and bungalow developments located in compounds and high-quality two and three bedroom apartments. Many compounds have swimming and sports facilities, and all accommodation has either centralized or individual unit air-conditioning.

Villas appropriate for mid-level executives generally cost between US$50,000 and US$100,000 a year. High-quality apartments currently cost between US$30,000 and US$70,000 a year, depending on size and location. Local laws permit rents to increase 15% annually.

Leisure and tourism
With a good climate in winter and spring seasons, interesting landscape and beaches, political stability and personal safety, the UAE has focused much of its diversification efforts on developing and attracting international tourists, and residents of Dubai can enjoy the same leisure facilities.

The UAE holds major annual international sporting events in horse racing, polo, golf, tennis and speedboat racing as well as hosting periodic events in other sports such as the Asian Football Cup. These events combined with other activities including festivals, conferences and duty free shopping provide many activities for tourists.

For the active visitor keen on participation in sports, there are many options. The UAE has a number of world-class golf courses and is a major center on the global golfing circuit. Water sports such as sailing, scuba diving and water skiing are particularly popular given the warm sunny climate.

In addition, private clubs and centers offer a number of sports, recreational and cultural opportunities, including all-grass football and cricket stadiums, championship golf courses, gardens, playgrounds and ice-skating rinks.

For those interested in the past, there are a host of sites of interest, dating back 7,000 years or more. The Hili Tomb in Al-Ain, part of an ancient civilization, dates back over 5,000 years and the great mount of Tell Abraq in Umm al Quwain was built 4,500 years ago and has been continuously occupied for around 2,000 years.
Useful addresses and telephone numbers
H. Useful addresses and telephone numbers

When telephoning from outside the UAE, the international country code for the UAE, 971, must be used as a prefix.

### Abu Dhabi

<table>
<thead>
<tr>
<th>Government Departments</th>
<th>P.O. Box</th>
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<th>Facsimile</th>
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<tr>
<td>Chamber of Commerce and Industry</td>
<td>662</td>
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<td>+971 (2)621 5867</td>
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<tr>
<td>Customs</td>
<td>255</td>
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<tr>
<td>Economic Department</td>
<td>853</td>
<td>+971 (2)622 7222</td>
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<tr>
<td>Municipality</td>
<td>263</td>
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<tr>
<td>Federation of UAE Chambers of Commerce &amp; Industry</td>
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<td>UAE Offset Group</td>
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### Dubai

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<td>Ports and Customs</td>
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<td><strong>Ajman</strong></td>
<td><strong>Ras Al Kaimah</strong></td>
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<td>Chamber of Commerce and Industry</td>
<td>Chamber of Commerce, Industry and Agriculture</td>
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<tr>
<td>P.O. Box 662</td>
<td>P.O. Box 87</td>
<td></td>
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<tr>
<td>Telephone: +971 (6)742 2177</td>
<td>Telephone: +971 (7)233 3511</td>
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<tr>
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<tr>
<td>Economic Department</td>
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<tr>
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<tr>
<td>Telephone: +971 (6)744 6244</td>
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<td>Municipality</td>
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<tr>
<td>P.O. Box 3</td>
<td>UAE Central Bank</td>
<td></td>
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<tr>
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<tr>
<td>Facsimile: +971 (6)742 2230</td>
<td>Telephone: +971 (7)228 4444</td>
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<tr>
<td>Ports and Customs</td>
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<td><strong>Um AL Quwain</strong></td>
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<td>P.O. Box 436</td>
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<tr>
<td>Facsimile: +971 (6)765 5138</td>
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</table>
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Ernst & Young has the world's largest international tax practice in terms of revenue as reported by International Tax Review, with almost 16,000 tax professionals around the world who help companies arrange their business affairs in the most tax-efficient way. Complementing this extensive network, Ernst & Young's unique Foreign Tax Desk Network gives clients ready access in their home countries to direct, timely and co-ordinated foreign tax expertise. In addition, As an eBusiness pioneer with services like Ernst & Young TaxCast SM and The Online Tax Advisor, and a thought leader in the field of Internet tax issues, Ernst & Young is ready to work with its clients to address tax issues brought about by the new, connected economy and develop the strategy that will optimize the overall tax charge for the client company.

Ernst & Young's international audit methodology assures consistency, safety, quality and value worldwide. The strength of Ernst & Young’s international audit practice is manifested by its presence in the global market.

For example, Ernst & Young

- Audits nearly one in five of the companies listed in the Business Week Global 1,000.
- Audits 19% of Fortune’s Global 500
- Audits 27% of the top 100 commercial banks (Emerson) and 20% of top commercial banks by assets
- Audits 28% of the world’s 200 largest life & health insurance companies and over 18% of the world’s 200 largest property and casualty insurance (Emerson)

The firm has more than 2,500 professionals in other business lines worldwide, who help companies improve performance and achieve high levels of efficiency and competitiveness.

For several years, the finance directors of major energy companies around the world have voted Ernst & Young the "best and most professional" international professional services firm. The firm’s relationship with each client is co-ordinated by a partner who is responsible for the quality of our work, wherever performed, throughout the world. This partner identifies and mobilizes a team of professionals with the right combination of skills to satisfy-and exceed – the client’s expectations. We build our relationships with clients on respect, communication and a dedication to service.

Ernst & Young anticipates the future by designing innovative software to serve our clients more effectively, by providing continuing training for our professionals and staff, and by leading the other professional services firms in the area of electronic publishing.

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- Australia
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- Hungary
- Austria
- Cyprus
- India
- Azerbaijan
- Czech Republic
- Indonesia
- Bahamas
- Denmark
- Ireland, Republic of
- Bahrain
- Dominican Republic
- Isle of Man
- Bangladesh*
- Ecuador
- Israel
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- Italy
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- Estonia
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- Bermuda
- Ethiopia
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- Finland
- Kazakhstan
- British Virgin Islands
- France
- Kenya
- Brunei
- Gabon
- Korea
- Bulgaria
- Georgia
- Kuwait
- Cameroon
- Germany
- Latvia
- Canada
- Ghana
- Lebanon
- Cayman Islands
- Greece
- Lesotho
- Chile
- Guam
- Liechtenstein
- China
- Guatemala
- Lithuania
- Luxembourg
- Palestine
- Swaziland
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- Panama
- Sweden
- Macedonia
- Paraguay
- Switzerland
- Malaysia
- Peru
- Taiwan
- Maldives
- Philippines
- Tanzania
- Malta
- Poland
- Thailand
In the UAE, our core service lines are Assurance & Advisory Business Services, Business Risk Services, Business Advisory Solutions, Real Estate, Hospitality & Leisure Advisory Services, and Tax Services. In addition, we offer a number of Online Services. You can rest assured that when our team of professionals in the UAE work with you, we will be looking at your business from every angle, with your business goals in mind. No matter what professional services you need, you can count on Ernst & Young for the highest professional standards and the ability to deliver on our promises.

Assurance & Advisory Business Services

As business grows more complex, and the speed of change increases, you will look for more from your advisors. While our primary function is to provide you with financial statement attestation to meet regulatory and stakeholder requirements, we place special importance in delivering value–added assurance services.

Our sophisticated audit techniques allow us to provide a robust and highly–respected opinion on the quality of financial information. Our audit philosophy is to audit your business, not just your books. We focus on understanding business issues and processes, giving clients the opportunity to gain wider assurance from the audit. Management also benefits from new insights and ideas to address current and future risks more effectively thereby helping you improve performance.

Our commitment to the quality of our audits is demonstrated by our global audit methodology and our thorough quality controls that are applied to every client engagement. The responsibility for the quality of our audit rests with each of our audit partners and every member of our client service teams. Their personal commitment to compliance with the highest professional ethics, standards and our firm's quality controls is the foundation of our commitment to quality in everything we do.

Business Risk Services

Ernst & Young can help your company get more from its internal audit and risk management functions. By leveraging their operational knowledge and in-depth industry experience, our Business Risk Services UAE professionals develop comprehensive risk solutions in internal audit and risk management.
We apply the insights we have gained from working with hundreds of the world’s top companies to help them transform their internal audit and risk management functions. We bring you the benefit of our multimillion-dollar investments in methodology, technology, knowledge, learning systems, and people—all focused on addressing risk challenges in a rapidly changing global marketplace.

Our service offerings include:

Risk Management
Aligning risk management activities to business objectives is the basis of our risk management approach to improve your company’s alignment of risks, risk functions, and risk tolerance across the organizations.

Today’s business environment requires highly qualified risk functions with the flexibility to address a continuously changing risk profile. Business Risk Services offers a suite of strategic, outsourcing, and industry-focused operational solutions that help companies around the world evaluate and enhance their internal audit and risk management functions.

Business Advisory Solutions
At the heart of Business Advisory Solutions (BAS) is our ability to offer appropriate solutions to critical issues and to identify the root cause of clients’ problems.

What we do isn’t new, but our approach is. With knowledge in corporate finance, human capital, business process analysis, costing, performance management, and information technology, our team can address your specific issues quickly, effectively and profitably.

BAS offers a range of advisory services to respond to critical business issues including:

- Transactions Advisory Services
- Technology and Security Risk Services
- Business Management Advisory Services
- Privatisation and Restructuring

Our BAS UAE team can also assist in searching and investigating potential business opportunities by providing valuations, feasibilities, due diligences and financial modeling services.

You want your business to grow, but that takes ideas, identification of opportunities and smart financial management. The Ernst & Young BAS UAE team helps companies add value by developing and assessing organisational strategy formulation, developing human resources, aligning operational processes, and developing policies & procedures.

We commit ourselves to ensuring you receive the best advice and the right solutions.
Real Estate, Hospitality & Leisure Advisory Services

The Ernst & Young Real Estate, Hospitality and Leisure Advisory Services UAE team can assist you in developing effective strategies to minimise risk, control expenses, and generally improve overall performance, which in turn can accelerate the creation of bottom-line value for any company or organisation in the real estate, hospitality and leisure sectors.

Whether the real estate market is experiencing prosperity or recession, businesses can no longer stand still. With the unprecedented number of hospitality and leisure-related projects currently under development in the Middle East, real estate, operations, marketing, and financing functions must be synchronized to maintain a competitive edge. Quality of service is paramount. Industry executives require a trusted business advisor who can provide specialised resources, industry expertise and innovative solutions to not only react quickly to today’s challenges but also prepare for those of tomorrow. Ernst & Young assists regional organisations in the real estate, hospitality and leisure sectors improve and control the way they manage their investments and operations in real estate assets throughout the entire lifecycle of their property portfolio.

Ernst & Young’s Real Estate, Hospitality and Leisure Advisory team offers a range of services which include strategic tourism enhancement planning, hotel operational reviews, positioning analyses, asset management, management company selection/negotiations, capital sourcing, benchmarking, valuations, mergers and acquisitions due diligence, and market-driven feasibility studies for a variety of asset types, including mixed-use real estate and hospitality development projects.

Tax services

At Ernst & Young, our global network of tax specialists assists multinational organizations effectively optimize their overall tax position in every jurisdiction in which they operate by addressing and solving inter-company transaction issues, optimising the economic benefits of cross-border transactions such as mergers and acquisitions, and ensuring commercially-driven businesses are not disadvantaged through an absence of tax planning.

Our Ernst & Young UAE Tax team works with local and multinational corporations to help them align their taxation strategy with their business strategy.

Our professionals team with their Ernst & Young counterparts across the region and around the world help clients navigate the complex and changing regional and global tax environments.

We leverage our business and industry knowledge in all areas of tax to help manage risk and contribute to building competitive advantage for our clients.
Appendixes
Appendix 1: Economic Performance Indicators

The following table presents the leading performance indicators of the UAE economy for 2010.

<table>
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<tr>
<th>Indicator</th>
<th>2010</th>
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<tr>
<td>Nominal GDP (US$ bn)</td>
<td>274.2</td>
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<tr>
<td>Real GDP Growth Rate</td>
<td>2.4</td>
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<tr>
<td>GDP Per Capita (US$)</td>
<td>58,251</td>
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<tr>
<td>Population (mn)</td>
<td>4.71</td>
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<tr>
<td>Inflation (%)</td>
<td>0.9</td>
</tr>
<tr>
<td>Current Account Balance (% of GDP)</td>
<td>14.2</td>
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<tr>
<td>Exchange Rate (AED/US$)</td>
<td>3.67</td>
</tr>
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</table>

Source: Oxford economics

Appendix 2: Gross Domestic Product by Emirate
(In Millions of UAE Dirhams)

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<tr>
<th>Emirates</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
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<td>216179</td>
<td>290323</td>
<td>341286</td>
<td>400047</td>
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<tr>
<td>Dubai</td>
<td>97743</td>
<td>118428</td>
<td>150622</td>
<td>193236</td>
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<tr>
<td>Sharjah</td>
<td>27014</td>
<td>30422</td>
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<tr>
<td>Ajman</td>
<td>4925</td>
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<tr>
<td>Umm Al-Quwain</td>
<td>1630</td>
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<td>2159</td>
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<td>7196</td>
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<td>9777</td>
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<td>Fujeirah</td>
<td>4404</td>
<td>4793</td>
<td>6156</td>
<td>7322</td>
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<td>Total</td>
<td>321430</td>
<td>384596</td>
<td>513089</td>
<td>624623</td>
<td>729732</td>
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Source: Ministry of Economy
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