SWITZERLAND GLOBAL ENTERPRISE

United Arab Emirates
Legal Provisions

Compiled by:

Swiss Business Hub Middle East - Dubai

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GENERAL REMARKS

A. Economic position of the UAE

The UAE has an open economy with a high per capita income and a sizable annual trade surplus in addition to a virtually tax-free economy, which makes it a fast-paced growing business hub and truly international business centre of global significance. Successful efforts at economic diversification have reduced the portion of GDP based on oil and gas output to approximately 29%. The country has undergone a profound transformation from an impoverished region of small desert principalities to a modern state with a high standard of living. The government has increased spending on job creation and infrastructure expansion and is opening up utilities to greater support the private & SME sector involvement.

The UAE did not escape the impact of the global economic slowdown in 2009. However, its exposure to the global economy, combined with the government's considerable fiscal resources and the encouraging performance of other sectors (tourism, retail, banking, etc.) helped the UAE to stage a strong recovery. Fast growing sectors in 2016 include aviation, clean energy/energy efficiency, food. The European Free Trade Association (EFTA) successfully finalized its negotiations with the Member States of the Gulf Cooperation Council (GCC) – comprising Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the UAE – on 24 April 2008. The agreed texts cover a broad range of areas including trade in goods, trade in services, government procurement, competition and intellectual property rights. Bilateral arrangements on agricultural products between the individual EFTA States and the GCC are also part of the package.

The UAE has reached Double Taxation Agreements (DTAs) with 115 countries (94 in force, 21 pending) from all over the world including Switzerland. The DTA between the UAE and Switzerland was signed in 2011 and entered into force in 2012.

The UAE entered for the first time in 2019, the ‘top 5 globally’ in the IMD World Competitiveness Rankings confirming its position as the most competitive economy in the Middle East region. The higher oil prices and the diversification of the economy have allowed the UAE to stabilize its economy, invest in a high-quality infrastructure, and identify itself as a world hub. However, there have been recent changes in this regard after the fall in oil prices. The country’s institutional environment remains, as in previous years, a competitive advantage, characterized by a low regulatory burden, high public trust in politicians, and reliable security services. It is considered as one of the first countries worldwide in terms of business efficiency, productivity, digital transformation and entrepreneurship.

B. Investment incentives

Due to strategic location, UAE has been hosting & providing routes to business since centuries. It offers easy access to the 1.5 billion consumer markets situated in Africa, West Asia, CIS countries, and Europe as well as the areas surrounding the Red Sea and the Gulf. With 11 state-of-the-art ports – with the most well-known being the Jebel Ali Port in Dubai - 9 airports and satellite links to most countries, the UAE has become one of the leading entry port centres of the world, rivalling the emerging tigers of South East Asia. Having long since consolidated its position among the top oil producing nations, the visionary leadership of the UAE is concentrating its efforts on industrial development in the country.

According to experts, sustained economic growth still can be expected in the future as well, due to political stability and liberal economic policies. The UAE offers incoming business all the advantages of a highly developed economy. Its infrastructure and services match the highest international standards, facilitating efficiency, quality and service. Among the benefits are: tax exemption, no corporate taxes, no income taxes, no foreign exchange controls, no trade barriers, competitive import duties (5% with many exemptions), competitive labour costs, balanced labour law, free enterprise system, Free-Trade zones, highly developed transport infrastructure, state-of-the-art telecommunications, sophisticated financial and services sector, diversified industry, top international exhibition and conference venues, high quality office and residential accommodation, reliable power and utilities, first class hotels/hospitals/schools/shopping, and a cosmopolitan lifestyle.

C. Court and legal system

A stable court and legal system provide investors with the necessary security in carrying out business transactions. Although the individual emirates retain the right to pass laws, federal uniform laws apply to the economically most important judicial areas, since the UAE has legislative rights for this area. While Islamic law, the Shari 'a, is constitutionally the source of most legislations, such as personal matter laws for Muslims, it has only a subordinate role in economic law. One basic principle of contract law of the Shari 'a should however, always be observed: "The contract is the law of the parties." Therefore, individual legal concepts and intentions should always be exhausted in the implementation of planned investments.

The courts of the UAE have a three-tiered structure. Each of the seven emirates has the constitutional right to pass its own independent regional laws. Thus far, this has been utilized up to the highest level of appeals only by Abu Dhabi with the Supreme Court of Cassation, Dubai with the Dubai Court of Cassation and Ras Al Khaimah with Ras Al Khaimah Court of Cassation The four other emirates also have courts of first and second instance, but in matters of final instance they are subordinate.

Furthermore, the Dubai International Financial Centre (DIFC) and the Abu Dhabi Global Market (ADGM), two financial-themed free zones, have established their own court systems. Being independent common law-based jurisdictions formed under the UAE Constitution, they have their own laws and regulations – ADGM directly applying English law – except for UAE criminal laws, administrative laws and anti-money laundering regulations, which continue to apply in all UAE free zones. ADGM and DIFC both provide for a court of first instance and a court of appeal, which are not subordinated to the Supreme Court of Cassation in Abu Dhabi. It is possible for parties to a contract to “opt in” in favour of either DIFC or AGDM law and elect DIFC or ADGM courts as the competent authority to hear a dispute.

Thus far, no agreement exists between the UAE and Switzerland on mutual recognition and enforcement of judicial decisions or arbitration. However, it is worth mentioning that in 2006 the UAE has subscripted to the New York Convention of 1958 on the Recognition and Enforcement of Foreign Arbitral Awards. The recognition and enforcement of foreign arbitration decisions in the UAE is thus possible through the implementation of the said new law.

CUSTOMS

The Harmonized System (HS) coding structure is used in the UAE for the import of goods. Unless a particular product is exempted, the UAE levies a relatively low import duty of 5% on import goods into UAE and outside the Free Zones (as of 01/01/2003), based on the CIF (cost, insurance and freight) value of the goods. No customs are levied on a variety of goods, e.g. foodstuffs, certain raw materials, or medical equipment. However, 50% duties are levied on alcohol and 100% on tobacco products. For goods that are intended for re-export, the customs duties paid are returned after a certain period following re-export. There are no taxes implemented if goods are imported into a free zone, and then re-exported of the GCC again. Furthermore, once the applicable 5% customs duty is paid for importing goods into the UAE, they should move freely across the GCC (in most cases). To benefit from reduced customs duties, manufacturers will have to prove that at least 40% of the value was added in the UAE and at least 51% owned by UAE nationals.

For further information, please visit: www.fca.gov.ae/En/.

FREE TRADE AGREEMENT (FTA)

On 1 July 2015, the Free Trade Agreement (FTA) between Switzerland and the GCC was officially implemented, providing customs duty exemptions between the two parties. However, at this point in time, the GCC member countries are still working on ensuring the smooth implementation of the agreement, and some delays may occur as a result.

For certification technicalities and other related matters, the Swiss exporters are advised to consult the following:

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Tel.: +41 22 347 3202
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IMPORT AND EXPORT REGULATIONS

Goods, which are not already prohibited by the country, can be imported with an import permit issued by UAE customs. Goods can either be imported through a third-party freight forwarder or logistics provider, or through a distributor/agency. Some products may require special documents, and this can be clarified at the UAE Customs.

Normally, the below documents will be required to bring goods into the UAE:

- Master Airway Bill/House Airway Bill for Air channel
- Master Bill of Lading/House Bill of Lading for Sea Channel
- Commercial Invoice
- Certificate of Origin
- Packing List
- Delivery Order
- Permits wherever applicable

(*additional documents may apply for the FTA*)

When importing through a Free Zone, all goods are exempt of customs duties. As long as the goods are not exported to other GCC countries (including UAE) from the Free Zone, they may be exported onwards without any duties.

The UAE government prohibits the import of drugs and narcotics into the UAE, as well as pornographic material, non-Islamic religious pamphlets for missionary activities, fireworks, ivory, weapons & ammunition, chemical and organic fertilizers, laser pens, radar jammers/unauthorized communication devices, endangered animal species, and any objects, sculptures, paintings, books or magazines which do not adhere to the religious and moral values of the UAE.

CURRENCY REGULATIONS

In the UAE, there are no restrictions on currency exchanges. The UAE Dirhams are freely convertible and pegged to the American Dollar (US$).
Average Exchange Rate: 1 CHF = AED 4.03 (4.03133). on 13.08.2020).

REGISTRATION PROCEDURE FOR PRODUCTS

The necessity for product registration depends mainly on the industry line of the products. Usually, it is the importer or trade agent based in the UAE that is responsible for carrying out the registration procedures. Such products tend to fall under appliances, cosmetics, medicines, and electronics, food products, to name a few. Normally, the agent or distributor is well aware of these procedures and requirements.

Please refer to the Emirates Authority for Standardization & Metrology for further information: http://www.esma.gov.ae/en-us.

STANDARDS, TECHNICAL RULES, LABELLING REGULATIONS

The Gulf Standards Organization (GSO) sets the framework for the UAE's packaging and labelling requirements, which are also made up of international norms for standards and other technical requirements. In addition, American standards are also recognized.

Exporters are encouraged to consider cultural norms and values when designing and developing product packaging. A best practice would include consulting local contacts for context and current information when developing labels and packages. An Arabic translation should appear on the packing in addition to other languages used.

The labels should include:
- A complete list of ingredients in decreasing order
- Name and brand of the product
- All the food additives
- Water content should appear on the label
- The transport and storage conditions should appear

- Name and address of the manufacturer and packer
- Country of origin
- Method of preparation for consumption
- Origin of animal fat or gelatin should be mentioned
- Manufacturing and expiry dates

Sometimes, other regulating bodies (eg. ESMA http://www.esma.gov.ae/en-us) will have additional labeling conditions that need to be considered as well.

Halal should be clearly mentioned for all meat products. Food products should not contain alcohol or pork. Municipalities have established a list of food additives or colorings authorized in the Emirates.

TAXES

The UAE has no uniform tax law for the whole country. Tax legislation is reserved to the individual emirates. The laws in the overwhelming majority of the Emirates provide for taxes to be levied, but in practice, most of these regulations are not applied. There is no income tax levied on natural persons (locals or foreigners). The income tax for legal entities/bodies is thus far levied only on companies that are directly involved in the production and processing of oil, gas, and petrochemical products, and on domestic and foreign banks at the Emirate level. Further, Emirate-level taxes are imposed on the holder of petroleum concession at rates specifically negotiated in the relevant concession agreements.

In the various free zones, the governments of the respective emirates guarantee a (direct) tax exempt status for 50 years, with the option to renew for another 50 years.

On 1st January 2018, VAT was implemented in the UAE at a rate of 5% with some limited exemptions.

Aside from VAT, the UAE applies a sale tax on the sale of alcohol, hotel and restaurant bills, as well as residential leases as well as an excise tax in relation to carbonated, energy drinks and tobacco products.

As mentioned above a 5% custom duty is imposed on the majority of goods entering the GCC (including the UAE). Imports into free zones, which are considered as offshore for GCC customs purposes are not subject to customs duty. Custom duties are only charged once goods enter the mainland UAE.

INHERITANCE AND SUCCESSION

On 30 April 2015 the Dubai International Financial Centre launched the Wills and Probate Registry (“DIFC WPR”). The DIFC WPR provides a unique service that allows non-Muslim individuals over 21 years of age to register their wills in accordance with their wishes with full testamentary freedom, hence avoiding the application of Sharia Law.

The DIFC WPR aims at addressing with certainty succession and inheritance matters of non-Muslims. Initially reserved to testators with assets in Dubai and Ras Al Khaimah, a DIFC will can, since 30 June 2019, cover assets located in all seven Emirates and abroad. The guardianship provisions will however continue to be valid only for minor children who are habitual residents of either Dubai or Ras Al Khaimah. The testator does not need to be a Dubai resident to register a DIFC will.

The DIFC is a Common Law jurisdiction and the DIFC WPR's Rules are based primarily on the principles contained in the UK Estates Act and Probate Rules. Shari'a principles do not form part of the DIFC WPR's legal framework, nevertheless, it remains compliant with the UAE's laws on public policy.
The DIFC Courts have sole jurisdiction over probate proceedings of the testator's will registered with the DIFC WPR,

Prior to the implementation of the DIFC WPR, the non-Muslims alternative in Dubai was a duly executed will before a Notary Public with an express stipulation of the applicable foreign law. It is a condition *sine qua non* for the application of such law by a competent Court. In November 2017, the Dubai Law no. 15 on Non-Muslim Wills and Administration of Non-Muslim Estates in Dubai was published creating clear legal framework and procedures on will registration.

FOUNDATION REGIME

After Abu Dhabi Global Market (ADGM) – which introduced its own foundation regime on 16th of August 2017 – the DIFC is the second common law jurisdiction within the UAE to extend its structuring and legacy planning offering with the adaption of the civil law-based foundation regime. The DIFC Foundation Law no. 8 of 2017 was launched in March 2018. The RAK International Corporate Centre (RAK ICC) has also introduced its foundation regime on 15th December 2019.

A foundation is an independent legal entity which holds assets separately from the founder's personal wealth. The foundation shares similarities of functions and mechanisms with both a company and a trust, while not strictly considered a hybrid of the two. Unlike a trust which was derived from the concept of common law principles, the foundation originates from civil law jurisdictions. Furthermore, the ADGM and DIFC Foundations can be a very effective tool for estate planning, including but not limited to, private wealth management and preservation, succession planning, tax planning, charitable institutions, financial planning, asset protection, corporate structuring and creditor protection.

The DIFC, The ADGM and the RAK ICC have executed Memorandum of Understandings (MoU) with the Dubai Land Department (DLD), respectively on 4th May 2017, 7th November 2018and 16th July 2019 enabling properties located in Dubai to be owned by entities incorporated in the DIFC, the ADGM and RAK ICC.

In practice, the DLD seems not yet to be ready to accept ADGM Foundations as owners of properties located in Dubai, although this is likely to be circumstantial due to the recent execution of the MoU between the DLD and the ADGM.

The DLD, on the other hand, has been formally accepting and registering properties located in Dubai under Foundations incorporated in the DIFC.

COMMERCIAL LAW

Commercial Agency in the UAE is regulated by Federal Law No. 18 of 1981 as amended by Federal Law No. 14 of 1988, Federal Law No. 13 of 2006 and Federal Law No. 2 of 2010 (CCL). The Commercial Agency main principles have essentially remained unchanged since the law's promulgation in 1981.

Pursuant to the Commercial Agency law, neither foreign individuals nor foreign companies can act as commercial agents in the UAE, as said law has reserved such activities to national individuals or UAE companies fully owned by UAE national(s). In practice, foreign companies/principal seeking to sell their products in the UAE may enter into a commercial agency or distributorship agreement with a licensed local agent.

Currently, a principal that has a registered agreement with a UAE agent can only terminate it – regardless of the term provisions of such agreement – and register an agency agreement with another agent, if the principal: (i) has obtained a consent of the agent; (ii) has proved "justifiable reasons" accepted by the Committee; or (iii) has obtained a conclusive court order confirming the termination or non-renewal.

Increasingly, termination and deregistration of agency agreements in the UAE are completed through settlement between the parties, when typically a monetary compensation is paid by the principal to the agent.
Effective 1 July 2015, the new UAE Commercial Companies Law - Federal Law No. 2 of 2015 ("New CCL") has been implemented, replacing the existing Federal Law No. 8 of 1984 concerning Commercial Companies. The New CCL aims to achieve a global high standard in the market, improve the corporate governance, raise companies' social responsibility, alleviate the economic status of the jurisdiction and protect the rights of the shareholders.

The New CCL brought changes relating to Limited Liability Companies as well as to Joint Stock Companies among others. Notable features of the New CCL include the recognition of the concept of holding companies, procedures for pledging shares, expert valuation of shares in kind and the requirement to rotate auditors (for Public Joint Stock Companies) every three years. Furthermore, companies are required to amend their existing memoranda and articles of association to comply with the changes introduced by the New CCL. In practice, any company that fails to make the mandatory amendments by 30 June 2017 will be fined, and potentially deemed to be dissolved.

ECONOMIC SUBSTANCE REGULATIONS

On 30th April the UAE Cabinet issued the Cabinet of Ministers Resolution No.31 of 2019 (the "New Law").

The New Law creates the basis for the UAE to meet the requirements of the European Union Code of Conduct Group (Business Taxation) (COCG) in respect of economic substance, and specially to ensure that the jurisdiction does "not facilitate structures or arrangements aimed at attracting profits which do not reflect real economic activity in the jurisdiction" and "avoids that profits registered in a jurisdiction are not commensurate with economic activities and substantial economic presence". The introduction of the New Law follows the decision of the European Union (EU) to include the UAE on a list of non-cooperative jurisdictions for tax purposes.

The UAE has been firmly committed to its long-standing policy of meeting the highest international standards on taxation, including the OECD's requirements. The introduction of the New Law is a strong sign that the country is keen to continuously update its domestic legislative framework in this regard. The New Law has been designed to address concerns that companies could be used to artificially attract profits that are not commensurate with economic activities and substantial economic presence in the UAE. The New Law requires certain companies, including those incorporated in the UAE mainland or Free Zones (the "licensees "or the "companies"), to demonstrate that they have effective substance in the country by satisfying an "economic substance test" in relation to any income-generating "relevant activity"[1].

The licensees meet this economic substance test if they:

- Conduct **core income generating activities** (or "CIGA") in the country;
- Are **directed and managed in the UAE** in relation to that activity;
- Have **adequate number of qualified full-time employees** in relation to that activity who are **physically present in the UAE**;
- Have **premises and adequate level of expenditure in the country**.

The substance requirements apply to licensees carrying out and deriving incomes from one of the activities listed below (the "Relevant activities"):

- Banking business
- Finance and leasing business
- Fund management business
- Headquarters business

[1] Entities that are directly or indirectly owned by the UAE government (both federal and local) are excluded from the New Law.

- Holding company business
- Insurance business
- Intellectual property holding business
- Shipping business
- Distribution and service center business.

A licensee is not required to pass the economic substance test if it does not generate income in relation to a Relevant activity that it carries.

SETTING UP COMPANIES

In the UAE, economic activity is regulated by individual Emirates as well as by the Federal Government. Generally, the following business possibilities are available to foreign companies:

- Direct Trade
- Appointment of commercial agency
- Establishment of /or participation in a commercial company
- Establishment of a business in a free trade zone
- Offshore Companies

A foreign investor can set-up a company in the UAE either in one of the many free zones or in mainland UAE. Free zones allow 100% foreign ownership, offer prebuilt facilities and streamlined one stop-shop registration and administrative services, however, free zone companies are only allowed to carry out business in the free zone of registration and/or overseas. Mainland companies, on the other hand, do not have such territorial restriction but are required to have at least 51% UAE National shareholding (natural or juristic).

Basically, business activity in the mainland UAE is based on the principle of local participation.

Mandatory 51% ownership in a mainland company ensures participation of the local population in the economic boom and guarantees some degree of control by the locals. Only purely export business from a free trade zone is exempted from this regulation.

In October 2018, the UAE issued a new investment law by publishing the Decree Law No. 19 of 2018, allowing 100% foreign ownership in specific onshore business sectors aiming to bolster Foreign Direct Investment ("FDI") in the Country.

A list of 122 economic activities across 13 sectors was established by the UAE Cabinet including renewable energy, space, agriculture manufacturing, transport, logistics, hospitality, food services, information and communications.

Local governments across the seven Emirates are to determine the ownership percentage of foreign investors in each activity which means that some activities could still require an Emirati shareholder, even if the foreign ownership threshold increases.

While a commercial agency ought to be fully owned by a local UAE national (natural or juristic person), the foreign investors may have an option to incorporate a free zone entity to avail the benefit of 100% ownership and enter into commercial agency agreement or distributorship agreement to distribute goods within the local market. appointment of commercial agents, but also to the establishment of a business, and this principle can be found in various forms in all provisions of business law in the UAE and also in the rest of the GCC states.

Often, the principle of local participation is (mistakenly) equated with the so-called sponsor. Originally, the sponsor functioned exclusively as a guarantor for foreigners who conducted business in the UAE. However, the increase of foreign business activity in the country transformed the term and the liability of the sponsor. As per the Commercial Companies Law, a local UAE National shareholder must hold at least 51% shareholding in a limited liability company incorporated within mainland UAE. The required 51% participation of UAE citizens as real partners in limited liability companies is mandatory[2].

On the other hand, a UAE National local agent (natural or juristic person) is required to act as a local agent for branches of foreign companies[3] and civil companies. Function of a service agent is often limited to liaise with the local authorities for immigration and labour purposes. *De legge*, the service agent has no right in participation of any profits or returns generated by the branch of a foreign company or a representative office.

With regard to the previously mentioned peculiarity, there are two points that are of decisive significance:
1. The appointment of a credible local business partner, whether a commercial agent, partner in one of the commercial companies, or a service agent of a branch, or just an importer / exporter of goods.
2. For any kind of business relationship, a well-balanced contractual basis must be adapted to ensure a maximum security at the local level and business customs.

The search for the right business partner can often take a long time and require patience, but it is always worth it in the long run. You should therefore be urgently fore-warned of the often extensive legal consequences of a hasty and untested contractual commitment to a local partner. For anyone who does not have sufficient experience and local connections, professional advice – of any kind – can only be recommended for those seriously considering attempting to establish a successful business in the Gulf

[2] *It is commonplace for foreign investors in a mainland company to enter into various types of legal agreements with the local nominee 51% shareholder to «mitigate» any risks associated with local ownership as well for determination of profit distribution generated from the mainland company.*
[3] *Such as representative offices*

states. The New CCL allows one person, a natural or a corporate national, to incorporate and hold a Limited Liability Company (LLC) as a sole shareholder.

PROMOTION OF INVESTMENT

The UAE economy is open to Foreign Direct Investment, and it is usually done so in the form of either joint ventures or direct investments. Part of the UAE foreign investment strategy is to offer attractive incentives to foreigners such as no taxes, 100% ownership, affordable manpower, ease of opening and doing business, and high standards of living. It is nevertheless advised that swiss companies interested in investing in the UAE study all aspects of their plan and be prepared for unexpected consequences. Seeking legal advice is strongly recommended.

ENTRY CONDITIONS, WORK PERMITS, RESIDENCE PERMITS, LABOUR LAW

In order to lawfully work in the UAE, expats ranging from 18-65 need an employment contract as well as a work permit. In order to be eligible to sponsor his/her family dependants in the country as well, the UAE authorities have set a minimum salary level for a person to do so. This minimum salary is set at AED 4,000/month.

In order to be issued a work permit, the expat will need to be sponsored by an Emirati sponsor/Freezone Entity which can be in the form of an individual, a private company or a governmental entity. This work permit is issued by the Ministry of Labour, in accordance to the license of the Emirati sponsor/Freezone Entity. In addition, it has become mandatory for employers to issue health insurance for their employees in order for the Ministry of Labour to issue the work permits.

Only then will the expat be issued a renewable (every 2-3 years) residence visa.

The UAE has overhauled immigration framework with the formal introduction of a regime of long-term visas, extending to 5 and 10 years, for investors, entrepreneurs, specialized talents and researchers. Investors now are eligible for a five or 10-year residency visa notably depending on the size of their investment in the UAE.

Outstanding students will also be eligible for a long-term visa as part of the changes, with a 5 years visa. Entrepreneurs with an existing project with a minimum capital of AED 500,000, or those who have the approval of an accredited business incubator in the country, will be given a five-year visa as well.

Finally, doctors, scientists, inventors, specialists in culture and art and researchers working in science and knowledge will be granted a ten-year visa.

In September 2018, the UAE Cabinet also approved a law to provide retired residents over the age of 55 a long-term visa for a period of 5 years, with the possibility of renewal, if eligibility criteria is met. The retiree must fulfil one of the following:

- invest in a property worth AED 2 million;
- have financial savings of no less than AED 1 million;
- have an active income of no less than AED 20,000 per month.

Visitors

Citizens of European Union (EU) benefit from a very advantageous regime since April 2015 pursuant to an agreement between the EU and the UAE, according to which nationals of EU countries may stay in the territory of the UAE for a maximum period of 90 days in any 180-day period. Such visa waiver does not apply to persons travelling for the purpose of carrying out a paid activity during their visit to the UAE.

PROCEDURES FOR COLLECTING PAYMENT

The collection of outstanding payments for projects executed especially by foreign entities in the UAE has become stricter, especially when it comes to working with governmental entities. Payment terms usually include an upfront payment, with the outstanding amount being paid directly upon the delivery of the project. Generally, import of goods into the UAE is received on the basis of an irrevocable letter of credit (L/C), although other arrangements such as open account, cash in advance and documentary collection are also permitted. It is advised that the terms of payment be clearly defined in contracts, with a legal advisor going over the details.

The fee for registering a real property sale contract is 4% of the property value as per Executive Council Resolution No. 30 of 2013.

The UAE has adopted a bankruptcy regime with the issuance of the Federal Decree Law No. (9) of 2016. The purpose of this law is to help owners of small- and medium-sized enterprises withstand a slowing economy and rising levels of bad debt. The previous regime was flawed and contemplated court-driven and creditor-friendly insolvency procedures, which prioritized the realization of assets to satisfy the claims of creditors, as opposed to preventive assistance to debtors in financial difficulties.

Although still court-driven, the Bankruptcy Law introduced in 2016 is much more practical. It was inspired by European (France, Germany and the Netherlands) and Japanese practices and modernized restructuring and insolvency procedures in the UAE. The Bankruptcy Law seeks since its implementation to promote a "rescue culture" by setting out a process of "preventive composition" (for financial situations not yet amounting to insolvency) and a "restructuring scheme" (for bankruptcy procedures).

Additionally, it sets forth solutions to avoid bankruptcy, e.g.: financial reorganization, pre-emptive settlement, financial restructuring and raising new funds. It also foresees that both debtors and creditors, under certain conditions, may file petitions for bankruptcy.

The Bankruptcy Law applies to all private sector companies in the UAE, including those incorporated in free zones, except those companies incorporated in the Dubai International Financial Centre (DIFC) and Abu Dhabi Global Market (ADGM), which have their own insolvency regimes.

SOURCES OF INFORMATION AND LINKS

MEED	www.meed.com
NOOZZ	www.noozz.com
Department of Economic Development	www.dubaided.gov.ae
Dubai Chamber of Commerce	www.dubaichamber.com
Expat Arrivals	www.expatarrivals.com
Federal Customs Authority	www.fca.gov.ae
Dubai Customs	www.dubaicustoms.gov.ae
Official Portal of Dubai Government	www.dubai.ae
Abu Dhabi E-Government Gateway	www.abudhabi.ae

Note: Due care and diligence have been taken to ensure the highest accuracy and quality for the production of this report, however S-GE and its partners decline any responsibility for decisions taken based on the findings of this report.

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