

Evolution of the UAE

Afridi & Angell's Bashir Ahmed and Abdus Samad discuss the ways the UAE is positioning itself in the global market

Over the past decade, the United Arab Emirates (UAE) has witnessed some major business, legal and infrastructure developments, which resulted in the UAE becoming a place in which foreigners have invested billions of dollars in real estate and a business hub through which investments between Europe, Asia and Africa are routed. In this column, we highlight a few of the business and legal developments in the UAE over the past few years, which are helping to shape the UAE, and particularly Dubai and Abu Dhabi, into a leading international centre for doing business.

FREE ZONES

In order to further encourage foreign investment, free zones have been established across the UAE and focus on a wide range of business sectors, ranging from manufacturing to technology. The first free zone to open its doors in the UAE was the Jebel Ali Free Zone, which opened in 1985, shortly followed by the Fujairah Free Zone in 1987. Free zones offer a number of advantages to foreign businesses, including zero taxation, repatriation of profits and 100% foreign ownership. Each free zone has its own bureaucracy along with unique regulations and costs. They create a district where industry-specific entities can be based, thus creating greater cohesion for business.

At present, there are approximately 40 free zones in the UAE with the most recent one, the Dubai World Trade Centre Free Zone, having opened in May 2015.

DUBAI INTERNATIONAL FINANCIAL CENTRE

In 2004, the Dubai International Financial Centre (DIFC) opened, leading the way to further development within the Emirate of Dubai. The DIFC has its own judicial system, the DIFC Courts, and financial services companies are regulated by the Dubai Financial Services Authority (DFSA). The DFSA regulates financial services to a standard comparable to western financial regulators. The DIFC Courts are an independent, English language, common law judiciary which, apart from hearing matters specifically related to DIFC companies, can also hear civil or commercial actions from outside the DIFC (including outside the UAE) if parties have contractually agreed to resolve their disputes in the DIFC Courts.

Additionally, the Wills and Probate

Registry in the DIFC opened in April of 2015. It is now possible for non-Muslims to register a will in Dubai and to have a high degree of confidence that it will be enforced in accordance with its terms.

Since its formation in 2004, the DIFC has attracted leading institutions and enterprises from developed markets as well as from emerging economies. In June 2016, HSBC Bank Middle East relocated its regional banking head office from Jersey to the DIFC, a testament to the UAE's role as a location for businesses to thrive.

ABU DHABI GLOBAL MARKET

The Abu Dhabi Global Market (ADGM) is the newest financial free zone to open in the UAE, located on Al Maryah Island in Abu Dhabi. Comparable to the DIFC, the ADGM boasts three independent authorities within the free zone, including the Financial Services Regulatory Authority, the Registration Bureau and the Courts. Like the DIFC Courts, the ADGM Courts are an independent, English language, common law judiciary offering a sophisticated common law alternative to the onshore UAE courts and legal system.

DEVELOPMENT OF COMMERCIAL LAWS

In recent years we have seen an influx of amendments to commercial laws within the UAE, all of which support and develop the UAE's ever-growing business community. Most recently, the long-awaited new UAE Bankruptcy Law, which replaces and repeals the previous legislation on the subject, came into effect on 29 December 2016. The new law introduces a regime that allows for protection and reorganisation of distressed businesses.

In addition to the new Bankruptcy Law, several other important changes took effect in 2016 including:

- two cabinet decisions, which added much needed clarity to the UAE Competition Law by establishing the market share thresholds at which the law's restrictions become applicable, and defining the small and medium establishments to which the law does not apply;
- the new UAE Mutual Fund Regulations, which replace the previous 2012 regulations on mutual funds;

- the new Pledge Law, which introduces a new regime for registering a pledge over moveable assets that are pledged as security for the repayment of a debt; and

- changes to the bribery provisions of the Penal Code, extending the Penal Code to foreign as well as domestic bribery, and covering the public sector, the private sector and international organisations.

In last year's column, we discussed the new Federal Commercial Companies Law, which came into force on 1 July 2015 and represented the first major change in the commercial companies law in the UAE since 1984.

The above are just a few examples of how the UAE is seeking to develop itself to be a leading player in international markets. While the UAE has, along with the other Gulf Cooperation Council states, suffered from the recent fall in oil prices and announced the introduction of VAT, it has so far resisted the introduction of corporate or personal income taxes (foreign banks have been taxed on their UAE profits).

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