



MBG'S VIEW OF UAE





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A BRIEF HISTORY OF OUR FIRM.

MBG Corporate Services is an international professional services organization supporting businesses at all stages of their lifecycle in areas such as Legal, Risk, M&A, Tax, Strategy, Technology and Audit Services.

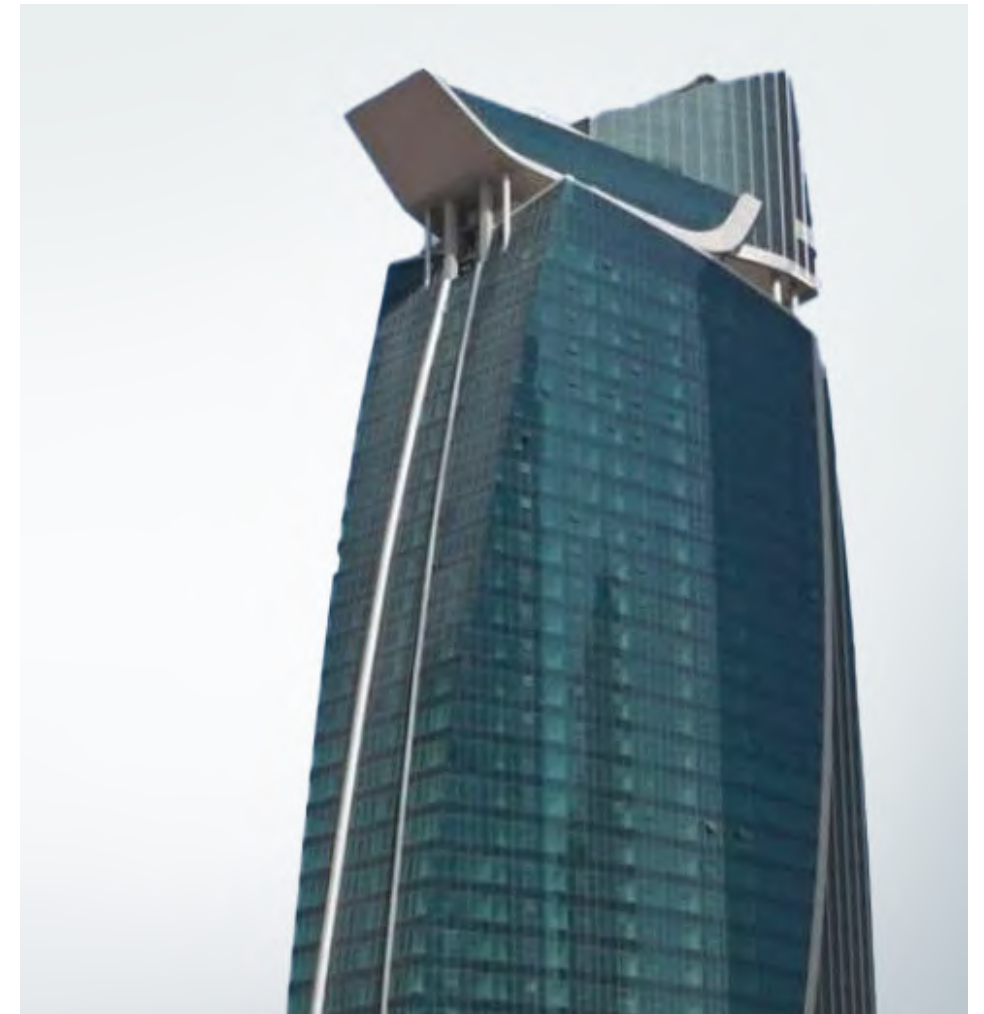
We are committed to serving our clients with integrity and helping them achieve tangible results. With an innovative approach to every project and an unwavering commitment to quality and consistency, we have played an instrumental role in transforming client businesses worldwide.

3K+
Clients Globally

100
Fortune 500 Clients

600+
Employees

18
Offices Globally



SINCE 2002

United Arab Emirates, Dubai

LEADERSHIP TEAM



Naresh Manchanda
CEO & Global Knowledge Leader - Risk Advisory & Digitalization



Peeyush Joardar
CEO & Global Knowledge Leader - Indirect Taxes, Audit & ICV



Oon Chong Howe
CEO - New Business Development,
B2B- South East Asia



Mahmood Badri
CEO - GCC Institutional Business
and Taxation



Amit Sachdev
CEO - Direct Tax and Legal Advisory

INTER- NATIONAL ENTERPRISE TEAMS

Our experts based out of global offices deliver region-specific and customised services tailored to meet all your business needs. As part of our unique offering, MBG Corporate Services has embraced the concept of providing International Enterprise Teams which act as a bridge between cross-border businesses and companies wishing to explore business opportunities globally.

We understand the key challenges faced by local and foreign companies and leverage our deep understanding of the unique aspects of each country's cultural and economic background.



Laila Aziki
General Manager, *Arabic Enterprise Team*



Akiko Yamane
Partner - *Foreign Enterprise Team*



Lydia Wummel-Tyagi
Director, *European Enterprise Team & Digital Marketing*



Isabella Sun
General Manager, *Chinese Enterprise Team*



Mayur Batra
Chairman

"The United Arab Emirates is a hub of commerce and investment, attracting businesses from all over the world. With its visionary leaders, favorable tax policies, and robust infrastructure, the UAE is an ideal place for businesses to flourish. The investment and compliance landscape in the UAE is rapidly evolving, and it is essential for investors and businesses to keep pace with the latest developments.

In this publication, we aim to provide readers with an in-depth understanding of the investment and compliance landscape in the UAE in 2023. It covers the latest trends, regulations, and best practices, which will help investors and businesses navigate the complex investment and compliance environment in the UAE. The book provides a comprehensive overview of the legal and regulatory framework governing the investment sector in the UAE, and sheds light on the various compliance requirements that businesses must adhere to.

Whether you are an entrepreneur, investor, or business executive, this publication is a must-read for anyone seeking to understand the investment and compliance landscape in the UAE in 2023. It provides valuable insights and practical recommendations that will help you make informed decisions and achieve success in the UAE.

I hope that this publication will be a useful resource for all those interested in investing and doing business in the UAE."

UAE MACROECONOMIC SNAPSHOT

10.1 M

2nd largest population in GCC
Total GCC = 60.4m

Source: United Nations Population Fund [↗](#)

With FDI of

AED 550.95 B

UAE plans to be a global business hub by year 2030

Source: Invest Emirates [↗](#)

Less than

50%

dependence on oil and gas

FDI Inflow

AED 76.3 B

in 2021

Source: Ministry of Economy [↗](#)

Forex reserve at

AED 379.05 B

in 2021

Source: World Bank [↗](#)

2nd largest economy in GCC GDP (2021)

AED 1,479.85 B

Source: Swiss Group [↗](#)

KEY FIGURES

3RD
Government
Efficiency

4TH
Talent
Attraction Index

5TH
Pay to
Productivity

9TH
Contract
Enforcement Index

10TH
Property
Registration Index

15TH
FDI Confidence
Index

16TH
Ease of Doing
Business

17TH
Business
Efficiency

UAE RANKINGS

UAE INDUSTRY UPDATES

BFSI

UAE Central Bank introduces nine digital finance initiatives

Source: [Fintech News Middle East](#)



The UAE Central Bank has launched nine new digital finance initiatives to support the country's fintech industry. These initiatives aim to enhance financial inclusion, promote digital payments, and improve regulatory frameworks. The initiatives include the development of a regulatory framework for digital-only banks, a digital corporate KYC (know-your-customer) platform, and a national digital identity platform. The Central Bank also plans to establish a fintech office to support innovation and provide a platform for fintech startups. Additionally, the bank will introduce new regulations for crowdfunding and peer-to-peer lending platforms, and establish a digital regulatory laboratory to test and experiment with new technologies. We believe these initiatives will strengthen the UAE's position as a leader in the fintech industry and improve the efficiency of the country's financial sector.

Automotive

NWTN to spur the growth of automotive manufacturing in UAE

Source - [Gulf Business](#)



NWTN, the Dubai headquartered mobility technology company, has delivered its first batch of 20 range extended electric vehicles to M93 car rental from its newly constructed facility at Khalifa Economic Zones Abu Dhabi (KEZAD).

Although firms like M Glory and Sandstorm have inaugurated their manufacturing facilities in the UAE, we believe the launch of vehicles, especially high-tech electric and autonomous ones assembled in the UAE, will bring about increased interest in the development of a suitable ecosystem for setting up and manufacturing automobiles and components in the country.

Food and Beverage

Watermelon market experiences exponential growth in UAE

Source - [Hotel & Catering News Middle East](#)



UAE-based food tech startup Watermelon Market experienced a 557% growth in total buyers within 6 months of starting operations. The startup focused on providing healthy and sustainable food options to customers has seen significant success in the UAE market. The company's CEO attributes the growth to the increasing demand for healthy and sustainable food options, as well as the company's commitment to using the latest technology to improve its operations.

We believe Watermelon Market experienced exponential growth due to their focus on real-time user feedback and frequent update to their in-house software which offers a smooth procurement process to suppliers and F&B owners. The success story of the Watermelon Market indicates the existence of a demand-supply gap for B2B tech companies to fill in the F&B space.

UAE INDUSTRY UPDATES

Food and Beverage

Government unveils kitchen incubator for food entrepreneurs

Source - Entrepreneur [🔗](#)



The Dubai Department of Economic Development has launched "The Co-Kitchen," a kitchen incubator for food entrepreneurs. This facility provides shared commercial kitchen space, training, and support services to help entrepreneurs bring their food products to market. The Co-Kitchen is the first kitchen incubator under the Dubai Business Incubation Center and aims to support the growth of the food and beverage industry and provide a platform for small businesses to succeed in the market.

We believe that Co-Kitchen presents an opportunity for home businesses and other F&B startups to experiment and grow in this sector. We foresee that Dubai Investment Incubator Network with its excellent support services including workshops, presentations, consultations pertaining to IP, and trademark services will play a catalytic role in the successful launch and growth of SME businesses in the F&B sector.

Retail

Dubai launches e-commerce ecosystem with an aim to reach AED 183.65 B market

Source - Arabian Business [🔗](#)



Dubai plans to create an e-commerce ecosystem to tap into the growing online market projected to reach AED 183.65 B by 2025. The Department of Economic Development will promote Dubai as a hub for e-commerce, highlight its advantages for doing business, and support existing businesses with tools and resources to establish and grow their online presence. The initiative will showcase Dubai's world-class logistics and transportation infrastructure, legal and regulatory framework, and aim to attract more e-commerce companies to the region.

Overall, we think that the initiative is a positive step towards the development of a strong and sustainable e-commerce sector in Dubai. It will not only support local businesses but also attract more e-commerce companies to the region and create more job opportunities and economic growth.

Transport

Etihad Rail unveils first look of Desert Forest track connecting UAE's deserts with forests

Source - The National News [🔗](#)



Etihad Rail, the national railway of the UAE, is launching a new rail line, the Desert Forest track, which will connect the country's deserts and forests through Abu Dhabi and Dubai, as part of the wider railway network to create a more integrated nation. The track will feature advanced technology and infrastructure, including trains and signaling systems capable of withstanding the desert climate.

We think that this initiative is a positive step towards sustainable transportation and economic development in the UAE. The railway will greatly benefit the country's economy by providing a reliable and efficient mode of transport for goods and people, while promoting economic development and diversification.

UAE INDUSTRY UPDATES

Agritech**UAE boosts food independence and agricultural production**Source - Food Business Gulf and Middle East [🔗](#)

The UAE has prioritized agritech post-Covid-19 due to its high dependency on food imports (nearly 85%) and is implementing self-sustaining techniques to assure food security. In 2021, 1.1% of global capital invested in agritech was invested in UAE-based enterprises. The National Food Security Strategy 2051 aims to achieve goals such as reducing food loss and waste and improving yields through technology-enabled production.

Innovations like solar power technology and vertical farming are expected to reduce food waste and greenhouse gas emissions, while hydroponics technology incorporating robotics, AI, and blockchain will help boost food security and reduce dependency on imports. The UAE is attractive to agritech investors due to favorable regulation, government support, and advancements in infrastructure and technology.

Education**Taaleem Holding is seeking to raise AED 750 M in IPO**Source - Economy Middle East [🔗](#)

In November, Taaleem, the second-largest school group in the UAE, announced plans to raise AED 750 M through an IPO in Dubai to expand its K-12 schools network. The offering consists of individual subscribers in the first tranche of 10%, professional investors in the second tranche of 88%, and eligible employees and parents in the third tranche of 2%. Taaleem is a premium education provider with a portfolio of 26 schools.

We foresee the education market to witness significant growth in the future, particularly in primary and secondary grades, due to increased investment from the government, digitization initiatives, and attractive immigration policies.

Real Estate**Dubai property market recorded highest sales value and volume in November**Source - The National News [🔗](#)

Dubai's real estate market recorded a significant increase in sales transactions in November 2022, with 10,941 transactions worth AED 30.5 B, the highest recorded since 2011. The transactions volume grew 58.5% YoY compared to November 2021 and the value increased by 70.8%.

We believe recent quarters have demonstrated growth in the market, highlighting the strength of Dubai's real estate industry. There are optimistic views regarding investment prospects due to various government changes and programs, making Dubai's real estate a highly attractive long-term investment option.

UAE INDUSTRY UPDATES

Pharmaceuticals

Mubadala and US-based Resilience to establish a biopharmaceutical manufacturing facility in UAE

Source - Arabian Business [🔗](#)



Mubadala Investment Company, based in Abu Dhabi, has partnered with Resilience Biopharma to develop biopharmaceutical manufacturing in the UAE. The facility to be developed in Abu Dhabi will produce biologics, including monoclonal antibodies and other therapeutics, for both local and global markets. The facility is expected to create jobs and support the development of the UAE's biopharmaceutical industry and help establish the UAE as a hub for the industry in the Middle East.

We think that this partnership is an important step towards establishing the UAE as a global hub for biopharmaceutical manufacturing. The partnership, backed by a sovereign wealth fund and an expert organization in advanced manufacturing technologies, is expected to drive growth in the UAE's biopharmaceutical industry.

Healthcare

Dubai is the new epicenter of the global plastic surgery industry

Source - Media Office, Government of Dubai [🔗](#)



Dubai is at the center of the AED 216.71 B global plastic surgery industry due to its reputation as a destination for medical tourism and access to world-renowned plastic surgeons and state-of-the-art clinics. The city's popularity as a tourist destination and lower cost of plastic surgery compared to other developed countries also contribute to the demand for plastic surgery in Dubai.

The increasing popularity of plastic surgery in Dubai is also helping to boost the emirate's economy, as more patients are choosing to travel to the city for their procedures. This is creating jobs and increasing revenue in the healthcare sector, as well as in other related industries such as tourism and hospitality.

Oil and Gas

ADNOC enters the Low-Carbon Solutions business

Source - Environmental Leader [🔗](#)



ADNOC is investing AED 55.09 B in its new business line, Low Carbon Solutions & International Growth, to achieve net-zero emissions by 2050. This plan includes the decarbonization of operations, energy efficiency, reducing methane emissions, advancing CCUS to cut CO2 emissions, and using renewable and zero-carbon energy sources. The company is building a facility at Al Reyadah with a capacity to capture 800,000 tonnes per annum of CO2 and another commercial scale CCUS facility to increase CO2 capture capacity to 5 M tons per annum by 2030.

We expect ADNOC to accelerate its growth with a focus on sustainability under the direction and support of the nation's leadership aligning with the Paris Agreement. The UAE will focus on solutions that drive the economy and push the nation and the world toward climate neutrality as it prepares to host COP28 in November 2023.

UAE TRADE OVERVIEW

Non-Oil Exports to GCC countries in 2021 at

AED 71.9 B

compared to AED 48.8 B in 2020

Source: Emirates News Agency [↗](#)

27% growth in total non-oil foreign trade in 2021

Source: Emirates News Agency [↗](#)

Value of re-exports in 2021 amounted to

AED 119.1 B

versus AED 103.8 B in 2020

Source: Emirates News Agency [↗](#)

26% increase in trade between UAE and other GCC countries in 2021

Source: Gulf Business [↗](#)

Non-Oil Exports 2021

AED 354 B

growth of 33% as compared to 2020

Source: Emirates News Agency [↗](#)

Imports from GCC Countries increased to

AED 56.3 B

in 2021 compared to AED 43.8 B in 2020

Source: Gulf Business [↗](#)

Top three countries trading with UAE in 2021

- ▶ China – AED 57 B
- ▶ India – AED 46.2 B
- ▶ Saudi Arabia – AED 32.5 B

Source: Trading Economic [↗](#)

Trade Surplus of

AED 134.7 B

in 2021

Source: Gulf Business [↗](#)

Sectors that are particularly attractive for FDI in the UAE include real estate, tourism, and the oil and gas industry. Additionally, the UAE has a growing technology sector and is investing in areas such as renewable energy, smart cities, and artificial intelligence.

The strategy has 4 objectives

Supporting the growth of national industries and enhancing their competitiveness

Stimulating innovation and adoption of advanced technology in the industrial sector

Creating a sustainable and attractive business environment for local and international investors

Implementing solutions to highlight the nation's USP as a leading global destination for industries of the future



KEY POLICY ANNOUN- CEMENTS



UAE Centennial 2071



Projects of the 50



We the UAE 2031



Dubai Economic
Agenda D33



National Advanced
Sciences Agenda



AI Strategy



National Program for
Artificial Intelligence



National Food Security
Strategy 2051



The UAE Water Security
Strategy 2036



UAE Circular Economic
Policy



UAE Energy Strategy 2050



Make it in the Emirates



Fourth Industrial
Revolution Strategy

COHESIVE SOCIETY

The development of a secure, tolerant, cohesive and ethical society that values happiness, a pleasant lifestyle, equality and a high quality of living.

DIVERSIFIED KNOWLEDGE ECONOMY

Assisting domestic businesses, investing in scientific research and promising sectors focusing on innovation, entrepreneurship, and advanced industries.

EXCELLENT EDUCATION

Education in the UAE to have a strong focus on subjects such as advanced science and technology, space science, engineering, innovation and health sciences.

FUTURE FOCUSED GOVERNMENT

To make the UAE government the world's greatest with an inspiring leadership achieving social satisfaction and the development and use of tools for long term cross-sectoral industry analyses.

CENTENNIAL

2071

PROJECTS OF THE 50

The "Projects of the 50" is a set of initiatives in the UAE aimed at boosting economic and development projects with the goal of turning the UAE into a comprehensive hub for various sectors and attracting

talent and investment. The initiative covers sectors such as the economy, entrepreneurship, advanced skills, digital economy, space and advanced technologies.

First set of 'the Projects of the 50' include the modernization of visa and work permits in the UAE.

Second set of 'the Projects of the 50' include the a program called "NAFIS" to drive work opportunities for both young and experienced Emiratis in the private sector. Its aim is to have Emiratis to hold 10% of UAE's private sector jobs by 2025.

This includes:

- ▶ Green Visa: Permits highly-skilled individuals, investors, entrepreneurs and top students and graduates to sponsor themselves until the age of 25.
- ▶ Freelancers Visa: Enables self-employed people to sponsor themselves
- ▶ Economic agreements with 8 global markets
- ▶ Digital initiatives

Initiatives - 13

Allocation - AED 23.98 B

Goal - Employ 75,000 Emiratis



The plan seeks to enhance the position of the UAE as a global partner and an attractive and influential economic hub. It aims to highlight the successful economic model of the UAE and the opportunities it provides to all global partners.

The Vision

- ▶ Pillar 1 - Forward Economy
- ▶ Pillar 2 - Forward Society
- ▶ Pillar 3- Forward Diplomacy
- ▶ Pillar 4 - Forward Ecosystem

Focus sectors



Healthcare



Education



Sustainability



Infrastructure

Source: The UAE Government portal [🔗](#)

2031 GOALS

- ▶ GDP AED 3 T
- ▶ Non-oil exports AED 800 B
- ▶ Tourism contribution AED 450 B
- ▶ Foreign trade AED 4 T
- ▶ Number 1 in proactive legislation for new economic sectors
- ▶ Top 10 - Human Development Index
- ▶ Top 10 - Quality of Healthcare
- ▶ Number 1 in Safety Index
- ▶ Top 3 - Global Cyber security Index
- ▶ Top 10 -Global Food Security Index
- ▶ UAE Cities to become top 10 cities in terms of quality of life

DUBAI ECONOMIC AGENDA D33

Launched on January 4, 2023 by the Ruler of Dubai, the initiative aims to double the size of the emirate's economy over the next decade and establish itself to be among the top 3 cities globally.

The goal of this program is to develop Dubai and position it among the top ranked cities by 2033

Top 5

Logistic hubs

Top 4

Financial services

Top 3

Tourism and business

Projects

Dubai Economic Corridor 2033

- ▶ Improve foreign trade relationships with key cities in Africa, Latin America, and Southeast Asia
- ▶ Add 400 cities as key trading partners over the next decade

Dubai Unified License

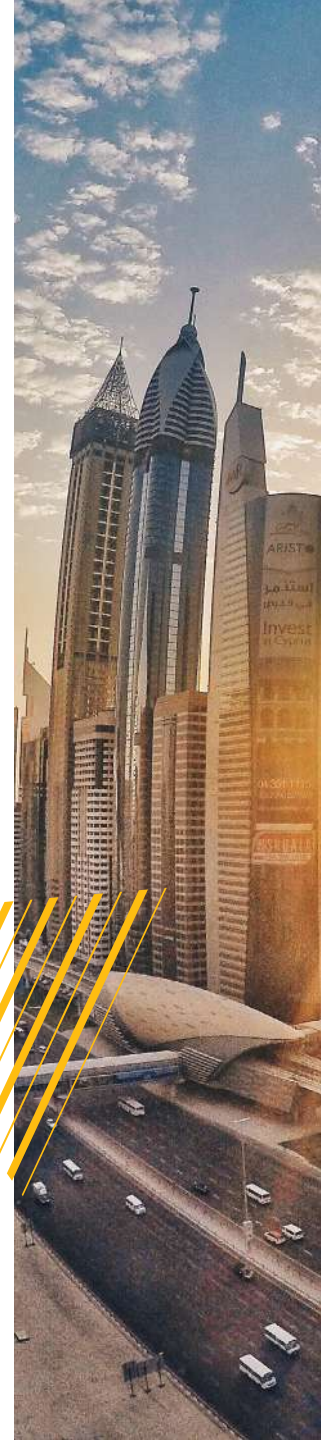
- ▶ Aims to provide a unique commercial identity for all companies across Dubai's various economic zones

Dubai Traders Project (DT33)

- ▶ Enable a new generation of Dubai traders across various high potential sectors to transform the city into a vibrant trading hub

Sandbox Dubai

- ▶ Plans to make Dubai into a major hub for incubating business innovation by enabling the testing and marketing of new products and technologies



The United Arab Emirates' Science, Technology and Innovation Policy is a plan to shift the country's economy away from its reliance on oil resources by promoting sustainable innovation in science and technology. This policy aims to create a knowledge-based economy that will help the UAE achieve its goals and vision for 2021.

National Advanced Sciences Agenda

- ▶ The 2031 Agenda aims to use cutting-edge science to address future challenges and achieve goals laid out in Vision 2021 and Centennial Plan 2071.
- ▶ The 2031 Agenda sets out 8 scientific priorities and 30 targets for the UAE up to 2031. These priorities include
 - ❓ National capacity-building
 - ❓ Promoting sustainable energy
 - ❓ Enhancing water security with advanced technology
 - ❓ Developing a scientific food security system

AI Strategy

- The UAE AI Strategy aims to make the country a world leader in artificial intelligence by 2031. Key goals of the strategy include:
- ▶ Developing human capital through AI education and training programs
 - ▶ Encouraging AI research and development
 - ▶ Fostering a supportive regulatory environment
 - ▶ Promoting the integration of AI across industries
 - ▶ Building smart cities using AI technology
- The strategy also prioritizes ethical considerations in the development and deployment of AI, with a focus on transparency, accountability, and responsible use of the technology.

National Program for Artificial Intelligence

- The UAE National Program for Artificial Intelligence is a government initiative aimed at establishing the UAE as a leader in AI by 2031. The program aims to drive innovation and growth in the AI sector, create new job opportunities, and enhance the competitiveness of the UAE in the global market. Key initiatives under the program include
- ▶ Launching AI research centers and accelerators to support start-ups and innovative companies
 - ▶ Developing an AI-ready workforce through education and training programs
 - ▶ Building smart cities using AI technology
 - ▶ Promoting the use of AI in various industries, such as healthcare, transportation, and finance, to increase efficiency and improve services



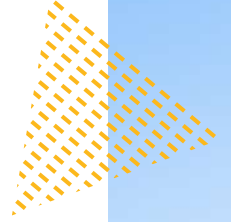
National Food Security Strategy 2051

- ▶ The government developed the strategy to make UAE the best country in the world in the Global Food Security Index by 2051
- ▶ It includes 38 initiatives and focuses on facilitating global food trade, diversifying food import sources, identifying alternative supply schemes, and promoting sustainable food production through modern technologies
- ▶ The ultimate aim of the strategy is to achieve zero hunger by ensuring access to safe, nutritious and sufficient food all year round

The UAE Water Security Strategy 2036

- ▶ The UAE Water Security Strategy 2036 aims to ensure sustainable access to water by reducing overall demand, increasing productivity and storage, and promoting sustainable practices
- ▶ The ultimate goal is to reduce average water consumption per capita and establish connecting networks to provide emergency water supply
- ▶ The strategy estimates savings of AED 74 B and reduction of CO2 emissions





UAE Energy Strategy 2050

The UAE Energy Strategy 2050 targets an energy mix that combines renewable, nuclear and clean energy sources to meet the UAE's economic requirements and environmental goals as follows:

44% Clean Energy | 38% Gas | 12% Clean Coal | 6% Nuclear

Abu Dhabi Initiatives

- ▶ Abu Dhabi Vision 2030
- ▶ Environment Vision 2030
- ▶ Estidama Pearl Rating System

Dubai Initiatives

- ▶ Dubai Integrated Energy Strategy 2030
- ▶ Dubai Clean Energy Strategy 2050
- ▶ Dubai Green Building Regulations and Specifications
- ▶ Trakhees EHS Regulations and Standards

RAK Initiatives

- ▶ Ras Al Khaimah Energy Efficiency and Renewable Energy Strategy 2040
- ▶ Barjeel – Ras Al Khaimah Green Building Regulations

UAE Circular Economic Policy

The United Arab Emirates has implemented a circular economy policy to promote sustainable economic growth, conserve resources and reduce waste. Key aspects of the policy include:

- ▶ Encouraging the recycling and reusing of materials and products
- ▶ Promoting the use of renewable energy and reducing reliance on non-renewable resources
- ▶ Fostering innovation and the development of new technologies
- ▶ Improving resource efficiency and reducing waste
- ▶ Encouraging public-private partnerships to drive implementation



MANUFACTURING

Make it in the Emirates

Source: Ministry of Industry and Advanced Technology [🔗](#)

The initiative encourages business people, investors, inventors, and industrialists to manufacture in UAE. Below are the key initiatives or factors that influence organizations to start producing in the country. It focuses on

- ▶ Creating a relevant, alluring, and active business environment to satisfy the interests of both domestic and foreign investors
- ▶ Establishing a force for industrial expansion and bolstering the national economy
- ▶ Fostering innovation and incorporating cutting-edge technology into the industrial ecosystems of the UAE

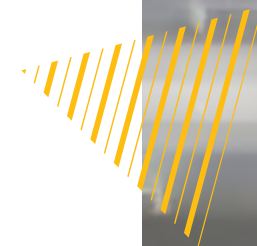
Focus sectors**Fourth Industrial Revolution Strategy**

Source: The UAE Government portal [🔗](#)

The United Arab Emirates has developed a Fourth Industrial Revolution (4IR) strategy aimed at positioning the UAE as a leader in the adoption and application of technology and innovation, and driving the country's transformation into a knowledge-based, technology-driven economy.

Key aspects of the strategy include:

- ▶ Investing in emerging technologies such as Artificial Intelligence (AI), Internet of Things (IoT), and Blockchain
- ▶ Encouraging public-private partnerships to drive innovation and technological adoption
- ▶ Developing a skilled and technologically literate workforce
- ▶ Promoting entrepreneurship and start-up culture
- ▶ Fostering an innovation-friendly environment by providing access to funding and infrastructure





FDI INITIA- TIVES



The UAE's FDI Initiatives



FDI Country Comparison



Benefits for Foreign Investors
in UAE

NextGen FDI

In July 2022, the Ministry of Economy launched NextGenFDI, a national initiative to attract digitally-enabled businesses from around the world and provide them with the tools needed to launch and grow in the UAE. Building on the UAE's reputation as a leading business, investment, and innovation hub, NextGenFDI aims to support the growth of the country's knowledge-driven economy by streamlining incorporation processes, offering bulk or golden visas, expediting banking services, and providing incentives for advanced technology companies to relocate to the UAE. The initiative will continue to implement various measures over time to make the market entry process more straightforward and efficient for companies.

Partnering institutions

- ▶ ADGM
- ▶ DIFC
- ▶ Dubai Internet City
- ▶ Dubai South
- ▶ DMCC
- ▶ Emirates NBD
- ▶ WIO Bank
- ▶ Sharjah FDI Office
- ▶ Sharjah Research Technology and Innovation Park
- ▶ Sharjah Media City
- ▶ Sharjah Islamic Bank
- ▶ ARADA
- ▶ Ras Al Khaimah Economic Zone
- ▶ G42 cloud
- ▶ Citizens School

Dubai government is actively promoting FDI in the emirate through various agencies, such as:

- ▶ Dubai Investment Development Agency (Dubai FDI)
- ▶ Dubai Silicon Oasis Authority (DSOA) which is a free zone technology park.

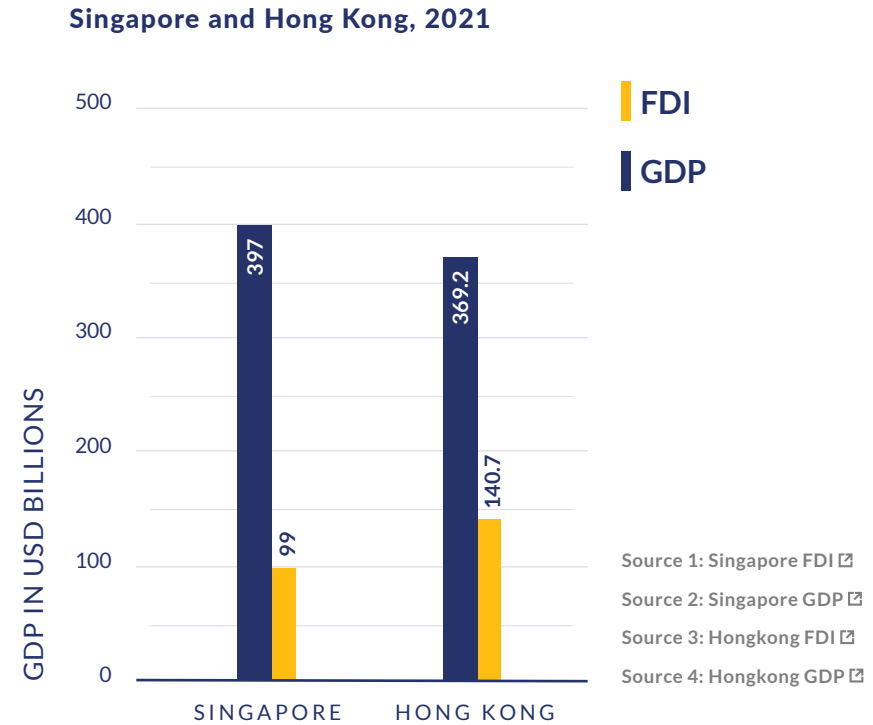
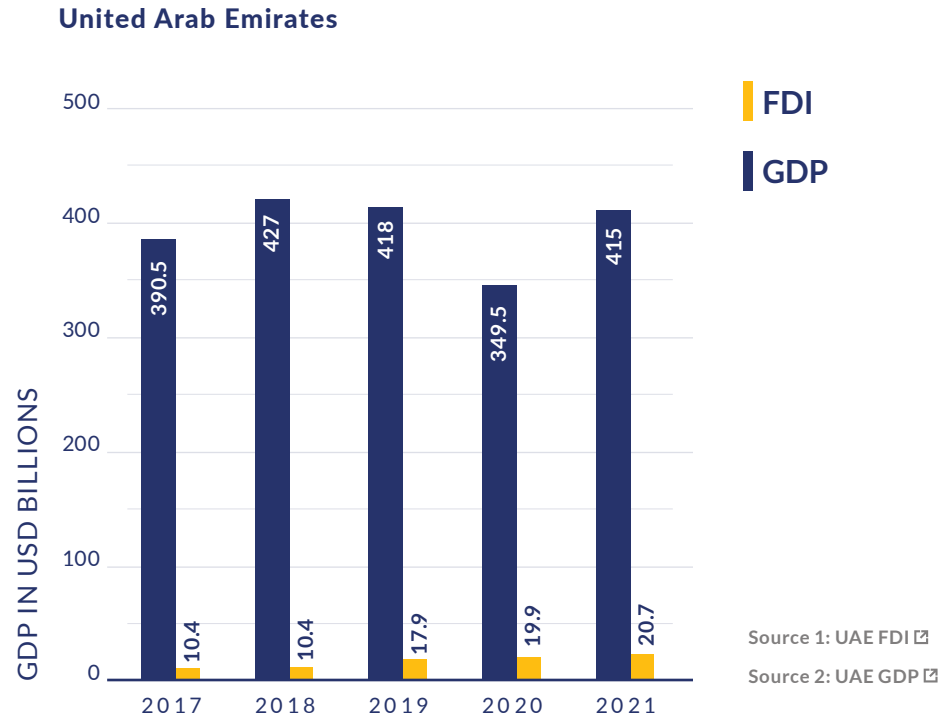
Abu Dhabi government has set up a number of investment authorities to attract FDI and manage investment in the emirate, such as Abu Dhabi government has set up a number of investment authorities to attract FDI and manage investment in the emirate, such as

- ▶ Abu Dhabi Investment Authority (ADIA)
- ▶ Twofour54
- ▶ Khalifa Industrial Zone Abu Dhabi

FDI COUNTRY COMPARISON

UAE seeks to attract USD 150 B FDI in 10 years

UAE has a huge scope for growth in attracting foreign direct investments in comparison to similarly placed economies such as Singapore and Hong Kong



100% company ownership for foreigners

The UAE has changed its laws to allow investors of all nationalities to establish and fully own companies within the country. This change was made possible by the Commercial Companies Law, which was enacted in 2020. As a result of this law, foreign companies are no longer required to have a UAE national agent when opening a branch and conducting business in the UAE

Opportunity to invest in over 2,000 business activities

The UAE offers a wide range of investment opportunities for foreign investors across various sectors including trade, industry, agriculture, services, education, health and construction, among others. With over 2,000 licensed economic activities, there are many options for investors to choose from, and only a small number of areas are restricted by local laws

Availability of different legal ownerships

The recent implementation of Federal Law No. (26) of 2020 on Commercial Companies has opened up new opportunities for foreign investors to legally own different types of companies such as public shareholding companies, private shareholding companies, limited liability companies, limited partnerships and partnership companies

Golden Visa for investors

The UAE government offers long-term residence visas, ranging from 5 to 10 years, to investors, entrepreneurs, and highly skilled individuals. This enables expatriates and their family members to reside, establish their businesses, work, or study in the UAE, and to enjoy the benefits of prolonged residency in the country

No income tax and full profit transfer

The UAE has a tax-free policy for individuals, investors, and companies, with the exception of oil companies and branches of foreign banks. As a country that has always had a free-market economy, it allows individuals and investors to repatriate their profits in full without any restrictions

No minimum capital requirement

The UAE law mandates investors to mention the capital value in the articles of incorporation and company statutes, but does not set a minimum amount for limited liability companies. This makes it easier for investors to incorporate companies and establish new businesses, and provides them with greater flexibility in planning their projects

The Ministry of Industry and Advanced Technology (MoIAT), Emirates Development Bank (EDB) and Abu Dhabi Investment Office (ADIO) identified several key sectors for private sector growth in the UAE with the goal of promoting sustainable economic growth and job creation in the country. The MoIAT, EDB, and ADIO work together to provide support and resources to private sector companies in these areas, such as financing, investment opportunities, and business development services.

- ▶ **Healthcare and Pharmaceuticals:** Medtech and Pharma (MoIAT), Biotechnology and Hospital services (EDB) and Biopharmaceuticals and health services (ADIO).
- ▶ **Technology:** Software, IT and Digital Infrastructure (EDB) and Information and Communication Technology, Robotics and AI (ADIO)
- ▶ **Utilities:** Renewable energy technology (EDB) and Renewable Energy (ADIO)
- ▶ **Real Estate and Infrastructure:** Infrastructure (EDB) and Real Estate (ADIO)
- ▶ **Retail:** ecommerce (ADIO)
- ▶ **Financial Services:** Banking (ADIO) and Fintech (ADIO)
- ▶ **Agriculture and Dairy:** F&B and Agritech (MoIAT), Food Security (EDB) and Agricultural Technology (ADIO)
- ▶ **Engineering and Construction:** Mechanical Equipment and Electrical Equipment (MoIAT)
- ▶ **Hospitality:** Travel and Tourism (EDB), Tourism (ADIO)
- ▶ **Manufacturing:** Circular Economy (MoIAT)
- ▶ **Education:** Education and Technology (EDB) and Education (ADIO)
- ▶ **Metals:** MoIAT
- ▶ **Transportation and Logistics:** Transportation Infrastructure (EDB) AND Logistics (ADIO)



LATEST UPDATES



FDI



Legal



Indirect Tax



Risk



Direct Tax



Technology

DIFC tops global ranking among free zones for FDI a 5th year running

The DIFC has topped the global rankings among free zones in attracting FDI for a fifth year running, with the number of companies registered annually going past the 1,000 mark for first time in 2022. Last year ended with 1,084 entities being licensed to operate from Dubai International Finance Centre, while the free zone's combined revenues shot past Dh1 billion, also for the first time. It was at Dh987 million in 2021.

The free zone features 4,377 companies in 2022. The Centre also recorded its best performance in additional net commercial space leased with 809,000 square feet leased in 2022, compared to 349,000 square feet in 2021.

The entities that entered DIFC in 2022 include ADIB, Continental Group International, the fintech unicorn Darwinbox, Jefferies, Habib Bank AG Zurich, Sculptor Capital Management HK Ltd, United Bank of Africa Group and Volante.

Our Analysis

The occupancy and revenue number of DIFC for 2022 indicate a rising need for a favorable environment among worldwide companies seeking to expand their presence in Middle Eastern markets with burgeoning financial sector. As financial technology increasingly acts as a crucial driver of growth across industries, we believe the DIFC and the country's ambitious strategies will not only generate significant expansion of the financial sector but the overall economy as well. Companies interested in setting up an office in the DIFC will need a regulatory business plan detailing the activities the company wishes to offer its clients in the country, size of the target market, top competitors, and the strategies the firm intends to employ to acquire customers in the country. Given the clear guidelines published by the free zone and the swift response of authorities with respect to any clarifications, we believe a lot more companies will be registered in DIFC in the forthcoming years and the free zone will top the global rankings for many more years to come.

Shailendra Ranjan
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Cabinet has issued Decision No. 111 of 2022 - Regulating Virtual Assets and their Service Providers (the “Decision”).

In furtherance to the developments in relation to the regulation of virtual assets in UAE, the decision passed by the Cabinet is a huge step forward towards regulating virtual assets at a federal level in UAE. This decision will be applicable to the entities in the virtual asset sector, entities providing virtual asset activities, and virtual asset service providers, operating in the UAE and in the free zones. Virtual Asset Entities operating in DIFC and ADGM will be exempted from these regulations. The Decision states the following activities in virtual asset space can be carried out in UAE only after obtaining an approval and license from the Securities and Commodities Authority (“SCA”) or the applicable local licensing authority. The activities are as follows:

- ▶ Services for the operation and management of virtual asset platforms;
- ▶ Services for the exchange between one or more forms of virtual assets;
- ▶ Services for the transfer of virtual assets;
- ▶ Brokerage services of trading virtual assets;
- ▶ Service for the custody and management of virtual assets and enabling control over them; and financial services in connection with the offer and/or sale of virtual assets or participating in providing such services

Our Analysis

This decision is a welcome step towards the regulation of virtual assets in UAE, this will definitely position UAE as a global investment hub for blockchain, cryptocurrency, NFTs and other related applications. At the outset, companies intending to conduct the above listed activities in the virtual asset space will have to seek an approval and license from SCA, the sole authority at a federal level given autonomy to regulate and license businesses in the virtual assets space. There will be more clarity once the implementing regulations are issued. This will clearly indicate the roles of the local licensing authorities such as Virtual Asset Regulatory Authority (“VARA”) in the process of regulating businesses in this space as well.

Sakina Dickenwala
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Unemployment Insurance Scheme: Federal Law No. 13/2022 Concerning Unemployment Insurance

In order to align itself with global labour standards, the Ministry of Human Resources and Emiritization has introduced an unemployment insurance scheme which is a huge step towards safeguarding employees who have lost their employment. This Scheme aims to compensate the employees with a cash amount for a limited period of time in the event of unemployment. This scheme will be applicable to all workers in the private sector and the Federal Government.

The Conditions for Eligibility under this scheme are:

- ▶ The employee must have completed twelve (12) consecutive months in their previous job, calculated from the day the employee subscribed to the insurance scheme;
- ▶ The employee must not have been dismissed for disciplinary reasons under the labour legislation;
- ▶ The employee shall not be entitled to compensation if the claim of the employer is fraudulent or if the employer where he/she works is fictitious. If such a situation arises, the employer and the employee shall be subject to the penalties and fines stipulated under the applicable labour legislation;
- ▶ During the period of compensation entitlement, the payment of compensation shall cease if the employee is hired by another employer.

Compensation Provided Under the Scheme:

The Compensation shall be payable at a rate of 60% of the contribution salary for a period of three months from the date of unemployment. Insurance premium can be paid monthly, quarterly, half annually and annually. Premium of AED 5 shall be payable if the basic monthly wage is less than AED 16,000. If the monthly wage exceeds AED 16,000, a premium of AED 10 shall be paid monthly.

Fines:

Fine of AED 400 shall be imposed on every worker/ employee who failed to subscribe to the Unemployment Insurance Scheme. If the worker fails to pay

the insurance premiums in accordance with the payment periods selected for more than 3 months of the date of maturity of the insurance premium, the insurance certificate shall be canceled and a financial fine of AED 200 shall be imposed

Our Analysis

The Unemployment Insurance scheme seeks to protect employees from involuntary termination and provide them a basic source of income till they find a new source of employment. All private and federal government employees/workers will fall under the umbrella of this regulation and will be eligible for the scheme under the conditions as specified above. The workers/employees can subscribe to the insurance scheme on the prescribed channels as specified by the regulation. A sum amounting to 60% of the contribution salary shall be payable as compensation for a period of three months. The employees shall not be eligible for compensation if it is fraudulent. Additionally, the payment of compensation shall end once an employee finds another source of employment. Strict fines of AED 400 shall be imposed on a worker/employee who fails to subscribe to the scheme. A fine of AED 200 shall have to be paid and the insurance certificate shall stand cancelled if an employee/worker does not pay the insurance premium for a period exceeding 3 months from the date of maturity of the insurance premium

EMARATAX: The Gateway to the Future of Tax Administration

On 5 Dec 2022, The FTA has officially launched a new platform called EMARATAX which is designed to provide a better experience for taxpayers managing their tax obligations. EMARATAX will enhance the ability to administer taxes in the UAE, enabling better, faster decision-making and earlier engagement with taxpayers that need support. It integrates with influential government entities such as the UAE Central Bank and national technology-based programs including UAE PASS to streamline user experience. This also aligns with the national digital agenda to leverage emerging technologies and build a solid digital infrastructure that serves the people and business community of the UAE. EMARATAX is intuitive, easy to navigate and offers improved self-help options for when you need assistance. It will also be available on mobile soon.

Key features in EMARATAX:

- ▶ Enhanced security feature
- ▶ New payment mechanism
- ▶ Historical view and track of all your actions:
- ▶ VAT Return filing
- ▶ Simplified process for the Deregistration
- ▶ TRN Reactivation
- ▶ Automatic detection of the registration Date
- ▶ Tax Group Deregistration
- ▶ Possibility of advance payment

Our Analysis

The launch of the new system is expected to bring more efficiency and convenience for the taxpayer. All the new features come with enhanced security features that ensure the details of taxpayer remain secure throughout each process. For those already registered for VAT, the existing FTA account details have automatically been transferred to EMARATAX. All you need to do is to simply reset your password the first time you use EMARATAX. Although we are experiencing a few technical difficulties after the migration from the old platform, the FTA is continuously working on understanding and rectifying each issue on a timely basis. Emaratax is proof that the tax authorities have been listening to the stakeholders and working on their concerns for over two years. The ease of doing business has been a hallmark of the UAE and Emaratax will be the gateway to the future of taxation in the country.

Deepak Variyam
Associate Director – Indirect Tax



Performing the Function of Director on a Board of Directors by a Natural Person

The Federal Tax Authority (FTA) has amended by Cabinet decision No. 99 of 2022 Article 3 of the Cabinet Decision No. 52 of 2017 on the Executive Regulation of the Federal Decree-Law No. 8 of 2017 on Value Added Tax ("Executive Regulation").

Article 3(2) of the amended Executive Regulation states that the performance of a Director's function in formal capacity, by a natural person (whether resident in the UAE or not) and for a remuneration (monetary or in kind), on a Board of Directors of any government or private sector entity, shall not be considered to be a supply of services for VAT purposes with effect from January 1, 2023.

- ▶ Taxable persons who provide independent director's services to other legal entities would not be considered a taxable supply of services.
- ▶ The natural person must de-register for VAT purposes with effect from January 1, 2023
- ▶ This amendment does not extend to a legal person, whether private or public, who may delegate in its own name to a natural person to act as Director.
- ▶ No application of the reverse charge mechanism in case of the natural person is not resident.
- ▶ If the natural person also has activities, other than performing the function of Director on a Board of Directors, that qualify as supplies of goods or services or any other activities under Article 19 of the Decree-Law, only the performance of functions as Director on a Board of Directors will be excluded from the calculation of the registration threshold.
- ▶ Earlier, these supplies of services were taxable where:
 1. The Director performed the services on a regular, ongoing, and independent basis, and
 2. The total value of taxable supplies and imports made by the Director, not limited to but also including the Director services, exceeded the mandatory registration threshold.

▶ Scenarios:

1. *Freelance services rendered by a third-party natural person who is not a Director during the meetings of a Board of Directors: Not Exempt*
2. *Performance of Service in calendar year 2022, fee decided in 2022, even if no Invoice was raised and no payment was released : Not Exempt*
3. *Performance of Service in calendar year 2022, fee decided in 2023, even if no invoice was raised and no payment/ advance payment was released : Exempt*

Our Analysis

Prior to 01 January 2023, the general rule was that services provided by Directors, whether the function was performed by a natural person or a legal person, were considered to be services for VAT purposes. Due to the amendment, only director services performed by natural persons, whether resident in the UAE or not, can be excluded from the qualification of "supply of services for UAE VAT purposes". FTA has clarified that, natural persons performing the functions of a director on a Board of Directors, must review their tax obligations for the period both prior to and from 1 January 2023.

Sanket Parwal
Director - Indirect Tax



Commercial Invoices Attestation by the Ministry of Foreign Affairs & International Cooperation for Imports to Local

With effect from February 1, 2023, companies in the UAE will be required to get their import invoices attested by the UAE Ministry of Foreign Affairs and International Cooperation.

It will be applicable on a commercial invoice of imported goods valued AED 10,000 or more.

Key details:

- ▶ Dubai Customs vide their Customs Notice No. (11/2022) on 'Procedure and Fees of Commercial Invoices Attestation by the Ministry of Foreign Affairs & International Cooperation for Imports to Local' has introduced this provision.
- ▶ The notice will come into force as of February 1, 2023.
- ▶ Applicable on a commercial invoice of imported goods valued AED 10,000 or more.
- ▶ MOFAIC shall collect, through its own systems, a fixed service fee of AED 150 for each attestation.
- ▶ If the attestation fee is paid prior to completing the customs declaration, declarants needs to enter the reference number for each attested Invoice into the Customs electronic systems.
- ▶ Attestation fee can be paid within 14 days by the declarants from the date of completing the custom declaration.
- ▶ After expiry of the period referred above, MOFAIC shall impose administrative fine of AED 500 per Invoice on incompliant customers. More fines will be imposed in case of repeated violations.
- ▶ A person can submit a written grievance to the MOFAIC, which will be decided on within 30 days from submission.

- ▶ Exempt for Invoice value below AED 10,000, goods brought into free zones, goods imported from GCC countries and personal imports.
- ▶ Diplomats, police, military charitable societies, international organizations, transit import and B2C e-commerce movement's goods will also not be covered.
- ▶ Previously, import to the UAE only required an original invoice with no requirement for attestation by any authority.

Our Analysis

The new regulation will apply to all goods imported into the UAE with a value of AED10000 and above and the attestation of invoices will be done electronically with effect from February 1, 2023. Importers on whom the provisions are applicable must abide by the procedure to avoid the penalties due to non-compliance

CBUAE Issues New Guidance on Anti-money Laundering and Combatting the Financing of Terrorism for the Insurance Sector

The Central Bank of the UAE (CBUAE) supervises and regulates the insurance sector, following the merger of the Insurance Authority into CBUAE under Decretal Federal Law No. 25 of 2020. Accordingly, all rules, decisions, circulars, and regulations issued by the former 'Insurance Authority' under the provisions of Federal Law no. 6 of 2007 will continue to apply to all licensed institutions and activities until they are replaced by the CBUAE.

The CBUAE has published a new regulation pertaining to the governance framework of insurance companies within the region. The Central Bank seeks to promote the effective and efficient development and functioning of the insurance sector. Companies are required to implement comprehensive corporate governance frameworks to ensure their resiliency and enhance overall financial stability.

The objective of this regulation is to establish the minimum acceptable standards for companies' approach to Corporate Governance with a view to:

- ▶ Ensuring the soundness of the companies; and
- ▶ Contributing to financial stability and policyholder protection

Our Analysis:

This guidance is a forward approach towards the insurance industry to help with the overall country's AML risk compliance rating. The guidance, which comes into effect immediately, will assist aid LFI's' understanding of risks and effective implementation of their statutory AML/CFT obligations and takes Financial Action Task Force (FATF) standards into account. The guidance requires LFIs to demonstrate compliance with its requirements within one month of the AML guidance Issuance. The guidance requires LFIs to demonstrate compliance with its requirements within one month of the AML guidance Issuance

Abhijeet Sharma

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UAE Ministry of Finance releases Corporate Tax Law

The much awaited UAE Federal Decree-Law No. 47 of 2022 has been introduced in the UAE in December 2022. Corporate tax shall now apply to financial years commencing on or after 1 June 2023. The tax rate shall be 9% on taxable incomes above AED 375,000 and is applicable to all taxable persons. However, "Qualifying" Free Zone Persons will attract 0% tax rate on their "Qualifying Income" subject to their meeting certain conditions. Large multinationals with consolidated global revenues of over Euro 750 million may face a different tax rate in the future when OECD's BEPS Pillar Two rules are adopted by the UAE. This new law is a historic development that aligns the UAE even further with global tax practices and strengthens its position and attractiveness. Meanwhile, it is equally critical for businesses to prepare for the new corporate tax regime and plan ahead in their readiness journey for a smooth transition to the first tax period.

Our Analysis:

The historic and landmark UAE Federal Decree-Law No. 47 of 2022 on "Taxation of Corporations and Businesses" ("CT law") was issued by the Ministry of Finance (MoF) on 9 December 2022 along with a list of Frequently Asked Questions to provide guidance on the UAE Corporate Tax Regime.

The law provides for a progressive tax rate of 0% and 9% for all the taxable persons (including Qualified Free Zone Persons).

Individuals and juridical persons will be taxed at the rate of 9% on annual taxable income exceeding AED 375,000. The taxable income for a tax period will be the accounting net profit (or loss) of the business reported in its financial statements, after adjustments for certain items specified in the law. The CT rate shall remain the same for individuals, foreign companies and domestic companies until adoption of Pillar Two rules. However, "Qualified Free Zone Persons" shall face 0% tax rate on their "Qualifying Income" subject to their meeting certain specified conditions. All other "non-qualifying" income shall be taxed at 9%. Further, in line with the UAE's commitment to the OECD BEPS Inclusive Framework, large multinationals operating in Free Zones with global revenues exceeding Euro 750 million will

face a different rate of tax in the future when Pillar Two rules are adopted by the UAE. A Resident Person shall be subject to CT on its Taxable Income derived from UAE or from outside the UAE. A Non-resident person a) who has a Permanent Establishment in the UAE or b) who derives State Sourced Income from the UAE and c) who has a nexus in the UAE (as maybe specified) shall be subject to the tax. A company incorporated in a foreign jurisdiction that is effectively managed and controlled in the UAE shall also be considered as a Resident Person for UAE CT purposes. A natural Person shall be subject to tax on the income derived from the UAE or from outside the UAE insofar as it relates to the business or business activity conducted by the natural person in the UAE. The business categories and activities shall be confirmed in due course.

The Decree Law affects the entire financial management and financial statements process from accounting and bookkeeping to documentation and audit procedures. It is critical for businesses to be prepared for the new CT regime. They must assess the impact, review their existing business models, agreements and contracts, cross-border transactions, inter-group transactions, etc. They must also assess the readiness of their financial reporting systems, operating procedures, internal control systems, IT/ MIS systems, etc. and make the necessary modifications where needed to align with the regime's requirements.

Komal Grover
Tax Executive Director



Data Protection and Privacy in the Fintech Industry: Importance and Relevance

Fintech firms are leveraging emerging technologies to automate business processes and aid business owners, consumers, and entrepreneurs with efficient and speedy financial services delivery platforms. Alongside, Fintechs have become easy prey for cybercriminals. Apt examples of the Fintech revolution include Cryptocurrencies, Blockchain, Crowdfunding platforms, Budgeting apps, Cognitive Computing for data analytics, Payment Aggregators & Payment Gateways, Banking-As-A-Service (BaaS), Digital Wallets, and Telematics-Based Insurance with more to follow. A glaring concern for Fintech firms is the risk to their business information and financial data as well as to the personal and sensitive personal information of their consumers and employees. This is further elevated by their reliance on third parties like cloud service providers, co-located datacenters and so on. Cyber threat actors introduce new threat agents, using tactics and techniques to target their chosen victim, to execute financial thefts, ransomware-driven extortions, denial of service, cyberbullying on company reputation, supply chain attacks, and beyond. Supervisory authorities are enforcing new regulations involving hefty penalties, another strong trigger to embed security and privacy into the organization's business vision. Legislations such as the EU GDPR, UAE Federal Decree Data Protection Law or free zone-centric laws like the DIFC Data Protection Law or ADGM Data Protection Law have put Data Subject Rights, Data Protection Controls and Data Subject Trust in the forefront for businesses and consumers. Protecting data privacy and security is a crucial task for fintech companies, as they are susceptible to cyber threats due to the use of emerging technologies.

Our Analysis:

Fintech companies must adopt a proactive approach and formalize governance, budgets, and due diligence mechanisms to effectively manage risk-based security and privacy regimes. Building trust with customers through accountability, transparency, and fairness is also essential. Implementing security and privacy by design and by default is recommended, as are the use of encryption, multi-factor authentication, and other effective controls to enhance security. Fintech companies must comply with standards such as Payment Card Industry Data Security Standards (PCI DSS) and the NIST Cybersecurity Framework, as well as implement data breach handling and notification procedures, privacy notices, and data subject access requests. Using DevSecOps to integrate cybersecurity into the production pipeline and conducting technology due diligence prior to mergers and acquisitions can also help maintain security and privacy.

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