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# Incorporating a Company in United Arab Emirates

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Incorporating a company in the UAE, whether in a free zone or the mainland, presents distinct advantages and disadvantages for UK-controlled entities, with the ideal choice depending on the business's target market, operational needs, and tax strategy.

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The United Arab Emirates has long attracted global businesses with its strategic location and pro-investment policies. For UK-controlled entities, the choice between setting up in one of the UAE's many specialized free zones or opting for a mainland registration is a pivotal decision that defines their market reach and tax obligations.

Over the years, the United Arab Emirates (UAE) has established itself as a global business hub, attracting foreign investors through its 17 Free Zones, each tailored to specific industries. These Free Zones offer attractive incentives such as full foreign ownership, tax advantages, and simplified business setup processes. However, businesses that are controlled from outside the UAE, particularly from the UK, must navigate certain legal, financial, and operational challenges when establishing a presence in a UAE Free Zone.

### General Benefits of Incorporating in a UAE Free Zone

- 100% Foreign Ownership** – Unlike mainland companies that often require a local sponsor or service agent, Free Zone businesses can be fully owned by foreign entities or individuals.
- Tax Advantages** – Historically, Free Zone companies enjoyed 0% corporate tax. However, as of 2023, a 9% corporate tax applies to businesses with UAE-based revenue exceeding AED 375,000, but Free Zone businesses that operate exclusively offshore remain largely tax-exempt.
- Full Profit Repatriation** – Free Zones impose no restrictions on profit and capital repatriation, making them ideal for foreign investors.
- No Customs Duties** – Goods imported into and exported from Free Zones are exempt from customs duties.
- Business-Friendly Environment** – Simplified licensing processes, fewer bureaucratic hurdles, and access to well-developed infrastructure.
- Strategic Location** – Proximity to major global markets, particularly in the Middle East, Africa, and Asia.
- Industry-Specific Free Zones** – Each Free Zone caters to specific industries, offering tailored benefits.

### Industry-Specific Considerations

#### Technology & IT

- Best Free Zones:** Dubai Internet City, Abu Dhabi Global Market (ADGM), Dubai Silicon Oasis.

- Benefits:** Innovation-friendly, minimal bureaucracy, access to tech hubs and funding.
- Downsides:** Some Free Zones require physical office space; high costs in premium zones.

#### E-Commerce & Digital Services

- Best Free Zones:** Dubai CommerCity, Sharjah Media City, Ras Al Khaimah Economic Zone (RAKEZ).
- Benefits:** No VAT on transactions outside the UAE, ease of business setup.
- Downsides:** Limited banking options for offshore-controlled digital businesses.

#### Finance & Consulting

- Best Free Zones:** Dubai International Financial Centre (DIFC), Abu Dhabi Global Market (ADGM).
- Benefits:** Common law framework, international regulatory recognition.
- Downsides:** Strict compliance and regulatory requirements.

#### Trading & Logistics

- Best Free Zones:** Jebel Ali Free Zone (JAFZA), Dubai South, Ajman Free Zone.
- Benefits:** World-class logistics infrastructure, duty-free import/export benefits.
- Downsides:** Cannot sell directly to UAE mainland without a local distributor; higher operational costs.

#### Manufacturing & Industrial

- Best Free Zones:** Dubai Industrial City, Khalifa Industrial Zone Abu Dhabi (KIZAD), Sharjah Airport International Free Zone (SAIF Zone).
- Benefits:** Tax incentives, access to ports, duty-free import/export.
- Downsides:** Physical presence required, high utility and land costs.

#### Media & Creative Industries

- Best Free Zones:** Dubai Media City, TwoFour54 (Abu Dhabi), Fujairah Creative City.
- Benefits:** Industry networking, easy content licensing.
- Downsides:** Licensing and setup costs can be high.

## Key Downsides of UAE Free Zone Incorporation

- **Restrictions on Mainland Business** – Free Zone companies cannot directly trade in the UAE mainland without a local distributor or setting up a mainland branch.
- **Banking Challenges** – UAE banks enforce stringent compliance checks, which may delay account opening for foreign-controlled businesses.
- **Local Office Requirements** – Some Free Zones require a physical office space, adding to costs.
- **Economic Substance Requirements (ESR)** – Companies involved in certain activities (e.g., finance, IP, and holding companies) must prove operational substance in the UAE.

## UAE Free Zones vs. Mainland UAE for UK-Controlled Businesses

Factor	UAE Free Zones	Mainland UAE
Ownership	100% Foreign Ownership	100% (for most activities)
Corporate Tax	0% (offshore) / 9% (onshore revenue)	9% (above AED 375,000)
Trading Restrictions	Cannot trade directly on mainland	Free trade across UAE
Local Partner Requirement	Not required	Not required (except for specific sectors)
Reporting & Compliance	High (ESR, VAT, UBO disclosure)	Medium to high
Banking Accessibility	Challenging for offshore entities	Easier for local businesses
Visa & Office Requirements	Varies by Free Zone	Requires physical office, easier visa access
Reputation	High	High

## UAE Free Zones vs. Other Offshore Jurisdictions (UK-Controlled Companies)

Factor	UAE Free Zones	UK LLP	BVI	Cyprus	Hong Kong
Ownership	100% Foreign Ownership	100%	100%	100%	100%
Corporate Tax	0% (offshore) / 9% (onshore revenue)	19%	0%	12.5%	16.5%
Reporting & Compliance	High (ESR, VAT, UBO disclosure)	Medium	Low	Medium	High
Banking Accessibility	Challenging for offshore entities	Easy	Difficult	Easy	Moderate
Reputation	High	High	Low	High	High





## Conclusion

The UAE Free Zones offer compelling advantages for foreign investors, particularly UK-controlled businesses, due to tax incentives, 100% ownership, and a business-friendly regulatory environment. However, challenges such as banking restrictions, economic substance requirements, and the inability to directly trade on the mainland must be carefully considered.

For businesses that require unrestricted trade within the UAE and easier access to corporate banking, a mainland UAE company may be a better option despite the additional regulatory obligations. The decision between a Free Zone and a mainland entity should be based on business operations, tax strategy, and long-term expansion plans.

At Turner Little, we specialise in providing Business solutions for clients that are interested in exploring the advantages of offshore structuring. Our expertise ensures that financial interests are managed with the upmost professionalism and in accordance with all applicable laws.



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James Turner, Director at Company Formation Specialists, Turner Little, has a proven track record in helping clients maximize their assets in creative and bespoke ways. He is directly responsible for sales and marketing, with considerable specialist knowledge of UK and offshore banking.

James doesn't just have drive in the world of business. In his spare time, he has a passion for fast cars and boats.