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JURISDICTION UPDATE

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Director's Note

Global economic activity is pacing up in 2017 and 2018 with world growth rising from 3.1% in 2016 to 3.5% and 3.6% respectively, riding on the long-awaited cyclical recovery in investment, manufacturing and trade. Going ahead, structural impediments to a stronger recovery and a balance of risks that remains tilted to the downside will be testing over the medium term versus stronger activity, expected robust global demand, reduced deflationary pressures and optimistic financial markets.

Global economy as a whole has been affected by the US elections. There are a lot of positives to celebrate – assured US growth above the 2.2% average annual rate, tax reforms enabling an amnesty for multinational companies that repatriate foreign profits to become law whereas Republican dominance will ease the path for easy agreement on tax cuts financed mainly by higher public borrowing against special interest lobbies' resistance to the elimination of exemptions and loopholes. These tax reforms are expected to create even bigger budget deficits in turn stimulating more growth and inflation.

The biggest economic impact in USA will come from reversing bank regulations. As banks are encouraged to loosen lending standards with a focus on middle-income households, an upswing in residential construction and debt-financed consumption can be expected resulting in enhanced growth impetus.

On the world scenario, a worsening conflict situation in the Middle East or Asia could lead to rising oil prices, market instability and interrupted global trade leading to serious economic consequences. For the Eurozone, which like Asia is dependant on exports for growth, the immediate risk is political versus economical, resulting from an enhanced repressive US trade regime and if a weaker dollar drives up the euro on the foreign exchanges. Resulting from the US elections the sluggish global economy will affect UK eventually, being the global second biggest exporter of services, largely to the US though market swings post Brexit were not as immediately damaging as believed.

While the balance of risks is viewed as being to the downside, there are also upside risks to near-term growth. Acceleration in global activity can be expected if policy stimulus turns out to be larger than currently projected in the United States or China wherein a possible shift toward inward-looking policy platforms and protectionism will raise the stake for negative risks. Unexpected tightening in global financial conditions that could interact with balance sheet weaknesses in parts of the Eurozone and some emerging market economies, increased geopolitical tensions and a more severe slowdown in China are also possible negatives.

So all in all, one can expect some turbulence ahead and uncertainties which would require the business to be more vigilant as ever.

New Visa Rules To Strengthen Trade & Tourism Alliance With India

As per an amendment approved by the UAE Cabinet, Indian passport holders with a valid American visa or a Green card shall be granted entry visa to the UAE. Valid for 14 days with a single renewal possible for the same period upon payment of applicable fees. This visa procedure is simplified in order to increase UAE-India relations in trade and tourism. In 2016, around 1.6 million Indian tourists visited the UAE and about 50,000 UAE tourists visited India. Of the daily 143 flights which operated between UAE and Indian cities, about 1,000 flights operate every week.

At present, citizens of 47 countries, besides the GCC nations can get visa on arrival.

BILATERAL VISITS

The strong bond between India and the UAE has accelerated in the past two years with a series of high level bilateral visits between the two countries. In 2016, various strategies were discussed to strengthen the cooperation and the bond between the two countries. January 2017 marked a significant occasion in relations between India and the UAE with high ranking dignitaries attending the 68th Republic Day celebrations. 14 different agreements were signed which includes strategic comprehensive partnership and deals on defense & maritime cooperation. This added a new impetus to this strengthening bilateral commitment.

Latest reports show India as the UAE's second largest trading partner with the UAE-India trade growing around $60 billion (Dh 220 billion) per annum. UAE exports to India totaled to about $27 billion while India exports to the UAE were about $33 billion.

GROWING TRADE

About 45,000 Indian companies invest about $70 billion (Dh257 billion) in the UAE. At the same time, the UAE is investing $10 billion (Dh 36 billion) in the Indian sectors of energy, metallurgical industry, services, technology and construction. A number of UAE companies like Abu Dhabi Investment Authority, Abu Dhabi National Energy Company, Emaar and Dubai Ports World invest and operate in India. Currently, Dubai Ports World operates in six major ports in India.

Hike In Dubai Tourism

In 2016, an increase in visitors from the GCC - India, Pakistan, China, Britain and Russia - stimulated a rise of 5% to 14.9 million in Dubai tourism despite a period of unanticipated macro-economic disruptions to its largest source markets, unfavorable international factors and guarded global consumer sentiments. This growth in 2016 is followed by a 4 year CAGR (compound annual growth rate) of 8%, twice the global travel industry growth and is expected to hit a target of 20 million visitors by 2020, thus achieving Dubai's 2020 goals.

Dubai has established itself as the fourth most visited city in the world, delivering top value to the domestic economy with its ruling number 1 position in terms of per tourist spend. This is owed to Dubai's forceful marketing strategies and varied initiatives coupled with new hotels, excursions and attractions, including Dubai Parks and Resorts, IMG and City Walk.

Dubai Tourism's multi visitation strategy and its quick ability to adapt and respond in all markets; balance out its risk exposure to specify geographies, diversify and move its investment to other profitable markets and focus niche segments within their stronghold markets has transformed it as an industry across government, private and public sector, multiplying its destination appeal and competitiveness.

HIGHLIGHTS OF DUBAI TOURISM 2016

With a 12% increase, India leads the list of traffic generators to Dubai in 2016 with nearly 1.8 million overnight tourists; this is expected from India in 2017 as well on the strength of stable bilateral ties being formed between the two countries.

Pakistan being among the top 10 markets, delivered 607,000 tourists at 18% growth and a record 20% hike helped cross the half a million mark and 540,000 Chinese tourists visited Dubai.

Russian visitors recorded a 14% growth in overnight traffic. Add to this, the new visas on arrival rule and this figure is sure to rise in 2017.

The GCC still remains the pioneer volume generator for tourism to Dubai with a total 3.4 million visitors, 5% more than 2015. Within the GCC, Saudi Arabia was number one with over 1.6 million visitors, followed by Oman crossing the 1 million mark. Visitors from Kuwait and Qatar registered an annual 2% and 9% growth respectively.

Western Europe with an increased 4% inflow accounted for 21%, with more than 3.1 million tourists visiting Dubai. The UK with 1.25 million visitors retained its position as third in Dubai's market; while Germany remained among top 10 with 460,000 visitors.
Even in the face of extreme regional challenges, Middle East and North Africa accounted for 1.6 million visitors. Dubai reported a total of 1.36 million travelers from the North and Southeast Asian markets. The Philippines accounted of 390,000 visitors. With 607,000 visitors from the US and 176,000 visitors from Canada, the Americans collectively accounted for nearly one million visitors. Russia, CIS and Central European markets accounted 5% of the overall tourism to Dubai in 2016.

Digital Finance - UAE Cashes In

Smart payment solutions have entered UAE and they are here to stay, creating a rise in digital payments.

The UBF (The UAE Banks Federation), a professional representative body comprising 49 member banks operating in the UAE, has announced that the long awaited Emirates Digital Wallet LLC, previously known as the Mobile Wallet project, a company owned by 16 shareholding banks and fully sponsored by The UBF, has reached its final development stage. This is a big step forward in the country's transition to a digital future and re-defining the lifestyle of UAE consumers and businesses while providing an effective and convenient way to receive, store and transfer money.

This change is much needed to attract and retain "digital natives" a whole generation born and raised in the digital world, which depends on this platform for all their needs, be it entertainment, finances or everyday services like taxis, bill payments, insurance selection etc.

The latest McKinsey Global Institute (MGI) report states that across the developing world, digital finance - financial services delivered via mobile phones, the internet or cards linked to a digital payment system - could be a route to boosting GDP and making the aspiration of financial inclusion a reality while providing benefits to individuals, businesses and governments.
At present the full potential of digital finance remains untapped with almost two billion individuals and 200 million micro, small, & medium-sized businesses in emerging economies lacking access to savings and credit, while even those with access often pay a high fees for limited product choices.

According to MGI, digital finance could boost the GDP of all emerging economies by as much as 6% versus the traditional scenario, or $3.7 trillion, by 2025 - the size of Germany, while generating up to 95 million new jobs across all sectors of the economy. An estimated two-thirds of the growth would be from increased productivity of businesses & governments, one-third from the additional investment from inclusion of people and micro, small, &medium-sized businesses and the small remainder would come from time saved by individuals, enabling additional hours spent on work.

In contrast using traditional brick-and-mortar banks, financial inclusion improves slowly as a country's income rises and rather than waiting for a generation for incomes to rise to close the financial inclusion gap, providing digital financial services via mobile phones is the fastest route to reaching the majority within a decade.

As per MGI estimates, by switching to digital financial services individuals in emerging economies could save 12 billion hours a year. Emerging economies could sustainably release $2.1 trillion in new loans to individuals and small businesses and governments could gain $110 billion by reducing omissions in expenditure and tax collection.

Financial service providers could save almost $400 billion in direct costs by shifting from cash to digital payments because the cost of offering customers digital accounts can be 80- 90% lower than using physical branches. This would expand their balance sheets by as much as $4.2 trillion.

This in turn would help open up profitable new ways to enlist new customers thus creating trillions of dollars in new deposits. Whether these new deposits would go to banks or non traditional players is under debate.With digital finance, about 1.6 billion people, more than half of them women and many from the middle class will have the opportunity to access a financial account for the first time whereas for everyone else too, the convenience, cost and range of financial products available would dramatically improve. The valuable time spent physically at banks by town & city dwellers and the hours spent by rural residents in trips to nearby towns to access banks could be instead used for income-generating activities.

Hence banks need to be equipped to respond quickly to customer needs and to adopt new technologies and implement new tools and processes when they become available.

Regulations and compliance also need to evolve to allow for new innovation and timely change, constantly screening new technologies and integrating the necessary pieces into their IT architecture. To capture the economic opportunity via digital finance the focus should be on 3 vital points - widespread mobile & digital infrastructure; dynamic business environment for financial services, allowing space for competition & innovation yet limiting risk and digital finance products that meet the needs of individuals and small businesses.

UAE Bank Sector Tops GCC With Assets At DH2.6 Trillion

As per the Central Bank of the UAE statistics, the UAE's banking sector topped the GCC region in terms of asset volume with a total value of about $711 billion (Dh2.61 trillion) in 2016, with the Saudi Arabia coming in second at a total asset value of $602 billion. The Qatar ranked third with $349 billion followed by Kuwait, Bahrain and Oman with $198 billion, $193 billion and $70 billion respectively.

The anticipated merger between National Bank of Abu Dhabi and First Gulf Bank would rank them second biggest bank with around $183 billion of assets. Emirates NBD was rated third with assets valued at $122 billion. This ranking was followed by National Commercial Bank of Saudi Arabia with $117 billion, National Bank of Kuwait with $79 billion, Ahli United Bank with $34 billion and Muscat Bank with $28 billion.

In terms of capital stock, the merger between the NBAD and FGB leads the position with $26.6 billion. It is followed by QNB and Emirates NBD with $16.5 billion and $14.7 billion respectively. National Commercial Bank of Saudi Arabia has capital stock valued $14.1 billion, while National Bank of Kuwait has $9.5 billion.

With respect to asset volume UAE banking sector reflects the sector's strength giving it a worldwide status and reputation and can be defined not just with volume but also with its quality reflecting in its increased financial solvency that exceeds the demands of international monetary institutions.

Brexit -
A Golden Opportunity For UK & GCC'S Free Trade Deal

Late in 2008 all talks between the GCC and the EU had been suspended and no free trade deal was agreed upon though building the GCC & British relations has been a proposed idea over decades through numerous measures like abolishing customs duties and creating a free-trade agreement.

Being a part of the European Union (EU) had always held the UK back but this scenario is fast changing with Brexit getting activated and the free trade zone between the GCC and UK is now a lot closer with both sides keen to develop on their commercial, trade and historical relations thus serving the interests of both parties.

The GCC Summit held in Manama last year was the first step in this direction and now the UK Ministry of Finance has worked on a study with predicated results - including political and strategic ones - for finalising a free-trade agreement with the Gulf States. Accordingly the GCC have also put forward a first draft for the same. All these proactive steps are positive indicators for the conclusion of this agreement at the earliest. This works well with the GCC who already have similar agreements with many countries and blocs.

BREXIT

The UK is keen to conclude the agreement primarily to offset some of the probable economic and commercial losses it faces on exiting the EU, which account for more than half of its trade. Added to this is its currency dip after the Brexit referendum and the fast-growing Gulf markets are seen as an important outlet for British exports. This gives its exports a competitive edge and achieving exceptional gains though its imports from the GCC with well priced products such as petroleum, petrochemical and aluminium products.

In the past unreasonably high customs duties imposed by the EU on such products had led to a decline in Gulf exports.

Any free trade agreement between the GCC states and UK is expected to see the existing volume of trade amounting to $27 billion (Dh99 billion) doubled. Gulf investments in the UK exceed $140 billion, most of which are focused on real estate. It is also expected that the UAE-British trade will go from $19 billion in 2015 to $33 billion in 2020.

UNPRECEDENTED GROWTH

Collaboration in other fields like investments, financial services and tourism are also expected to see unprecedented growth. This would make the UK the most important partner for the GCC states coming at the expense of other EU countries, which are facing tough times.

In response to this positive scenario, the Gulf's private sector including chambers of commerce and industry should plan for notable changes in the GCC-Britain relationship. Both the private sectors should also exploit these emerging opportunities.

India's Federal Bank To Open At DIFC

Federal Bank, a leading private sector bank from India, will soon open at the Dubai International Financial Centre (DIFC) this year to provide banking services for trade and industries. Few months ago, it launched its second UAE representative office in Dubai and will make its debut in Bahrain also this year. This expansion is part of its larger strategy to expand footprints in the Gulf to serve its more than 800,000 fast growing overseas clients. The bank also plans to enter overseas markets in Qatar, Kuwait and Singapore.

One of the officials said "NRI franchise is the very backbone of our business model. Nearly 14.2 per cent of the almost $70 billion remittances go to India. This is mainly due to the partnerships of our bank with other banks and remittance agencies that enable any NRI in the Gulf to reach even his remotest village/town back in India". As far as the Gulf-India business corridor is concerned, Federal Bank is a partner of choice for investments from leading houses.

Federal Bank is one of the fastest-growing private sector banks at 25-30% balance sheet growth and accounting for over four per cent of Indian banking sector, seeks to function more as an extended family of the NRIs. Bank can remit in 12 different currencies. Increasing digitisation, including introduction of POS machines, facility to open accounts through a smartphone- Fedbook Selfie and 'Scan N Pay', an app that enables point-of-sale have added to the ease of services.

While Federal Bank is poised to increase the bandwidth and access of its products and services in the Gulf, it is also looking at expanding in Canada, Australia, the US and the UK- countries with a significant NRI population.

What Does The New Bankruptcy Law Offer?

The new bankruptcy law of 2016 that repeals the Commercial Transactions Code (CTC) of 1993 has much to offer. Now businessmen will no more have to face arrest or legal prosecution for unpaid debts nor do they have to flee the country to avoid arrest as many had done in the past. The new legislation offers creditors and debtors increased flexibility in dealing with financial distress while ensuring certainty and security for business owners and investors who can rely to some extent on protection for their businesses during a restructuring. It will also enable them to effectively negotiate with their creditors.

Legal experts said the new law primarily involves four new procedures, each of those supervised by the court. These include a 'light touch' rehabilitation process for solvent debtors facing financial difficulties called 'the preventative composition'; a more substantial rehabilitation process for insolvent debtors- the restructuring scheme; an end-of-the-line insolvent liquidation process; and a framework for the financial restructuring of financial institutions.

However, as the new law is applicable only to commercial firms, government- owned companies and individual traders, non-trader individuals who are unable to repay their debts will not get protection from arrest under the law. It is also said that cases of personal bounced cheques will remain subject to the general rules under the UAE Civil Code.

The legislation is applicable to all onshore and free-zone companies in the UAE- with the exception of companies in the financial free zones and shall offer protection for employees, share-holders and directors of companies undergoing court-led insolvencies. Also following the implementation of the law, there is no need to set up special tribunals as in the past to deal with the insolvencies of large companies.

Perks of UAE's new bankruptcy law

The new law suspends criminal proceedings on a debtor with dishonored company cheques once a preventative composition or restructuring scheme has been initiated. The provisions in this new law are more flexible and might help to reduce the financial distress by reinforcing the ability to seek new financing. Restructuring debt can be taken into consideration than provoking member of the management to abscond and exit the UAE. The completion of the entire process is to be done in a given specific timeline. The bankruptcy trustees nominated by the debtors are authorized with more power which shall reduce the court's involvement and lead to a smoother and more efficient process.

In case of exploitation of this protection, debtor will be charged under fraudulent insolvency offence.

This procedure is intended to give some time to the debtor facing initial financing difficulties and is intended to be used at the early stages of financial distress. A restructuring process may be commenced by a debtor where it has failed to meet its debts as they have fallen due for a period of more than 30 working days as a result of financial difficulties or where such debtor is balance sheet insolvent.

The process may also be commenced by an unsecured creditor owed a debt of more than Dh100,000 that is more than 30 working days overdue following a formal demand by the creditor.

The court appoints an official or insolvency trustee to manage the debtor or its business by determining the indebtedness of the debtor and monetizing the debtor's assets under the court's supervision. In the case of a court ordering an insolvent liquidation, the debtor (or presumably its board if it is a company) may no longer participate in any commercial activity.

This law aims at recovery and restoration under court's supervision. Though it has some shortfalls, it represents a significant improvement on the existing legal framework.

It is said that the success of the new law will depend on the approach taken by the local courts and the implementation will be critical. A sea change is involved in the treatment methodology of debtors in the new law. Earlier the insolvency regime was untested and scrutinized by practitioners and market participants.

According to the World Bank, average of insolvency process in the UAE that results in a recovery for creditors on the dollar takes 3.2 years with a cost to the estate of 20 per cent of the estate which is much more than Singapore or the United Kingdom with figures for recovery of 88.7 and 88.6 cents on the dollar, taking 0.8 and one year, with a cost of four and six percent.

UAE Central Bank Issues New Rules Aligning With Basel III

Capital adequacy regulations were introduced by the Central bank of the UAE on 1st February to ensure if the capital adequacy of all banks operating in the UAE is aligned with the revised rules outlined by the Basel Committee on Banking Supervision in Basel III, a global regulatory framework. These regulations are further supported by accompanying standards, which elaborate on the supervisory expectations of the Central Bank with respect to capital adequacy requirements. They are issued in accordance with the powers bestowed in the central bank under the Central Bank Law.

According to the Central Bank, to encourage the effective and efficient development and functioning of the banking system, banks are required to manage their capital in judicious way. A strong capital must support the risk taken by the banks to maintain stability of the financial system of the UAE.

Banks must ensure that the regulations and the accompanying standards are adhered to on the following two levels: the solo level capital adequacy ratio requirements, which measure the capital adequacy of an individual bank based on its standalone capital strength and the group level capital adequacy ratio requirements, which measure the capital adequacy of a bank based on its capital strength and risk profile after regulatory consolidation of assets and liabilities of its subsidiaries.

The total regulatory capital comprises the sum of two tiers where Tier 1 capital is composed of a common equity Tier 1 (CET 1) and an additional Tier 1 (AT1).

UAE banks must ensure that CET1 must not be less than 7% of risk-weighted assets (RWA) while tier 1 capital must not be less than 8.5 % of RWA. The total capital of the sum of the two tiers must be minimum 10.5 % of RWA. A bank must comply with the individual SCG requirement set by the Central Bank. Some banks might have to increase their capital if required by regulations and review and evaluation by the Central Bank.

CET1 capital comprises of common shares issued by a bank, share premium resulting from the issue of instruments, retained earnings; legal reserves, statuary reserves, accumulation of other comprehensive income and other disclosed reserves; common shares issued by consolidated subsidiaries of a bank and held by third parties, also referred to as minority interest and regulatory adjustments applied in the calculation of CET1. These items are eligible for inclusion in CET 1.

AT1 capital consists of instruments issued by a bank, stock surplus or share premium resulted from the issue of instruments included in AT1, instruments issued by consolidated subsidiaries of the bank and held by third parties These items are eligible for incorporation in AT1 and not in CET1.

For banks using the standardized approach for credit risk, tier 2 capital comprises of general provisions/general loan loss reserves up to a maximum of 1.25% of credit RWA, constant equity instruments, solving issue of instruments included in Tier 2 capital, instruments which are eligible for inclusion of Tier 2; perpetual instruments issued by consolidated subsidiaries, not included in Tier 1 capital and regulatory adjustments applied in the calculation of Tier 2.

Profit-sharing investment accounts must not be classified as part of an Islamic bank's regulatory capital the central bank said. Central bank added that investment risk reserves and a portion of the profit equalization reserve (PER), if any, belong to the equity

of investment account holders and must not be classified as part of an Islamic bank's regulatory capital since the purpose of a PER is to smooth the profit payouts and not to cover losses

Regulatory adjustments must be applied to CET1 capital for delayed tax assets; cash flow hedge reserve; gain on sale related to securitization transactions; collective profit and losses due to changes in own credit risk on fair valued financial liabilities; defined benefit pension fund assets and liabilities, investments in own shares or treasury stock, reciprocal cross holdings in the capital of banking, financial and insurance entities; investments in the capital of banking, financial and insurance entities, that are outside the scope of regulatory consolidation and where the bank does not own more than 10 per cent of the issued common share capital of the entity and significant investments in capital of banking, financial and insurance entities which is not in scope of regulatory consolidation and threshold deductions.

Certain securitization exposures include non-payment/delivery on non-delivery-versus-payment and non-payment-versus-payment transactions and significant investments in commercial entities.

Banks are encouraged to keep buffer of 2.5 per cent of RWAs in the form of CET1 capital in addition to the minimum CET1 capital of seven per cent of RWA. A bank that does not meet the buffer requirement must follow a definite plan to restore the buffer as a part of its internal capital assessment process within a time limit agreed with the Central Bank.

Value Added Tax (VAT) In UAE

Gulf Co-operation Council countries agreed in 2015 for GCC wide implementation of VAT. UAE as a part of this drive to increase non-oil revenue has proposed to implement VAT on 1st Jan 2018. Federal Tax Authority has already been setup, which will oversee implementation & enforcement of VAT as well as any other forms of taxation that UAE may implement at any stage in future. Though guiding regulations viz. Tax Procedures Law and VAT Law are yet to be announced, some basic information regarding VAT & its implementation has been presented by UAE Ministry of Finance at various forums. We give herein below some basic information & issues in this respect though various specifics will be clearer only once the laws / regulations pertaining to this are announced.

VAT	Value Added Tax (VAT) is an indirect form of taxation in which tax is collected by an intermediary from the person who bears the ultimate economic burden of tax. VAT is a consumption tax levied on majority of goods & services. It is levied at each stage of supply chain, collected by businesses on behalf of the government and ultimately borne by the end consumer of such goods or services.
Expected VAT Regulations	• GCC VAT Agreement (which is guiding regulation). • Tax Procedures Law. • VAT Law.
VAT Globally	Globally > 150 countries have adopted which includes all major economic powers (excl. USA) and is also known by Goods & Services Tax in some countries. VAT rates range upto 20% in some countries.
Taxable Persons	Any persons (whether individual or entities) carrying out economic activity liable for VAT
Limit for VAT registration	Turnover > AED 375,000 p.a. (Optional for those taxable persons whose turnover > AED 185,000 p.a. < AED 375,000 p.a.)
Group registration	Multiple entities of same group / owner may be able to register as a group rather than individual registration and pay VAT as one single entity
Applicability	Majority of goods sold or services provided in UAE (called taxable supplies)
Categories of taxable supplies	• Exempt – Not chargeable to VAT (& cannot claim VAT refund of VAT paid on consumed goods / services) • Taxable - Standard rate likely to be 5% or Zero rated @ 0% (can claim refund of VAT paid on consumed goods/services)
Probable exempt goods/ services	• Local transport for passengers. • Real estate (residential...probably 3 years after construction)
Probable zero rated goods / services	• Health (selected healthcare services) • Education (selected educational services) • Real estate – residential (for 3 years from construction) • Supply of means of transport (like boat, trains, aircrafts)

Custom duty	Most probably, refund or input credit of custom duty would not be granted
VAT refund will be granted to	• Govt bodies • Charities • Specialised companies for international events • Citizens for construction of house • (Refunds to tourists not expected to be in phase 1)
Probable standard rated @ 5%	• Food items • Oil & gas • Real estate (commercial) • Financial services (fees / chgs but excl interest)
Margin scheme	Second hand goods sale – VAT only on margin (& not on full value)
Input tax	VAT paid on goods / services consumed
Supply value	Proposed to include fees / expenses / costs (excl. VAT) recovered from customers
Place of supply	• Outside UAE – Not chargeable to VAT • Inside UAE – Chargeable to VAT
Location deemed for supply	• For goods – where supply takes place • For services – where supplier has place of residence or if used in UAE, then deemed location of supply to be UAE • Electronic supply – place where service is used / enjoyed
Types of supplies	• Domestic – Standard or Zero rated • Exports – Zero rated • Imports – Reverse charge mechanism
Reverse charge mechanism	Where seller is based non-taxable person (i.e. based overseas), then purchaser pays VAT (instead of seller collecting & paying)
Date of supply	• Goods – when goods supplied • Services – where service rendered (Exceptions.. if payment is received or tax invoice issued prior to supply of goods / services, then date of payment receipt may be deemed to be date of supply)
Net VAT payable	Output VAT (VAT Collected/to be collected) Less Input VAT (VAT paid on goods/services)
Input tax recovery conditions	• Should be taxable person • Should be correctly charged • For eligible purpose • Have tax invoice • Must be paid / intended to be paid • Not non-recoverable
VAT returns	• Quarterly returns to be filed (electronically) within 28 days of end of quarter • May need to return Emirate-wise supply
Record keeping	Maintain following for 5 years: - Books of accounts - Documents - VAT accounts - Any other docs specified Tax invoice very critical to VAT (should have sequential numbering, date, time of supply, description of goods / services, VAT charged in AED)
Penalties	• For defaults – 3 times VAT (min of AED 500/-) • For evasion – upto 5 times plus could result into prosecution for offence under other applicable laws
Audits	Federal Tax Authority may conduct audit of taxable persons on selected basis
Excise duty	Excise duty on certain products also may be introduced along with VAT. Details awaited

An Outline About The JAFZA Company Regulations

The Jebel Ali Free Zone (JAFZA) issued new company regulations known as the Jebel Ali Free Zone Companies Implementing Regulations 2016. It was announced on 23 May 2016 and came into action in 24th August 2016. It focuses on development of market which shall provide facilities that are prompt, secure and form the best international practice.

The Regulations constitute major modifications of the JAFZA by repealing and replacing the Free zone Establishment Implementing Regulations No.1 of 1992 and the Free Zone Company Implementing Regulations No.1 of 1999. It brings about some new principles and key legislative changes. Earlier JAFZA had separate set of regulations governing free zone establishments and free zone companies, the changed Regulations 2016 bring all types of companies within JAFZA under one regulation.

Below are few of its features and key changes:

UAE COMPANIES LAW APPLICABILITY TO JAFZA COMPANIES:

Although the federal laws of the UAE are stated in the Regulations to apply to a company and a branch within JAFZA, the Regulations have excluded Law No.2 of 2015 concerning Commercial Companies from the application to a company or a branch in the free zone. However, according to the Regulations, the company registrar of JAFZA ("Registrar") may apply certain provisions of the UAE Companies Law where the Regulations are silent on a certain matter.

TYPES OF COMPANIES RECOGNIZED BY THE REGULATIONS

Different entities like the Free Zone Establishment (FZE), the Free Zone Company (FZCO) and the branch of a company were permitted prior to the enactment of the Regulations. Under the new Regulations, Public Listed Companies (PLC) is recognized as a new type of company that can be established within JAFZA. It can have two or more shareholders and may offer its shares to the public in accordance with the market's law of the relevant stock market. Within nine months from the date of incorporation of the PLC, a PLC must list its shares on a stock exchange, unless time frame is extended by the Registrar.

As a further notable change in the Regulations, a civil company that is set up under the rules of the UAE Civil Transactions Law (Federal Law No. 5th of 1985) may be incorporated within the free zone. The Regulations give the Registrar the authority to prescribe guidelines for the incorporation and operation of a civil company in the free zone in addition to the rules that are contained in the UAE Civil Transactions Law. Accordingly, the types of entities that are currently recognized by JAFZA are now expanded and comprise the FZE, FZCO, civil partnership and the branch.

CHANGE IN MINIMUM SHARE CAPITAL REQUIREMENT

Previously, an FZE within JAFZA was required to have a minimum share capital of AED 1,000,000 and an FZCO AED 500,000. While now, with change under the Regulations, a company must only have a share capital that is sufficient for the activities for which it is licensed. This is conforming to the rules of UAE Commercial Companies Law which also requires a limited liability company to have capital that is sufficient for fulfilling its activities. As for a PLC, it is required to have an amount of a share capital that is either sufficient for the activities permitted under its license or the amount of capital required under the relevant markets law.

NON – CASH CONSIDERATION FOR SHARES

As per the previous JAFZA regulations for an FZE or FZCO, the contribution in kind for shares was not recognized. Now, with the new Regulations, shares can be issued in an FZE, FZCO (and PLC) for a non-cash consideration unlike before where one could subscribe shares through cash only. This is workable only if a resolution is passed by the shareholders at a general meeting by more than 75 % of the votes of shareholders or any greater majority as may be prescribed by the memorandum of association. An auditor's letter and a resolution are required to support this value of consideration. This auditor's letter must be filed with the Registrar within four days from the date of passing the resolution. This principle gives the business a flexibility as well as options for subscription of shares or increasing the share capital of a company.

DIFFERENT CLASSES OF SHARES

Earlier only Dubai International Financial Centre and the Dubai Creative Clusters Free Zone companies were permitting different classes of shares in the UAE. With modifications in the Regulations, different classes of shares are now available for businesses within JAFZA too.

Rights attached to the shares may be varied by an amendment to the memorandum of association of the company if approved by a resolution consisting more than 75% of the votes of shareholders or by a resolution of all the shareholders holding the shares of the class whose share is being varied. A PLC may also have different classes of shares in accordance with its memorandum and articles of association.

CHANGE IN HABITATION AND CONTINUATION OF BUSINESS

According to the new Regulations, foreign companies can apply to the Registrar for the continuation of the foreign company as a company within JAFZA, as a FZE or FZCO without establishing a new entity.

In order to transfer the foreign company into JAZFA as an FZE or FZCO, the applicant must include specific information and documents including a resolution of the foreign company resolving the transformation. The free zone will issue the foreign company with a license and a continuation certificate once accepted. The date of the incorporation that will be reflected in the continuation certificate is the date of incorporation of the foreign company in its jurisdiction.

In addition to the above key changes, other changes include the recognition of electronic documents and signature giving an FZCO and PLC the right to purchase its own shares as treasury shares and prohibiting financial assistance to the directors of an FZCO and PLC.

CONCLUSION

By aligning company's legislation in line with global best practices and standards, the Regulations marked a significant step forward which will benefit JAFZA and empower it to attract foreign business and investments in a better way. However, implementation of some aspects of the Regulations needs to checked; especially the incorporation of a PLC and change of domicile of companies.

Launch Of RAK Economic Zone

In 2017, the government of Ras Al Khaimah announced the launch of Ras Al Khaimah Economic Zone (RAKEZ) . This event was attended by many high profile dignitaries, policymakers, businessmen, media members and clients of RAK FTZ and RAKIA.

RAKEZ is a world-class authority established to oversee, regulate and consolidate the services, facilities and zones of Ras Al Khaimah Free Trade Zone (RAKFTZ) and RAK Investment Authority (RAKIA). These two zones united last year by combining their boards and management boards to streamline their activities and boost service delivery to the clients. Established in 2017, RAKEZ grows on 17 years of consistent value generation by RAK FTZ and RAKIA. It is now one of the largest economic zones in the region covering about 33 million square meters of land and housing over 13,000 companies currently served by RAK FTZ and RAKIA.

Terming formation of RAKEZ as an important milestone for the free zone landscape in Ras Al Khaimah, higher authority described their hard work to establish this new authority shall diversify its offerings to attract a broad client base and grow the number of investors; driving overall growth of the Emirates.

This year is assumed to be the right time to strengthen the RAK FTZ and RAKIA resources into one strong unified brand. Optimistic outcome is expected from RAKEZ that will help Ras Al Khaimah to become a leading global investment destination. This union is the first step towards taking customer experience to the next level by committing to provide an exceptional service delivery, simplified processes and cost-effective solutions. It will have a significant impact on existing clients, potential investors and the economy to a great extent. This venture is also supported by the government and private stakeholders to impel a seamless service to the clients and to ensure stability of their business.

With growing markets of the Middle East, North Africa, Europe, South and Central Asia, RAKEZ offers its clients easy access to local markets of the UAE. Companies

operating in diverse industry sectors; manufacturing, consulting, trading, logistics, academic, media etc get free zone and non-free zone licenses through RAK FTZ and RAKIA. RAKEZ currently hosts over 13,000 companies from entrepreneurs and startups to SMEs and manufacturers covering over 50 industries from over 100 countries. The new entity presents a wide range of premium customizable and cost effective facilities for existing clients and potential investors through its five specialized zones- RAKEZ Business Zone, Al Hamra industrial Zone, Al Ghail Industrial Zone, Al Hulaila Industrial Zone and RAKEZ Academic Zone. All clients have access to three local offices in Ras Al Khaimah as well in offices in Dubai, Abu Dhabi, India, Turkey and Germany.

As a comprehensive investment destination, the new entity presents a wide range of premium customizable facilities, enhanced levels of service and five diversified and strategically located zones for all types of business setups, including startups, entrepreneurs, SMEs and manufacturers, all within the unique and cost-effective environment of Ras Al Khaimah.

New Investments Of DH51m In Al Ain Industrial City

Spread over 9 square kms, Al Ain Industrial City (AAIC) is located midway between the cities of Abu Dhabi and Dubai and caters to light manufacturing industries and small & medium enterprises (SMEs) such as paper & wood, textiles, small scale service and repair workshops. AAIC also caters to some heavy industries such as chemical and plastic projects.

Covering nearly 60,000 square meters, ZonesCorp signed four new deals with companies to build facilities in Al Ain Industrial City (AAIC) have added a combined investment of approximately Dh51 million.

According to Zones Corp the construction of these new facilities is underway and due to be completed towards the end of the year.

The new deals showcase AAIC's distinctive advantage to access markets in the flourishing city of Al Ain external markets such as Oman, KSA and Qatar, an attractive proposition to investors. They also represent a diverse range of businesses including, Mauzan Perfumes Factory LLC, High Class Doors & Windows Factory, Al Murooj Organic Fertilizer Factory and Al Sultan Readymix & Precast.

ZonesCorp future plans include the development of new retail and leisure projects.

Presently housing over 650 industrial facilities and since its inception in 2004, ZonesCorp has attracted over Dh29 billion worth of investments from local and international companies into its economic zones.

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