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Offshore Companies in Jebel Ali Free Zone, UAE Relatively Effective and Cheaper way to strengthen the base in UAE and creating further Umbrella Structure

The phenomenon of offshore first brought into existence in Dubai was in 2001 but came into knowledge in the year 2003 when Jebel Ali Free Zone Offshore Companies Regulations 2003 came into bieng.

Jebel Ali Free Zone Offshore Companies Regulations 2003 lay down detailed rules and regulations for establishing offshore companies in JAFZA.

An offshore company is defined as a **non-resident company** having a corporate legal entity. Jebel Ali Free Zone Offshore Companies Regulations 2003 allows the formation of an offshore company by individuals or a corporate body.

No offshore company, which is incorporated under these Regulations, shall:

- Carry on business with persons resident in the United Arab Emirates ;
- Own an interest in real property situate in the United Arab Emirates ;
- Carry on banking business;
- Carry on business as an insurance or re-insurance company, insurance agent or insurance broker; or
- Carry on any other business which may, by regulations made by the Authority, be prohibited by the authority

An offshore company shall not be treated as carrying on business with persons resident in the United Arab Emirates by reason only that:

- It makes or maintains professional contact with legal consultants, accountants, management companies or other similar persons carrying on business within the United Arab Emirates ;
- It prepares and maintains books and records within the United Arab Emirates ;
- It holds within the United Arab Emirates meetings of its directors or members;
- It owns real property on the Palm Islands or Jumeirah Islands or any properties owned by Nakheel Company LLC or any other real property approved by the Authority; or
- It holds an account in a bank in the United Arab Emirates for the purpose of conducting its routine operational transactions.

Note: In the recent past it was clarified by the Dubai Land Department (DLD) it will permit that only JAFZA registered Offshore Companies not of any other free zone of UAE are allowed to hold Freehold property in Dubai provided they are owned by the individuals.

If an offshore company wishes to conduct trade or other business in the Zone or elsewhere in the United Arab Emirates, it must obtain the appropriate license to conduct the trade or other business activity from the competent authorities (such as by forming FZE/FZC or limited liability company in which the offshore company can be a shareholder

Benefits of Jebel Ali Offshore Companies include:

- No requirement to acquire office premises in Jebel Ali Free Zone.
- Easy and simple procedure for registration.
- Minimum operating cost.
- Highest asset protection.
- 100% tax exemption for a period of 50 renewable further.
- Opportunity to invest in property and stocks worldwide.
- Unrestricted flow of capital.
- Transfer of assets, stocks, etc.
- 100% foreign ownership.
- No minimum capital requirement.

Bank accounts can be opened and operated in the name of the offshore company subject to the requirements and approval of such local and international banks where such an account can be opened.

In addition to the above, upon registration of a Jebel Ali Free Zone Offshore Company, you are permitted to open a branch office of the same outside the UAE with office premises and employees subject to the approval and requirements of the proposed branch jurisdiction. Further an offshore company can also form further step down subsidiaries either within same or other Free zone or in United Arab Emirates in compliance of prescribed procedures. Regulation 35 of Jebel Ali Free Zone Offshore Companies Regulations 2003 indirectly provides that a subsidiary can be formed by an offshore company registered in Jebel Ali Free Zone

Salient Features:

Shareholders

- A minimum of one shareholder is required.
- Corporate shareholders are permitted.
- Shareholders will decide capital structure of the Company.
- No fiscal minimum capital requirements have been stipulated.
- Bearer shares are not permitted.
- Different classes of shares are not permitted and shares have to be fully paid when allotted.
- A shareholders meeting should be conducted periodically (at least once in a year).
- Every offshore company shall maintain minutes of all proceedings at general meetings.
- The Register of Members shall be open for inspection by any member of the offshore company.
- If inspection is refused, the company commits an offence.

Tax

It is to be noted that offshore Companies registered in any of the Jebel Ali Free Zone of UAE shall not be eligible for issue of Tax Residence Certificate from Ministry of Finance, UAE although they are entitled for 100% tax exemption and are issued Tax Exemption Certificate to this effect.

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Currency

Currently, share capital can be denominated into US Dollars also, however, earlier denominated currency of the share capital was to be stipulated and paid up in UAE Dirhams.

Directors & Company Secretary

A **minimum of two individual directors are required to be appointed** and corporate directors are not permitted to be appointed or act as directors of an offshore company. **Every company shall have a secretary who may also be a director of the offshore company**. Furthermore, proposed directors of an offshore company who have valid residency visas will require a no-objection letter from their sponsor to take up the position of a director in an offshore company.

Confidentiality

The details of the offshore company including the details of the shareholders, directors and company secretary are not available for public inspection. Only the registered agent of an offshore company has access to information and details of the offshore company.

Restrictions

- To carry on certain business activities such as Banking, Insurance, Re-Insurance, Insurance Agency or Insurance brokerages etc. are closed for offshore companies.
- To carry on business with persons resident in the United Arab Emirates.
- To carry on any other business which may, by regulations made by the authority, be prohibited.
- Names of offshore companies must end with limited.

Prohibited Activities

As per existing circulars and law in force an offshore company registered in Jebel Ali Free Zone is prohibited from carrying out following activities:

a) Insurance;
b) Movie Production
c) Banking
d) Gambling
e) Financial
f) Casino
g) Professional Services
h) Game & Win
i) Consulting

j) Advisory
k) Intellectual Property
l) Real Estate
m) Media
n) Military
o) Security
p) Education
q) Publishing
r) Advertising

The Registered Agent

In order to register an offshore company there is a requirement to appoint a registered agent. The registered agents role will provide the offshore company with its registered office address and act as the intermediary between the offshore company and the free zone authority where communication can be maintained in fulfilling the offshore company's filing requirements and obtaining necessary documentation and attestation of documents as and when required for the operation of the company. The interaction of Jebel Ali Free Zone Authority with offshore company takes place with its Registered Agent only.

Recent Developments

The offshore companies registration department in the Jebel Ali Free Zone have also implemented a procedure whereby in the event that an offshore company is to be liquidated / wound up, that particular offshore company should have a valid registration. In the event the registration has expired the offshore company will be required to renew its registration for an additional year prior to applying for liquidation.

Requirements for registration of JAFZA Offshore Company

Individual Applicant

a) Personal Profile of Applicants
b) Passport Copy
c) Bank Reference
d) Proof residence (Copy of any utility bill may be provided)
e) NOC Letter from Director/ Secretary sponsor company (if such director or secretary is resident in UAE)

Non- Individual Applicant

a) Certificate of registration of the Company (Both Notarized and Attested)
b) Certificate of good standing (Both Notarized and Attested)
c) MOA and AOA (Both Notarized and Attested)
d) Board Resolution authorizing individual vide a POA to establish the Offshore Company (Both Notarized and Attested)

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e) NOC Letter from Director/ Secretary sponsor company (if such director or secretary is resident in UAE)

Chamber of Commerce Registration

The Jebel Ali Free Zone Offshore Company shall be eligible for obtaining Chamber of Commerce registration from Dubai Chamber of Commerce, however it shall not be eligible for issue of Certificate of Origin:

a) It will help it in opening of Bank Account etc.;
b) Application should be made through registered Agent;
c) Currently AED 2200 is annual fee

Import Export Code (IEC)

The JAFZA offshore company shall also be eligible for obtaining import-export code.

Cost

The formation and registration costs are currently USD 3,300 payable to the Jebel Ali Free Zone Authority with an annual renewal cost of USD 800 per annum from the date of registration. In addition to above cost of maintaining Registered Agent is involved which is of-course subjective.

Disclaimer: The views expressed are personal of the author and are on the basis of law subsisting on the subject as on date and circulars issued by the regulatory authority and are not the views of the authorities involved on the matter and may not be acted upon or refrain from acting, upon the information contained hereinbefore. These are being shared for broad guidance only.