

UAE STRUCTURING SERIES (V) SPECIAL PURPOSE VEHICLES

As a result of the crackdown on non-cooperative tax havens, a substantial shift has occurred over the past decade from traditional offshore jurisdictions to mid-shore ones, with “substance” becoming a much sought-after commodity.

Jurisdictions with a broad spectrum of structures have been on the rise, while centres unable to propose a substantiated offering have been losing competitiveness.

This change of momentum does not mean that lighter, dematerialized corporate vehicles (referred to e.g. as SPVs (for special purpose vehicle), IBCs (for international business company) or “offshore” entities) have lost all their appeal. They still play a key role in specific situations.

Nowadays however, some the most valuable and versatile SPVs are found in so-called super-jurisdictions – jurisdictions combining a market where clients go to conduct business, a centre where the entities that clients use are registered in and the geographical origination of clients, together with other fundamentals, e.g. strong employee base, bona fide business hub, highly rated financial centre, residential and travel infrastructure. All are large cities or city states.

In this context, the UAE has established itself as one of the most competitive and versatile structuring hubs worldwide.

The UAE’s “super jurisdiction” tag is due to a combination of factors, e.g. no corporate and personal income tax, access to a broad network of double tax and investment protection treaties,

no restriction on profit repatriation, no foreign currency control, sophisticated regulatory framework, worldwide connectivity.

One of its ultimate USPs may however be the vast array of corporate vehicles it offers. Substantiated free zone structures are leading the way (See our fact sheet “[Which free zone for which purpose](#)”) but SPVs are finding increasing use in practice.

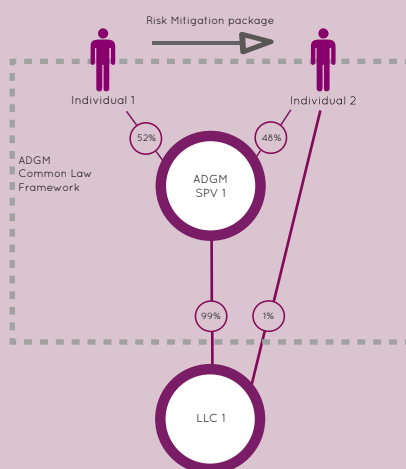
Offshore entities were first introduced in the region in 2003 by the Jebel Ali Free Zone Authority [JAFZA]. JAFZA recently updated its regulatory framework. Ras Al Khaimah followed suit in 2006; today the registrar operates as RAK International Corporate Centre [RAK ICC].

But the region’s most interesting and sophisticated SPV can be found in Abu Dhabi Global Market [ADGM]. ADGM SPVs are so-called “exempt” structures: they do not fall under the direct supervision of the Financial Services Regulator. They are compatible with sophisticated ownership structures and offer a particularly innovative and flexible mechanism: a “morphing” route from dematerialized SPV into substantiated holding company (See our fact sheet “[Corporate migration to the UAE: Which options for which benefits?](#)”). ADGM SPVs are also entitled to own properties in Dubai (See our fact sheet “[Structuring Dubai real estate](#)”).

The present fact sheet compares three of the most popular SPV regimes available in the UAE, their core focus, key features and USPs. It will help you and/or your clients determine which UAE SPV is most suitable for every specific business concept.

Case Study: Use of ADGM SPV for additional investor protection

Stakes in UAE mainland entities are often held through foreign registered SPVs. While traditional offshore centers like the BVI, Cayman Islands or Channel Islands have advantages – e.g. robust common law framework, substantial track record – they are not without downsides: e.g. delay in implementation of decisions (even if the SPV is effectively managed in the UAE), important costs related to legalization/super-legalisation of documents.



What’s new?

By combining an LLC and an ADGM SPV, the shareholding is “lifted” from UAE mainland to ADGM – thus from a civil law to a common law framework.

The mandatory ultimate local ownership of 51% into the underlying LLC is maintained, in compliance with federal law.

What improves?

- split between operational vehicle and holding structure
- shareholders’ relationship fenced within a common law framework
- increased investor protection
- access to a sophisticated regulatory regime and corporate tools
- less red tape: local notary public are not involved for transfer of shares (occurring at ADGM SPV level)
- faster implementation of decisions (single jurisdiction)
- important savings (no legalization/super-legalisation of documents unlike where a foreign holding co – e.g. BVI, Seychelles or Mauritius – is used)



UAE STRUCTURING SERIES (V) UAE SPVs AT A GLANCE

	ADGM SPV	DIFC PC	JAFZA IBC	RAK ICC IBC
In a nutshell	High credibility/versatility yet light structure registered in tier 1 common law regulated financial-themed free zone. The new benchmark	Flexible private company limited by shares registered in tier 1 common law regulated financial themed free zone.	Dubai based IBC registrar within UAE's oldest free zone	Light IBC regime subject to Common law courts (via MoU with DIFC)
Primarily suitable for	<ul style="list-style-type: none"> • Proprietary investment • Securitization • Holding • Holding of Dubai real estate • Capital raising • Regional HQ • Single family offices 	<ul style="list-style-type: none"> • Family Holding Structure • Structured Financing • Holding • Aviation Structure 	<ul style="list-style-type: none"> • Proprietary investment • Holding • Holding of Dubai real estate 	<ul style="list-style-type: none"> • Proprietary investment • Holding
Advantages	<ul style="list-style-type: none"> • High credibility • High versatility • Common law framework and Courts • Ability to morph • Sophisticated (Accepts Foundations/Trusts/funds as Holder/UBO) • Different classes of shares • Permitted to hold Dubai Real Estate • Permitted to own stake in UAE operating company (mainland or free zone) 	<ul style="list-style-type: none"> • High credibility • Common law framework and Courts • Regulated by DFSA • Sophisticated (Accepts Foundations/Trusts/funds as Holder/UBO) • Flexible office requirements 	<ul style="list-style-type: none"> • Compatible with DIFC (non-Muslim) Will and Probate Registry [WPR] regime • Different classes of shares • Permitted to hold Dubai Real Estate • Permitted to own stake in UAE operating company (mainland or free zone) 	<ul style="list-style-type: none"> • Low set up & running costs • Common law Courts (DIFC) • Sophisticated (Accepts Foundations/Trusts/funds as Holder/UBO) • Different classes of shares • Compatible with DIFC (non-Muslim) Will and Probate Registry [WPR] regime • Permitted to own stake in UAE operating company (mainland or free zone)
Regulatory Framework	Common Law	Common Law	Civil Law	Civil Law or Common Law as alternative, via MoU with DIFC and ADGM respectively
Competent Courts	ADGM Courts	DIFC Courts	Domestic Courts	Domestic Courts or DIFC Courts as alternative, via MoU with DIFC and ADGM respectively
Corporate Migration	Allowed	Allowed	Allowed	Allowed
Morphing¹	Available	Available	Available	Not available
Protected cell companies	Available	Available	Not available	Available
Compatibility with sophisticated holding structure²	Yes	Yes	No	Yes

1. See our fact sheet "[Corporate migration to the UAE: Which options for which benefits?](#)".

2. E.g. Foundation, Trust, Fund.



UAE STRUCTURING SERIES (V) UAE SPVs AT A GLANCE

GENERAL AND STATUTORY INFORMATION

	ADGM SPV	DIFC PC	JAFZA IBC	RAK ICC IBC
Ownership	100% foreign ownership allowed	100% foreign ownership allowed	100% foreign ownership allowed	100% foreign ownership allowed
Registered Office	C/o Registered Agent	C/o Registered Agent	C/o Registered Agent	C/o Registered Agent
Minimum nb of shareholders	1	1	1	1
Minimum nb of director(s)	1 [at least one must be a natural person]	1	1	1 [at least one natural person is appointed] ³
Corporate director/s	Allowed [provided at least one individual Director is appointed] ³	TBD	Allowed	Allowed [provided at least one individual Director is appointed] ³
Minimum share capital requirement	No minimum requirement	No minimum requirement	AED 1.00	AED 1.00
Evidence of Capital pay-up	Not required	Not required	Not required	Not required
Timeframe⁴ to set-up	5-7 working days ⁵	TBD	15-18 working days ⁶	7-9 working days
Legalization⁷ process of PoA & corporate documents	Notarized only	Notarized only	Full legalisation required	Notarized only
Company name⁸	Prior approval required	Prior approval required	Not applicable. Official approval of name is issued once the actual application is submitted	Prior approval required along with submission of shareholder's passport copy. Name reserved for free for five [5] working days
Tax status	Total tax and duty exemption, i.e. no corporate tax, no withholding tax	Total tax and duty exemption, i.e. no corporate tax, no withholding tax	Total tax and duty exemption, i.e. no corporate tax, no withholding tax	Total tax and duty exemption, i.e. no corporate tax, no withholding tax
Disclosure	Standard: Records of shareholders, directors and financial statements publicly available Restricted Scope Company [RSC] ⁹ : no publicly available records	No publicly available records	No publicly available records	No publicly available records

3. Applicable from 01.09.2018. Required for all new incorporations and for existing companies from the moment an amendment to change a director is sought.

4. The time-frame does not include the legalization process of documents in case of foreign corporate shareholder.

5. Provided all requirements have been submitted and approved by the Registrar.

6. Mandatory Police CID clearance takes about 7 - 10 working days.

7. Standard legalization route consists of notarization by the Notary Public, legalization by the supervising authority, super-legalization by the UAE Embassy abroad and certification by the UAE Ministry of Foreign Affairs.

8. Company names that bears copyright, trademarks or those that refers to financial activities, royalties, are not allowed.

9. RSC if: (1) Subsidiary of a group which publicly files consolidated accounts, (2) Subsidiary of a company formed by Emiri decree, (3) Single Family Office.



UAE STRUCTURING SERIES (V) UAE SPVs AT A GLANCE

FEES

	ADGM SPV	DIFC PC	JAFZA IBC	RAK ICC IBC
Set-up + year 1 ¹⁰	USD 2,950	USD 2,550	USD 4,550	USD 2,750
Year 2 onwards ¹⁰	USD 2,750	USD 2,000	USD 2,150	USD 1,990
Add-ons				
Resident director ¹¹	From USD 3,000 p.a.	From USD 3,000 p.a.	From USD 3,000 p.a.	From USD 3,000 p.a.
Corporate secretarial services ¹²	From USD 1,900 p.a.	From USD 1,900 p.a.	From USD 1,900 p.a.	From USD 1,900 p.a.
Bank account opening ¹³	From USD 2,000	From USD 2,000	From USD 2,000	From USD 2,000

All fees are VAT-exclusive

10. Inclusive of government and registered agent and registered office fees. Breakdown of fees to be outlined in fee quote.

11. JAFZA and RAK ICC Director Fees are indicative rates only. Higher rate may apply depending on the company's operational risks. Provision of a Resident Director is subject to compliance review and approval. Extra necessary administrative work shall be billed on a time-spent basis at rates ranging between USD 100.00/hour and USD 350.00/hour, depending on the required level of seniority.

12. To find out more about our different corporate secretarial services packages, please refer to our fact sheet "[Corporate Secretarial Services - Available Packages](#)".

13. Indicative rate. Timeframe and requirements depend on the complexity of the structure.

Who we are

We are a multi-services platform catering to a broad spectrum of clients – from individual entrepreneurs and local SMEs to wealthy international families, to established blue-chip companies and multinationals. Our one-stop-shop offering is unique in the Middle East: a holistic and cross-disciplinary combination of a market-leading corporate services firm, a law firm's specialist expertise and a regulatory & compliance services practice, all through one single platform.

We have broad experience in facilitating entry-to-market for businesses across all major fields of activities. We have a one-of-a-kind practical expertise understanding and handling complex corporate structures.

Headquartered in the UAE, we are an entrepreneurial firm for entrepreneurial clients.

Who will assist you



Rima Chodhri
Head of Corporate Structuring
✉ chodhri@m-hq.com



Yann Mrazek
Managing Partner
✉ mrazek@m-hq.com