

Free Zone

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What is a Free Zone?

A free zone is a portion of clearly defined and isolated land or setting, with a special tax, customs and imports regime, that is different from the mainland area (country) usually involving a status of extra-territoriality.

The reason to establish a free zone is to serve as a central business hub for companies willing to conduct business with the outer world, not specifically to the country that the free zone resides. In this case, UAE free zone companies are intended to operate within the free zone as a hub for the worldwide operation. They are not licensed to operate within the UAE mainland area. In the past, free zone companies imported and re-exported products from the free zone. However, now a large portion of these free zone companies also do business with clients in the UAE and GCC areas with local distributors.

The Free Trade Zone is not a new concept. They have existed since 300 BC in the Greek island of Delos. However, now they have become an economic development tool. It is estimated that there are more than 3,000 free zones operating in about 120 countries.

In the UAE, the first Free Zone was Jebel Ali which was developed in 1985 and provided international businesses a hub which connected the East and West. Currently, there are over 40 free zones all over the UAE.



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Advantages of a Free Zone

Companies who use free zones enjoy many advantages:

100% foreign ownership is allowed in free zone business	Modern efficient communications
No personal income or capital gain taxes	Liberal labor laws and no recruitment problems
No corporate taxes	Attractive working environment
No duties on import or export	No currency restrictions
100% repatriation of capital and profits	Excellent support services

Dubai Free Zones

Advantages and disadvantages of free zone company formation

<h4 style="color: #008080;">Advantages</h4> <p>UAE national shareholder not required! FZ companies do not require a UAE national shareholder. While it is mandatory to rent an office at a low cost, it is not necessary to hire staff</p> <p>Tax exemptions FZ companies are exempt of corporate taxes and personal taxes, minimising withholding tax on remittance to other countries</p> <p>No customs duties No customs duties are imposed on goods imported and exported from the FZ</p> <p>Other benefits</p> <ul style="list-style-type: none"> i) Low bureaucratic requirements for incorporation ii) Fewer restrictions relating to staff recruitment iii) No import/export taxes iv) High quality infrastructure facilities v) competitively priced energy and utilities 	<h4 style="color: #800000;">Disadvantages</h4> <p>Business activities confined A FZ company must confine its business activities to the zone itself and so, cannot cater to customers in Dubai and within the UAE. Violations of this provision encompasses a fine up to US\$35,000</p> <p>Paid up share capital Paid up share capital of a FZ company ranges from US\$14 to US\$300,000 depending on i) the FZ chosen ii) the company structure After incorporation, the share capital can be used to fund daily business activities</p> <p>Business activities confined Company licenses are renewable annually after FZ laws are compiled with including submitting audited financial statements to authorities</p> <p>Rent office A FZ company must rent an office within its zone, and cannot rent an office in Dubai city center</p>
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UAE Free Zones

UAE has showcased its country with its Free Trade Zones. They have witnessed an amazing increase in industrial development and one of the most significant success stories is the Free Zones. The Emirate of Dubai has up to 30 Free Zones, the Emirate of Sharjah and the Northern Emirates have 10 Free Zones, and the Emirate of Abu Dhabi has up to 6 Free Zones. These Free Zones have been the strong pillars of the country's diverse economic performance attracting foreign investments, new jobs and increased technology. This has put the UAE ranking as the third most important re-export center in the world.

The facilities associated to the Free Zones are perfect for running business operations:

- Pre-built warehouses / factory / or office units
- Executive office suites in the International Business Center
- Land available for lease for investor development
- Favorable cost of living
- Transportation connectivity by air, sea and road
- Abundant and inexpensive energy



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Setting up a Business in a Free Zone

Each type of free zone has specific laws associated to it. Depicted below provides the 3 categories based on the business activities.



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Activities allowed in a free zone

There are many free zones in UAE and each one has its own preferences with rules and regulations. In the Jebel Ali Free Zone the activities include IMPORT, EXPORT, MANUFACTURING, PROCESSING, ASSEMBLING, PACKAGING, DISTRIBUTION, CONSOLIDATION, STORAGE AND LOGISTICS.

How can RAK Logistics help you?

RAK Logistics has free zone operations in both Jebel Ali and Ras Al Khaimah. We are one of the few companies who actually have facilities and offices in both Northern and Southern Emirates. Our tax and duty free zones are built to service customers for sub assembly and bonded exports to countries in the region and globally. Our facilities in both regions help us service our customer better with their day-to-day transactions covering the entire UAE market.

RAK Logistics is a ONE STOP SHOP for our customers as we are providing a wide range of services (Air, Sea, Land, Brokerage, Warehousing, etc.) compared to many other forwarders in the market. Our flexibility and economical pricing brings a full solution to our free zone customers. Our expertise in understanding the different processes that occur in each free zone, allows us to move goods quickly and help our customers realize the rules and processes between free zones.

Some of the services currently providing:

- Storage
- Consolidation

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About RAK Logistics

Our global organization combines 10 different organizations located in 17 countries with over 1,000 trained logisticians and local entrepreneurs in an expanding worldwide network of locations. We are a group of progressive business owners from all corners of the globe who have come together to create a unique enterprise.

Our vision is to be the leading ASEAN headquartered integrated logistics company. We are developing operations in all ASEAN countries plus we enjoy a strong strategic presence across the globe. Our 4 primary objectives are the cornerstone of our company:

- 1) WE VALUE OUR CUSTOMERS
- 2) WE VALUE OUR EMPLOYEES
- 3) WE VALUE BEING IN THE RIGHT PLACE.
- 4) WE VALUE FLAWLESS EXECUTION.

RAK Logistics collaborates with private equity firm, Samena Capital. This private equity company focuses on investments across multiple asset classes in the Sub-continent, Asia, Middle East and North Africa, collectively known as the SAMENA region - our sweet spot.

If you are responsible for ensuring customer satisfaction in your supply chain, you want to select a partner who is as invested in your deliverables as you are. Let me tell you about our RAK Logistics team!

Contact us at SALES@RAKLOGISTICS.COM for more information.

