

## Legal Forms of Companies

### 1. SOLE PROPRIETORSHIP

A Sole Proprietorship is a business owned by an individual, not a company. This individual will possess 100% of the business, control the all part of its activities and keep 100% of any profits. He or she will likewise be 100% in charge of business obligations and some other financial commitments.

#### Activities:

- An industrial or commercial type Sole Proprietorship can be possessed just by UAE Nationals or GCC Nationals.
- The proprietor of a sole proprietorship occupied with consultancy activities must have earned a scientific qualification for the same selected activity.
- Certain activities that go with this legal form can be carried out only by UAE nationals.

#### Owner(s):

An individual of any nationality can own professional-type sole proprietorship. If the proprietor is a National of a country other than the UAE or GCC, they require a Local Service Agent (LSA). A corporate body can't possess a sole proprietorship.

### 2. CIVIL COMPANY

A Civil Company is a business partnership for professionals such as doctors, lawyers, engineers and accountants.

#### Activities:

- Partners of any nationality can carry out professional activities as per DED business regulations.

#### Owner(s):

- A Civil Company can be possessed by professional partners of any nationality. If the proprietor is a National of a country other than the UAE or GCC, they require a Local Service Agent (LSA).
- As long as the foreign company is in the same profession as the civil company, a foreign company can be a partner in a Civil Company.
- **A civil company for engineering must have one partner who is a UAE National, who owns no less than 51% of the business and must be an engineer of the same type as the business's activity.**
- A civil company can carry out consultancy activities however must be 100% possessed by professional partners of the same type as the business's activity.

### 3. ONE PERSON LIMITED LIABILITY COMPANY

The one person limited liability company is owned by one natural or one corporate body. This company is different from other forms that requires at least two parties to sign a contract. The one-person company comprises of only one person. It is like the sole-proprietorship however they vary in a few provisions, the most important of which is that its liability is limited to the single partner's share whereas in the sole-proprietorship the liability is unlimited.

**Activities:**

These activities are according to the procedures.

**Owner(s):**

- Corporate body or GCC/local person can set up and possess a one person company (LLC).
- A natural person (UAE national, or a decree-holder as per the procedures, or GCC national).
- **A corporate body (UAE or GCC establishment and 100 % owned by UAE or GCC nationals).**
- The license owner is called a shareholder.

**Manager(s):**

- A minimum of one and up to 11 managers should be appointed in the license.
- Any nationality manager can be appointed (according to the procedures)
- The manager and the license owner can be the same person.
- The number of the company's managers shouldn't surpass 11 managers.
- The company should inform the concerned authority about the end of service of the manager within a span of 30 days beginning from the end of service date. A new manager should be appointed during this period by the company.

**Trade Name:**

The trade name can be determined in two ways:

- Name of the shareholder + the activity + the legal form+ LLC  
Example: Mohammad Ahmad general trading one person co L.L.C  
OR
- The trade name + name of the shareholder + the activity + the legal form+ LLC  
Example: Golden sun owned by Mohammad Ahmad general trading one person co L.L.C

**Remarks:**

- The trade name should be identical to its proprietor's name followed by one person and ending with LLC.
- The trade name should follow its legal form.
- **Shareholder's name in the trade name can consist of two names at least for instance the first name + the second name or the nickname (consists of more than one name).**
- The phrase "owned by" should be mentioned if the trade name doesn't start with the name of the shareholder.
- The legal form should be fully mentioned "one person co."

**Memorandum of association:**

The notary public will issue and authenticate the memorandum of association for the company.

**Dissolving, liquidating, and stopping the activity of the company:**

- The company is dissolved by the demise of the natural person proprietor or by the dissolution of the establishing corporate body. However, the company shall not end with the passing of the natural person if the inheritors want it to continue. Its status shall be

adapted as per the provisions of this law and somebody should be appointed to manage the company on their behalf within duration of six months starting from the death date.

- If the proprietor of the one person company stops its activity before the end of its term or before achieving the purpose stated in its memorandum of association or dissolves it with bad intentions, he is personally held liable for its commitments.

#### **4. PRIVATE SHARE HOLDING COMPANY**

A Private Shareholding Company (Private Joint-Stock Company) is a partnership of 2-200 people. A minimum capital of AED 5,000,000 must be invested by the partners in the business.

##### **Activities:**

- For any commercial or industrial type of business, Private Joint-Stock Company can be created. Under this legal form professional activities are not allowed.
- To establish a private shareholding company, an approval from Ministry of Economy must be obtained.

##### **Owner(s):**

- A private shareholding company can be possessed by partners of any nationality as per DED business regulations. A corporate body can build up and own a private shareholding and the term "private shareholding company" shall be added to the company's name.
- No less than 51% of a Private Shareholding Company (Private Joint-Stock Company) must be possessed by UAE Nationals, and can be owed by GCC nationals by up to 100%.

##### **Manager(s):**

- The company must have an appointed manager according to DED business regulations.

##### **Capital:**

- Minimum capital of AED 5,000,000.
- While Private Company's (Private Joint-Stock Company) share can't be offered to the public, the business can be converted to a public company 2 years or more after its creation, given certain conditions:
  - The nominal value of the issued shares is fully paid up
  - A period of at least two financial years has expired.
  - **During the two years prior to the application for conversion, the company earned net profits distributable to the shareholders, the average value of which is not less than 10% of the capital.**
  - A resolution of the extraordinary assembly for company conversion is embraced by a dominant part of shareholders representing no less than three-quarters of the company's capital.

##### **Trade Name:**

- The trade name should be consistent and in proportion with the commercial activity of the firm. Name of the firm should be identical to the trade name. Both names must include at least one of the partners' names followed by the phrase "Private Shareholding Company".

##### **Branch(es):**

- The company can have more than one branch. Each branch can carry out one or all the activities included in the main business license.

**Assignment of License:**

- Branches of private shareholding company can be sold and waived to any company or any party. Its legal form can also be changed by the owner(s) as per DED procedures.

**5. PUBLIC SHARE HOLDING COMPANY (PUBLIC JOINT STOCK COMPANY) PJSC**

Company whose capital is divided into transferable shares of equal value is the Public Share Holding Company

**Activities:**

- Partners can carry out any industrial, commercial or professional business activities as per DED business regulations.

**Owner(s):**

- A public shareholding company can be possessed by partners of any nationality as per DED business regulations. Shares in public shareholding company can be owned by corporate body.
- A Public Share Holding Company must have a minimum of 5 establishing members who are UAE Nationals, owning between 30% and 70% of the capital shares.

**Manager(s):**

- The company must have at most 5 appointed managers according to DED business regulations.

**Capital:**

- Minimal capital of AED 30,000,000.

**Trade Name:**

- Name of any of the shareholders cannot be included in the business name, with the exception of patents registered in the name of a shareholder or if the business uses a store that has shareholder's name. The phrase "Public Shareholding Company" must be included in the business name.

**Manager(s):**

- The company must have at most 5 appointed managers according to DED business regulations.

**Branch(es):**

- The company can have more than one branch. Each branch may carry out one or all the activities that is included in the main business license.

**Assignment of License:**

Branches of Public Shareholding Company can be sold and waived to any part or company. The owner(s) can also change its legal form according as per DED procedures.

## **6. LIMITED LIABILITY COMPANY**

A Limited Liability Company (LLC) is an adaptable type of enterprise that mixes elements of partnership and corporate structures. An LLC must have between 2-50 investors, every one of whom is liable just to the extent of his or her share in the company's capital. Except for public shareholding organization, an LLC can be changed to any other legal form.

### **Activities:**

- LLC can carry out any commercial, industrial, professional or tourism activity. Some of the professional activities are excluded according to DED's business regulations other requires approval of authorities that regulate these activities.

### **Owner(s):**

- No less than 51% of LLCs must be possessed by UAE Nationals and can be owed by GCC nationals by up to 100%. For this situation, the capital can be distributed in an alternate proportion according to the Memorandum of Association.
- An LLC can be possessed by partners of any nationality as per DED business regulations. A corporate body can buy shares of an LLC.

### **Manager(s):**

- Between 1-11 managers must be appointed by the LLCs for the business. The managers might be chosen from the partners. Unless the Memorandum of Association states otherwise, the manager has full powers of administration. Within the scope of his or her powers, action of the manager and commitments are binding to the business.
- The company must send a termination notice to the concerned authority within a maximum period of 30 days from the date of the termination and during that period must appoint another manager.
- LLCs must appoint a UAE-accredited auditor.
- In case of resignation, the auditor must inform DED. The General Assembly must also inform DED in case the auditor was dismissed.

### **Capital:**

- The capital should not be specified but mentioned in the Memorandum of Association.
- Shares of an LLC can't be offered to the public. The company may not turn to public subscription to establish or increment its capital or secure loans, and it may not issue any negotiable stocks or shares.

### **Trade Name:**

- An LLC shall have a name derived from its activity or from the name of one or more partners.
- The term "with limited liability" shall be added to the company's name.

### **Branch(es):**

- An LLC can have more than one branch. Each branch may carry out one or all of the activities that are included in the main business license.

**Assignment of License:**

- Branches of limited liability company can be sold and waived to any party or company. The owner can also change its legal form as per DED procedures.

**7. SIMPLE LIMITED PARTNERSHIP**

Simple Limited Partnership is formed between a minimum of two partners that is one general partner and one limited partner. The general partners are liable for the liabilities of the company to the extent of all their personal and business assets; the limited partners are liable for a share of company liabilities equal to their share of the company capital.

**Activities:**

- Only commercial and industrial activities can be conducted by the company.

**Owner(s):**

- In a Simple Limited Partnership, general partners must be UAE Nationals and limited partners can be Nationals of other countries.
- Any share of the business can be owned by general partner and limited partner. No minimum or maximum ownership level for any partner.
- A limited partner may not intervene in administrative or management issues related to the other partners. If he or she intervenes, then the limited partner shall be responsible for all the business's obligations.

**Trade Name:**

- Company's name should be that of one or more of the general partners, considering that this is name of the company. The company can also have a special trade name. The name of any limited partner should not be mentioned in the company's name.

**Branch(es):**

- The company can have more than one branch. Each branch may carry out one or all of the activities that are included in the main business license.

**8. PARTNERSHIP COMPANY**

A single business where two or more people share the ownership is the Partnership Company. Each partner contributes to every aspects of the business and the company must be administered unless a contract assigns administration to one partner or to another party.

**Activities:**

- Only commercial and industrial activities can be conducted by the company.

**Owner(s):**

- Shares of the Partnership Company must be 100% possessed by UAE Nationals and can't be offered to the public or represented in negotiable certificates.
- Partnership Company can't be owned by GCC nationals or any corporate body.

- Partnership Company's owners are jointly and severally responsible for liabilities of the company, which means that if the business is unable to pay its debts with the proceeds of its operations, the personal and business assets of one or all of the partners can be used to pay creditors. No agreement can be made to the contrary against third parties.

**Trade Name:**

- The business name must contain the name of one or more of the partners, with adding a word indicating that it is the name of a business. If a non-partner with his or her knowledge is named in business's name, then that individual is jointly responsible for the debts of the business.

**Manager(s):**

- A Partnership Company can appoint only one manager in accordance to DED business regulations.

**Branch(es):**

- A Partnership Company can have more than one branch. Each branch may carry out one or all activities that are included in the main business license.

**Assignment of License:**

- Branches of Partnership Company can be sold and waived to any party or company. The owner(s) can also change its legal form as per DED procedures.

## **9. BRANCH OF A FOREIGN COMPANY**

**Activities:**

- A branch of a foreign company can carry out professional activities and some commercial and industrial activities.
- For practicing commercial and industrial activities, an approval from the Ministry of Economy is required.

**Owner(s):**

- A Branch of a Foreign Company is 100% possessed by the parent company and operate under the same name and also conduct the same business as the managing firm, so as to open a branch in Dubai.
- A Branch of Foreign Company also requires a Local Service Agent (LSA). LSA can be a UAE National or a company possessed by one or more UAE Nationals.

**Manager(s):**

- To represent the company and to open the branch, a branch of foreign company must have a manager appointed by the Board of Directors.

## **10. REPRESENTATIVE OFFICE**

A Representative Office for Commercial Activities isn't a business structure in its own right but it's a business activity that a branch can conduct. It has its own criteria, which incorporates the authorisation to promote and market the business of the parent company – however not conduct business operations. A Representative Office requires a Local Service Agent (LSA), who can be a UAE National or a company owned by at least one UAE Nationals.

The Agent's duties towards the company and third parties shall be limited to rendering necessary services to the company without his bearing any financial liabilities or commitments related to the company or its branches and offices inside and outside the State.

## **11. BRANCH OF DUBAI - BASED COMPANY**

### **Activities:**

- A Branch of Dubai- based Company must carry out one or all the activities that are included in the main company license. For a company having multiple branches, each branch can carry out various activities as long as they are all included in the original license for the main company.

### **Owner(s):**

- A branch of a Dubai-based company must be 100% possessed by the parent company.

### **Manager(s):**

- A branch manager should be appointed by a branch of a company.

### **Capital:**

- Not required.

### **Trade Name:**

- Branches of LLCs, public shareholding companies and private shareholding companies: The trade name of a branch can be different from the trade name of the parent company provided that the trade name of the branch includes the phrase “a branch of the parent company name” and the legal form of the parent company (e.g.: a branch of Gulf Company for General Trading LLC).
- Branches of civil works, partnership and simple limited partnership companies: The trade name of the branch must be exactly same to parent company's trade name.

### **Assignment of License:**

- To any party or company, the branches can be sold and waived. The owner(s) can also change its legal form as per DED procedures.



## **12. BRANCH OF UAE- BASED COMPANY**

### **Activities:**

- A Branch of a UAE-based Company must carry out one or all the activities that are included in the main company license. Different activities can be undertaken by each branch for a company with multiple branches, as long as they all were included in the original license for the main company.

### **Owner(s):**

- A branch of a UAE-Based Company must be 100% possessed by the parent company.

### **Trade Name:**

- The trade name of the branch must be exactly same as the trade name of the parent company. If the same name is previously registered in Dubai, then the trade name of the parent company must be changed.

## **13. BRANCH OF A GCC- BASED COMPANY**

### **Activities:**

- A Branch of a GCC-based Company must carry out one or all the activities that are included in the main company license. Different activities can be undertaken by each branch for a company with multiple branches, as long as they all were included in the original license for the main company.
- While other GCC countries may follow various rules in terms of combining activities, for Dubai branch licenses, activities of the same group only will be accepted, regardless of whether other activities are registered in the GCC main company.

### **Owner(s):**

- A Branch of a GCC-based Company must be 100% possessed by the parent company.

### **Trade Name:**

- The trade name of the branch must be exactly same as the trade name of the parent company. If the same name is previously registered in Dubai, then the trade name of the parent company must be changed.

## **14. BRANCH OF A FREE ZONE COMPANY**

### **Activities:**

- A branch of a free zone company can practice professional, commercial and industrial business as long as the main company's activity is authorised in mainland Dubai. If the main license of your company was issued in a UAE free zone, (not as a branch of a foreign company), then you can obtain a branch license from DED in order to expand your operations to mainland Dubai.

### **Owner(s):**

- For a branch of free zone company, you will need an approval from Ministry of Economy and a Local service agent, if there is no local shareholder in the main company, or the local shareholder in the main company owns less than 51% of the shares.
- Companies owned 100% by GCC nationals don't need a local service agent.

### **15. INTELAQ (Home-based business for UAE Nationals)**

An Intelmaq License Company can only be established by UAE Nationals. It is a home-based business which can conduct almost any type of professional, trade or artisan business. The business must be reasonable to operate in a residential atmosphere. The environment or the health of a person must not be harmed by the business and also should not generate noise or other irritants that could negatively impact neighbours. The following legal forms can be taken: Sole Establishment, LLC, Civil Company and Partnership. Intelmaq license holders are not allowed to sponsor employees.

#### **Activities:**

- Each person can have only one commercial or professional Intelmaq license but more than one related activity can be operated under this license.

#### **Owner(s):**

- 100% owned by UAE National. An Intelmaq license doesn't permit the owner of the business to hire staff but can engage contractors.

### **16. SME LICENSE**

An SME license can be given to businesses that are owned 100% by UAE Nationals and can take any legal form. This license is valid for three years and permits the owners to sponsor employees.

#### **Owner(s):**

- 100% owned by UAE National.