



Registration of foreign branches with the UAE Ministry of Economy

31 MAR 2017

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Until recently branches of foreign companies registered in the Emirate of Dubai, conducting activities classified as "professional" in nature, were not required by the Dubai Department of Economic Development (DED) to be registered with the UAE Ministry of Economy (MOE). Previously, the practice was only for branches conducting activities classified as "commercial" to be registered with the MOE.

This practice has recently changed and the DED is now requiring all foreign branches (registered outside of free zones) in Dubai to be registered with the MOE irrespective of their activities or licence type.

In some cases where foreign branches with professional licences had not registered with the MOE ("Defaulting Branches"), penalties were enforced and the companies were asked by the MOE to retrospectively make payment of the registration fees and applicable fines for non-registration. We understand that some Defaulting Branches are appealing to the MOE in respect of those fees and fines on the basis that the DED had not made them aware of the requirement to register with the MOE.

Given that a number of branches of foreign companies conducting professional activities in Dubai are affected by this change, we recently met with the Deputy Manager of MOE to obtain clarity on the requirement to register professional branches with the MOE. We were informed that:

- All branches of foreign companies (irrespective of their activities or licence type) must register with the MOE
- Defaulting Branches will not be arbitrarily inspected by the MOE and will not be requested to register with them unless such branches voluntarily attend to the registration with the MOE. In this case, they will be required to pay the registration fees from the time of first issuance of their licence and also fines for failing to register the branch with the MOE
- The MOE are aware that the DED has not in the past required the Defaulting Branches to register with the MOE
- The MOE does not have the ability to waive or reduce fees and fines applicable to Defaulting Branches. The MOE is seeking a decision to be issued by the Cabinet to provide clarity as to the applicable treatment of Defaulting Branches. At this time it is not known what the decision of the Cabinet will be but the MOE is of the view that the payment of the fees and fines may be subject to a cap

In light of these clarifications, it is now clear that it is mandatory for all branches of foreign companies (registered outside of free zones in Dubai) to register with the MOE, irrespective of their activities or licence. Such registration will require payments to be made to the MOE which will include an initial registration fee of AED 5,000 and a final registration fee of AED 10,000 (to be paid on an annual basis). Furthermore, as part of the final registration fee, it will be necessary to submit a bank guarantee in favour of the MOE in the amount of AED 50,000 (issued by a local bank with which the branch has a bank account). Such bank guarantee is against any future liabilities of the branch and will remain with the MOE during the life of the branch and will be returned upon cancellation of the registration

of the branch.

For further information regarding registration with the MOE, please contact the authors.

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