GCC ENTITY STRUCTURES

A BDO guide to setting up a business in the Gulf nations

September 2024

Contents

Introduction

The Gulf Cooperation Council (GCC) is an economic and political union of six countries: **Bahrain**, **Kuwait**, **Oman**, **Qatar**, **Saudi Arabia** and the **United Arab Emirates**. It was formed in 1981 to strengthen ties between the member states and foster enhanced cooperation in fields such as trade, religion, infrastructure, legislation, administration, security and defence.

One of the key factors contributing to the prosperity of the GCC region is its strategic position for trade, lying centrally between the Asian, African and European markets. This has led to the region's pivotal position for world trade, making it a premier transport hub. The region has also attracted a skilled and well-educated workforce, with expats making up roughly 50% of the GCC's population.

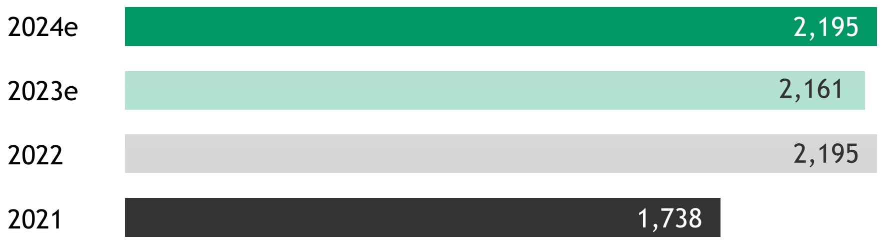
All this makes the GCC an exciting and profitable place to do business, offering growing markets and links to the major trading nations of the world. This is supported by a stable, well-regulated business environment, world-class infrastructure and skilled local resources, all of which provide a solid foundation for business operations in the region.

With so much opportunity in the GCC, it is natural for investors and international businesses to want to establish a foothold here. However, although the GCC states are welcoming and encourage investment, the landscape can appear daunting for businesses that are not familiar with the region, its customs and its business practices.

This BDO guide is designed to remove some of the mystery by providing clear, straightforward information on the options, requirements and procedures for setting up a business entity in the GCC. Each country has slightly different rules, so we have outlined the types of entities and business structures that are available for each country. This will help businesses unfamiliar with the region to make some initial plans before obtaining detailed help and assistance from their local BDO advisers.

The contact details for each of the BDO firms in the GCC can be found at the end of this guide: please do not hesitate to reach out if you require further advice.

GDP US$bn

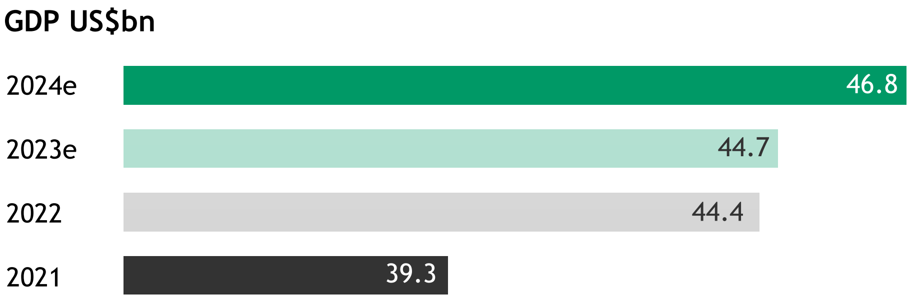


The GCC is home to some of the world's most developed and successful economies, offering diverse business opportunities. These were originally built on wealth created by oil revenues and the consequential boom in the construction and real estate sectors. More recently, the region has diversified greatly, enjoying sustained growth across many sectors including tourism, international trade, technology and financial services. The region has also become a destination for some of the world's leading entertainment and sporting events, such as the FIFA World Cup, held in Qatar, and Formula One racing in the UAE, Bahrain and Saudi Arabia, which also host numerous international golf and boxing events.

Bahrain
OVERVIEW

Bahrain is a key member of the Gulf Cooperation Council (GCC) and stands out as a strategic hub for foreign investment due to its liberal economic policies and business-friendly environment.

Traditionally recognised for its strong financial services sector, Bahrain has diversified its economy to attract various industries such as logistics, manufacturing, investments, information technology and financial technology. Its commitment to regulatory transparency and ease of doing business makes Bahrain an appealing destination for foreign investors looking to establish a presence in the Gulf region.



Types of entities available for foreign businesses

Bahrain offers a range of business entity structures, governed by the Bahrain Commercial Companies Law and regulated by the Ministry of Industry and Commerce (MOIC) and various Free Zones, including industrial and logistics zones. These structures cater to different business needs and investor goals, providing flexibility and strategic advantages.

This section offers an overview of the various business entity structures available to foreign investors in Bahrain, highlighting the main requirements, restrictions and advantages of each.

2 hours
ahead of GMT

0.38
US$ to Bahraini Dinar (BD)

US$ 28,876
GDP per capita 2024

Bahrain

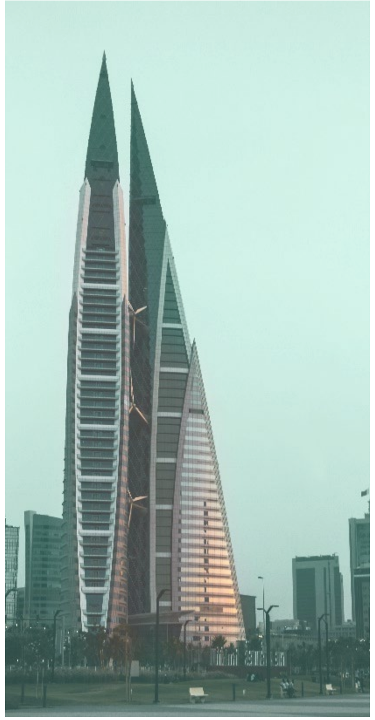
MAINLAND BUSINESS ENTITIES

Public shareholding company (BSC)

The public shareholding company (BSC) in Bahrain allows companies to issue shares to the public, making it ideal for large-scale enterprises. It requires a minimum of two founders and a minimum capital of 1 million Bahraini Dinars (BD). Shareholders enjoy limited liability and the company must be governed by a board of directors with mandatory annual audits. Foreign investors can own up to 100% of shares in sectors like banking, financial services and insurance, subject to regulatory approval.

Closed shareholding company (BSC closed)

A closed shareholding company is similar to a public shareholding company but does not publicly offer shares and isallowed to practice the activities of banking, financial and insurance services. It requires at least two shareholders and a minimum capital of 250,000 BD. This structure allows full foreign ownership and is suitable for businesses seeking limited liability without the need for public trading.



Limited liability company (WLL)

This is the most flexible structure for small and medium-sized enterprises. A WLL can be formed by one or more individual or corporate entities, with partners' liability limited to their contributions. There is no minimum capital requirement and full foreign ownership is permitted for most business sectors. However, WLLs are restricted from engaging in banking, insurance or investment activities.

Non-profit company (NPC) (WLL)

Operating as a limited liability company (LLC), the non-profit company is tailored for activities that are not primarily profit driven. It reinvests profits into its objectives and cannot distribute profits to partners. This structure suits organisations focused on social, cultural or charitable initiatives.

Bahrain

MAINLAND BUSINESS ENTITIES

Partnership company

A partnership company is a company established by two Individual partners or more, the partners share joint and several liabilities, with each partner assuming merchant status. While there are no minimum capital requirements, this structure is prohibited from engaging in banking or insurance.

Simple commandite company

This entity is a limited partnership company and consists of one or more joint partners who are fully liable for the company's obligations, while sleeping partners - who are capital contributors without management involvement - are liable for the company's obligations to the extent of their shares in the share capital. It suits joint ventures with passive investment.

Commandite by shares company

This is a limited partnership by shares, combining partnership and shareholding elements, with a structure involving joint partners managing the company and managers' names mentioned in the company's Deed of Association: their responsibility is as founders of the company. The other class of partners are limited partners bearing liability only to the extent of their shares in the share capital. It requires a minimum capital of 20,000 BD and the appointment of an auditor.

Foreign branch / representative office

Foreign companies can establish branches or representative offices in Bahrain, allowing operations without forming a separate legal entity. Branches can conduct commercial activities, while representative offices are limited to marketing and promotional tasks. Compliance with Bahraini laws is mandatory and all documents must be in Arabic or English.

Bahrain

LOGISTICS AND INDUSTRIAL PARK ZONES BUSINESS ENTITIES

Bahrain offers alternative structures for businesses seeking enhanced incentives and benefits, such as tax exemptions, zero customs duties for manufacturing sectors and easier regulatory requirements. The Bahrain Logistics Zone (BLZ) and Bahrain International Investment Park (BIIP) offer a range of solutions that meet the needs of growing logistics operations and land spaces with a competitive rate, as well as a custom pre-built unit. These zones are based on prime locations close to seaport and airport, which are efficient for the operation of manufacturing, logistics and re-exporting sectors.

The companies and branches registered in these zones derive a range of benefits, including the registration process of the companies being streamlined, with the possibility of 100% foreign ownership for businesses focusing on logistics, manufacturing and other sectors benefitting from Bahrain's strategic location, being in the vicinity of other commercial hubs.

Bahrain

KEY REQUIREMENTS AND CONCLUSION

Key requirements, restrictions and benefits

Most Bahraini business entities allow 100% foreign ownership and offer flexibility across various industries. The strategic benefits include Bahrain's favourable tax environment, with no corporate or income taxes for most businesses and access to advanced infrastructure. However, entities must appoint auditors, conduct annual meetings and comply with anti-money laundering regulations. Businesses must also align with economic substance requirements and maintain proper financial records.

Conclusion

Selecting the appropriate business entity structure in Bahrain requires careful consideration of strategic objectives, industry focus and regulatory compliance. The choice should align with the business' goals, risk tolerance and operational needs. Conducting thorough due diligence and seeking professional advice are essential steps for navigating the Bahraini legal landscape effectively. By aligning investment strategies with local regulations and leveraging Bahrain's business-friendly environment, investors can capitalise on the opportunities offered by this dynamic market.

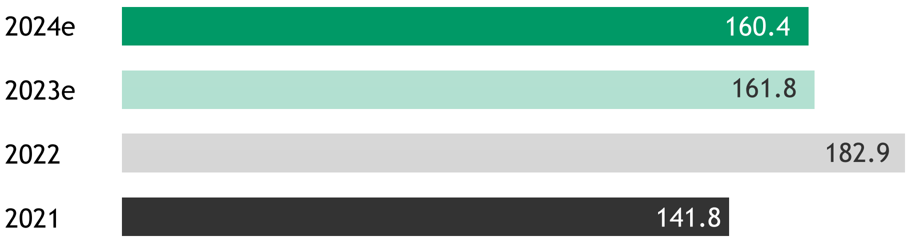
Kuwait

OVERVIEW

Kuwait is a constitutional emirate in the Arabian Gulf and is strategically located next to three major markets - Saudi Arabia, Iraq and Iran - making it an attractive option for international investors aiming to set up operations in the Gulf region.

Kuwait's Vision 2035 is aimed at transitioning Kuwait into a financial and trade hub and attracting foreign investors. In the short to medium term, the country plans to invest heavily in projects related to infrastructure, construction and the oil & gas sectors.

GDP US$bn



Kuwait follows a civil law system and is one of the most democratic countries in the region. It holds approximately 7% of the world's oil reserves and has the world's strongest currency, with its sovereign wealth fund being ranked fifth largest globally. The country has a strong banking system and there are no foreign exchange controls.

The official religion is Islam and official language Arabic, although English is widely spoken. The population is 5 million, of which 2/3 are expatriates.

This section outlines the various business entity structures available to foreign investors in Kuwait, emphasising the primary requirements, restrictions and benefits of each.

2 hours
ahead of GMT

0.3
US$ to Kuwaiti Dinar (KD)

US$ 31,724
GDP per capita 2024

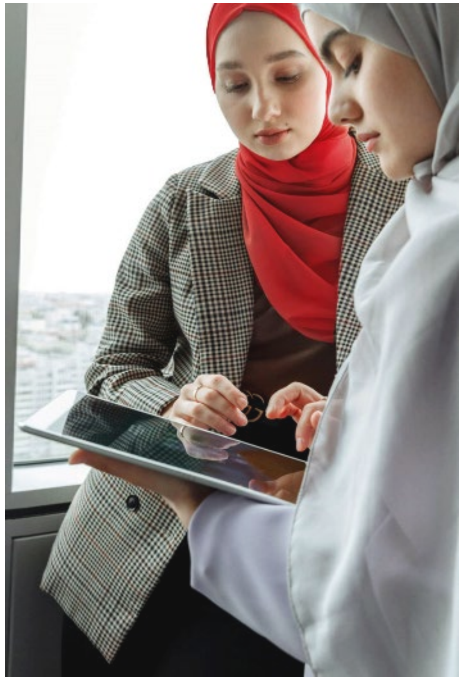
There is currently neither payroll tax nor VAT in Kuwait. Foreign companies doing trade or business there are taxed at a flat rate of 15% on net profit.

Kuwait

TYPES OF ENTITIES AVAILABLE FOR FOREIGN BUSINESSES

There are typically restrictions on foreign ownership of businesses in Kuwait. Generally, and subject to certain limited exceptions, foreign entities wishing to do business in the country must do so through either a Kuwaiti agent or by establishing a local entity with up to 49% foreign ownership.

Law No 68 of 1980 (the Commercial Law) prohibits foreign entities and individuals from carrying out business in Kuwait, except through either a local agent or through a Kuwaiti partner. This is normally facilitated through the formation of a Kuwaiti company with Kuwaiti or GCC participants owning at least 51% of the capital. One of the exceptions to the above is the establishment of a 100% foreign owned company or branch under Law No 116 of 2013, the Foreign Direct Investment Law (FDIL). This requires the foreign investor to obtain an approval from the Kuwait Direct Investment Promotion Authority (KDIPA) to establish an entity under FDIL: please see more detail below.



The recently issued Law No. 1 of 2024 replaced Article No. 24 of the Commercial Law that prohibited foreign entities from establishing a branch in Kuwait. This new 2024 Law now permits foreign entities to establish a branch in Kuwait to conduct business there without the need for a Kuwaiti agent. However, as of July 2024, the implementing regulations and procedures have not yet been issued.

Except in limited cases, GCC nationals are offered the same rights to establish and to do business in Kuwait as Kuwaiti nationals. Accordingly, GCC individuals and GCC companies wholly owned by GCC nationals are usually permitted to establish a branch and to own up to 100% of the capital of a Kuwaiti company, except in limited cases.

Kuwait

BUSINESS STRUCTURES AVAILABLE TO FOREIGN COMPANIES AND INVESTORS

Unless an exception applies, a foreign company may conduct business in Kuwait through:

Sponsorship / agency model

A Kuwaiti merchant or entity having a licence to carry out the business that the foreign company intends to establish in Kuwait is appointed as an agent of the foreign company. An agency agreement should be drafted to set out the role and responsibility of the agent and the principal and must be registered with the Kuwait Ministry of Commerce and Industry (MOCI).

The agent becomes the foreign entity's legal representative in the country and typically takes care of licencing formalities and arranges visas for the employees of the principal. The agent normally charges a fee for their services and the use of their licences.

Key advantages of the agency business model are the ease of set up and the minimal regulatory compliances that are required to be met by the foreign principal. On the other hand, goods and equipment imported by the foreign principal must be in the name of the agent, and any employees seconded by the principal to Kuwait will need to be sponsored by the agent.

From a tax perspective, entering an agency arrangement may create a taxable presence in Kuwait for the foreign principal. Under Kuwait Income Tax Decree No.3 of 1955 as amended by Law No.2 of 2008 (the tax law), entities doing trade or business in Kuwait, directly or through an agent, are taxable in Kuwait.

Unincorporated joint venture (JV)

A JV may be formed by two or more persons. An incorporated JV is governed by a JV agreement which usually details all the roles and responsibilities and profits or revenue share of the parties involved. There are no requirements for registering an incorporated JV in Kuwait but foreign entities participating in an unincorporated JV are still technically restricted from conducting business there unless they appoint a Kuwaiti agent. A Kuwaiti agent / sponsor is also required to import equipment and sponsor the employees of the JV partners.

Unincorporated JV structures are typically suited for foreign companies bidding for and executing large (EPC) contracts. A JV is a flexible option for doing business in Kuwait due to minimal compliance requirements and the fast formation and dissolution process.

Each foreign partner in a JV may have Kuwait tax filing obligations to disclose their revenue / profit share in the JV.

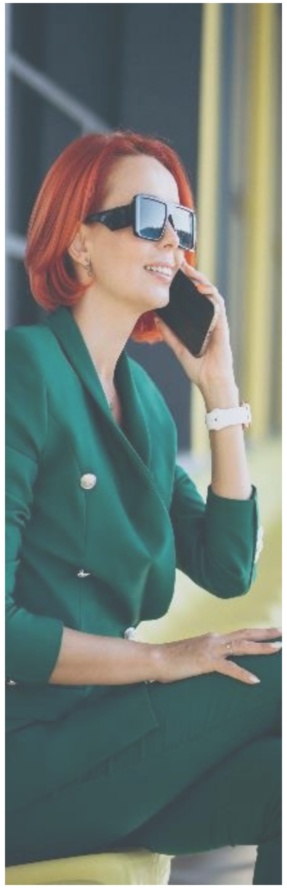
Kuwait

BUSINESS STRUCTURES AVAILABLE TO FOREIGN COMPANIES AND INVESTORS

Establishing a company - limited to 49% foreign ownership

Unless approval is obtained from KDIPA to set up a wholly owned subsidiary in Kuwait under FDIL, a foreign company can enter the Kuwait market through the establishment of a Kuwaiti company, subject to maximum foreign ownership of 49% of the capital of the Kuwaiti company. The balance of 51% must be owned by Kuwaiti / GCC nationals or Kuwaiti/GCC companies fully owned by Kuwaiti/GCC nationals.

The common types of companies typically chosen by foreign entities to operate in Kuwait are as follows:



With limited liability company (WLL company)

This is a business vehicle commonly used by foreign companies to conduct business in Kuwait. The maximum foreign legal ownership is 49% unless approval is obtained from KDIPA. A WLL company can have a minimum of 2 and a maximum of 50 shareholders and must have a physical office in Kuwait.

Except in limited cases, the minimum share capital requirement is currently KD 100 (approx. USD 300) per licenced activity. Certain activities such as banking and insurance cannot be carried out by WLL companies (a shareholding company must be formed instead - see more below). The liability of shareholders of a WLL company is limited to the extent of their share capital contribution in the company.

Foreign (non-GCC) corporate shareholders in a Kuwaiti company typically have tax compliance obligations with respect to their economic interest in the Kuwaiti incorporated company.

Kuwait shareholding companies (KSCs)

KSCs can engage in various activities, including banking and insurance, which are not permitted to be performed by WLL companies. The maximum foreign ownership is 49% unless approval is obtained from KDIPA. There are two categories of KSC: a Kuwaiti closed shareholding company (KSCC) and a Kuwaiti public shareholding company (KSCP). The minimum required capital is currently KWD10,000 for KSCC and KWD 25,000 for KSCP - but can be significantly higher depending on the activities chosen.

Generally, KSCs are not a popular business vehicle for foreign investors given that they are subject to higher capital requirements, more stringent regulations and are more expensive to administer. Further, KSCs are required to pay 1% of their net profit as Zakat, as well as an additional 1% to Kuwait Foundation for Advancement of Sciences (KFAS). KSSP are subject to an additional 2.5% tax on the net profit, known as National Labour Support Tax.

Key advantages of this business vehicle are that the assets can be imported and registered under the name of the local company and the employees can be sponsored by the local company. The company can appoint a manager of any nationality - potentially an employee of the foreign shareholder - provided that the manager has a civil ID in Kuwait.

Kuwait

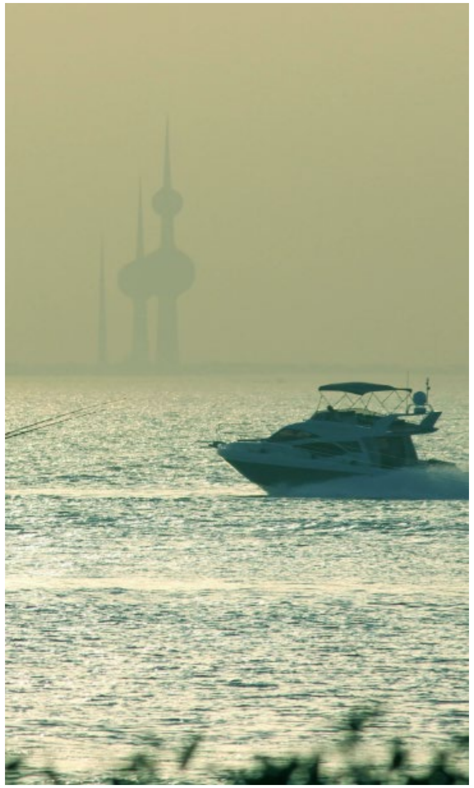
BUSINESS STRUCTURES AVAILABLE TO FOREIGN COMPANIES AND INVESTORS

Establishing a wholly owned entity under foreign direct investment law

The foreign direct investment law (FDIL) No. 116 of 2013 authorised the establishment of Kuwait Direct Investment Promotion Industry (KDIPA), which is responsible for promoting foreign direct investments in Kuwait. Under FDIL, foreign investors can apply to KDIPA to obtain approval to set up any of the following business vehicles:

- Up to 100% foreign owned company (wholly owned subsidiary)
- Licenced branch
- Licenced representative office.

In addition to the above, the investor may apply for income tax and customs exemption incentives, subject to meeting certain criteria.



KDIPA's approval is largely based on whether the proposed investment and activities are likely to benefit the Kuwait economy, using a scoring mechanism covering the following key aspects:

- Technology transfer
- Appointment and training of national labour
- Local market development and use of local goods and services
- Economic diversification
- Sustainable development and corporate social responsibility.

The process for establishing an entity under KDIPA requires the filing of an initial 'concept paper', essentially describing the proposed business and associated investment. If accepted, the investor will be invited to submit an application containing a business plan and other documentation for further evaluation by KDIPA.

Establishing a presence in Kuwait under FDIL permits a foreign investor to run their business in Kuwait freely, without a Kuwaiti agent or shareholder, meaning a saving on compensations typically required by a local partner. Further, the assets and employees can be imported or sponsored by the KDIPA licenced entity.

Kuwait

BUSINESS STRUCTURES AVAILABLE TO FOREIGN COMPANIES AND INVESTORS

Branch

Under Article No. 24 of Kuwait Commerce Law No.68 of 1980, a foreign entity is not permitted to establish a branch in Kuwait. The only exceptions where this is possible are for GCC companies owned by a GCC national and foreign companies that meet KDIPA's criteria, as described above.

Notably, Law No.1 of 2024 was issued in early 2024 permitting a foreign company to establish a branch in Kuwait and to conduct business there without a Kuwaiti agent. However, local authorities have not yet issued implementing regulations and the above has not been applied in practice as of the date of this document.

Free Zones

The Kuwait Free Trade Zone (KFTZ) is the only free trade zone in Kuwait and is based at Shuwaikh port. The Kuwait authorities stopped issuing licences to incorporate an entity in the KFTZ and we understand that they will not be renewing any existing licences.
The Free Zone Law provides for corporate income tax and customs duty exemptions.

Economic Zones (EZ)

Kuwait is in the process of designing and building the infrastructure for three EZs which will be located across the country and close to the borders with Iraq and Saudi Arabia. As of the date of this document, there is no definite timeframe when the EZs infrastructure will be ready - but it is likely to take at least two years, if not longer.

Kuwait

KEY REQUIREMENTS, RESTRICTIONS AND BENEFITS

Capital requirements

- WWL companies have a very minimal capital requirement of USD 300 per activity, except in limited cases. Kuwait shareholding companies have varying capital requirements based on their type and the company's activities
- In order to qualify to participate in certain government contracts, a higher capital maybe required
- Investors wishing to establish a company under FDIL will be expected to provide a higher capital than the
minimum requirements.

Registration processes

- Under an agency business model, the agency agreement is required to be registered with the Ministry of Commerce and Industry (MOCI)
- Incorporation of WLL and shareholding companies is similar and is done by filing an application with MOCI, setting out the name of the company, proposed activities, shareholders list and other details
- The timeframe to establish a company typically takes four to eight weeks, depending on the nature of activities and if any specific approvals are required
- Incorporation of an entity under FDIL is done through KDIPA by filing an initial 'concept paper' and, if approved, followed by a detailed business plan and other documents
- Forming an entity in Kuwait typically requires the lease of a physical office in Kuwait.

Restrictions on foreign ownership

- WLL and shareholding companies are subject to 51% Kuwait / GCC ownership
- FDIL allows foreign companies to register a branch and to set up a representative office and a wholly owned subsidiary with no local sponsor required, subject to meeting certain conditions.

Benefits

- Establishing a company with up to 49% foreign ownership provides the foreign investor access to the local market, the ability to appoint a foreign manager (subject to certain conditions) and the ability to import goods and equipment in the name of the company
- In addition, entities established under FDIL may benefit from income tax and customs incentives
- Certain government contracts are available for Kuwaiti companies
- For government tenders for product supplies, locally manufactured products are typically given a pricing advantage of up to 20%, as per Public Tender Law No. 74 of 2019.

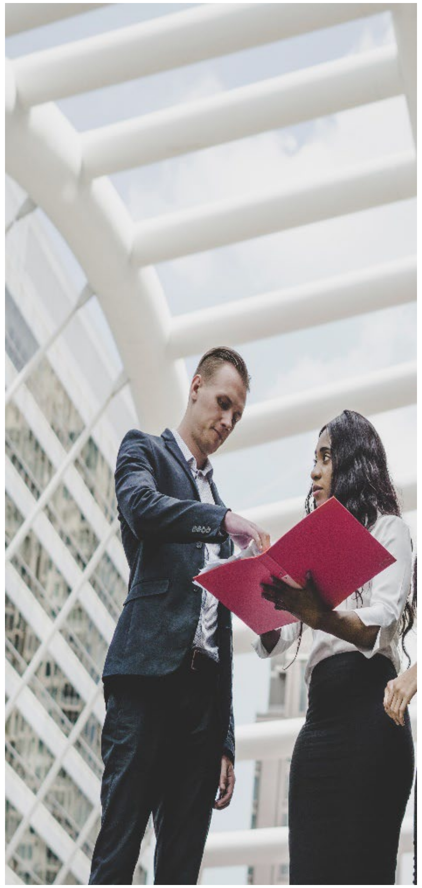
Kuwait

CONCLUSION

Key considerations for choosing the right structure

When selecting the appropriate business entity structure, foreign investors should consider:

- **Type of business:** Choosing the right business vehicle to enter the Kuwait market depends on the nature of the proposed business, type of sector and whether the goal is to win government contracts or to do business with the private sector
- **Market entry strategy:** For new entrants from certain industries, consider the benefits of appointing a local agent to market the products and services before committing to local entities' set-up and ongoing compliance costs
- **Government contracts:** Certain governmental authorities require bidders to go through the registration and qualification process first. This can be applied prior to creating a local entity. Manufacturers should consider the pricing advantage available to locally manufactured products for the purpose of public tenders
- **Tax structure:** Currently Kuwait applies 15% income tax to foreign companies. The effective tax rate can become higher if certain costs are disallowed by the tax authority. Investors need to consider a tax-efficient structure when entering the Kuwait market
- **Regulatory compliance:** Ensure compliance with Kuwaiti laws, including ownership, capital, operational and tax requirements.



Importance of due diligence, tax advice and aligning investment goals with local regulations

There is no size that fits all. Understanding the local laws and current practices is a critical step. Investors should conduct thorough due diligence to understand the local market, regulatory landscape and seek professional advice to navigate the complexities of the Kuwait business environment. Align investment goals with local regulations to ensure sustainable, profitable and compliant business operations.

By considering these elements and selecting the right business structure, international investors can fully capitalise on Kuwait's strategic benefits to achieve success.

Sultanate of Oman

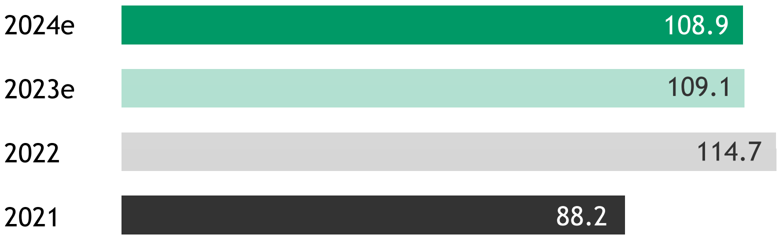
OVERVIEW

The Sultanate of Oman is strategically positioned at the intersection of the southern coast of the Arabian Sea, the Sea of Oman and the Arabian Gulf, which positions Oman as an attractive option for investors looking to carry out international trade and contributes to it becoming a hub for regional and global investments.

International experts agree that this advantageous strategic location has made Oman a significant player in the Middle East's oil and gas industry, making it an epicentre for international transportation, storage and distribution of oil and gas in the region.

As the global economy grapples with geopolitical instability, Oman sees itself at a pivotal juncture in its economic history. Oman's Vision 2040, an ambitious roadmap for economic development, represents a critical shift in the country's strategy to reduce its dependency on oil and gas revenues and create new opportunities for growth and prosperity.

GDP US$bn



With the introduction of Vision 2040, Oman is at the cusp of opening its gateways to foreign investors in Oman. Accordingly, the country aims to develop local manufacturing and attract foreign investments to implement major economic projects by following the best international practices in developing the industrial sector and establishing a long-term strategic partnership.

Here, we provide an overview of the various business entity structures available for foreign investors in Oman, covering the essential requirements, restrictions and benefits associated with each.

3 hours
ahead of GMT

0.38
US$ to Omani Rial (OMR)

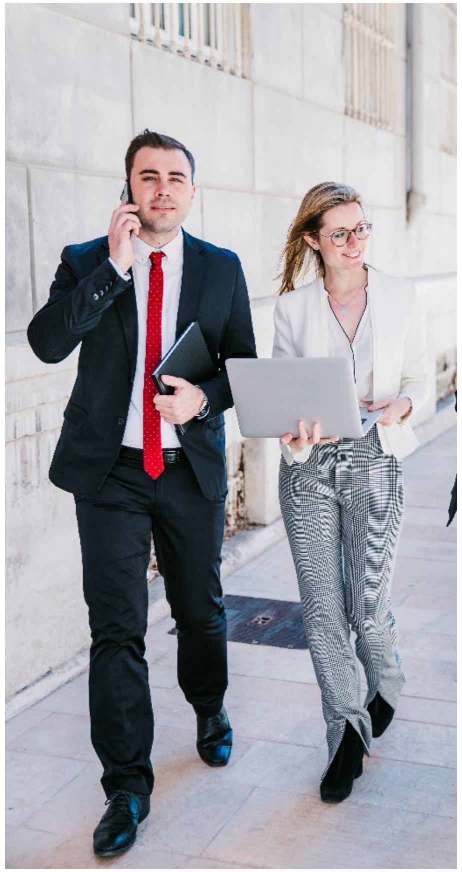
US$ 20,913
GDP per capita 2024

Sultanate of Oman

INTRODUCTION AND MAINLAND OMAN

Oman offers several opportunities for foreign investors to consider when entering this diverse yet complex market. Along with selecting the correct type of business, it is also critical to select the kind of entity that a business would wish to set up in Oman. There are two main options for investors to start up businesses, the first in mainland Oman and the second in one of Oman's free zones.

An entity can be registered on the mainland under the Commercial Companies Law (CCL) as a general partnership, limited partnership, joint venture, joint-stock company, holding company, branch of a foreign company or limited liability company. The process for setting up the business is through Royal Decree 18/2019 - CCL.



General partnership

When two or more natural persons collaboratively establish a business venture, it is termed as a partnership firm. The partners are jointly liable for the company's debts to the full extent of their property and the shares in a general partnership are not represented by negotiable instruments. All the partners duly approve the bylaws in the form of a constitutive contract of a general partnership and must register said partnership and the constitutive contract within thirty days from the date of signing of these documents.

Limited partnership

A limited partnership is a company comprising two categories of partners:

- One or more general partners - Jointly and severally liable to the full extent of their property
- One or more limited partners - Limited to the extent of their contribution to the share capital.

When performing any role in the management of the company, the limited partner is jointly liable for any obligation arising against the company during the performance of the role. The registration of limited partnership should be carried out within thirty days from the date of signing of the constitutive contract.

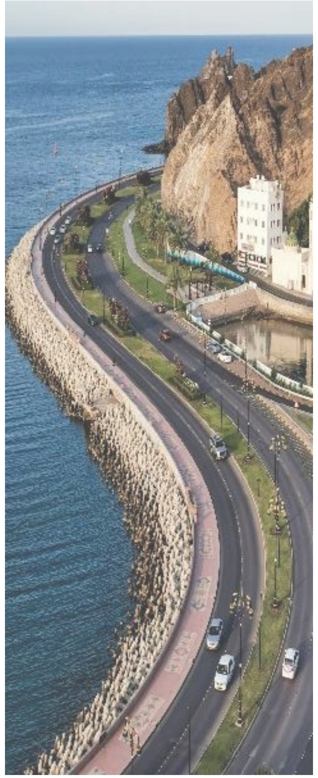
The limited partnership business is very popular within Omani and GCC Nationals. The foreign investor may be a limited partner but should refrain from getting involved in the management functions of the company due to the risk associated with his contribution of share capital.

Sultanate of Oman

MAINLAND OMAN

Joint Venture (JV)

A JV is an entity comprised of two or more natural or juristic persons. There is no requirement for this form of business to be registered. The joint venture contracts between the JV partners define its objectives, rights and obligations and methods of distributing profits and losses. Both the parties to the JV must conduct business independently, based on the agreed framework arrangement between them. This form of doing business is quite popular in Oman because it is primarily project / assignment-centric and is dissolved once the project is completed.



Joint stock company

A joint stock company is a business entity with share capital divided into shares that can be traded in the open market, subject to certain conditions specified by law.

Formation

The founders of a public joint stock company may subscribe to no less than 30% of the shares of the company and no more than 60%. However, if a company is converted into a public joint stock company, the maximum is 75%.

Share capital

The minimum issued share capital requirement:

- General joint stock company - OMR 2 million
- Closed joint stock company - OMR 500,000.

With the approval of the annual general meeting, a portion of net profits can be converted into shares. This will increase issued share capital and enable companies to reinvest their profits.

Through the extraordinary general meeting, the company may:

- Increase the authorised share capital
- During the increase, the company may allot share capital to employees within a maximum of 5% of such issuance.

Joint liability

The Board of Directors and the auditors of a joint stock company will be jointly liable for damages caused by their failure to take necessary measures to safeguard the company's capital. In case the company loses 25% of its capital, the Board of Directors need to take necessary measures to remove the reasons causing such loss and restore the company's profitability. If the company loses 50% of its capital, an extraordinary general meeting must be convened to take the necessary decision in this regard. The meeting must be convened within a maximum of 30 days from the date the Board verified the loss in capital.

Sultanate of Oman

MAINLAND OMAN

Holding company

A holding company is an entity that exercises financial and administrative control over one or more joint stock or limited liability companies, which become its subsidiaries through the holding of at least 51% of the shares in each of such companies.

The share capital of the holding company shall not be less than Omani Rials 2 million.

The objectives of the holding company include:

- Managing the subsidiary companies and participating in the management of other entities
- Participating in the establishment of joint stock companies
- Providing guarantees, loans and finance to its subsidiary companies
- Acquiring patents, trademarks, concessions and other intangible rights for its subsidiary companies.

Branch office of a foreign company

A branch office of a foreign company is a very popular legal form of establishment in Oman. The branch benefits from 100% foreign ownership. The Foreign Capital Investment Law contains provisions regulating the formation of a branch office of foreign companies in Oman.

For the establishment of a foreign company's branch, it is necessary that the foreign company has an executed contract with one of the government entities in Oman. This contract must be provided to MOCIIP along with other requisite documents to register a branch office. Once the contract with the government entity expires, the branch needs to be closed down after completing all relevant legal formalities.

Finally, a branch is not permitted to carry out any activity other than that mentioned in the contract executed with the government entity in Oman.

Limited liability company (LLC)

An LLC is a very popular form among foreign investors in Oman. According to the provisions of the Commercial Companies law, an LLC consists of natural or juristic persons who should be no less than two and no more than fifty.

An LLC can be formed with a minimum share capital of Omani Rials 25,000, which may be introduced either in cash or in kind. The share capital may be increased during the course of the business. This form of business is not allowed to trade its shares and cannot resort to subscription from the general public to raise or increase its share capital.

Additionally, as long as the LLC does not provide a restricted service as defined in the Foreign Capital Investment Law (FCIL), it is permissible for all its members to be of foreign origin.

Sultanate of Oman

MAINLAND OMAN

As a process, an LLC is required to draft the company's by-laws, objectives and other details, such as the sharing of profits, losses, etc., in the form of a constitutive contract, which then needs to be provided and approved by the MOCIIP.

The company prepares a register of its members in which the name of each member, his/her nationality, and other relevant details are captured and recorded.

One-person company or single person company (SPC)

An SPC can be formed by one natural or juristic / legal person. A natural or juristic person cannot establish more than one SPC.

The liability of a natural / juristic person is limited to the extent of the share capital of the SPC and all the provisions of Oman Commercial Companies Law regulating LLCs apply to an SPC to the extent they are not inconsistent with its nature.

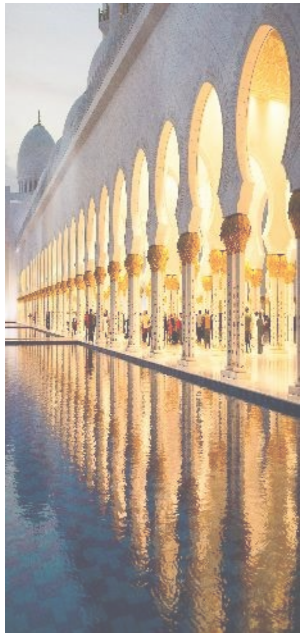
SPCs can be set up with 100% foreign shareholding, subject to limitations on certain business sectors. Although the minimum capital requirement appears to have been waived currently for 100% foreign investors, in practical terms, an SPC must have a minimum share capital of Omani Rials 25,000.

Sultanate of Oman

OMAN FREE ZONES

The Oman Free Zone is regulated by Royal Decree and is strategically located to encourage foreign investment and economic growth by offering a range of incentives such as tax breaks, customs exemptions and simplified administrative processes.

These zones aim to attract diverse industries by providing favourable conditions for business operations. The key free zones include the Sohar Free Zone, Salalah Free Zone, Al Mazunah Free Zone and Special Economic Zone of Duqm. They have been established by the Omani Government to create a business-friendly environment and enhance the country's competitiveness in the global market. Outlined below are some of the key features of Oman's free zones:



Sohar Free Zone

Established in 2010, the Sohar Free Zone is a prominent industrial hub near the Sohar Port, strategically located between Muscat and the UAE border. It offers 100% foreign ownership, corporate tax holidays of up to 25 years and no personal income tax, making it attractive for investors in logistics, manufacturing and chemical processing. The zone's proximity to major global trade routes enhances its appeal for businesses looking to minimise freight costs and access regional markets.

Salalah Free Zone

Located adjacent to the Salalah Port and near Salalah International Airport, the Salalah Free Zone provides significant cost advantages for logistics and manufacturing operations. It offers full foreign ownership, up to 30 years of tax exemptions on profits and dividends and no personal income tax. Businesses benefit from customs duty exemptions and access to free trade agreements with the US and Singapore. The zone is ideal for sectors like logistics, food processing and renewable energy, due to its advanced infrastructure and proximity to raw material sources.

Sultanate of Oman

OMAN FREE ZONES

Al Mazunah Free Zone

Located near the Dhofar region, the Al Mazunah Free Zone offers unique incentives such as 100% foreign ownership, a 30-year tax holiday and customs duty exemptions. The zone supports general commerce and industrial services and provides facilities for establishing representative offices.

Special Economic Zone of Duqm

The Duqm Special Economic Zone is the largest in the MENA region, spanning over 2,000km2. It is a logistics, tourism and industrial hub, offering 100% foreign ownership, no minimum capital requirements and up to 30 years of income tax exemptions.

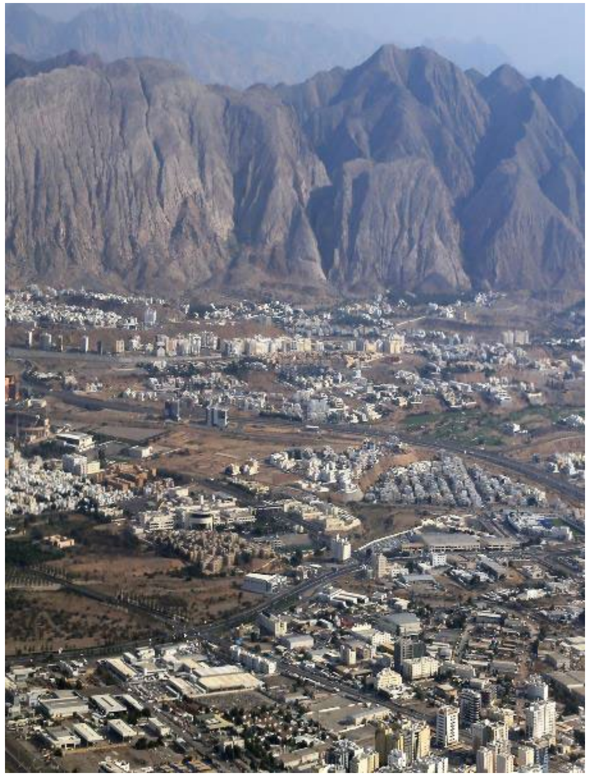
The zone's comprehensive infrastructure includes a multi-purpose port, airport and specialised sectors such as fisheries and tourism. Its strategic location and relaxed Omanisation requirements make it a prime destination for diverse investment opportunities.

Types of licences available

Oman's free zones provide various licences tailored to specific business needs, including general trading, industrial and service licences. These zones offer a fertile environment for business growth with their strategic locations, investor-friendly policies and robust infrastructure, making them ideal for foreign investors aiming to establish a strong presence in the region.

Sultanate of Oman

CONCLUSION



It is crucial for foreign investors to carefully choose the right form of business before establishing an entity in Oman. The entity needs to assess and select a structure that can accommodate its growth. The BDO firm in Oman can assist in this process.

There are a number of ways in which we can help prospective entities evaluate key parameters that may impact the formation of a company in Oman:

It is important to note that there is no one-size-fits-all solution. Conducting thorough due diligence and seeking advice from professionals is essential to ensure the right choice for your new venture.

- **Understanding the nature of the business to be formed:** It is important for the entity to comprehend the nature of its business and assess whether there are any special incentives available for the intended business activities
- **Share capital requirement:** The entity needs to analyse the minimum share capital required for the business, as this can result in funds being tied up, so timing the introduction of share capital is crucial
- **Liability protection:** Selecting the correct legal form is essential to protect against instances where the entity's debts may need to be settled using personal funds of the members. It is important to assess whether the personal funds of the members would be impacted if the debts are not settled
- **Tax incentives:** Oman is a complex tax jurisdiction compared to other countries in the region and it is important for the entity to evaluate the tax incentives that they may be entitled to. Tax incentives differ for businesses formed in free zones and on the mainland, so a thorough analysis of such incentives is necessary before forming the entity
- **Exit strategy:** It is important for businesses to understand the mechanism of exiting and repatriating capital and profits back to their home country before forming the entity, as well as completing all legal formalities to close down operations.

Qatar

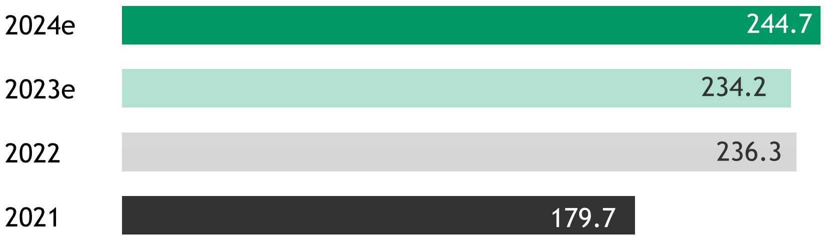
OVERVIEW

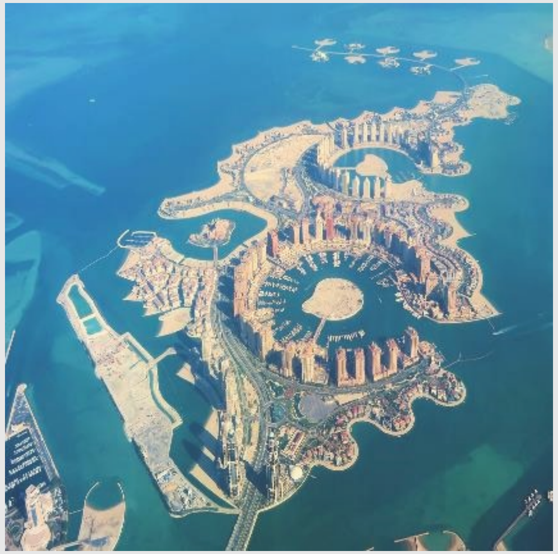
Qatar is a rapidly evolving member of the GCC and has gained attention for its strategic initiatives to foster a diverse and investment-friendly economic environment.

Historically dependent on oil and gas, Qatar is now pivoting towards a diversified economy, underpinned by substantial reforms in infrastructure, regulatory frameworks and economic policies. These changes have collectively enhanced the ease of doing business and Qatar has become an enticing choice for foreign investors seeking to establish a foothold in the Gulf area.

In this section, we give an in-depth analysis of the different business entity structures available to foreign investors in Qatar, highlighting the key requirements, restrictions and advantages of each. Understanding these structures is crucial for investors looking to navigate the Qatari business landscape effectively.

GDP US$bn





Types of entities available for foreign businesses

Qatar provides various business entities for foreign investors, each with unique characteristics and regulatory requirements. These entities are regulated by different bodies, including the Ministry of Commerce and Industry (MOCI), Qatar Financial Centre (QFC), Qatar Free Zones Authority (QFZA) and Qatar Science and Technology Park (QSTP).

2 hours ahead of GMT	**3.64** US$ to Qatari Rial (QR)	**US$ 81,400** GDP per capita 2024

Qatar

MINISTRY OF COMMERCE AND INDUSTRY ENTITIES

The regulatory framework for establishing an entity under Qatar's ministry of commerce and industry (MOCI) is primarily governed by the Commercial Companies Law No. 11 of 2015, amended by Law No. 8 of 2021 and the Foreign Investment Law No. 1 of 2019.

These laws aim to encourage foreign investment while safeguarding national interests by allowing foreign investors to own up to 49% of a company's capital, with the remaining shares held by Qatari nationals. However, in certain key sectors such as agriculture, industry, healthcare, education, tourism and energy, the Foreign Investment Law permits 100% foreign ownership with ministerial approval. Foreign investment is restricted in areas such as banking, insurance and real estate unless specific exemptions are granted by the Council of Ministers. Additionally, foreign investors can own up to 49% of shares in publicly listed companies, with the potential for this limit to be increased, subject to ministerial approval.

Joint liability company

A joint liability company requires a minimum of two natural persons who are jointly liable for the company's obligations with their personal assets. The company's name must reflect the names of all partners or include the name of at least one partner followed by 'and partners'. This structure is suitable for businesses where the partners are willing to share unlimited liability.

Limited partnership

A limited partnership includes two types of partners: joint partners, who manage the company and are liable with their personal assets, and silent partners, who contribute capital without being liable beyond their contribution. This structure is ideal for investors looking to participate financially without engaging in management.

Joint venture company

A joint venture company is a concealed partnership without legal personality, not subject to declaration procedures. It is an internal agreement between partners, ideal for temporary projects or collaborations where public registration is not necessary.

Public shareholding company (PSC)

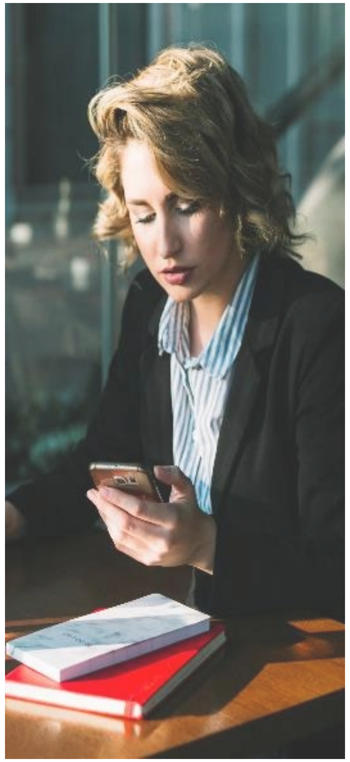
A PSC requires a minimum capital of QAR 10 million and at least five founders. This type of company offers shares to the public, making it suitable for large-scale operations such as banking or insurance. The company must offer shares for public subscription within 60 days of incorporation.

Qatar

MINISTRY OF COMMERCE AND INDUSTRY ENTITIES

Private shareholding company

A private shareholding company requires a minimum capital of QAR 2 million and at least five founding shareholders. It cannot offer shares to the public but can convert to a public company under certain conditions. This structure is suitable for businesses seeking limited shareholder liability without public trading requirements.



Partnership limited by shares

This entity comprises active partners with unlimited liability and non-active partners liable only to their capital contribution. The capital is divided into negotiable shares with a minimum of QAR 1 million. This structure is ideal for businesses that require a combination of partners with limited and unlimited liability.

Limited liability company (LLC)

An LLC can have up to 50 partners and liability is limited to their capital contributions. Due to its flexibility and limited liability, this is the most common structure for foreign investors. The company name must include 'Limited Liability Company'.

Holding company

A holding company must own at least 51% of the shares in other companies and requires a minimum capital of QAR 10 million. This structure is used for managing subsidiaries and investing in various assets, providing strategic oversight and financial management.

Qatar

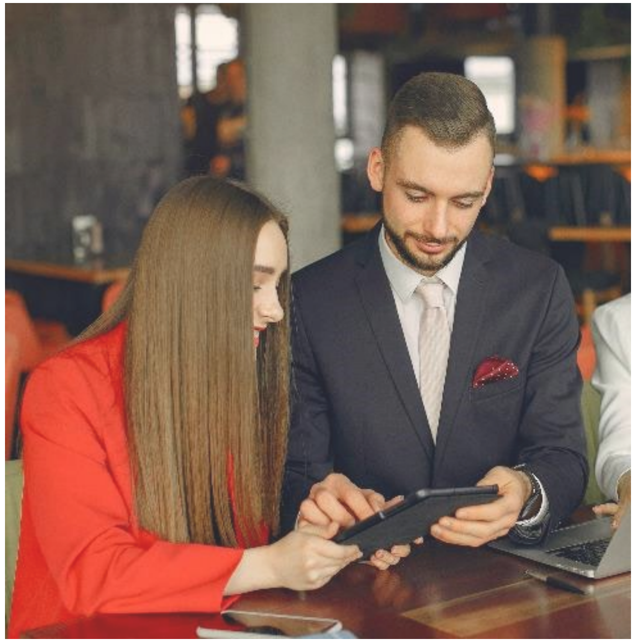
MINISTRY OF COMMERCE AND INDUSTRY ENTITIES

Branch

In Qatar, a branch office acts as an extension of a foreign company, allowing it to operate without forming a separate legal entity. This set up enables the branch to conduct business activities as outlined by the parent company without a minimum capital requirement. To establish a branch, the company must obtain approval from the MOCI, submit necessary documents such as the memorandum of association and articles of association and secure a commercial licence.

Representative office

A representative office promotes the products and services of its parent company without engaging in commercial activities in Qatar. This structure is ideal for businesses looking to establish a presence and explore market opportunities without full operational commitments.



Benefits of registering under MOCI

Registering a business under the Qatar MOCI offers several strategic benefits for foreign investors. Companies can enjoy exemptions on customs duties for machinery and equipment needed for their operations, protection against expropriation unless it is for the public interest, and the freedom to transfer capital and profits abroad. Additionally, foreign investors may be granted land for their projects and could potentially receive exemptions from income tax, making Qatar attractive to international business ventures. These incentives are part of Qatar's broader strategy to diversify its economy and enhance its appeal as a global investment hub.

Qatar

QATAR FINANCIAL CENTRE

The Qatar financial centre (QFC) was established in 2005 and is a prominent onshore business and financial hub in Doha. It offers a comprehensive legal, regulatory and tax environment to attract domestic and international businesses.

Operating under English common law, the QFC allows for 100% foreign ownership and full repatriation of profits, making it an attractive choice for companies looking to establish or expand their operations in Qatar. Businesses benefit from a competitive 10% corporate tax on locally sourced profits, with no personal income tax. This underscores the QFC's commitment to encouraging an investor-friendly atmosphere. The Centre's streamlined set up process and client support further enhance its appeal, aligning with Qatar's vision for economic diversification and growth.

Licencing at QFC

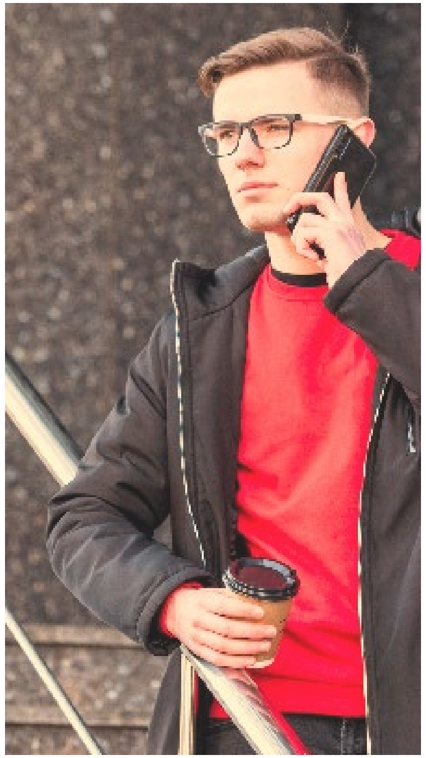
The QFC offers two types of licences: regulated and non-regulated.

Regulated licences are primarily aimed at financial services firms, including banking, insurance, asset management and other financial institutions that are subject to oversight by the QFC Regulatory Authority.

Non-regulated licences cater to a diverse range of non-financial businesses, such as professional services, consultancy and media, allowing these firms to operate flexibly within the QFC framework.

Qatar

QATAR FINANCIAL CENTRE



Entity structures under QFC

The different entity structures under QFC are listed below:

- **Limited liability companies (LLCs):** No minimum share capital required, suitable for diverse business activities
- **Special purpose companies (SPCs):** Used for specific financing and asset management purposes
- **Holding companies:** Manage and support subsidiaries, which are exempt from filing annual accounts
- **Single family offices (SFOs):** Manage high-net-worth families' investments with specific asset requirements
- **Investment clubs:** Facilitate joint investments among friends
- **Branches of non-QFC Companies:** Establish a legal presence in QFC while maintaining identity
- **Limited liability partnerships (LLPs):** Offer flexible partnership structures with limited liability
- **Companies limited by guarantee (LLC(G)s):** Suitable for non-profit organisations like business councils
- **Limited partnerships:** In the QFC these consist of at least one general partner with unlimited liability and one limited partner. They are not separate legal entities, offering a flexible partnership structure for businesses with varying levels of liability exposure
- **General partnerships:** General partnerships in the QFC involve partners with unlimited liability who are jointly liable for the partnership's debts. While not a separate legal entity, general partnerships allow for collaborative business ventures with shared responsibilities and liabilities
- **Foundations:** Provide asset protection and estate planning.

Qatar

QATAR FREE ZONE AUTHORITY

The Qatar free zone authority (QFZA) is an independent authority established in 2018 to manage and promote the development of free zones in Qatar. QFZ, created under Law No. (34) of 2005 and later amended by Legislative Decree No. (21) of 2017, aims to attract foreign investment by offering a business-friendly environment with incentives that surpass those typically available within the country. The free zones under QFZ's jurisdiction are strategically located and equipped with world-class infrastructure, providing exceptional opportunities for businesses to expand their global operations.

Qatar's two key free zones are Ras Bufontas and Umm Alhoul. Ras Bufontas, also known as the Airport Free Zone, is a 4 km^2 area situated just 6 km from Hamad International Airport, catering to sectors such as logistics, technology, consumer products, and pharmaceuticals. Umm Alhoul, covering 30 km^2 near Hamad Port, focuses on maritime industries, polymers and plastics, advanced manufacturing and logistics.

In the Qatar Free Zones, businesses have the option to establish two main types of entities. An LLC can be incorporated under Free Zones Legislation, benefiting from streamlined registration processes designed to facilitate ease of doing business. Alternatively, companies can set up a branch of an existing company, allowing them to extend their operations into the Free Zone without forming a separate legal entity.

QFZ offers a range of licences tailored to meet diverse business requirements, including service licences for professional and consulting services, industrial licences for manufacturing activities and trading licences for importing and exporting goods. Companies operating in these free zones enjoy several advantages, such as 100% foreign ownership, tax exemptions and zero customs duties on imports and exports.

The zones provide cutting-edge facilities, including customisable office spaces, logistics hubs and advanced digital infrastructure supported by 5G connectivity. Qatar's strategic location also benefits businesses, providing seamless access to international markets through award-winning air- and seaports. The low energy cost, which is among the cheapest globally, makes these zones particularly attractive for energy-intensive operations. Additionally, QFZ ensures a streamlined business set up process through its comprehensive regulatory framework, enabling businesses to focus on growth and innovation.

Qatar

QATAR SCIENCE AND TECHNOLOGY PARK

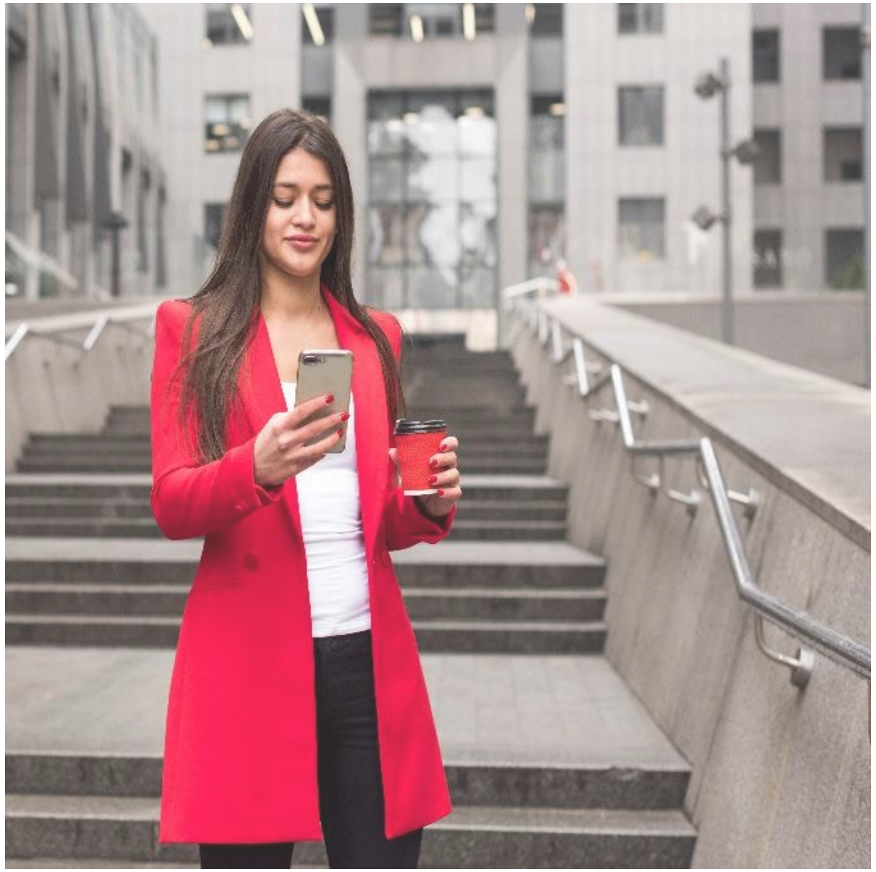
The Qatar science and technology park (QSTP) is a leading free zone in Qatar that fosters scientific research, technology innovation and entrepreneurship. It provides a dynamic ecosystem for global tech companies, start-ups and tech ventures and plays a significant role in supporting Qatar's economic diversification goals by developing high-tech products and services. QSTP's environment encourages collaboration among its tenants and offers state-of-the-art facilities, networking opportunities and partnerships with prestigious international universities and research institutions.

QSTP allows the establishment of two types of entities: LLCs and branches of foreign companies. LLCs can have up to fifty shareholders, enjoy 100% foreign ownership and are treated as Qatari entities, which allows them to conduct business within the free zone.

Branches, on the other hand, are extensions of foreign companies and must be registered in QSTP.

Licencing options within QSTP cover a broad range of activities, including technology development, research and development (R&D), specialised manufacturing, education and training, consulting services and the creation of new business ventures. This diverse range of permitted activities supports various business models and industry sectors.

QSTP offers several benefits to businesses, such as customs duty exemptions for imported goods used in projects, tax exemptions for licenced projects and their employees and freedom from foreign currency restrictions. Furthermore, companies can freely repatriate capital, profits and salaries in any currency. The Park also provides intellectual property advice and access to skilled talent from nearby Education City.



Qatar

CONCLUSION

Key considerations for choosing the right structure in Qatar

When deciding to establish a business in Qatar, foreign investors must carefully navigate a range of considerations to ensure their enterprise aligns with local regulations and achieves long-term success. Key factors include selecting the appropriate business structure, understanding Qatar's economic and legal landscape and aligning business strategies with national development goals like Qatar National Vision 2030.

The choice of legal entity - such as an LLC, a branch office or a Qatari shareholding company - depends on factors including business objectives, risk tolerance and sector-specific regulations. Investors must also be aware of Qatar's taxation framework, which includes a corporate tax rate for foreign businesses and withholding taxes on certain payments. Labour laws and immigration requirements are crucial for determining employee visa processes, while the Qatarisation initiative mandates the employment of Qatari nationals within certain sectors.

Conducting thorough due diligence and aligning investment goals with local regulations is essential for minimising risks and capitalising on incentives offered by the Qatari government, thus promoting a robust foundation for business growth.

Qatar

CONCLUSION

Key points:

- **Business structure:** Choose a structure (e.g., LLC, corporation or sole proprietorship) that aligns with your business goals and risk appetite. LLCs are popular due to their flexibility, but Qatari nationals must hold a minimum 51% share unless operating in specific economic zones where 100% foreign ownership is allowed
- **Economic environment:** Understand the economic climate, focusing on sectors like natural gas, construction, finance and services, and consider incentives available for foreign investors
- **Legal presence:** Evaluate options such as an LLC, Qatari shareholding company, or foreign branch, considering requirements for local sponsorship and compliance with the Ministry of Commerce and Industry
- **Qatar National Vision 2030:** Align business strategies with national goals to benefit from government support in key areas like sustainable development and economic diversification
- **Taxation and legal considerations:** Be aware of Qatar's tax regulations, including corporate tax and withholding tax, and ensure compliance with labour laws and regulatory requirements
- **Immigration and visa requirements:** Determine visa requirements based on the business type and size and familiarise yourself with the process for obtaining work permits
- **Qatarisation Plan:** Understand this initiative's impact on workforce planning, which prioritises employing Qatari nationals.

Conducting comprehensive due diligence is critical to identifying potential risks and aligning business practices with local regulations. This approach ensures legal compliance and operational efficiency and positions the business for long-term growth in Qatar's dynamic market.

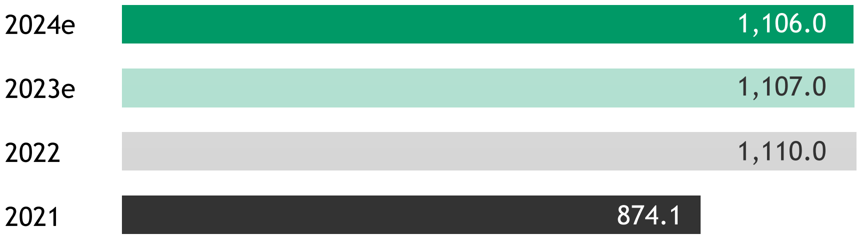
Kingdom of Saudi Arabia

OVERVIEW

The Kingdom of Saudi Arabia (KSA) is a key player in the Middle East, recognised for its dynamic and rapidly evolving business landscape. The official language is Arabic and Islam is the state religion, deeply influencing the cultural and legal framework.

The Saudi Arabian Riyal's (SAR) pegging to the US dollar provides a stable currency environment for business operations. KSA's strategic location, ongoing economic diversification and progressive reforms are increasingly drawing the interest of foreign investors, positioning it as a prime destination for international business ventures.

GDP US$bn



Types of entities available for foreign businesses

The KSA offers a variety of corporate establishment options for foreign businesses within its multifaceted corporate framework. Entities in KSA can be established as limited liability companies (LLCs), branches of foreign companies, joint-stock companies or partnership firms. These structures are regulated by the KSA Companies Law 2022, which provides a clear framework for business setup and operations.

The establishment of the above entities is regulated by Royal Decree-Law No. 132, issued on 15 June 2022. This law provides a robust framework for commercial companies, promoting flexibility and compliance with local regulations. In this section, we present a brief introduction to each of the available entities.

2 hours
ahead of GMT

3.75
US$ to Saudi Arabian Riyal (SAR)

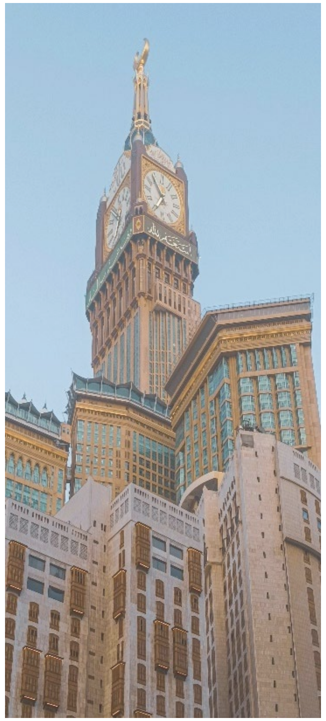
US$ 33,040
GDP per capita 2024

Kingdom of Saudi Arabia

TYPES OF ENTITIES AVAILABLE FOR FOREIGN BUSINESSES

Limited liability company (LLC)

An LLC in Saudi Arabia can be established with as few as one shareholder - a one-person LLC - and can include up to fifty shareholders. The KSA Companies Law 2022 allows for 100% foreign ownership of LLCs across various sectors. However, certain strategic activities are exempt from this provision. These include oil exploration, drilling and production; services catering to the military sector; security and detective services; real estate investments in the holy cities of Makkah and Madinah; tourist services specifically related to Hajj; recruitment services; commission agents as internationally classified under CPC 621 and fishing or hunting of marine living resources.



Branch of a foreign company

The KSA Commercial Companies Law also addresses the registering and regulating of branches and representative offices of foreign companies within the Kingdom. Importantly, these entities can be fully owned by foreign investors. Upon registration, a branch office operates under the same name and business form as its parent company. While it does not possess a separate legal identity, it is recognised as an integral part of the parent company, extending the parent's presence directly into the Saudi market.

Joint-stock companies

A Joint-stock company in KSA can be established by one or more individuals and requires a minimum share capital of SAR 5 million. The governance of these companies is overseen by a board of directors, which must have at least three members. These directors are elected for terms of four years. Significantly, the board, including the Chairman, can include non-Saudi nationals, offering flexibility in management and international expertise to businesses operating within the Kingdom.

Kingdom of Saudi Arabia

TYPES OF ENTITIES AVAILABLE FOR FOREIGN BUSINESSES

Simplified joint-stock companies

In Saudi Arabia, a simplified joint-stock company can be set up by one or more individuals without requiring a minimum share capital. This type of company can be managed in different ways: by a single manager, a group of managers or a board of directors with at least three members. It is worth noting that there is flexibility in the nationality of the management, as non-Saudi nationals can fill any of these positions.

General partnership firm

A general partnership in KSA is formed by two or more individuals who share joint and personal liability for the company's obligations. In this type of company, each partner is recognised as a merchant under the law, which entails specific legal and financial responsibilities.

Limited partnership firm

A limited partnership in KSA consists of two distinct types of partners. The first is the general partner, who is personally liable for all the company's debts and obligations. The second is the limited partner, whose liability is limited to the amount they have invested in the company's capital. Unlike general partners, limited partners do not have the legal status of a merchant, which reflects their limited involvement in the company's management and risks.

Kingdom of Saudi Arabia

KEY REQUIREMENTS, RESTRICTIONS AND BENEFITS

Capital requirements

In KSA, there is generally no minimum capital requirement for establishing companies, except for joint-stock companies. Specific business activities, however, may be subject to particular capital requirements, reflecting the varied regulatory environment across industries.

Registration processes

Foreign entities wishing to operate in Saudi Arabia need to register with various authorities. This includes obtaining an investment licence from the Ministry of Investment (MISA), a commercial registration (CR) and articles of association (AOA) or bylaws from the Ministry of Commerce (MOC), among other relevant governmental bodies and regulatory authorities.

Restrictions on foreign ownership

The level of foreign ownership permitted in Saudi entities can reach up to 100%, depending on the type of business activity. This policy supports Saudi Arabia's vision to attract foreign investment and diversify its economy.

Benefits

Entities operating in Saudi Arabia have direct access to the extensive local market and can engage in a wide range of permissible business activities. This open economic environment is designed to promote growth, innovation and international collaboration.

Kingdom of Saudi Arabia

CONCLUSION

Key considerations for choosing the right structure

When choosing the right business entity for operations in Saudi Arabia, foreign investors should evaluate several key factors:

- **Business activities:** It's essential to understand the specific business sectors in KSA, as some may impose ownership restrictions on foreign investors. Thoroughly assess the planned activities to identify any potential regulatory limitations
- **Growth and expansion:** Select a business structure that supports the entity's long-term vision for growth and expansion within the KSA. Consider how the entity type might impact scalability and adaptability in the Saudi market
- **Foreign ownership level:** Determine the need for ownership structure. Ascertain whether the investor is looking for 100% foreign ownership or is considering a joint venture with a local Saudi partner. This decision will impact both strategic direction and operational flexibility
- **Regulatory compliance:** Compliance with local laws is non-negotiable. Ensure that the chosen business structure aligns with all relevant KSA regulations, including ownership, capital requirements and day-to-day operations.

Kingdom of Saudi Arabia

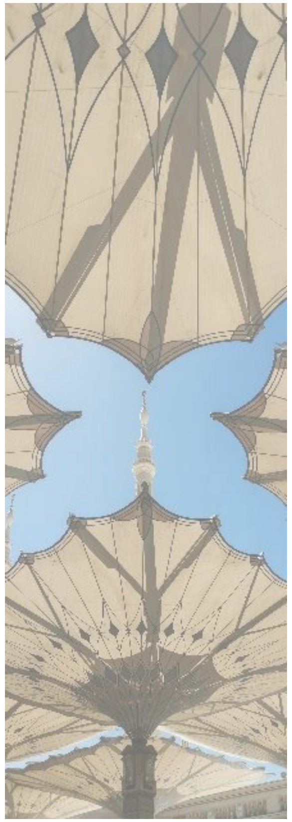
CONCLUSION

Importance of due diligence, advice and aligning investment goals with local regulations

Foreign investors interested in entering the KSA market should conduct comprehensive due diligence. This involves gaining a deep understanding of the regulatory landscape to ensure that all business operations align with local laws. It is advisable to seek expert guidance to effectively navigate the complexities of KSA's business regulations.

Aligning investment goals with local regulations is crucial to ensure long-term sustainability and compliance with business operations. This strategic alignment helps mitigate risks and enhance the potential for success by leveraging the Kingdom's business-friendly environment.

By meticulously choosing the appropriate entity structure and aligning investment strategies with the regulatory framework, foreign investors can maximise the strategic advantages offered by the KSA, paving the way for successful business ventures.



Other considerations

Special Economic Zones (SEZs)

To further diversify Saudi Arabia's economy, the government introduced four new Special Economic Zones (SEZs) on 14 April 2023, providing investment opportunities for domestic and international investors. These SEZs are strategically located across different regions and aim to provide competitive incentives to foster investment and drive business growth.

The following new economic zones have been established:

- King Abdullah Economic City (KAEC) SEZ
- Jazan SEZ
- Ras Al Khair SEZ
- Cloud Computing SEZ at King Abdulaziz City for Science & Technology (KACST).

These initiatives align with and support the Kingdom's Vision 2030, underscoring its commitment to becoming a leading global business hub and achieving its economic development objectives.

According to current regulations, such establishments can be 100% foreign-owned and do not require a Saudi national as a partner. However, it's important to note that it is necessary to comply with related laws and regulations for certain activities, including obtaining prior approvals from the relevant government and local authorities and appointing a Saudi national as a partner.

United Arab Emirates

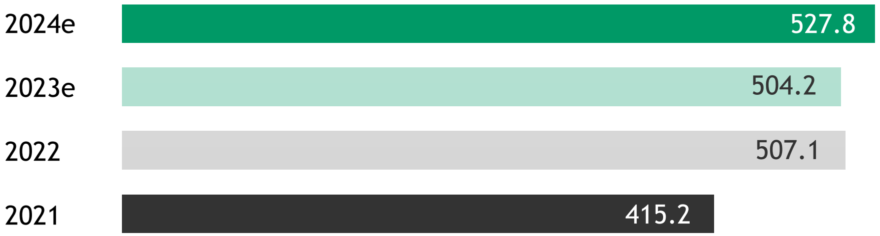
OVERVIEW

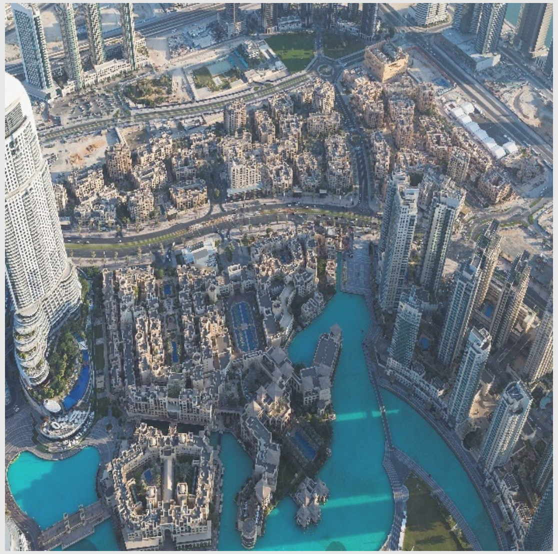
The United Arab Emirates (UAE) is a constitutional federation of seven emirates, with Abu Dhabi city as its capital. Arabic is the official language of the UAE and Islam the official religion.

The UAE offers economic stability and a favourable regulatory environment, making it a prime destination for foreign investments and a gateway to a vast market.

This section offers an overview of the various business entity structures available to foreign investors in the UAE, highlighting the main requirements, restrictions and advantages of each.

GDP US$bn





Types of entities available for foreign businesses

The UAE offers multiple jurisdictions in which to set up corporate entities. An entity can be registered in UAE as a limited liability company (LLC), a branch of a foreign company, a sole establishment, a partnership firm under the UAE Commercial Companies Law 2021 ('the Companies Law'), or in one of the numerous (40+) free zones or offshore zones, which operate under self-regulated legal regimes.

4 hours
ahead of GMT

3.67
US$ to Arab Emirati Dirham (AED)

US$ 53,916
GDP per capita 2024

United Arab Emirates

MAINLAND ENTITIES

An entity can be registered in the mainland as an LLC, a branch of a foreign company, a public and private joint-stock company or a sole establishment / partnership firm under the Companies Law.

Limited liability company (LLC)

An LLC can be formed by a minimum of one shareholder (one-person LLC) and a maximum of fifty shareholders. As of 2021, 100% foreign ownership in LLCs is possible. The Department of Economic Development (DED) of each Emirate has a list of business activities that are open to 100% foreign ownership. As per the Companies Law of 2021, the 100% ownership is generally allowed for all activities except those of strategic impact, such as: security and defence activities, activities that are military in nature, banking, exchange companies, financing companies, insurance activities, currency printing, telecommunications, Hajj and Umrah services, Holy Quran memorisation centres and services associated with fisheries.

Although the rules and regulations for establishing an LLC are generally similar in all seven Emirates of the UAE, the requirement of minimum capital and cost for registering the company may vary from one Emirate to another. In addition, the type of documentation, costs and time required for registration of the company will depend on the proposed structure and location of the business.

Branch of a foreign company

The Commercial Companies Law also covers the registration and regulation of branches and representative offices of foreign companies in the UAE and stipulates that they may be 100% foreign owned. A branch office, on registration, carries out business under the name and form of the parent company. The branch office does not have a separate legal identity but is considered part of its parent company. A UAE national agent may need to be appointed, depending on the type of activity, operational requirement and place of registration of the branch.

United Arab Emirates

MAINLAND ENTITIES

Public and private joint-stock companies

A public joint-stock company requires a minimum share capital of AED 30 million and a minimum of ten founders, who will be responsible for incorporation. Shares of a public joint-stock company should be offered to the public and subscription notices are to be published in any two local dailies. A public joint-stock company is to have between 3 and 15 directors elected for three-year terms. The majority of the board of directors, including the Chairman, should be UAE nationals.

A private joint-stock company requires AED 5 million as minimum share capital and a minimum of three founders. All the regulations applicable to a public joint-stock company apply equally to a private joint-stock company, except that the shares of the latter cannot be offered to the public. Generally, joint-stock companies are primarily suitable for large projects or operations such as banking, insurance or financial activities.

Sole establishment / partnership firm

Under the local laws of the various Emirates, foreign nationals are permitted to open civil or professional companies in their name, or in partnership with UAE or foreign nationals, to practice a vocation or a profession - such as legal consultancy, medical services, accountancy, engineering consultancy and other similar activities. Such establishments can be 100% foreign-owned and do not require a UAE national as a partner. However, it should be noted that for certain professional activities, it is necessary to comply with the related laws and regulations, including obtaining prior approvals from the concerned government and local authorities and appointing a UAE national as a partner or
service agent.

United Arab Emirates

FREE ZONE ENTITIES

Free Zones are special economic clusters that operate under self-regulated legal regimes. There are currently 40+ free zones across the UAE, some of which are specific business / industry-oriented zones, Including regulated Financial Free Zones.

Free Zone limited liability company (FZ LLC)

An FZ-LLC can be incorporated by a single natural person or corporate shareholder with a maximum of 50 shareholders, depending on the free zone. The FZ-LLC must have a director, manager and secretary, although these offices can be held jointly by a single person. However, certain free zones require the company's manager to be a UAE resident visa holder.

Branch (local or foreign company)

The branch office does not have its own separate legal identity but is considered part of its parent company. There is no capital requirement for establishing a branch of a local or foreign company but one manager to look after the day-to-day affairs is required. The licencing procedures require submission of the parent company's incorporation and related documents, board resolutions and other specified details to the Free Zone Authority.

Offshore companies

Offshore companies are allowed to carry out general trading and consultancy services overseas, act as investment and holding companies and own freehold properties in designated areas of the UAE, but they are not allowed to carry out any business with persons or companies that are residents of the UAE. Such companies are required to have a registered agent approved by the respective Free Zone Authority. Offshore companies do not require office space and the office address of the registered agent is used as the registered office address of the company. No UAE resident visas are granted for employees or directors.

United Arab Emirates

FREE ZONE ENTITIES

Freelance permits

The concept of freelancing in the UAE has been on the rise in recent years, in line with the global trend. With the introduction of freelance permits in the region, professionals working in the fields of media, education and information technology can obtain a licence issued by select Free Zones. The permits are issued to natural persons without a need to set up an LLC. Freelancer permits allow only the permit holder to work and, although the permit holder cannot hire employees with this permit, they can obtain a UAE residence visa for themselves and their immediate family, including their spouse and children, under their sponsorship.

Foundations

A foundation is an independent legal entity and is derived from civil law jurisdictions, as opposed to a trust which is a common law concept. It has no members or shareholders but is self-owned. The foundation's founder bestows assets to the foundation and, owing to its separate legal status, will hold those in its name and separately from the founder's personal wealth. The assets are then managed by the foundation council (equivalent to a board of directors for a company), according to the foundation's charter and by-laws that reflect the founder's intentions, in support of a cause or a purpose for the benefit of beneficiaries.

United Arab Emirates

KEY REQUIREMENTS, RESTRICTIONS & BENEFITS

Capital requirements

- Mainland entities such as LLCs have no minimum capital requirement, whereas joint-stock companies have varying capital requirements based on their type
- Free Zone entities generally have low to no minimum capital requirements, but this varies by zone.

Registration processes

- Mainland entities require registration with the DED and relevant authorities
- Free Zone entities are registered with the respective free zone authority.

Restrictions on foreign ownership

- Mainland entities can have up to 100% foreign ownership, depending on the business activity
- Free Zone entities allow 100% foreign ownership with no local sponsor required.

Benefits

- Mainland entities benefit from access to the local market and a broad range of permissible activities
- Free Zone entities enjoy tax exemptions, simplified import / export procedures and a business-friendly regulatory environment.

United Arab Emirates

CONCLUSION

Key considerations for choosing the right structure

When selecting the appropriate business entity structure, foreign investors should consider:

- **Type of business:** Determine if the business will primarily serve the local market or operate within a Free Zone
- **Market entry strategy:** Consider the benefits of full foreign ownership in Free Zones versus the potential advantages of mainland market access
- **Regulatory compliance:** Ensure compliance with UAE laws, including ownership, capital and operational requirements.

Importance of due diligence, advice and aligning investment goals with local regulations

Conduct thorough due diligence to understand the regulatory landscape and seek professional advice to navigate the complexities of UAE business laws. Align investment goals with local regulations to ensure sustainable and compliant business operations.

By understanding these factors and choosing the appropriate entity structure, foreign investors can effectively leverage the UAE's strategic advantages for their business success.

Key contact information

BDO IN BAHRAIN
ALI JAWAD
17th Floor, Diplomat
Commercial Office Tower,
Manama, Kingdom of Bahrain
Email: ali@bdo.bh
Telephone: +973 17 530 077
www.bdo.bh

BDO IN KUWAIT
QAIS AL NISF
6th Floor, Al-Shaheed Tower,
KhledBen Al Waleed Street,
Kuwait City, Kuwait
Email: qais.alnisf@bdo.com.kw
Telephone: +965 22 42 6999
www.bdo.com.kw

BDO IN QATAR
GAVIN BROWN
38th Floor, Palm Tower (B),
West Bay, Doha State of Qatar
Email:
gavin.brown@bdo.com.qa
Telephone: +974 4434 9770
www.bdo.com.qa

BDO IN OMAN
BIPIN KAPUR
Suite No. 601 & 602, Penthouse,
Beach One Building, Way 2601,
Shatti Al Qurum, Sultanate of Oman
Email: bipin.kapur@bdo.com.om
Telephone: +968 2 495 5100
www.bdo.com.om

BDO IN SAUDI ARABIA
GIHAD AL AMRI
7th & 8th floor, Moon Tower, King
Fahd Branch Road,
Riyadh 21421, Kingdom of
Saudi Arabia
Email: g.alamri@bdoalamri.com
Telephone: +966 11 278 0608
www.bdoalamri.com

BDO IN UNITED ARAB EMIRATES
SHIVENDRA JHA
23rd Floor, Burjuman Office Tower,
Sheikh Khalifa Bin
Zayed Road, Dubai, United Arab
Emirates
Email: shivendra.jha@bdo.ae
Telephone: +971 4 518 6666
www.bdo.ae