

Onshore License For DIFC Companies To Operate Across Dubai

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Economy to obtain clarifications on the practical implications of the MoU which are summarized in this update.

The Dubai International Financial Centre (“DIFC”), a leading financial free zone in the UAE, issued a press release (“**Press Release**”), on 1 May 2017, stating that it has entered into a memorandum of understanding (“**MoU**”) with the Dubai Economy, the registration authority for onshore companies in Dubai, to allow companies operating within the DIFC to obtain licenses to operate onshore (also known as mainland Dubai). We contacted the DIFC Authority and the Dubai

Background

Under UAE laws, free zone companies, such as those in the DIFC, are permitted to carry out business only within the free zone. To legitimately carry on business onshore, free zone companies, apart from those engaged in trading activities, are permitted to set up a branch office in mainland UAE. This entails approaching the Dubai Economy to obtain a branch office license, obtaining the approval of the Ministry of Economy (in most cases), taking up office space in mainland UAE, and engaging a local service agent (a UAE national) for an annual fixed fee.

What has the MoU changed?

- **Mainland Office Space is no longer required:** We contacted the Dubai Economy who indicated that to operate onshore, DIFC companies would have to approach the Dubai Economy for a branch office license and follow the regular licensing procedure. However, the DIFC company would not be required to lease office space in mainland UAE and may use its office space in the DIFC as the registered address for its branch office. This position was also confirmed by the DIFC Authority.
- **Other Licensing Requirements Remain:** DIFC companies, without significant local ownership, looking to obtain such license may have to engage a local service agent. Similarly, depending on its activities, such companies would most likely have to obtain the approval of the Ministry of Economy to set up onshore.
- **Applicable Entities:** The DIFC Authority, when contacted, specified that this benefit applies only to non-financial DIFC companies such as law firms, auditing firms, consultancies, and single family offices. In addition, any such companies seeking to capitalise on this benefit would have to specifically check with the DIFC Authority whether they may do so as there is some fine print involved.

- **Further Updates:** Follow us to stay notified of the new DIFC Companies Law, due to be published later this year, which may shed further light on the ability of DIFC companies to operate onshore.

Comment

While the position has not materially changed from before, this is a welcome update for those non-financial DIFC companies who are also operating across the mainland and are looking to consolidate their office spaces across the DIFC and mainland area. In addition, the relevant DIFC companies could take advantage of this MoU and obtain a branch office license to legitimately operate onshore, albeit at the cost of the additional administrative burden involved with maintaining an onshore license. As far as we are aware, no DIFC company has exploited this benefit yet although we expect companies to do so in the near future with a view to improve their reach and business with mainland UAE.

If you want to fully realise how these developments could affect you and your company, don't hesitate to get in touch with me by [email](#) or phone **+971 44 357 577**.