

FINDING A LOCAL UAE SPONSOR



10 ZONE



The UAE is one of the most happening countries in the region for anyone seeking lucrative business opportunities. If you are looking to set up a business in this country, you have two options:

1

START YOUR BUSINESS IN A FREE ZONE

2

LAUNCH A MAINLAND COMPANY

There are plenty of opportunities that come with both options, but the latest reforms have changed the country's business landscape. Setting up in the mainland means that your company can trade directly with other mainland entities, and your prospects for business activities include the local population and governmental work. Furthermore, you do have no personal or business taxes to pay, and you have more visa slots to offer to employees.

Non-GCC residents will have to be sponsored to launch a mainland venture in the UAE. The local law states that sponsors must be a local and has to be made a partner with at least 51% of the company shares in case of a Limited Liability Company (LLC). Depending on the business category, however, it is possible for foreign nationals to own 100% of their company—but even then they will still need to own a local service agent to act as their sponsor.



6 potential challenges to securing a **local sponsorship** in the UAE

1

KNOWING YOUR LOCAL SPONSOR BEFORE STRIKING A DEAL

Before thinking of setting up a business here, make sure that you already have a local sponsor in mind. Setting up your business with a stranger you have not thoroughly researched on can be daunting — and even dangerous. Take some time to have a deeper understanding of your future business partner's background before signing on the dotted line.

2

GETTING ALL THE DETAILS DOWN ON A LEGAL CONTRACT

Building a partnership on a foundation of trust will take more than a good discussion and a handshake. Never make the mistake of taking further steps towards setting up your business without a comprehensive contract that outlines the agreement, as well as the roles and responsibilities shared between you and your local sponsor. This way, in case any disagreement happens in the future, you can both fall back on the previous agreements for reference.



3 AGREEING TO TAKE SPONSORSHIP FEES THAT MAY HAVE HIDDEN COSTS

Always read the fine print of every contract you plan on signing! It is advisable to ask for a complete breakdown of the fees before agreeing to the terms under any contract. There are certain costs that may or may not be included in the stipulated fees, such as investor visa and deposit.

4 AUTHORIZING YOUR SPONSOR'S SIGNATURE

Finally getting around to making your business a reality can be exciting—but it's a long and arduous process, with many potential stumbling blocks along the way. Both tax and law advisors in the UAE say that the process for obtaining a DED Mainland License is much stricter due to the required documentation and legalities. In addition to this, both parties have to review and sign the documentation before the company is finally established.

5 DEALING WITH UNEXPECTED EVENTS

Your local sponsor may choose to retire early, or get into circumstances that may render him unable to carry out the agreement. In some cases, this may require that the company cease its trading until another feasible option is found. Prepare yourself for any unforeseen developments by comprehensively outlining how these shares should be handled in such situations.



Corporate Sponsorship

A strong connection with your local sponsor will be crucial to the success of your business. However, if you cannot find one in time, you can choose to opt into a corporate sponsorship. A corporate sponsorship offers the following benefits:

1 NON-INTERFERENCE FROM SPONSOR

Entrepreneurs maintain total control over their business despite their sponsor managing majority shares. As per the rules, corporate sponsors usually do not get involved in the day-to-day running of the entity and this allows business owners to continue having full control and management over their teams, clients and services.

2 FINANCIAL BENEFITS

A corporate UAE mainland sponsor, like a local sponsor, also becomes a 51% shareholder in the entity. One major benefit with this option is that as a business owner you can retain and reap 100% of the financial benefits.

3 DETAILED PROTECTIVE CONTRACTS

Side agreements are usually a difficult part of the process. This is one area which can be advantageous with corporate sponsorship. Many such corporate sponsors offer detailed contracts that are drafted by first-tier legal counsels so that the rights of the business owners and their respective shareholders are completely protected.



Selecting the **right sponsor**



Choosing the right sponsor for your entity is key to launching a mainland venture. One must explore the options out there. Get familiar with the risks and advantages since the individual or the entity on that dotted line will be a partner in your venture.

Lastly, while choosing which option is best for you, don't be afraid to ask what sort of setup support and security your sponsor can bring to the table.


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