



Doing business in the Middle East 2025

Overview of the Middle East

The Middle East is a dynamic region comprising key countries such as the UAE, Saudi Arabia, Qatar, Oman, Bahrain, Kuwait, and others. With a combined population exceeding 400 million, the region is strategically located at the crossroads of Europe, Asia, and Africa, making it a pivotal hub for global trade and commerce.

Applicable Laws and Regulations

The Middle East operates under a blend of Shariah, civil, and common law, depending on the country, with nations like the UAE and Saudi Arabia introducing business-friendly reforms such as 100% foreign ownership in select sectors and simplified licensing. The region's economy is driven by the energy sector, particularly oil and gas, alongside growing non-oil industries like tourism, logistics, technology, real estate, and renewable energy, spurred by diversification initiatives. These factors collectively enhance its appeal as a hub for global business opportunities.

Business Growth Opportunities

- **Digital Transformation:** Governments heavily invest in technology and innovation, creating opportunities in fintech, AI, and IoT.
- **Green Initiatives:** The region focuses on sustainability with projects like Saudi Arabia's NEOM and the UAE's renewable energy programs.
- **Expo 2030 (Saudi Arabia):** Promises to attract international investors and drive development.

Government Initiatives

- **Vision 2030 (Saudi Arabia):** Focus on reducing oil dependency and enhancing sectors like tourism and entertainment.
- **Dubai Economic Agenda D33:** Aims to double Dubai's economy in the next decade with innovations in trade, digital economy, and green energy.
- **Qatar National Vision 2030:** Emphasizes diversification and sustainable development.

Key Sectors

The Middle East has several key sectors fueling its growth. Banking and finance are strong, supported by financial hubs like the Dubai International Financial Centre (DIFC), offering services for businesses and individuals. The real estate market is booming with mega-projects in Saudi Arabia and the UAE, creating attractive investment options. Meanwhile, capital markets are growing as countries in the GCC improve stock exchanges and make it easier for foreign investors to participate, boosting regional and global trade.

Real Estate in the Middle East

Real estate is a major part of the Middle East's economy, especially in the UAE, Saudi Arabia, and Qatar. The demand for residential properties, like luxury villas, apartments, and affordable housing, is growing due to increasing expatriate and local populations. The commercial sector is also expanding, with new office spaces, malls, and industrial zones being developed to support businesses and foreign investments. Additionally, the rise in tourism has boosted the construction of hotels and vacation rentals, making real estate one of the fastest-growing industries in the region.

Mega-Projects in the Middle East

Saudi Arabia's NEOM: A \$500 billion futuristic city powered by renewable energy.

Dubai's Expo City: Post-Expo 2020, this area is being developed into a business and residential hub.

Qatar's Lusail City: An ambitious urban development project blending modern living and sustainability.

Key Opportunities and Challenges in the Middle Eastern Real Estate Market

The Middle Eastern real estate market offers strong government support and exciting opportunities but also comes with challenges. Countries like the UAE allow expatriates to own freehold properties in key areas, while Saudi Arabia's Vision 2030 promotes real estate growth to diversify from oil. Key opportunities include affordable housing projects for middle-income residents, luxury properties in iconic locations like Palm Jumeirah and Riyadh's Diplomatic Quarter, and the growing demand for logistics and warehousing due to e-commerce. Innovative projects like NEOM and Masdar City focus on smart, sustainable developments. However, challenges include varying regulatory frameworks, temporary oversupply in cities like Dubai, and the impact of oil price fluctuations on investor confidence.

Why Invest in Middle East Real Estate?

Investing in Middle Eastern real estate offers several benefits. The region provides high returns, with strong rental income and increasing property values. The demand for housing and commercial spaces continues to grow due to urbanization and rising populations. Middle Eastern countries also offer stability and safety, with robust governance and laws protecting investors. Cities like Dubai and Riyadh are globally connected, making them ideal hubs for international businesses and attracting steady investment opportunities. These factors make real estate in the Middle East a smart choice for both local and foreign investors

Taxes Applicable to Real Estate in the Middle East

- **Property Transfer Fees:** These are often 2-4% of the property value, varying by emirate. For instance, in Dubai, the fee is 4%, typically shared between the buyer and seller unless agreed otherwise. These fees are not considered taxes but are significant transaction costs.
- **Value Added Tax (VAT):** Residential properties are generally VAT-exempt, except for the first sale within three years of completion, which is zero-rated. Commercial properties are subject to 5% VAT on sales and leases.
- **Corporate Tax (Effective 2023):** Real estate businesses, including developers and agencies, are subject to corporate tax on their profits. Individual rental income is generally exempt unless tied to a business entity.
- **Rental Income Fees:** In Dubai, there's a 5% annual rental fee for residential properties and a 10% fee for commercial properties.

Saudi Arabia:

- **Real Estate Transaction Tax (RETT):** A 5% RETT is applied to the sale and purchase of real estate, replacing VAT on such transactions. Specific exemptions apply, including transactions for public benefit or those involving charitable organizations.
- **Zakat:** Real estate held for investment by Saudi nationals or GCC residents may be subject to Zakat, an Islamic contribution based on asset value.
- **Corporate Income Tax:** Companies involved in real estate development or management are subject to income tax on their profits, and foreign-owned businesses may face additional withholding taxes.

Key Considerations

Both the UAE and Saudi Arabia offer tax-friendly policies, especially for individual investors, making them attractive markets for real estate investments. However, businesses and developers must navigate specific corporate tax rules and transaction-related fees. Understanding these distinctions is crucial for compliance and financial planning in these markets.

Corporate governance & structures

In the UAE, businesses can be established under various legal structures, depending on their activities, ownership preferences, and operational goals. Here's an overview of the main types of companies:

- **Limited Liability Company (LLC):** Most common structure; requires at least 2 shareholders and is suitable for trading and service businesses.
- **Sole Establishment:** Owned by one individual, but only for professional or service-based activities.
- **Branch of a Foreign Company:** Allows international companies to establish an extension in the UAE without forming a new entity.

Offshore companies in the UAE are established under Free Zone jurisdictions but cannot operate within the local UAE market, focusing instead on international business activities. They are often used for asset protection, holding intellectual property, and tax optimisation in global markets. Popular examples include JAFZA Offshore in Dubai and RAK ICC in Ras Al Khaimah, which offer streamlined processes and international credibility for businesses.

Civil companies are designed for professionals like consultants, and doctors, allowing full foreign ownership in certain fields, though they need a local service agent. Public and private joint stock companies are for large-scale ventures, with private companies requiring at least 3 shareholders and public ones needing 10 members and offering shares on the stock exchange. Specialised entities include professional companies, which can be sole proprietorships or partnerships for specific professions, and holding companies, which manage investments and subsidiaries without getting involved in day-to-day operations.

Accounting, tax, and other applicable laws and regulations

The UAE has a business-friendly legal framework that encourages investment and economic activity. Below is an overview of accounting, tax, and other applicable laws and regulations in the UAE:

Accounting Standards

Companies in the UAE are generally required to follow International Financial Reporting Standards (IFRS).

Free Zone Companies may have specific reporting requirements depending on their jurisdiction, such as the Dubai International Financial Centre (DIFC) or Abu Dhabi Global Market (ADGM), which also follow IFRS.

Auditing Requirements

Annual audits are mandatory for most businesses, including Free Zone companies. Mainland companies (LLCs) must also maintain audited financial records.

Tax Laws

The UAE offers a relatively low-tax environment but has introduced certain tax regimes:

Corporate Tax

Effective from June 1, 2023, at a standard rate of 9% for taxable profits exceeding AED 375,000.

Businesses in Free Zones remain tax-exempt for qualifying income but must register for corporate tax.

Starting from 1 January 2025, the UAE will introduce a Domestic Minimum Top-up Tax (DMTT). This applies to multinational companies with global revenues of €750 million or more in at least two of the past four financial years. It ensures these businesses pay a minimum effective tax rate of 15% in the UAE, in line with international OECD rules.

Value Added Tax (VAT)

Introduced in 2018, VAT is charged at a standard rate of 5% on goods and services. Certain sectors, such as healthcare, education, and residential real estate, enjoy exemptions or zero-rated VAT.

Excise Tax

Levied on specific goods like tobacco, carbonated drinks, and energy drinks at rates ranging from 50% to 100%.

Customs Duty

Standard duty is 5% for most goods imported into the UAE.

No Personal Income Tax: Residents and employees are not subject to income tax.

Free Zone-Specific Regulations

Free Zones like JAFZA, DMCC, and DIFC have their own set of compliance and reporting requirements, which often include:

- Annual license renewal.
- Maintenance of audited accounts.
- Adherence to Free Zone-specific labour laws and residency rules.

Economic Substance Regulations (ESR)

The Economic Substance Regulations (ESR) were introduced to ensure that companies in the UAE are genuinely operating in the country and not just using it for tax advantages. Certain types of businesses, like banking, insurance, and shipping, must show that they are actively conducting business in the UAE. These companies are required to file notifications and reports to demonstrate that they meet the local economic substance requirements, in line with global standards to prevent harmful tax practices

Anti-Money Laundering (AML) and Counter-Terrorism Financing (CTF)

In the UAE, businesses, especially those in financial services or involved in high-value transactions, must follow strict rules to prevent money laundering and terrorist financing (AML/CTF laws). This means they have to report any suspicious activities to the UAE's Financial Intelligence Unit (FIU). The goal is to ensure that illegal money flows are detected and stopped, helping maintain a clean and transparent financial system in the country.

Labor and Employment Laws

In the UAE, labor laws for mainland companies are governed by Federal Decree-Law No. 33 of 2021, which sets out the basic rules for employment relationships. Free Zones often have their own separate employment regulations. Key rules include limits on working hours, mandatory overtime payments, and end-of-service benefits (gratuity) for employees. Additionally, the law ensures equal pay for equal work, meaning that men and women doing the same job must be paid the same.

Data Protection and Privacy Laws

In the UAE, DIFC (Dubai International Financial Centre) and ADGM (Abu Dhabi Global Market) have strong data protection rules that follow global standards, like the General Data Protection Regulation (GDPR) used in Europe. This ensures that companies in these areas must handle personal data responsibly and securely. Businesses operating in the mainland must follow the UAE Federal Law on Personal Data Protection (effective from 2022), which also sets clear rules on how personal information should be collected, used, and protected to safeguard privacy.

Real Estate and Property Laws

In the UAE, real estate transactions come with certain registration requirements and can incur property transfer fees ranging from 2% to 4% of the property value. Additionally, land ownership rules can vary across different emirates. While some areas allow foreigners to buy property, there are restrictions on foreign ownership in certain non-designated areas. Buyers need to understand the local rules for each emirate when purchasing property.

Corporate Governance

In the UAE, public companies must follow corporate governance rules set by the Securities and Commodities Authority (SCA). These rules ensure transparency, accountability, and fairness in their operations. For private companies, while it's not mandatory, it's encouraged to maintain strong governance practices. This helps attract investors and ensures the company is transparent and trustworthy, which is essential for long-term success and growth.

Tax structure and incentives

The UAE's tax structure is designed to attract foreign investment and stimulate economic growth while ensuring compliance with international standards. It combines a low-tax environment with targeted incentives for businesses.

Taxes

Corporate Tax:

Introduced in June 2023, corporate tax is levied at:

- 0% for taxable income up to AED 375,000.
- 9% for income exceeding AED 375,000.
- Higher rates for multinational corporations meeting specific criteria under the OECD Base Erosion and Profit Shifting (BEPS) rules.
- Free Zone entities are tax-exempt on qualifying income, subject to compliance with substance regulations.

Value Added Tax (VAT):

Standard rate: 5%, introduced in January 2018.

Exemptions or zero-rating apply to specific sectors such as healthcare, education, and residential real estate.

Excise Tax:

Levied on harmful goods like tobacco (100%), sugary drinks (50%), and energy drinks (100%).

Customs Duty:

Typically 5% on imported goods.

Exemptions exist for Free Zone businesses if goods are not sold in the UAE market.

No Personal Income Tax:

Individuals are not taxed on salaries or other personal income.

Zakat:

Applicable to businesses owned by GCC nationals, calculated at 2.5% of specific assets.

Key Regulatory Authorities

- **Ministry of Finance (MoF):** Oversees taxation policies.
- **Federal Tax Authority (FTA):** Administers VAT, excise tax, and corporate tax.
- Dubai Financial Services Authority (DFSA) and ADGM Financial Services Regulatory
- **Authority (FSRA):** Regulate financial activities in their respective Free Zones.
- The UAE offers a stable and transparent regulatory environment, making it an attractive hub for global businesses.

Incentives for Businesses

- In the UAE, Free Zones offer great benefits for businesses, including 100% foreign ownership, duty-free import and export advantages, and easy company setup. Some well-known Free Zones include the Jebel Ali Free Zone (JAFZA), Dubai Multi Commodities Centre (DMCC), and Abu Dhabi Global Market (ADGM). The UAE's strategic location between Europe, Asia, and Africa makes it an ideal hub for global trade.
- The government supports businesses with initiatives like the Golden Visa Program (for long-term residency), Operation 300bn (to make the UAE a global industrial leader), and the Dubai Industrial Strategy 2030 (focused on innovation). The UAE also has over 100 Double Taxation Agreements (DTAs), which help prevent businesses from being taxed twice on the same income. There are no currency restrictions, allowing businesses to move profits and capital freely.
- For certain sectors, like technology, there are innovation hubs such as DIFC FinTech Hive and Dubai Internet City that provide funding and growth opportunities. Sustainability projects, including clean energy and net-zero initiatives, also benefit from government incentives.

- Overall, the UAE offers a business-friendly environment with easy company setup, low regulatory burdens, and investment protection, making it an attractive place to do business.

The UAE's combination of low taxation, strategic incentives, and world-class infrastructure makes it an ideal hub for businesses seeking global reach. For detailed guidance, consider consulting legal or financial advisors familiar with UAE regulations.

Small Business Relief (SBR)

The UAE provides Small Business Relief (SBR) under its Corporate Tax Law effective from June 1, 2023, which offers significant tax benefits to small businesses. Companies with annual revenue up to AED 3 million are exempt from corporate tax.

Eligible businesses must still maintain proper accounting records, report revenue in tax returns, and comply with basic tax filing requirements. SBR does not apply to multinational companies or Free Zone entities benefiting from specific exemptions.

Additionally, the UAE supports small businesses with incentives such as tax exemptions in Free Zones, Golden Visa programs for entrepreneurs, and various startup hubs that offer mentoring and financial support. Programs like Dubai SME and Sheraa provide platforms for small businesses to grow and thrive, offering grants, funding, and workspace solutions.

This relief applies to tax periods from 1st June 2023 to 31st December 2026.

This framework is part of the UAE's broader strategy to foster economic diversification, support innovation, and create job opportunities, making the country an attractive destination for small business owners.

Employment

The UAE Labor Law and other employment regulations govern work relationships in the country, ensuring employee rights and employer responsibilities. Here are the key labour laws and rules applicable in the UAE:

UAE Labor Law (Federal Decree-Law No. 33 of 2021):

- In the UAE, labour laws aim to protect both employees and employers. All employees must have a written employment contract that outlines their salary, job role, working hours, and contract length. The standard working week is 48 hours, but during Ramadan, it is reduced to 6 hours per day for Muslim employees. Employees who work beyond regular hours are entitled to overtime pay, calculated at 1.25 times their usual hourly rate.
- Employees are also entitled to various types of leave, including 30 days of paid annual leave, sick leave, and maternity leave (60 days). Public holidays are also granted. When leaving a company, employees receive end-of-service gratuity based on their length of service. If an employee resigns, they may lose some of their gratuity benefits, depending on the contract terms.
- For work visas, employers must sponsor their employees, and the visas are typically valid for 2-3 years, with the possibility of renewal. The UAE's Wage Protection System ensures timely payment through bank transfers. Employers are also required to maintain a safe working environment and follow health and safety regulations set by the Ministry of Human Resources and Emiratisation (MOHRE).
- The UAE encourages hiring local talent through the Emiratization policy, though expatriates make up the majority of the workforce. Domestic workers are protected under labor laws, ensuring they receive fair treatment and protection from abuse. Furthermore, female employees are entitled to 60 days of maternity leave, while male employees are eligible for paternity leave.

Intellectual property (IP) laws on patents, trademarks, and royalties

Patents

A patent grants the holder exclusive rights to an invention, typically for 20 years from the filing date.

Process:

- To patent an invention in the UAE, it must be novel, involve an inventive step, and be applicable in industry. The process begins by filing the patent application with the Ministry of Economy or through the Gulf Cooperation Council (GCC) Patent Office. The application must include a detailed description of the invention, claims, and in some cases, proof of its novelty. After submission, the Ministry of Economy conducts a substantive examination of the application. Once the examination is complete and the application is approved, the patent is granted.
- In simple terms, a patent gives you the exclusive right to make, use, and sell your invention in the UAE. It also provides legal protection if someone tries to copy or steal your idea. The patent system is governed by Federal Law No. 44 of 1992, which covers industrial property rights like patents and designs. However, to keep your patent active, you must pay annual fees to the government.

Trademarks

A trademark protects brand names, logos, or other identifiers that distinguish goods or services.

- To register a trademark in the UAE, you must apply to the Ministry of Economy. Before applying, it's a good idea to search to make sure no one else is using the same trademark. Once submitted, the Ministry will examine your application. If everything is in order, the trademark will be published in the official journal for 30 days, allowing others to object. If no one opposes, the trademark is registered for 10 years and can be renewed.

Having a trademark helps protect your brand and keeps others from using the same name or logo in the UAE and the GCC region. The rules for trademarks are governed by Federal Law No. 37 of 1992. Trademark owners must keep using their trademarks regularly, or they risk losing their registration.

Royalties

Royalties refer to payments made for the use of intellectual property, such as patents, trademarks, copyrights, or licenses.

- In the UAE, royalties are typically managed through agreements between the intellectual property (IP) holder and the person or company using the IP. These payments are made regularly based on the earnings from the IP's use. For the IP owner, this provides a steady income while allowing them to keep ownership of their intellectual property.
- However, royalties are subject to corporate taxes under the UAE's tax rules, which were introduced in 2023, but the UAE is still considered relatively tax-friendly. Payments to foreign licensors may be subject to withholding taxes, although many double taxation agreements help reduce this issue.
- The UAE offers strong legal protection for intellectual property, ensuring a safe environment for businesses to innovate. It is recognized internationally for IP protection, thanks to its membership in global IP agreements like the Paris Convention. This legal protection helps promote innovation, encourages entrepreneurship, and strengthens the UAE's position as a top business hub.

In the UAE, copyright is governed by Federal Law No. 7 of 2002. It automatically protects original works such as literature, music, software, and art. Protection lasts for 50 years after the creator's death. Registration with the Ministry of Economy is not required but recommended for stronger legal protection. Copyright holders have exclusive rights to reproduce, distribute, and license their works. Infringement can lead to severe penalties. The UAE enforces international standards and cooperates globally to combat piracy.

Blockchain & Crypto-currencies

The UAE has developed a clear and structured regulatory framework for cryptocurrency businesses, aimed at positioning the country as a global hub for virtual assets. The Virtual Assets Regulatory Authority (VARA), established in 2022, oversees this ecosystem, ensuring compliance with strict Anti-Money Laundering (AML) and Know-Your-Customer (KYC) protocols. VARA requires all Virtual Asset Service Providers (VASPs) operating in Dubai to be licensed and adhere to detailed rulebooks addressing risk management, market conduct, and technology governance. These regulations promote transparency, enhance investor protection, and encourage innovation.

The UAE's regulatory approach aligns with international standards, such as the Financial Action Task Force (FATF) guidelines, to maintain a secure and stable crypto market. Additionally, the UAE has introduced a 9% corporate tax on crypto businesses earning over AED 375,000, with exemptions for smaller companies. Individual crypto traders are not taxed on profits, and VAT does not apply to crypto transactions, which makes the UAE a tax-efficient environment for crypto operations.

Furthermore, the UAE allows businesses to pay salaries in cryptocurrencies, though this is subject to mutual agreement between employer and employee, while still complying with labour laws. Crypto companies are required to follow AML, CFT regulations, and ensure robust internal controls to prevent financial crimes.

For businesses aiming to set up a crypto company, key documents include:

- Trade Name Registration and a clear business plan.
- Licensing Application with VARA.
- Proof of financial stability and risk management policies.
- AML/CFT and KYC procedures to meet regulatory requirements.

These steps ensure that crypto companies operate securely and transparently in the UAE's evolving market.

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