ANDERS
LEGAL CONSULTANCY

21 years
expertise in Dubai

Setting Up a Business in the United Arab Emirates: Choosing the Right Location

When establishing a company in the United Arab Emirates ("UAE"), you will face one important decision right from the start: Which location is most suitable for your proposed business? For determining whether to set up the company within the territory of the UAE (so-called mainland) or in a free zone, factors such as your intended business activities, licensing requirements and tax considerations are of crucial importance. This article explores the available options and factors you should take into account when choosing a location for setting up your company:

Selecting the Suitable Emirate

The UAE is a federation comprising seven emirates: Abu Dhabi, Dubai, Sharjah, Ajman, Umm Al Quwain, Ras Al Khaimah and Fujairah.

In general, a distinction is to be made between the federal level, which applies across all emirates, and the local level, which relates to an individual emirate. Depending on the field of law, different legislative powers apply in each of these two areas. Therefore, when setting up a company in the UAE, both federal and emirate-specific laws must be considered. As a result, the legal framework and administrative procedures may differ between the individual emirates.

It should also be noted that certain business activities may not be performed outside the emirate in which your company will be licensed. Whilst trade is possible across emirates, repair or maintenance work cannot be carried out in another emirate. For example, if your business primarily targets customers in Dubai, setting up your company in another emirate may result in legal restrictions.

Deciding between Mainland and a Free Zone

Within an emirate, a distinction must be drawn between the mainland, free zones and areas subject to offshore legislation. Significant differences may exist between these jurisdictions in terms of the applicable regulations and administrative procedures.

The mainland is the geographical territory of an emirate that is not designated as a free zone. A company based in the mainland is registered with the relevant licensing authority of the emirate.

A mainland company may apply for an import code for goods covered by its licence and is thereby entitled to import goods into the mainland and sell them directly to customers in the UAE.

By contrast, free zones are confined areas within the UAE that operate under their respective regulatory frameworks and are administered by their individual authorities. UAE laws apply only to a limited extent within free zones. Instead, the respective free zone authorities issue their own regulations, which govern, for example, the requirements for setting up a company or employing staff within the specific free zone.

Goods may generally be imported into a free zone and re-exported into countries other than the UAE without payment of customs duties. It should be noted that a free zone company can only import goods into the relevant free zone using its import code. However, it cannot import them into the UAE mainland. To do so, it would require a contractual partner holding a corresponding mainland import code.

Free zones are often located near major seaports and international airports, offering geographical advantages for trade and manufacturing. Furthermore, some free zones are tailored to specific industries. Jebel Ali Free Zone, for example, could be particularly suitable for you due to its extensive logistics and warehousing infrastructure and direct connection to Jebel Ali Port, especially if your future business is expected to handle a high volume of goods. Dubai Healthcare City could be the right location for you if your business operates in the healthcare sector. Dubai Design District offers particularly favourable conditions if you are active in the fields of design, fashion, architecture or art.

Offshore companies represent one of the most cost-effective ways of setting up a business. However, it should be noted that offshore companies are generally prohibited from maintaining relationships with business partners in the UAE and are therefore not suitable for conducting business operations in the UAE.

Identifying the Relevant Business Activities

The key factor in choosing a location are the intended business activities of the new company to be established. The operations a company is permitted to carry out are determined by the activities applied for, approved and ultimately mentioned on the company's license.

It is therefore advisable to define the business activities your company intends to provide as precisely as possible during the planning stage, taking into account not only its immediate business objectives but also its medium and long-term plans. You should then verify whether the intended activities can be carried out at the chosen location and combined under a single license. Certain business activities are also subject to stricter requirements, for example regarding professional qualifications, share capital or bank guarantees.

ANDERS
LEGAL CONSULTANCY

Determining the Legal Form

Another important factor when choosing a location is the legal form under which the company is to be established.

The legal form preferred by foreign investors in the UAE is the limited liability company. It is broadly comparable to a German GmbH and can be licensed in different variations both within the mainland and in free zones. The same applies to the legal form of the branch, i.e. the dependent subsidiary of a foreign or local parent company.

Less common legal forms, such as joint stock companies or foundations, cannot be established at all locations in the UAE.

Conclusion

Choosing the right location within the UAE is of crucial importance for your future business. Only getting the foundation right from the outset will enable you to focus fully on your core operations once the company has been set up.

It is therefore worth taking your time when establishing a business and carefully considering the individual factors to identify the solution that best suits your specific circumstances. The starting point should always be the business activities of the company to be set up.

Do you have questions? – We would be glad to answer them!

From our office located in the heart of Dubai, our team of German attorneys has been advising small and medium-sized companies, corporations and individuals on the laws of the United Arab Emirates for more than 21 years. Our areas of expertise include corporate law (in particular business set-up), commercial agency law, employment law as well as tenancy and real estate law. We would be happy to attend to your questions as well. Contact us!

ANDERS LEGAL CONSULTANCY LLC
Sama Tower, Office 806
Sheikh Zayed Road
PO Box 333 558, Dubai, UAE

Phone: +971 4 327 5888
Fax: +971 4 327 5999
eMail: info@anders.ae
Web: www.anders.ae

Published: 27.10.2026

The information provided in this article has been carefully perused. However, no legal responsibility or liability whatsoever, in particular for completeness, accuracy and topicality, can be assumed. Specialist advice should be sought for any individual case.