

Evento Paese Emirati Arabi Uniti

# *Conducting business in the UAE*

Gerry Romanescu, PwC Switzerland  
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# Gerry Romanescu

## Director

### Professional Career

- Director, **PwC Switzerland**  
Global Centre of Excellence for Hospitality and Tourism
- Director, **PwC Global**  
Global Organisational Transformation Initiative  
'PwC Experience'
- Vice President Customer Care/Loyalty  
**Orbitz.com**, Chicago, USA
- VP Customer Care/Experience and  
Key Account Director/Switzerland  
**Swissair**, Zürich, Switzerland
- Managing Director  
**Sky Tours**, Zürich, Switzerland

*Visiting and doing business in the UAE  
since 1986*

### Education

- IMD Certified Leader for Global Strategic Initiatives
- SKU Advanced Management Certificate SKU/HSG, Schweiz
- Eidg. dipl. Verkaufsleiter
- Apprenticeship in the public sector



Dubai Airport 1986





# United Arab Emirates

## Facts & Figures



# The United Arab Emirates (1/2)

The UAE is a safe harbor in the Gulf region.

- Member of the Gulf Cooperation Council (GCC), including six countries: Bahrain, KSA, Kuwait, Oman, Qatar and the UAE
- One of the most liberal trade regimes in the Gulf region
- Several GCC-based international free trade agreements
- Attracts strong capital flows from across the region
- UAE provides a safe and secure family environment with one of the lowest crime rates in the world
- Stable currency (AED) pegged to the USD



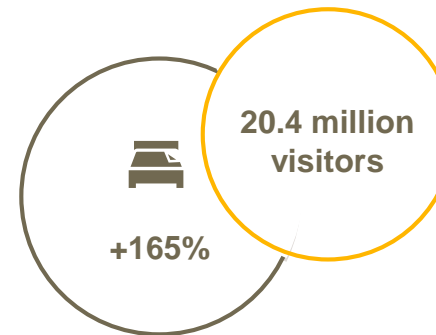
# The United Arab Emirates (2/2)

The economy is strengthened by high growth rates in the tourism sector

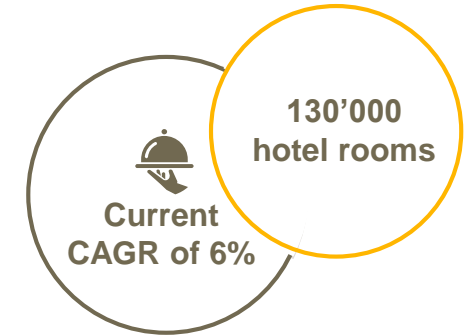
- Focus on economic diversification in trade, logistics, banking, tourism, real estate and manufacturing
- Well-established infrastructure, strong banking system and a stable political system
- No federal corporate income tax, but Emirate-based taxation of foreign oil companies and branches of foreign banks
- Has VAT, excise tax and customs duty
- No personal income tax

2007 - 2017

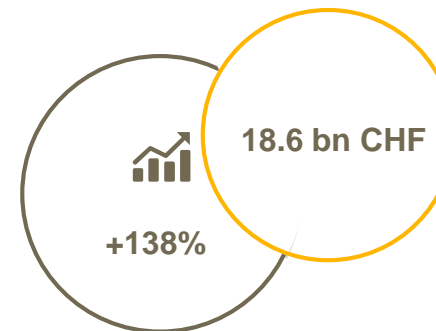
Demand



Supply



GDP contribution  
hospitality



Sector  
employment





# Economic focus

## The United Arab Emirates' ambition is to decrease its significant dependency on oil exports and to diversify its economy

- The country, particularly Dubai, has been able to develop into a regional center for foreign companies and offers business opportunities due to extensive efforts in diversifying the economy
- Dubai in particular invests in internationalization and organizes a growing number of international trade fairs and events. It is a trade hub between Asia, Europe and Africa. The Expo 2020 is giving the economy another boost
- Infrastructure investments and growing demand for energy open up new opportunities for Swiss companies in the aviation, energy and logistics industries



- Swiss direct investment in the UAE : **17.9 bn CHF** (2017)
- Swiss companies employ **~11'000** people in the UAE

- UAE trade volume with Switzerland : **~15bn CHF** (2018)
- Imports to UAE: **4.8 bn CHF** (+19.6%), rank 12
- Exports to CH: **10.2 bn CHF** (+2.9%), rank 6

# United Arab Emirates

Ease of doing business



# Examples of challenges industry professionals face in Dubai

Source: PwC project work in Dubai

*“In order to have fireworks for the Chinese New Year, we had to send 8 different forms to different authorities and pay a standard fee of AED 65,000 for a permit”*

*“The alcohol license fee went from AED 70,000 in one year to AED 400,000 in the next. The fee was reduced to AED 300,000 a year later”*

*“Inspectors insisted on checking our water boilers for no apparent reason. This is only possible by dismantling the boilers, which forced us to replace 200 boilers”*

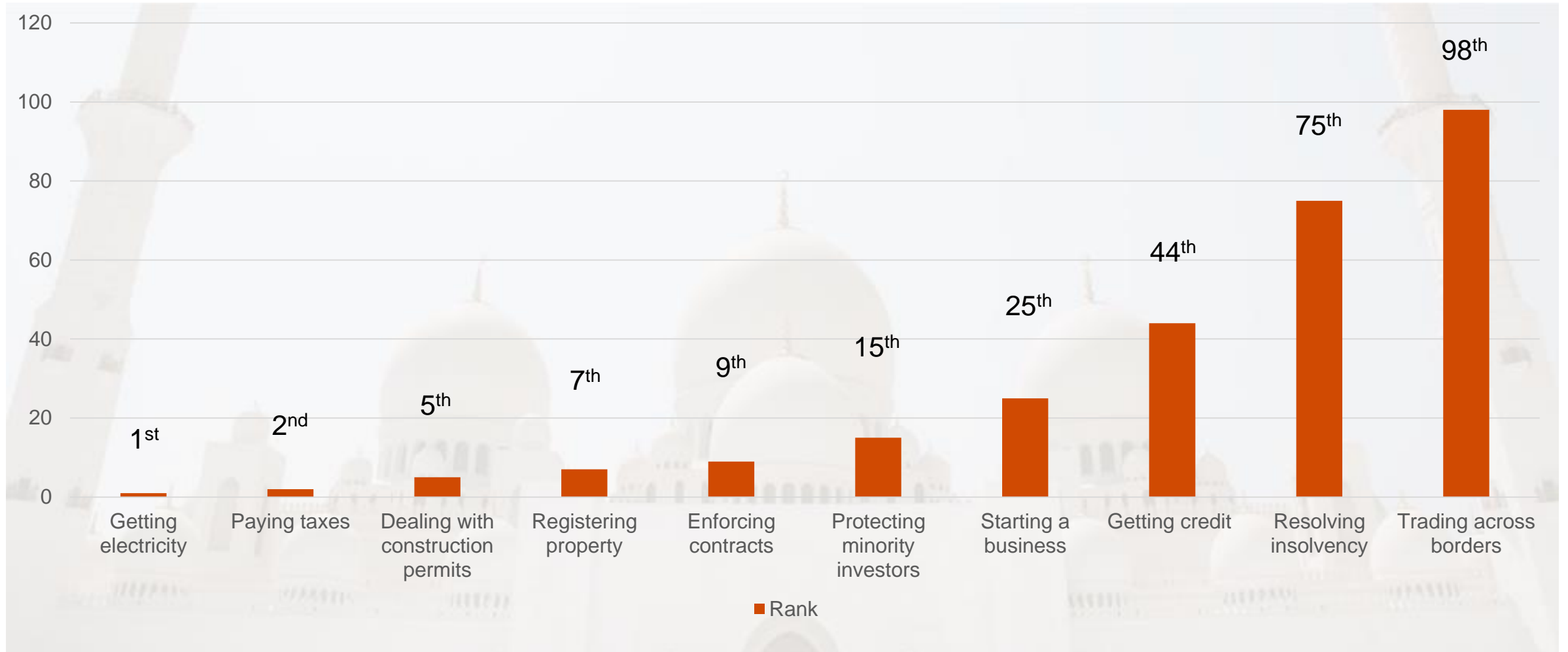
*“In order to set up a tent during Ramadan, we have to pay a monthly renewal fee of up to AED 40,000, rather than paying a one-off fee for the license of the tent”*

*“Setting up a business is like a scavenger hunt. You need to go from clue to clue”*



# The UAE is ranked 11<sup>th</sup> worldwide by ease of doing business

Source: World Bank 2019 assessing 190 countries



# Considerations when doing business in the UAE

With diligent preparation, legislative and cultural complications can be avoided

## Legislative implications

- Restrictions on company ownership by non-GCC nationals (need for a local sponsor owning 51% of the business if not in a free zone)
- Free trade zones can allow 100% foreign ownership and a nil taxation regime (subject to limitations)
- Limited creditors' rights and options (bankruptcy laws not keeping pace with the economy development)
- No exchange control restrictions; it is possible to have unrestricted repatriation of income and capital

## Economic implications

- Currency is pegged to the dollar
- Location in a geopolitically volatile region could affect investor perceptions
- Existence and interaction of federal laws, individual emirate laws and free zone laws
- 5% VAT since 2018

## Cultural implications

- People in the UAE prefer to do business in person
- Relationships and mutual trust are paramount for any successful business interaction and can only be developed through face-to-face meetings
- UAE's culture is driven by Islamic traditions, however, expatriates representing 150 nations are able to practice their own cultures

# Considerations when doing business in the UAE

With diligent preparation, legislative and cultural complications can be avoided

- The UAE has one of the **most liberal trade regimes** in the Gulf and attracts strong capital flows from across the region
- Free trade zones can allow **100% foreign ownership** and a nil taxation regime
- **No exchange control restrictions**; unrestricted repatriation of income and capital
- Expatriates representing **150 nations** are able to practice their own cultures
- Excellent **accessibility** of the country
- No visa is required for Swiss citizens to do project work in the UAE (fly in fly out)

## Strengths

## Opportunities

- Oil prices are expected to **stay high** (by historical standards) over the near future
- the tourism and financial services sectors still have good medium-term **growth prospects**, driven by **domestic and foreign investment**
- The prevailing unrest in the Middle East Region and North Africa has worked to the UAE's advantage, with businesses, **financial institutions and people relocating**
- UAE's real estate sector has benefited from a reduction in mortgage rates as banks remain more liquid and increasing oil prices

- Restrictions on company **ownership by non-GCC nationals** (need for a local sponsor owning 51% of the business if not in a free zone)
- Existence and interaction of federal laws, individual emirate laws and free zone laws
- **5% VAT** since 2018
- **Limited creditors' rights** and options (bankruptcy laws not keeping pace with the economy development)
- People in the UAE prefer to do **business in person** and relationships are key
- UAE's culture is driven by **Islamic traditions**

## Weaknesses

## Threats

- Location in a **geopolitically volatile region** could affect investor perceptions
- Subsidies on utilities and agriculture an outdated tax system, have led to **fiscal deficits in the past**
- A **property market crash** could threaten future development
- **Currency is pegged to the dollar**, the credit rating of the United States of America was downgraded from AAA to AA



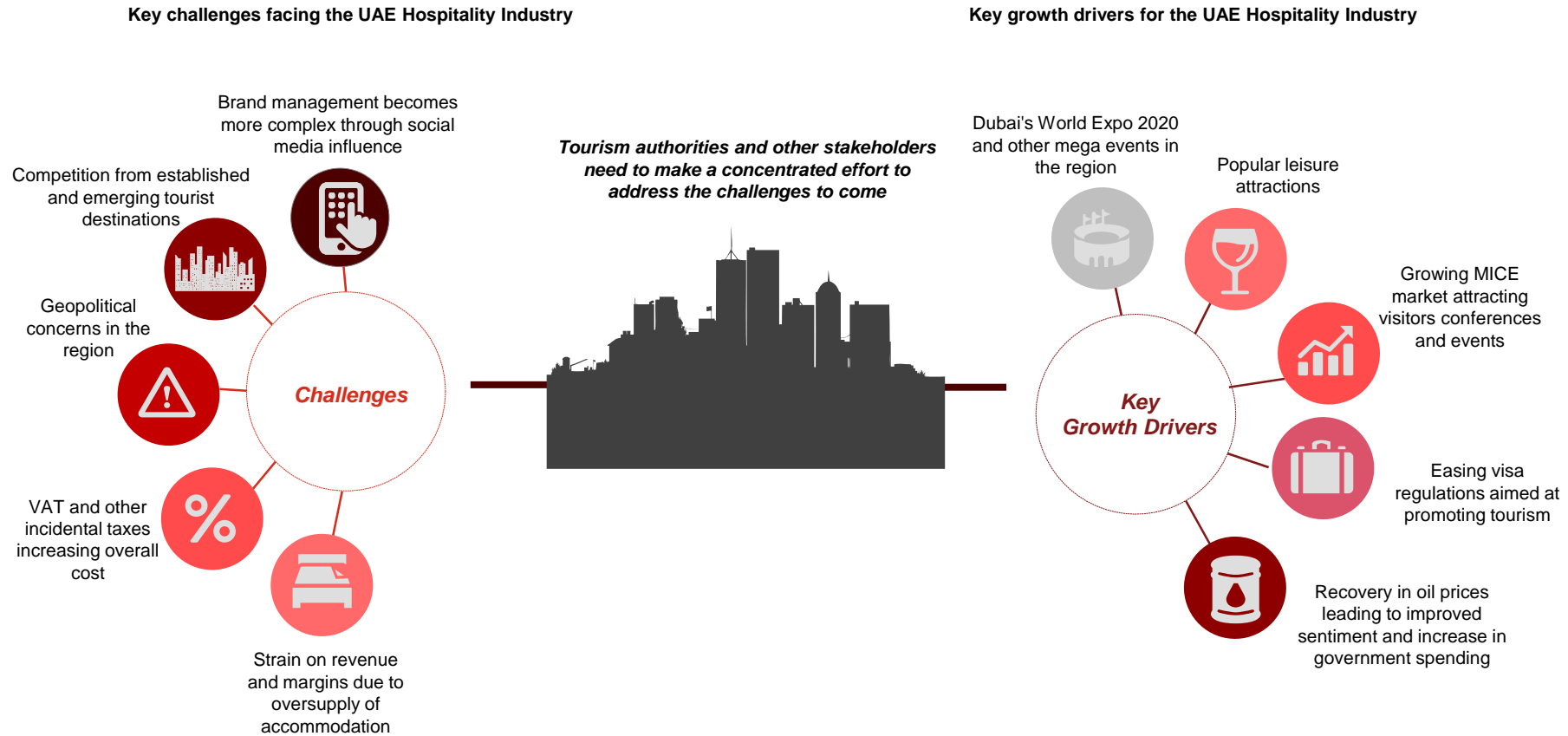
# United Arab Emirates

Tourism outlook



# Tourism growth and related challenges

UAE Tourism has experienced continued growth and diversification to become one of the fastest-growing economic sectors in the world



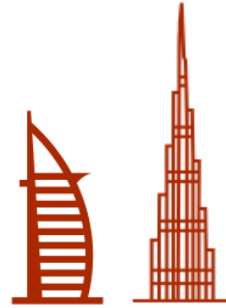
Source: Alpen Capital – GCC Hospitality Industry Report, July 2018

# Outlook

The UAE Tourism sector will drive employment and diversification of the economy and its growth is crucial to achieve the “2021 UAE Vision”

11.7%

*Of the total workforce employed in travel and tourism by 2028*



25 million visitors by 2025 in Dubai making it the world's most visited city

243 bn AED

*Visitor export contribution by 2028*

720'000

*People employed in the travel and tourism sector by 2028*

+82.6%

*Increase in tourism expenditure by 2028*

168'000 hotel rooms

*Completed by 2020*

Source: WTTC





# Thank you!

[www.pwc.ch/hospitality](http://www.pwc.ch/hospitality)

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