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BUSINESS ENVIRONMENT

THE CONSUMER

Consumer Profile

The increase in the UAE population can be attributed mostly to the high demand of labour in the two main cities of Abu Dhabi and Dubai. Ongoing construction has attracted workers from around the world. The United Arab Emirates' population will continue to grow exponentially as the country continues to develop its infrastructure. The total population has doubled from 3.7 million in 2005 to 8.4 million in 2010, out of which an estimated 88% were foreign citizens. In 2022, the total population is estimated at 10 million people - of which only 31.1% are women. The median age in the United Arab Emirates is 32.7 years (Data Reportal). As the population of the UAE continues to grow, demand for services such as healthcare and education will increase. The majority of Emiratis fall under the 15-64 age range (83.65%), with men aged 30 to 49 being the most prominent, making them the largest group to contribute to the workforce. Despite the significant increase in the UAE population, household structure remains the same. Couples with children are by far the largest group, accounting for half of all households. They are followed by temporary workers (25% of households) and couples without children (13%). The last category is expected to grow significantly in the years to come, which should be reflected with increasing purchase money, presenting opportunities for higher quality products. Over the past few years, education has become the top priority in the UAE. The Government of the United Arab Emirates allocates a significant share of the federal budget each year to the development of the education system in order to provide quality education services and improve a knowledge-based economy. In 2022 this reached 26.7% of the federal budget. Nearly 84.2% of the U.A.E. population aged over 25 years old completed at least lower secondary education in 2019; while as for upper secondary education, almost 71.5% managed to complete it (World Bank, latest data available). Despite the government's commitment to the education sector, the gap between men and women in secondary education stands at 5% in favour of men (UNDP). Ambitiously, the government also seeks to improve the UAE's ranking in the Organisation for Economic Co-operation and Development (OECD) Programme for International Student Assessment (PISA) study, to score among the top 20 countries. A large number of foreign residents work in construction - which pays lower wages - while a big part of Emirati citizens work in the public sector. The sector with the highest number of employees in the country is the extractive industry, which employs 31% of the workforce in the UAE.

Purchasing Power

GDP per capita has been fluctuating for decades in the UAE. According to the latest available data by the World Bank, GDP per capita reached USD 66,771.5 PPP in 2020. Salaries differ among the seven federal emirates. The average monthly household income of UAE residents is estimated at AED 19,600. A person working in Dubai typically earns around 21,000 AED per month, whereas in Al Ain the average salary is 19,800 AED per month (Salary Explorer, 2022). The wealth gap between rich and poor in the UAE is one of the worst in the world, largely due to the amount of welfare and protection afforded to native Emiratis and the amount of neglect of migrant workers. The UAE ranks second in the Middle East for wage equality for similar work, and considerably improved its ranking in the 2021 World Economic Forum's Global Gender Gap Report, climbing at the 72nd position out of 156 countries (compared to 120th out of 144 countries in the 2020). The country has been working towards gender wage equality, and in 2018 a law ensuring women are paid an equal wage to their male colleagues was approved. Immigrants from South Asia, Egypt and Morocco mostly populate the UAE, with expatriates making up 88% of the population. However, this group also makes up the majority of the population living below the poverty line, which is defined by those who earn less than USD 20 a day. Emiratis have the highest standards of living in the country, while immigrants have the lowest.

Consumer Behaviour

Consumers in the UAE are some of the most diverse across the Gulf countries, as only 12% of the population is Emirati and the majority of the population consists of immigrants - mainly from South Asia, Iran, East Asia and the West - with significantly different levels of income. Retailing in the UAE is closely tied to social habits. Shopping malls dominate the retail landscape because they provide a source of entertainment, a social experience, and - just as important - air conditioning. For that reason, e-commerce only accounts for 11% of the retail sector, despite the UAE being one of the most digitally connected nations in the world (Majid Al Futtaim). The COVID-19 crisis and the implications of the lockdowns have accelerated the levels of adoption of e-commerce transactions by UAE residents, as e-commerce accounted for only 5% of retail trade before the crisis (Majid Al Futtaim). Retail e-commerce is projected to grow 60% to more than USD 8 billion by 2025 from 2021 (EZDubai and Euromonitor). Offline shopping remains relevant in the UAE for cultural and geographic reasons, however, as the online and offline channels converge more and more, the market is increasingly competitive, challenging the e-commerce operators already present in the region and bringing more benefits to consumers. UAE consumers have high expectations and are hard to impress. They expect excellent customer experience and personalised service, and when it comes to online shopping, they prefer single-brand websites because buyers believe they provide the best customer service. The UAE is an attractive market for luxury brands, with Dubai accounting for 30% of the Middle East's luxury market, and Emiratis spending around 30% of their monthly salaries on luxury goods. Additionally, even though around 30% of the population is female, women influence 80% of all purchases in Dubai alone. Female Emirati citizens spend more than 40% of their income on fashion shopping - triple that of the expat population. And a third of these Emirati women spend over 60% of their monthly income on shopping.

When it comes to food, even though Emiratis still prefer traditional Gulf dishes, the combination of so many foreigners within the UAE and the affluence of a number of Emirati residents has created a country with an international palate, demanding a wide range of international foods.

Consumers in the UAE tended to be big spenders and loyal to their favourite brands. However, the covid-19 crisis has led consumers to rethink their habits. According to McKinsey & Company, they now tend to plan their shopping, to test new brands, and shop online. Consumers still expect to decrease spending across categories with the exception of groceries, home and entertainment; the keywords are value and convenience.

The Emirate has a relatively young population with the increased demand for affordable hotels, and Airbnb is getting good acceptance and the demand is expected to grow.

Consumer Recourse to Credit

According to a survey carried out in 2017, nearly half of the residents of the UAE were in debt, and 12.8% of people were actively looking for a loan. The most common large purchase that people in the UAE are borrowing for is the acquisition of a house, followed by starting a business, going on holiday, and having a wedding. In 2018, the central bank lifted its benchmark interest to 2.50%. While Islamic banks do not compound the profit rates, conventional banks in the UAE do charge compounded interest. For many people in the UAE, cash is dying. Consumers are increasingly living in a cashless world and abandoning bills and coins in favour of debit and credit cards. In 2018, almost half of all purchases made in the country were paid using cards, which is more

than all the other payment types combined.

Growing Sectors

Information Technology, innovative technology and finance, engineering, construction, real estate, healthcare and pharma industry, oil and gas, advertising, media and entertainment, trading, logistics, water treatment and desalination, food manufacturing, and tourism.

Consumers Associations

[Department of Economic Development](#) , Consumer Protection Division

[Department of Economic Development](#) , Abu Dhabi Consumer Protection Manual

IMPORTING & DISTRIBUTING

Import Procedures

The importer submits the Import Declaration application for UAE Customs clearance online through [dubaitrade.ae](#). In case of restricted goods or duty-exempted cargo, the importer arranges for the necessary permits from the designated permit issuing authority before filling out the Customs Import Declaration. For import of goods from outside the country into UAE the following original documents are required:

- Commercial invoice from the exporter addressed to a licensed importer in the country detailing total quantity, goods description and total value for each item (in triplicate);
- Certificate of origin approved by the Chamber of Commerce in the country of origin detailing the origin of goods;
- Detailed packing list as per weight, method of packing and HS code for each individual article contained in the shipment;
- Import permit from the competent agencies in the event of importing restricted goods or duty-exempted goods;
- Original bill of loading;
- A form or letter of exemption from customs duties in cases where exemption requirements are fulfilled, including a Local Purchase Order (LPO).

For more information on the UAE Customs, please visit the [website](#) of the Federal Customs Authority.

Specific Import Procedures

Certain goods such as animals, medicines and weapons can be imported/exported only after receiving necessary [permits](#) from the competent authorities.

All imported meats - beef and poultry products - require a health certificate issued by the country of export and a "halal" slaughter certificate issued by an approved Islamic centre in that country. Some products require a sanitary or phytosanitary certificate or, for processed products, an export certificate confirming fitness for human consumption; and others a non-irradiation certificate for certain products (optional for European products).

Distribution channels

The UAE remains one of the most attractive market in the region for retailers, behind Saudi Arabia. UAE retail

market was valued at USD 22 billion in 2020 (+14.4% compared to 2019), with grocery sales making up 44.2% of retail sales, at USD 9.7 billion (USDA). The sector is growing due to various factors such as rising per capita income, growing tourism industry, increasing expatriate population. According to Majid Al Futtaim, consumer spending increased by 14% in Q1 2022 compared to the same period in 2019, as the economy continued to recover from the Covid-19 pandemic.

The country remains very attractive to retailers as 87.5% of the population lives in urban centres (Data Reportal, 2022). UAE has a high penetration of supermarkets and hypermarkets due to high rate of urbanization. When it comes to modern grocer retailing, omnichannel (online and offline purchase) is becoming a growing trend. The UAE is the most advanced eCommerce market in the Middle East and North Africa (MENA) region and the sector is booming. Over 95% of purchases are predicted to be made online by 2040. Retail e-commerce is projected to grow 60% to more than USD 8 billion by 2025 from 2021 (EZDubai and Euromonitor). Online retail spending tripled in the Q1 2022 compared with the first three months of 2019, led by the food and beverage and hypermarket/supermarket sectors (Majid Al Futtaim).

A number of selling methods are possible in the Emirates; direct sales are not very widespread. The most common way is to market products through local commercial agents. Many firms will choose a different distributor or commercial agent in each emirate. Imports and exports of food products have typically been entrusted to companies specialising in this field. However, the Government has recently abolished the monopoly of agents, and has proceeded to open up this sector. Finally, companies tend to make use of the geographic position of Dubai as a regional hub for stocking their goods before re-exporting them to other markets, e.g. India or Iran. Moreover, the use of franchising is rapidly expanding.

Distribution market players

Supermarkets have the largest market share of sales in UAE. These are followed by wholesale sales, shopping malls, trade fairs and exhibitions and, lastly, specialist shops. Major retail groups in the UAE include: Carrefour, Lulu Group, Union Co-operative Society, Abu Dhabi Cooperative Society and Sharjah Cooperative Society (USDA).

Retail Sector Organisations

Dubai Chamber of Commerce and Industry

OPERATING A BUSINESS

Type of companies

Sole Proprietorship

Number of partners: One person. Can be 100% owned by non-residents.

Capital (max/min): No minimum capital.

Shareholders and liability: The individual entrepreneur is responsible for assets of the company over his personal goods.

Public Joint-Stock Company

Number of partners: Minimum ten members. Shares freely transferable, but 51% must be held by UAE nationals.

Capital (max/min): Minimum AED 10 million.

Shareholders and liability: The responsibility is limited to the contributed amount.

Private Joint-stock Company

Number of partners: Minimum three shareholders. Shares freely transferable, but 51% must be held by UAE nationals.

Capital (max/min): Minimum AED 2 million.

Shareholders and liability: The responsibility is limited to the contributed amount.

Limited Liability Company

Number of partners: Minimum 2 partners. Maximum 50 partners.

Capital (max/min): No minimum required.

Shareholders and liability: The responsibility is limited to the shares in the capital of the company.

General Partnership

Number of partners: Minimum two partners. All the partners have to be UAE nationals.

Capital (max/min): No minimum required.

Shareholders and liability: Unlimited joint liability.

Limited Partnership

Number of partners: At least, one general partner (only UAE nationals) and one limited partner.

Capital (max/min): AED 500,000.

Shareholders and liability: At least one partner must have unlimited liability. Responsibility of other partners is limited to the amount contributed.

Setting Up a Company	United Arab Emirates	Middle East & North Africa
Procedures (number)	2.0	6.3
Time (days)	3.8	19.5

Source: Doing Business - Latest available data.

Cost of Labour

Minimum Wage

There was no minimum salary stipulated in the previous UAE Labour Law, however it broadly mentions that salaries must cover basic needs of the employees. A new Labour Law came into force in February 2022, which will set a minimum wage for employees in the private sector.

Average Wage

The average wage varies a lot depending on Emirates and even within them. A person working in United Arab Emirates typically earns around 19,600 AED per month (Salary Explorer, 2022).

Social Contributions

Social Security Contributions Paid By Employers: Please note that social security contributions are applicable in the UAE only for UAE nationals, and nationals of the GCC. If UAE/ GCC nationals are employed, then both the employer and the employee will be required to make social security contributions to the General Pension and Social Security Authority (GPSSA). A payment of 12.5% by the employer (15% if the employer is a public entity). Emirati nationals have free access to healthcare.

Social Security Contributions Paid By Employees: Employees who are UAE nationals pay a 5% contribution which is deducted from their salary. Emirati nationals have free access to healthcare. Foreign employees are recommended to subscribe to an additional insurance.

Intellectual Property

National Organisations

The UAE's legal regime with regard to intellectual property rights (IPR) is generally considered to be fair and consistent with international obligations. IPR enforcement generally takes place at emirate level.

Consult the website of the [Intellectual Properties Sector](#) of the Ministry of Economy. As part of ongoing efforts to attract local and international investment, the UAE Government had demonstrated a commitment to strengthening Intellectual Property Rights.

Regional Organisations

[The Patent Office of the Cooperation Council for the Arab States of the Gulf](#) (Gulf Cooperation Council or GCC) is a regional office for the Gulf Cooperation Council.

International Membership

[Member of the WIPO](#) (World Intellectual Property Organization)

[Signatory to the Paris Convention](#) For the Protection of Intellectual Property

TAX RATES

Consumption Taxes

Nature of the Tax

[VAT](#) (value-added tax)

Tax Rate

5%

Reduced Tax Rate

Goods and services exported outside the VAT-implementing GCC member states, international transportation, the supply or import of investment precious metals, the supply of crude oil and natural gas, the first supply of residential real estate, buildings specifically designed to be used by charity organisations, healthcare and education sectors are generally zero-rated.

Other Consumption Taxes

[Excise duties](#) were introduced in 2017 for three types of products: carbonated beverages and products with added sugar or other sweeteners (50%), tobacco and electronic smoking devices and tools (100%), energy

drinks (100%).

Corporate Taxes

Company Tax

- 0% on taxable income not exceeding AED 375,000
- 9% on taxable income exceeding AED 375,000

Tax Rate For Foreign Companies

A company is deemed to have a permanent establishment in the country if it has a branch, a place of management or another fixed place of business, or an agent that has and habitually exercises authority to conclude contracts on behalf of the foreign company.

Capital Gains Taxation

Capital gains are generally not subject to tax, unless they are derived by a company that is taxable under the purview of income tax or banking tax decrees.

Main Allowable Deductions and Tax Credits

Deductions are determined based on accounting principles and the tax decrees of the various Emirates. Expenditures that are not of a capital nature and are incurred wholly and exclusively for the purposes of the business are generally deductible.

Companies can deduct up to 50% of the expenses incurred for entertaining customers, shareholders, suppliers, and other business partners, including costs for meals, accommodation, transportation, admission fees, entertainment facilities, and equipment, as well as any other expenses specified by a Cabinet decision. The deduction of net interest expenses is limited to 30% of tax-adjusted EBITDA.

Non-deductible expenses include fines, penalties (excluding compensation for breach of contract), bribes or illicit payments, donations made to entities that are not Qualifying Public Benefit Entities, dividends/profit distribution, CT, recoverable VAT, taxes imposed outside the UAE, and any other expenses specified in a Cabinet decision.

A business is permitted to offset tax losses against the taxable income of future tax periods when computing the taxable income for that period. However, during any tax period, the set-off amount cannot exceed 75% of the taxable income for that specific period. Any remaining tax losses can be carried forward indefinitely to subsequent tax years.

Other Corporate Taxes

Most Emirates impose a municipality tax on properties, generally by reference to the annual rental value. The tenants are normally the taxpayer, although in some cases separate fees are payable both by tenants and property owners. In the Emirate of Dubai, the municipality tax on property is currently imposed at 2.5% for commercial properties (borne by the owner) at 5% of the specified rental index for residential properties (paid by the tenant).

Furthermore, a registration fee may also be levied on the transfer of ownership of land or property. For instance, a land registration fee is levied in the Emirate of Dubai at a rate of 4% of the sale value of the property (also applicable on the direct or indirect transfer of shares in an entity that owns real property).

There is a social security regime in the United Arab Emirates that applies to UAE and GCC national employees only. In most of the Emirates, and for UAE national employees, social security contributions are calculated at a rate of 20% of the employee's gross remuneration as stated in the employment contract. Out of the 20%, 5% is payable by the employee, 12.5% is payable by the employer and the remaining 2.5% is financed by the Government; in Abu Dhabi, the overall rate is 20%, of which 15% is paid by the employer.

From January 1st, 2023, the unemployment insurance scheme introduced through Federal Decree-Law No. 13 of 2022 is applicable to both Emirati and foreign workers. The scheme is designed to provide financial assistance to eligible individuals in the public and private sectors in the event of unemployment. Subscribers to the scheme are classified into two categories based on their basic monthly salary. The first category comprises individuals earning AED 16,000 or less per month, while the second category includes those earning more than AED 16,000 as their basic salary. Subscribers in the former category must pay a monthly subscription fee of AED 5, while those in the latter category must pay a monthly subscription fee of AED 10.

The different Emirates impose hotel levies (for instance, a fee of between AED 7 to 20 per room/night plus 7% on the total value of the invoice is levied in Dubai, whereas in Abu Dhabi it is equal to AED 15 per room/night plus 6% on the room price). Municipality fees on hotel sales are levied in Abu Dhabi (4%) and Dubai (7%). Hotels in all Emirates levy an additional service charge set at 10% of the hotel sale revenue.

Other Domestic Resources

[UAE Federal Tax Authority](#)

Double Taxation Treaties

Countries With Whom a Double Taxation Treaty Have Been Signed

[Double-taxation agreements](#)

Withholding Taxes

No withholding tax is levied by the federal government of the UAE.

