BUSINESS ADVISORY & SETUP · 16 JULY 2026 · 11 MIN READ

UAE Mainland or Free Zone? A Company-Structure Decision Built Around Operations

The right UAE structure follows customers, activities, people, premises, tax and ownership—not the cheapest incorporation package.

Akash Chetwani, CFA
SENIOR PARTNER · ADVISORY

IRAA Global Advisory

EDITORIAL GUIDE

Contents

BUSINESS ADVISORY & SETUP · 11 MINUTE READ · JULY 2026

The right UAE structure follows customers, activities, people, premises, tax and ownership—not the cheapest incorporation package.

> Choosing between a UAE mainland company and a free-zone company is not a contest between two licence prices. It is a decision about customers, physical operations, regulation, tax, people, logistics and the legal entity that will carry the business for years.

The correct starting point is the operating model. Define what the company will sell, where delivery occurs, who contracts with customers, where employees work, what premises and imports are required, and how owners expect to finance or exit the business. Only then should founders compare authorities and packages.

Five decisions before incorporation

MARKET	Identify customers, contracting location, delivery channels and any tender or local-establishment requirements.
ACTIVITY	Match every revenue stream to licensed activities and sector approvals.
FOOTPRINT	Define office, warehouse, customs, employee, visa and infrastructure needs.
TAX	Model VAT, corporate tax, customs and transfer pricing from actual transactions.
OWNERSHIP	Select a legal form, governance and capital structure suitable for current and future investors.

Start with activity and regulator

The UAE Government’s mainland setup guidance begins with identifying the business activity and economic licence. Licence categories and available activities vary by emirate and authority. Certain sectors require additional approvals, including activities connected with legal services, security, financial services, food, health, education, media and transport.

A licence is permission to perform specified activities; it is not a general authorisation to conduct any profitable transaction. Founders should map each intended product or service to the exact activity wording and confirm whether the authority permits it under the chosen legal form. The map should also identify the sector regulator, municipality, customs or professional approvals needed before operations begin.

Do not select a broad consultancy activity if the real business sells regulated products, operates a marketplace or handles customer funds. Misalignment can affect banking, insurance, tax, contracts and enforcement. New revenue streams should pass an activity review before launch.

Compare mainland and free zones through customer access

Mainland companies are licensed by the economic authority of the relevant emirate. Free-zone entities are established under the rules of a specific free-zone authority. The official UAE portal describes free zones as specialised business hubs that can combine registration, licensing, visas, premises, logistics and sector facilities.

The practical question is how the entity will conduct business inside and outside its zone. Review where contracts are signed, where goods move, who imports them and whether customers or government tenders require a particular establishment or registration. A free-zone licence should not be assumed to authorise unrestricted mainland operations; the applicable authority’s rules and permitted arrangements must be checked.

For an export, technology or regional services business, a specialised free-zone ecosystem may fit well. A retail, contracting or locally delivered service business may value direct mainland access. Businesses with both models may need a branch, distributor, dual licence or more than one entity, but complexity should be justified by real operations.

Do not choose the structure from a tax headline

All free-zone persons are within the corporate-tax framework and must comply with registration and filing obligations. The FTA explains that a Qualifying Free Zone Person may benefit from a 0% rate on Qualifying Income only when statutory conditions are met. Income that does not qualify can be subject to the standard 9% rate, and profits attributable to a domestic permanent establishment outside the free zone can also be taxed at 9%.

Qualification involves more than holding a free-zone licence. The business must consider adequate substance, qualifying and excluded activities, transactions with free-zone and non-free-zone persons, transfer pricing, audited financial statements and the de minimis requirements. A tax model should trace each material revenue stream and cost to the applicable rule.

VAT applies according to the nature and place of supplies, not merely the licence location. The FTA states that UAE-resident businesses generally must register when taxable supplies and imports exceed AED 375,000 over the prior 12 months or are expected to exceed it in the next 30 days. Free-zone status does not create a blanket VAT exemption.

> *“The cheapest incorporation package can become the most expensive structure when it does not match how the business earns revenue.”*

Select the legal form for risk and investment

Consider whether the business needs a limited-liability company, branch, sole establishment or another permitted form. A branch is generally an extension of its parent rather than a separate legal person. A subsidiary can ring-fence operations but requires its own governance, accounts and compliance.

Review shareholder rights, capital, transfer restrictions, manager authority, reserved matters, deadlock, funding and exit. A standard memorandum may be adequate for one owner, but multiple founders or investors usually need a shareholders’ agreement aligned with the constitutional documents and applicable law.

Cabinet Resolution No. 109 of 2023 requires in-scope legal persons to determine and maintain information on their real beneficiaries, partners or shareholders and nominee directors. Complex holding structures therefore need a documented ownership analysis, not only incorporation certificates.

Model people, premises and banking

Licence packages often advertise a limited number of visas or flexible desks. Translate those features into the workforce plan. Confirm office or warehouse requirements, immigration capacity, labour registration, employee location and whether remote work fits the authority’s rules.

Bank account opening is a separate risk assessment by the bank. Prepare a coherent file showing beneficial ownership, source of funds, expected customers, countries, transaction values, contracts, premises and management experience. The CBUAE rulebook requires licensed financial institutions to perform customer due diligence and ongoing monitoring; incorporation does not guarantee account approval.

Budget for deposits, rent, fit-out, utilities, insurance, visas, payroll, professional fees, tax compliance and working capital. The first-year licence fee is only one component. Compare three-year cost under realistic headcount and premises assumptions.

Plan for change, not only incorporation

Test how the structure will handle a new shareholder, employee growth, a warehouse, regulated product, government customer or acquisition. Identify which changes require licence amendment, authority approval, a new lease, bank update or tax analysis. A structure that works only for the launch presentation may become restrictive after the first major contract.

Exit also matters. Review share-transfer rules, pre-emption, valuation, regulatory consent, employee and customer continuity, tax clearance and formal deregistration. The UAE Government describes free-zone closure as a structured process involving resolutions, visa cancellation, settlement of obligations and FTA deregistration where applicable; simply allowing a licence to expire does not close the entity.

Use a documented selection scorecard

01	**Map transactions:** Show customers, contracts, delivery, goods, payments and people.
02	**Confirm activities:** Obtain written confirmation of permitted activities and approvals.
03	**Model tax:** Test corporate tax, VAT, customs and related-party flows.
04	**Test operations:** Confirm premises, visas, logistics, banking and tender access.

05	**Design governance:** Align legal form, ownership, authority, funding and exit.
06	**Compare total cost:** Use a three-year base and downside case, not a promotional fee.

A good structure makes ordinary transactions easy to explain. Customers contract with the expected entity, staff work where they are authorised, tax follows the operating facts and management can add a product or investor without rebuilding the company. That is the test that matters after the incorporation certificate is issued.

Official sources

1. **UAE Government: steps to start a mainland business**
2. **UAE Government: starting a business in a free zone**
3. **Federal Tax Authority: Free Zone Persons Guide**
4. **Cabinet Resolution No. 109 of 2023 on real beneficiaries**

Online edition: **https://iraaglobal.com/insights/uae-mainland-free-zone-company-structure-decision/**

ABOUT THE CONTRIBUTOR

Akash Chetwani, CFA

SENIOR PARTNER · ADVISORY

Cross-border advisory for professionals, founders, investors, and globally connected families.

PHONE	+971 56 921 0222
EMAIL	info@iraaglobal.com
PROFILES	LinkedIn · Contributor page and articles

IRAA GLOBAL

AUDIT · TAX · ADVISORY

A connected advisory firm for businesses operating across borders.

OUR EXPERTISE

Audit & Assurance	Corporate Tax & VAT
Accounting & Bookkeeping	Finance & CFO Advisory
AML, Risk & Compliance	Business Advisory & Setup
Human Resources Advisory	AI, Technology & Digital Assets
India-UAE Cross-Border Advisory	Private & Family Advisory

IRAA GLOBAL

AUDIT · TAX · ADVISORY

Insight beyond numbers.

IRAA Global Advisory

503 Mustafawi Carpet Building, Sharaf DG Metro Exit 1
Dubai, United Arab Emirates

+971 56 921 0222 · +971 50 677 9455
info@iraaglobal.com · www.iraaglobal.com

LAYOUT & DESIGN BY SURESH TAMANG