

## **Federal Law No. 2 of 2014**

Issued on 04/03/2014 of

Corresponding to 3 Jumada Al-Awwal 1435 H

### **On Small and Medium Projects and Enterprises**

We, Khalifa bin Zayed Al Nahyan, President of the United Arab Emirates,

After perusal of the Constitution,

Federal Law No. 1 of 1972 on the Competencies of the Ministries and Powers of the Ministers, and its amending laws,

Federal Law No. 5 of 1975 on the Commercial Register,

Federal Law No. 1 of 1979 concerning the organization of industry affairs,

Federal Law No. 4 of 1979 on the suppression of fraud and deception in commercial transactions.

Federal Law No. 8 of 1980 on the Regulation of labour Relations, and its amending laws,

Federal Law No. 10 of 1980 on the Central Bank, the monetary system and the Organization of the banking profession, and its amending laws,

Federal Law No. 18 of 1981 on the Regulation of Commercial Agencies, and its amending laws,

The Federal Law No. 8 of 1984 on the commercial companies, and its amending laws,

The Criminal Transactions Law promulgated by Federal Law No. 5 of 1985, and its amending laws,

Federal Law No. 6 of 1985 on Islamic Banks, Financial Institutions and Investment Companies,

The Penal Code promulgated by Federal Law No. 3 of 1987, and its amending laws,

Law of Evidence in Civil and Commercial Transactions promulgated by Federal Law No. 10 of 1992, and its amending laws,

Federal Law No. 37 of 1992 on trademarks, and its amending laws,

Federal Law No. 9 of 1993 controlling trading high-value stones and precious metals and stamping them,

The Commercial Transactions Law, promulgated by the Federal Law No. 18 of 1993,

Federal Law No. 18 of 1995 on simple crafts,

Federal Law No. 4 of 2000 on the UAE Securities & Commodities Authority and Market, and its amending laws,

Federal Law No. 4 of 2002 on the criminalization of money laundering,

Federal Law No. 17 of 2004 on Anti-Commercial Concealment, and its amending laws,

Federal Law No. 1 of 2006 on electronic transactions and commerce,

Federal Decree-Law No. 4 of 2007 on the establishment of the Emirates Investment Authority.

Federal Law No. 6 of 2007 on the establishment of the Insurance Authority and regulation of its operations, and its amending laws,

Federal Decree-Law No. 7 of 2011 on the establishment of the Emirates Development Bank,

Federal Law No. 4 of 2012 on the regulation of competition,

Federal Law No. 4 of 2013 on the regulation of the profession of Notary Public,

And based on the proposal of the Minister of Economy, the approval of the Cabinet and the Federal National Council and the ratification of the Federal Supreme Council,

Issued the following Law:

#### **Article 1- Definitions**

In the implementation of the provisions of this Law, the following words and expressions shall have the meanings stated beside them unless the context requires otherwise:

State: The United Arab Emirates.

Ministry: Ministry of Economy.

Minister: Minister of Economy.

Concerned Authorities: Local authority responsible for enforcing the provisions of this Law.

Projects and Enterprises: Any small, micro or medium individual company or establishment carrying out an economic activity.

Council: Council of the Small and Medium Enterprises.

Program: National program of the Small and Medium Enterprises.

### **Article 2- Objectives of the Law**

This Law aims to:

- 1- Develop the projects and enterprises to become main supporter of the economic development in the State.
- 2- Disseminate and promote the culture of research, innovation, creativity and entrepreneurship that achieve the economic ambitions of the State.
- 3- Coordinate the efforts of the concerned authorities to develop the projects and enterprises.
- 4- Enhance the competitiveness of the projects and enterprises in order to provide employment opportunities for the benefit of the national economy.
- 5- Set programs and initiatives aiming at developing the projects and enterprises.
- 6- Motivate and support UAE nationals to enter the labour market in the field of projects and enterprises and to contribute to the GDP of the State.
- 7- Strengthen the State's position as a centre for entrepreneurship and establishment of projects and enterprises.

### **Article 3- Classification of Projects and Enterprises**

1- For the purposes of this Law, the projects and enterprises shall be classified by the Council based on two or more main criteria, namely:

- a- Volume of employment.
- b- Size of annual returns.
- c- Capital.

2- The Cabinet may, upon the Council's recommendation, add any other convenient criterion to the criteria stated in clause 1 of this Article, given the nature and type of economic activities exercised by the projects and enterprises.

### **Article 4- Unified Definition of Small and Medium Projects and Enterprises**

The Cabinet shall issue a decision of the unified definition of small and medium projects and enterprises upon the recommendation of the Council and after consultation with the concerned authorities.

### **Article 5- Council of Small and Medium Projects and Enterprises**

The Cabinet shall issue a decision to form the "Council of Small and Medium Projects and Enterprises" to report to the Ministry, chaired by the Minister with the membership of two representatives of the relevant authorities from the public and private sectors. The Decision shall specify the work system of the Council and its decision-making mechanism.

### **Article 6- Competencies of the Council**

The Council shall:

- 1- Set and develop the strategic policies and plans for the development of the projects and enterprises.

2- Develop the controls and rules necessary for coordination between the program and the concerned authorities.

3- Follow the performance indicators of the program and approve its annual report concerning projects and enterprises.

4- Conduct periodical review of the effectiveness of the classification criteria of the projects and enterprises, suggest appropriate amendments thereto and submit them to the Cabinet.

5- Establish the conditions and criteria for the program membership.

6- Any other relevant tasks assigned by the Cabinet.

#### **Article 7- National Program of the Projects and Enterprises**

A program shall be established at the Ministry under the name (National Program of the Small and Medium Projects and Enterprises), issued by a Decision from the Cabinet.

#### **Article 8- Competencies of the Program**

The Program shall:

1- Coordinate with the concerned authorities in drawing the general guidelines related to the provision of technical, administrative and training experiences and assistances in the various fields for the support and development of projects and enterprises.

2- Prepare a periodic evaluation of the projects and enterprises and submit it to the Council, including the challenges faced and the appropriate solutions thereto.

3- Coordinate with the federal and local government entities and the private sector to promote the products of the projects and enterprises inside and outside the State.

4- Coordinate with the concerned authorities to provide benefits and incentives for the projects and enterprises.

5- Coordinate with the regional and international relevant authorities to support the development of the projects and enterprises' sector.

6- Develop educational programs to encourage the establishment of projects and enterprises, while defining the available investment opportunities that are convenient to the projects and enterprises and their risks, at the local and international exhibitions and assist in the participation therein.

7- Create a database for the registered projects and enterprises and classify them.

8- Encourage self-employment, joint cooperation and integration between projects and enterprises.

9- Approve the requests for granting concessions to the projects and enterprises that are members of the Program as per the local funds, institutions, programs and authorities.

10- Any other relevant tasks specified by the Council.

#### **Article 9- Registration of the Projects and Enterprises at the Program**

The program shall, in cooperation with the concerned authorities, register the projects and enterprises wishing to join the program after meeting the conditions and criteria specified by the Council, provided that the latter is provided with the registration data periodically.

#### **Article 10- Facilities and Incentives**

The owners of the projects and enterprises that are members of the program may benefit from the facilities and incentives offered by the public and private sectors, namely:

1- Credit facilities, promotion and marketing offered by the private sector, provided that they do not conflict with any financial or legal obligations.

2- Commitment of the federal agencies to contract with the projects and enterprises at the State at a rate of not less than 10% of the total contracts in order to meet their purchasing, services and consulting needs.

3- Commitment of the companies that the federal government owns not less than 25% of the capital thereof, to contract with the projects and enterprises at the State at a rate of not less than 5% of the total contracts in order to meet their purchasing, services and consulting needs.

4- Simplification of the procedures and reduction of the fees of the license and usufruct of the lands for industrial or agricultural purposes by the owners of projects and enterprises, according to the legislations in force and in coordination with the concerned authorities.

5- Allocation of adequate space in the exhibitions in which the State participates abroad to display the national products with the owners of the projects and enterprises and provision of necessary information about the foreign markets according to the controls specified by the Implementing Regulations to this Law.

6- Preparation of local specialized exhibitions or participation in other internal exhibitions for the promotion and marketing of the projects and enterprises' products.

7- Possibility of exemption of the projects and enterprises, due to their production purposes, from customs tax, such as equipment, raw materials and intermediate goods, under a decision by the Cabinet and the competent authorities in the UAE, members of the Federation, each within its own competence upon the recommendation of the Minister.

8- Exemption of the projects and enterprises from the bank guarantee of the employed manpower, provided that the Council develops, in coordination with the Ministry of Labour, the controls and conditions necessary for the said exemption.

#### **Article 11**

The benefit of clauses 4, 7 and 8 of the preceding Article shall be for the three years following the membership in the program. The latter may extend the period of benefit for one renewable year, for one or more similar periods.

#### **Article 12- Additional Facilities**

Without prejudice to the intellectual property legislations, the Implementing Regulations to this Law shall determine the additional facilities granted:

1- To the projects and enterprises containing special sections for research, development and innovation that have achieved an economic success.

2- To the inventors and patent owners at the State.

#### **Article 13- Combining Facilities and Incentives**

The projects and enterprises owned by UAE nationals may combine the facilities and incentives provided by the federal and local authorities and by the private sector.

#### **Article 14- Conditions of the Facilities and Incentives**

The following conditions shall be met by the projects and enterprises to benefit from the facilities and incentives:

1- They shall be wholly owned by the UAE nationals.

2- They shall be member in the program.

#### **Article 15- Obligations of the Projects and Enterprises**

The projects and enterprises shall:

1- Use the facilities and incentives for their specific purpose.

2- Not change the project and enterprise or transfer its ownership to another person or another authority without the consent of the concerned authority.

3- Commit to transparency and disclosure to the concerned authorities.

#### **Article 16- Insurance of the Enterprises**

The owners of the projects and enterprises wishing to obtain facilities and incentives shall insure the enterprise at an insurance company approved by the State according to the types of the required insurance, as specified in the Implementing Regulations to this Law.

**Article 17- Mechanism for providing Credit Facilities and Financing the Activities of the Projects and Enterprises**

1- The Emirates Development Bank shall, in cooperation and coordination with the Council, develop a mechanism for providing credit facilities and financing the activities of the projects and enterprises affiliated with the program.

2- The Emirates Development Bank shall ensure that the credit facilities and financing provided to the small and medium enterprises affiliated with the program shall not be less than 10% of the annual total credit facilities and financing provided by the bank.

**Article 18- Procedural and Technical Standards to obtain the Loans**

The Central Bank of the United Arab Emirates shall issue the procedural and technical rules and standards to grant commercial loans to the owners of the projects and enterprises.

**Article 19- Annual Assessment of the Projects and Enterprises Environment**

The concerned authorities shall conduct an annual assessment to ensure the provision of a supportive and encouraging environment for the projects and enterprises through the development of the services and simplification of the completion of the transactions in a quick and effective manner, which achieves the competitiveness of the State. A report of the assessment results shall be submitted to the Council.

**Article 20- Representation of the Projects and Enterprises by the Ministry**

The Ministry shall represent the projects and enterprises before other countries and at international and regional organizations, in coordination with the concerned authorities.

**Article 21- Exemption from Fees**

A decision issued by the Cabinet shall specify the federal fees that the projects and enterprises are exempted from and the period of such exemption.

**Article 22- Penalties**

Without prejudice to any more severe penalty set forth in any other Law, every owner of project or enterprise who violates any provision of Article 15 of this Law shall be penalized by a fine not less than AED 5,000 (five thousand Dirhams) and not exceeding AED 500,000 (five hundred thousand Dirhams).

**Final Provisions**

**Article 23**

The Cabinet shall issue, upon the proposal of the Minister, the Implementing Regulation of this Law within three months from the date of entry into force of this Law.

**Article 24**

Any provision violating or contradicting the provisions of this Law shall be abrogated.

**Article 25**

This Law shall be published in the Official Gazette and shall enter into effect three months from the date of publication thereof.

:Issued in Abu Dhabi  
.On: 3 Jumada Al-Awwal 1435 H  
Corresponding to: 4 March 2014

**Khalifa bin Zayed Al Nahyan**

**President of the United Arab Emirates**

.This Federal Law was published in the Official Gazette No. 561, p. 11

