



# NON-PROFIT ORGANIZATIONS IN THE UAE – AN OVERVIEW

## INTRODUCTION

Non-Governmental Organizations (NGOs) or Charities are usually designated as associations or societies for public welfare in the UAE. The number of associations operating locally is relatively small compared to other countries. That said, the UAE's association's landscape is comprised of a number of wealthy philanthropic organizations, which work both nationally and internationally.

As will be presented below, the UAE has a Federal body regulating the operations of associations across the UAE as well as a Federal law governing the associations' activities both within the UAE and abroad. Besides, one of the Free Zone located in the emirate of Dubai was established with the sole propose of hosting international not-for-profit associations. The two UAE financial free zones, Dubai International Financial Centre (DIFC) and Abu Dhabi Global Market (ADGM) have also recently created a framework for associations.

## REGULATORY FRAMEWORK

The Federal body regulating associations operating in the territory of the UAE is the Ministry of Social Affairs. Each Emirate is then free to set-afoot its own designated Department to regulate those associations operating on its territory. In Dubai, the competent Department is the Islamic Affairs and Charitable Activities Department in Dubai (IACAD).

## LEGAL FRAMEWORK

The establishment of any association in the UAE is governed by Federal law No. 2 of 2008 regarding Non-Governmental Public Welfare Associations and Organizations ("UAE Associations law"). This law has replaced Federal law No. 6 of 1974, which previously governed public welfare associations in the UAE. Youth organizations and schools remain an exception and are regulated under the UAE Federal Law No. (25) of 1999 on the General Authority for Youth and Sport Welfare.

Each Emirate is free to further legislate to license and regulate associations within the boundaries of the UAE Associations Law. The Emirate of Dubai, for instance, has introduced its own regulations for licensing public welfare associations, namely resolution No. 12 of 2006 in respect to Rules for Licenses of Religious and Charitable Societies and Organization of their Activities in the Emirate of Dubai, issued by the IACAD.

The UAE Associations Law provides for that the Ministry of Social Affairs is the body responsible for analyzing, approving and registering associations which intend to operate in the UAE. It follows that any association is required to be registered with the Ministry of Social Affairs in order to legally operate in the UAE.

The IACAD provides licenses to those associations operating in the Emirate of Dubai only. However, before issuing a license, the IACAD systematically seeks approval from the Ministry of Social Affairs.

**Fundraising activities** undertaken by associations are strongly regulated and controlled by the Ministry of Social Affairs. The Emirate of Dubai has issued a Decree No. 9 of 2015 to regulate and encourage transparency in fund-raising. It mandates seeking an approval (in a prescribed form) from IACAD prior to any fund-raising activity, including advertising of fund-raising campaigns. The decree requires authorized parties to submit

reports on donations collected and expenditures at the end of the period. Consequences of violation result in suspension of bank accounts and penalties which include fines and imprisonment.

Besides being subjected to the Ministry of Social Affairs' control, any association which intends to undertake **international donations** has to route the correspondent fund transfers through the UAE Red Crescent Society<sup>1</sup>. Non-compliance may result in ceasing of activities, penalty and confiscation of funds.

## AVAILABLE OPTIONS

### DIFC: Non-Profit Incorporated Organization (NPIO)

While the DIFC remains primarily focused on the financial services industry, its stable and sophisticated legal and regulatory regime has increasingly attracted organisations from the non-profit sectors.

NPIOs are regulated by the NPIOs DIFC Law No. 6 of 2012. A NPIO is a body corporate with a legal personality separate from that of its Founding Members and Members. The permissible purposes of NPIOs are limited to professional and financial services.

A NPIO in DIFC is prohibited from carrying out activities other than those specified in its authorized purpose. To undertake any fundraising other than from its membership fees and funds derived from its social events, registration with IACAD will be necessary.

The NPIO Law requires that the NPIO carries out its activities in the DIFC only. The mandatory requirement to lease (costly) physical space in the DIFC presents a drawback common to all forms of DIFC entity; but you may avail registered address services from a DIFC registered corporate services provider such as M/HQ.

### ADGM: Company Limited by Guarantee (CLG)

Associations can be established in the ADGM, as a CLG. A CLG does not have a share capital or shareholders, is not permitted to distribute profits in the form of dividend to its members, but instead has members who act as guarantors. The guarantors give an undertaking to contribute a nominal amount (typically very small) in the event of the winding up of the company. This would be the maximum amount of the members' contribution in the event the organisation is wound up.

The ADGM Registration Authority does not require to lease an office space to secure the registration which makes this option cost effective. To undertake any fundraising other than from its membership fees and funds derived from its social events, registration with IACAD will be necessary.

CLGs are commonly used for professional, business, industry associations, community projects, clubs, societies and other similar bodies.

### Department of Economic Development (DED) of Dubai: Non-Profit Social Club

A club is defined as a "society, community or organisation that includes a group of people for the purposes of practicing any activity or different activities whether social, sports, cultural, artistic, entertainment or charity activities and the equivalent"<sup>2</sup>.

At the Dubai emirate level, the Community Development Authority of Dubai (CDA) regulates and monitors the activities and quality

1. Pursuant to the Ministry of social Affairs' resolution No. 538 of 1994

2. Dubai Municipality Local Order No 96 of 1995 Concerning Licensing and Regulating the Social Clubs in the Emirate of Dubai



## NON-PROFIT ORGANIZATIONS IN THE UAE – AN OVERVIEW

of services offered by non-profit social clubs and associations organizing social, cultural, artistic and entertainment activities in Dubai. The CDA's decision to grant the nonprofit social club licence is subject to a number of criteria such as the organisation structure; the board members, location, sustainability, social club program's long term positive effect on the community. There is no requirement for UAE national(s) to be the founding members or agents of the association.

As of writing, no external approval or additional authorisations from other authorities is required prior to obtaining the licences.

To engage in fundraising-related communications in Dubai, the prior approval from IACAD must be obtained. **We do observe in practice funds being retained in the form of contribution fees from the members to fund events as may be deemed necessary by the association.**

### International Humanitarian Cities

International Humanitarian City (IHC) was established as a Free Zone Authority in the Emirate of Dubai by Dubai Law No. 6 of 2007, which was superseded in January of 2012 by Dubai law No.1 of 2012 concerning the IHC.

IHC is a global humanitarian and aid hub, comprised of United Nations Agencies, specialized Agencies, NGOs, Charities and Foundations, which work in order to achieve the same purpose of facilitating aid and development efforts by providing local and international humanitarian services to parties in need of relief.

The main purposes of the IHC are to create a favorable environment that supports humanitarian activities and support, encourage and develop humanitarian services, as well as charitable and environmental services.

IHC is currently the sole Free Zone Authority authorized to issue specific licenses to foreign associations and societies for public welfare willing to establish in the Zone, either as a branch of an existing non-profit organization or a branch/ subsidiary of a commercial company, supplying aid and development related goods or services.

IHC provides different licenses categories, which are broken into segments, such as License for Activities under Humanitarian Aid & Relief; License for Activities under Humanitarian Development Services; License for Activities under Environmental & Natural Resources; License for Activities or Agriculture & Its Products, among others.

### KEY TAKEAWAYS

- Any association willing to deploy an activity in the UAE is required to be duly registered with the Ministry of Social Affairs to operate legally;
- Associations operating in the Emirate of Dubai have to obtain a license from IACAD, which, before issuing such license, will systematically seek approval from the Ministry of Social Affairs;
- Fundraising activities may only be performed upon the prior approval from the Ministry of Social Affairs; any fun-draising activity shall be routed through the UAE Red Crescent Society;
- IHC is currently the sole Free Zone Authority authorized to issue licenses for foreign associations. The latter need to be active in the field of supplying aid and development related goods or services.

### Who we are

We are a multi-services platform catering to a broad spectrum of clients - from individual entrepreneurs and local SMEs to wealthy international families, to established blue-chip companies and multinationals. Our one-stop-shop offering is unique in the Middle East: a holistic and cross-disciplinary combination of a market-leading corporate services firm, a law firm's specialist expertise and a regulatory & compliance services practice, all through one single platform.

Our value proposition: a unique access to top shelf integrated corporate, tax and legal services. Whatever the complexity of the situation faced by our clients, we aim to provide them with simple, practical yet innovative solutions

We take great pride in establishing strong and enduring relationships with our clients and in going beyond the usual scope of work to ensure that all their needs are met. We grow relationships as well as businesses. Young, multicultural and enthusiastic, our sixty+ strong team thrives to excel and delivers the highest level of personalized service.

Headquartered in the UAE, we are an entrepreneurial firm for entrepreneurial clients.

### Who will assist you



**Kath Zagatti I. De Moura**  
Partner – Private Clients  
✉ [zagatti@m-hq.com](mailto:zagatti@m-hq.com)



**Yann Mrazek**  
Managing Partner  
✉ [mrazek@m-hq.com](mailto:mrazek@m-hq.com)