

Federal Law No. (2) of 2014
on Small and Medium Enterprises (SMEs)

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

- After review of:
- The Constitution;
- Federal Law No. 1 of 1972 on the Ministries Mandates and Ministers Powers, and its amendments;
- Federal Law No. 5 of 1975 on the Commercial Register;
- Federal Law No. 1 of 1979 on Industry Affairs Regulation;
- Federal Law No. 4 of 1979 on Fighting of Cheating and Fraud in Commercial Transactions;
- Federal Law No. 8 of 1980 on Regulating Labour Relations, and its amendments;
- Federal Law No. 10 of 1980 on the Central Bank, Monetary System and Regulation of the Banking Profession, and its amendments;
- Federal Law No. 18 of 1981 on Regulating Commercial Agencies, and its amendments;
- Federal Law No. 8 of 1984 on Commercial Companies, and its amendments;
- Law of Civil Transactions issued by Federal Law No. 5 of 1985, and its amendments;
- Federal Law No. 6 of 1985 on Islamic Banks, Financial Institutions and Investment Companies;
- Penal Code Issued by Federal Law No. 3 of 1987, and its amendments;
- Law of Evidence in Civil and Commercial Transactions issued by Federal Law No. 10 of 1992, and its amendments;
- Federal Law No. 37 of 1992 on Trademarks, and its amendments;

- Federal Law No. 9 of 1993 on Control on Trading in and Stamping of High-Value Stones and Precious Metals;
- Commercial Transactions Law issued by Federal Law No. 18 of 1993;
- Federal Law No. 18 of 1995 on Simple Crafts;
- Federal Law No. 4 of 2000 on UAE Securities and Commodities Authority and Market, and its amendments;
- Federal Law No. 4 of 2002 on Criminalization of Money Laundering;
- Federal Law No. 17 of 2004 on Fighting of Commercial Concealment, and its amendments;
- Federal Law No. 1 of 2006 on E-Transactions and E-Commerce;
- Federal Law Decree No. 4 of 2007 on Creation of UAE Investment Agency;
- Federal Law No. 6 of 2007 on Creation of Insurance Authority and Regulating Insurance Operations, and its amendments;
- Federal Law Decree No. 7 of 2011 on Establishing Emirates Development Bank;
- Federal Law No. 4 of 2012 on Regulation of Competitiveness;
- Federal Law No. 4 of 2013 on Regulation the Profession of Notary Public; and
- Based on the submissions of the Minister of Economy, and the approval of the Council of Ministers and the National Federal Council and the ratification of the Federation Supreme Council;

Have enacted the following Law:

Article (1)

Definitions

In the application of the provisions of this Law, the following words and expressions shall have the meanings shown opposite each of them respectively unless the context requires otherwise:

The UAE : The United Arab Emirates

The Ministry : The Ministry of Economy

The Minister : The Minister of Economy

The Concerned Authorities : The local authority or entity in charge of application of the provisions of this Law

Enterprises and Establishments : Any sole company or establishment exercising an economic activity whether that company or establishment is small, including micro companies and establishments, or medium

The Council : The Small and Medium Enterprises and Establishments (SMEs) Council

The Programme : The National Programme of the Small and Medium Enterprises and Establishments

Article (2)

Law Objectives

This Law aim at achieving the following:

1. Development of small and medium enterprises and establishments so that they can be a fundamental support of the economic development in the UAE.
2. Dissemination and encouragement of the culture of research, creativity, innovation and entrepreneurship of businesses, which achieves the economic aspirations of the UAE.
3. Coordination of the efforts of the Concerned Authorities for the purpose of development of enterprises and establishments.
4. Promotion of the competitiveness of small and medium enterprises and establishments for the purpose of providing employment opportunities in favour of the national economy.
5. Development of the programmes and initiatives targeting the development of enterprises and establishments.
6. Motivation and support of citizens to penetrate the labour market in the field of enterprises and establishments and contributing to the UAE's gross domestic product (GDP).
7. Promoting and fostering the UAE's position as a hub for entrepreneurship and construction and creation of enterprises and establishments.

Article (3)

Enterprises Classification

1. For the purposes of this Law, the enterprises and establishments are classified by the SMEs Council based on two or more major criteria of the following:
 - a. Employment size.

- b. Size of annual returns.
 - c. Capital.
2. Based on the recommendations of the SMEs Council, the Council of Ministers may add any other appropriate criterion to those listed in item (1) of this Article, given the nature and type of the economic activities exercised by the enterprises and Establishments.

Article (4)

Unified Definition of SMEs

The Council of Ministers shall issue a resolution promulgating the unified definition of SMEs, subject to the recommendations of the SMEs Council and following consultations with the Concerned Authorities.

Article (5)

Small and Medium Enterprises (SME) Council

The Council of Ministers shall issue a resolution promulgating establishment of a council to be named the SMEs Council and shall be under the Ministry of Economy. It shall be chaired by the Minister, with the membership of representatives from relevant public and private sectors authorities. The said resolution shall determine the SMEs Council's operation regulations and decision making mechanism.

Article (6)

Competences of the Council

The SMEs Council shall undertake the following mandates:

- 1. Creation and development of the policies and strategic plans towards the development of

enterprises and establishments.

2. Developing the rules and regulations required for coordination between the Programme and the Concerned Authorities.
3. Monitoring the performance indicators of the Programme and approving its annual report on the SMEs.
4. Conducting periodical review of the effectiveness of the SMEs classification criteria and proposing the appropriate amendments and submitting the same to the Council of Ministers.
5. Setting up the conditions and criteria for the Programme's membership.
6. Any other relevant tasks to be assigned to it by the Council of Ministers.

Article (7)

The National Programme of Enterprises and Establishments

There shall be created in the Ministry of Economy a Programme by the name of the "National Programme for Small and Medium Enterprises (SMEs)" pursuant to a resolution to be issued by the Council of Ministers.

Article (8)

The Programme Terms of Reference

The mandates of the Programme shall be as follows

1. Coordinating with the Concerned Authorities in drawing up the general guidelines regarding the provision of technical, administrative, and training expertise and assistance in the various fields for the purpose of supporting and developing enterprises and establishments.
2. Preparing a periodic assessment report on the enterprises and establishments with the

challenges faced and the appropriate solutions for such challenges and submitting that report to the SMEs Council.

3. Coordination with the Federal and local government entities and the private sector for marketing the enterprises and establishments products inside the UAE and abroad.
4. Coordination with the Concerned Authorities for the purpose of providing advantages and incentives for the enterprises and establishments.
5. Coordination with the relevant regional and international organisations for support of the development of the enterprises and establishments sector.
6. Development of awareness raising programmes to encourage creation of the enterprises and establishments together with introducing the investment opportunities that are available and appropriate for the enterprises and establishments and their risks as well as introducing local and international exhibitions and assisting in taking part in the same.
7. Creation and categorization of a database of the registered enterprises and establishments.
8. Encouragement of self-employment, joint cooperation and merger between enterprises and establishments.
9. Approval of the applications for granting concessions to the enterprises and establishments that are members of the Programme such as the local funds, institutions, programmes and entities.
10. Any other related tasks to be determined by the SMEs Council.

Article (9)

Registration of Enterprises and Establishments in the Programme

The Programme shall, in cooperation with the Concerned Authorities, register the enterprises and establishments wishing to join the Programme subject to satisfaction of the conditions

and criteria to be set out by the SMEs Council, on condition the registration data shall be periodically communicated to the SMEs Council.

Article (10)

Facilities and Incentives

Owners of enterprises and establishments enjoying membership of the Programme shall avail from facilities and incentives extended by the public and private sectors, as follows:

1. Credit facilities and promotion and marketing facilities provided by the private sector, on condition these facilities shall not be in conflict with any financial or legal obligations.
2. Commitment on the part of the Federal entities to contracting with the enterprises and establishments in the UAE at a ratio no less than 10% of the total contracts prices in order to meet their purchase, service and consultation needs.
3. Commitment of companies where the Federal Government owns no less than 25% of their respective capital to contracting with the enterprises and establishments in the UAE with a ratio no less than 5% of the total contracts prices in order to meet their purchase, service and consultation needs.
4. Streamlining of the procedures, reducing the fees of licensing and utilization of land for industrial or agricultural purposes by owners of enterprises and establishments, in accordance with the applicable legislations and in coordination with the Concerned Authorities.
5. Allocation of appropriate space in the exhibitions the UAE participates in abroad, to showcase the national products contributed by the enterprises and establishments owners, and providing any necessary information on the external markets in accordance with the regulations to be prescribed by the Executive Regulations of this Law.
6. Setting up local, specialised exhibitions or participating in other domestic exhibitions for

promotion and marketing of the enterprises and establishments products.

7. Enterprises and establishments may, due to their production purposes, be exempted from customs tax on equipment, raw materials and intermediate goods, subject to a resolution to be issued by the Council of Ministers and the competent authorities in the Emirates that are members to the Federation, each in their respective areas of competency, and subject to a recommendation by the Minister of Economy.
8. Enterprises and establishments shall be exempted from the clause of providing a bank guarantee in respect of the workers they employ, on condition the Council shall, in coordination with the Ministry of Labour, set the regulations and conditions required for the said exemption.

Article (11)

The sub-clauses (4), (7) and (8) of the preceding article shall be availed from within the three years following the Programme membership. The Programme may extend the term of availing from the same for one year, renewable for other similar term or terms.

Article (12)

Additional Facilities

Subject to the stipulations of intellectual property laws, the Executive Regulations of this Law shall specify the Additional Facilities to be granted to:

1. The enterprises and establishments that have specific departments for research and development (R & D) and innovations which have achieved economic success.
2. The inventors and patentees in the UAE.

Article (13)

Combining Facilities and Incentives

Enterprises and establishments owned by UAE citizens may combine facilities and incentives provided by both Federal and local entities and by the private sector.

Article (14)

Facilities and Incentives Requirements

For enterprises and establishments to avail from the facilities and incentives they shall satisfy the following:

1. They should be fully owned by UAE citizens.
2. They should be members of the Programme.

Article (15)

Enterprises and Establishments Obligations

The enterprises and establishments shall comply with the following:

1. Applying the facilities and incentives to their specified purpose.
2. The enterprise and establishment may neither be changed nor their title may be transferred to another person or entity without the approval of the Concerned Authority.
3. Transparency and disclosure to the Concerned Authorities.

Article (16)

Establishment Insurance

Owners of enterprises and establishments who wish to receive facilities and incentives shall insure their enterprises and establishments with an approved insurance company in the UAE,

dependent upon the types of required insurance as specified by the Executive Regulations of this Law.

Article (17)

Mechanism of Providing Credit Facilities and Financing of Enterprises and Establishments Activities

1. The Emirates Development Bank shall, in cooperation with the SMEs Council, set the mechanism of providing credit facilities and financing of enterprises and establishments joining the Programme.
2. The Emirates Development Bank shall commit that the credit facilities and financing it provides to the small and medium enterprises and establishments joining the Programme shall not be less than 10% of the total annual credit facilities and financing the Bank extends.

Article (18)

Procedural and Technical Criteria for Obtaining Loans

The UAE Central Bank shall issue the procedural and technical criteria for granting commercial loans to the owners of enterprises and establishments.

Article (19)

Annual Assessment of Enterprises and Establishments Environment

The Concerned Authorities shall conduct an annual assessment that seeks to ensure the existence of a supportive and encouraging environment for the enterprises and establishments, through the development of services and facilitation of transactions

performance in a fast and effective manner, which would help realize competitiveness in the UAE. A report on the assessment findings shall be submitted to the SMEs Council.

Article (20)

The Ministry Representation of the Enterprises and Establishments

The Ministry of Economy shall, in coordination with the Concerned Authorities, represent the enterprises and establishments towards the other States and in the global and regional organisations

Article (21)

Fees Exemption

Subject to a resolution of the Council of Ministers, the Federal fees from which the enterprises and establishments shall be exempted, together with the term of such exemption, shall be fixed.

Article (22)

Penalties

Without prejudice to any severer penalty stipulated by any other law, any owner of an enterprise or establishment who breaches any provision of Article (15) of this Law, shall be punishable by a fine no less than AED five thousand (AED 5,000), and no more than AED five hundred thousand (AED 500,000).

Article (23)

Final Provisions

The Council of Ministers shall, based on the submissions by the Minister of Economy, issue the Executive Regulations of this Law within three months as of the date this Law having become operative.

Article (24)

Any provision that violates or contradicts the provisions of this Law shall be null and void.

Article (25)

This Law shall be published in the Official Gazette and shall come into force three months following the date of publishing thereof.

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

Issued by us in Abu Dhabi:

Dated: 3 Jumad Awal 1435 A.H,

Corresponding to 4 March 2014 A.D