

**Federal Law No. (2) of 2014**

**Concerning Small and Medium Enterprises and Establishments**

**We, Khalifa bin Zayed Al Nahyan**

President of the United Arab Emirates

Having reviewed the Constitution,

- And Federal Law No. (1) of 1972, concerning the competencies of Ministries and the powers of Ministers, and its amending laws,
- And Federal Law No. (5) of 1975, concerning the Commercial Register,
- And Federal Law No. (1) of 1979, concerning the Regulation of Industrial Affairs,
- And Federal Law No. (4) of 1979, concerning the Suppression of Fraud and Deception in Commercial Transactions,
- And Federal Law No. (8) of 1980, concerning the Regulation of Labor Relations, and its amending laws,
- And Federal Law No. (10) of 1980, concerning the Central Bank, the Monetary System, and the Organization of the Banking Profession, and its amending laws,
- And Federal Law No. (18) of 1981, concerning the Regulation of Commercial Agencies, and its amending laws,
- And Federal Law No. (8) of 1984, concerning Commercial Companies, and its amending laws,
- And the Civil Transactions Law issued by Federal Law No. (5) of 1985, and its amending laws,
- And Federal Law No. (6) of 1985, concerning Islamic Banks, Financial Institutions, and Investment Companies,
- And the Penal Code issued by Federal Law No. (3) of 1987, and its amending laws,
- And the Law of Evidence in Civil and Commercial Transactions issued by Federal Law No. (10) of 1992, and its amending laws,

- And Federal Law No. (37) of 1992, concerning Trademarks, and its amending laws,
- And Federal Law No. (9) of 1993, concerning the Control of Trade in Valuable Stones and Precious Metals and their Hallmarking,
- And the Commercial Transactions Law, issued by Federal Law No. (18) of 1993,
- And Federal Law No. (18) of 1995, concerning Small Crafts,
- And Federal Law No. (4) of 2000, concerning the Emirates Securities and Commodities Authority and Market, and its amending laws,
- And Federal Law No. (4) of 2002, concerning the Criminalization of Money Laundering,
- And Federal Law No. (17) of 2004, concerning Combating Commercial Concealment, and its amending laws,
- And Federal Law No. (1) of 2006, concerning Electronic Transactions and Commerce,
- And Federal Decree-Law No. (4) of 2007, establishing the Emirates Investment Authority,
- And Federal Law No. (6) of 2007, concerning the establishment of the Insurance Authority and the Regulation of its Operations, and its amending laws,
- And Federal Decree-Law No. (7) of 2011, concerning the establishment of the Emirates Development Bank,
- And Federal Law No. (4) of 2012, concerning the Regulation of Competition,
- And Federal Law No. (4) of 2013, concerning the Regulation of the Notary Public Profession,
- And based on the proposal of the Minister of Economy, and the approval of the Cabinet and the Federal National Council, and the ratification of the Federal Supreme Council,

We have issued the following Law:

## **Article (1)**

### **Definitions**

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

**The State:** The United Arab Emirates.

**The Ministry:** The Ministry of Economy.

**The Minister:** The Minister of Economy.

**The Concerned Authorities:** The competent local authority or body for the application of the provisions of this Law.

**Enterprises and Establishments:** Any company or individual establishment practicing an economic activity, whether small (including micro) or medium-sized.

**The Council:** The Small and Medium Enterprises and Establishments Council.

**The Program:** The National Program for Small and Medium Enterprises and Establishments.

## **Article (2)**

### **Objectives of the Law**

This Law aims to achieve the following:

1. To develop enterprises and establishments to be a primary supporter of economic development in the State.
2. To spread and encourage a culture of research, creativity, innovation, and entrepreneurship that achieves the State's economic ambitions.
3. To coordinate the efforts of the concerned authorities to develop enterprises and establishments.
4. To enhance the competitiveness of enterprises and establishments to provide employment opportunities for the national economy.
5. To develop programs and initiatives aimed at the development of enterprises and establishments.
6. To motivate and support citizens to enter the labor market in the field of enterprises and establishments and contribute to the State's Gross Domestic Product.

7. To enhance the State's position as a center for entrepreneurship and the establishment of enterprises and establishments.

### **Article (3)**

#### **Classification of Enterprises and Establishments**

1. For the purposes of this Law, enterprises and establishments shall be classified by the Council based on two or more of the following basic criteria:
  - a. Number of employees.
  - b. Annual revenue.
  - c. Capital.
2. The Cabinet may, upon the recommendation of the Council, add any other appropriate criterion to the criteria mentioned in clause (1) of this Article, considering the nature and type of economic activities practiced by the enterprises and establishments.

### **Article (4)**

#### **Unified Definition of Small and Medium Enterprises and Establishments**

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

### **Article (5)**

#### **Small and Medium Enterprises and Establishments Council**

The Cabinet shall issue a decision to form a council named the "Small and Medium Enterprises and Establishments Council," which shall be under the Ministry, chaired by the Minister, and include members representing relevant public and private sector entities. The decision shall specify the Council's working system and the mechanism for its decision-making.

### **Article (6)**

#### **Competencies of the Council**

The Council shall have the following competencies:

1. To set and develop policies and strategic plans for the development of enterprises and establishments.
2. To establish the necessary regulations and rules for coordination between the Program and the concerned authorities.
3. To monitor the performance indicators of the Program and approve its annual report on enterprises and establishments.
4. To periodically review the effectiveness of the classification criteria for enterprises and establishments and propose appropriate amendments thereto and submit them to the Cabinet.
5. To set the conditions and criteria for membership in the Program.
6. Any other related tasks assigned to it by the Cabinet.

### **Article (7)**

#### **The National Program for Enterprises and Establishments**

A program named (The National Program for Small and Medium Enterprises and Establishments) shall be established in the Ministry, and a decision thereon shall be issued by the Cabinet.

### **Article (8)**

#### **Competencies of the Program**

The Program shall have the following competencies:

1. To coordinate with the concerned authorities in drawing up general guidelines related to providing expertise and technical, administrative, and training assistance in various fields to support and develop enterprises and establishments.
2. To prepare a periodic evaluation of enterprises and establishments and submit it to the Council, including the challenges they face and suitable solutions.
3. To coordinate with federal and local government entities and the private sector to market the products of enterprises and establishments inside and outside the State.
4. To coordinate with the concerned authorities to provide benefits and incentives for enterprises and establishments.

5. To coordinate with relevant regional and international bodies to support the development of the enterprises and establishments sector.
6. To develop awareness programs to encourage the establishment of enterprises and establishments, introducing available and suitable investment opportunities and their risks, as well as local and international exhibitions and assisting in participation therein.
7. To establish a database of registered enterprises and establishments and classify them.
8. To encourage self-employment, joint cooperation, and mergers among enterprises and establishments.
9. To approve requests for granting privileges to enterprises and establishments that are members of the Program from local funds, institutions, programs, and bodies.
10. Any other related tasks specified by the Council.

## **Article (9)**

### **Registration of Enterprises and Establishments in the Program**

The Program, in cooperation with the concerned authorities, shall register enterprises and establishments wishing to join the Program after they meet the conditions and criteria set by the Council. The Council shall be periodically provided with the registration data.

## **Article (10)**

### **Facilities and Incentives**

Owners of enterprises and establishments that are members of the Program may benefit from the facilities and incentives provided by the public and private sectors, which are as follows:

1. Credit, promotion, and marketing facilities provided by the private sector, provided they do not conflict with any financial or legal obligations.
2. The commitment of federal entities to contract with enterprises and establishments in the State for at least 10% of their total contracts to meet their procurement, service, and consultancy needs.
3. The commitment of companies in which the federal government owns at least 25% of their capital to contract with enterprises and establishments

in the State for at least 5% of their total contracts to meet their procurement, service, and consultancy needs.

4. Simplifying procedures and reducing licensing and land use fees for industrial or agricultural purposes for the owners of enterprises and establishments, in accordance with applicable legislation and in coordination with the concerned authorities.
5. Allocating appropriate space in exhibitions in which the State participates abroad to display national products from the owners of enterprises and establishments and providing necessary information about foreign markets in accordance with the regulations specified in the Executive Regulation of this Law.
6. Organizing specialized local exhibitions or participating in other domestic exhibitions to promote and market the products of enterprises and establishments.
7. Enterprises and establishments may be exempted from customs duties for their production purposes, such as equipment, raw materials, and intermediate goods, by a decision of the Cabinet and the competent authorities in the member Emirates of the Union, each within its jurisdiction, upon the recommendation of the Minister.
8. Exempting enterprises and establishments from the bank guarantee for the labor they employ, provided that the Council, in coordination with the Ministry of Labour, sets the necessary regulations and conditions for the said exemption.

### **Article (11)**

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

### **Article (12)**

#### **Additional Facilities**

Without prejudice to the provisions of intellectual property legislation, the Executive Regulation of this Law shall specify the additional facilities granted to:

1. Enterprises and establishments that have special departments for research, development, and innovation which have achieved economic success.
2. Inventors and patent holders in the State.

### **Article (13)**

#### **Combining Facilities and Incentives**

Enterprises and establishments owned by citizens may combine the facilities and incentives provided by federal and local authorities and the private sector.

### **Article (14)**

#### **Conditions for Facilities and Incentives**

For enterprises and establishments to benefit from the facilities and incentives, the following conditions must be met:

1. They must be wholly owned by citizens of the State.
2. They must be a member of the Program.

### **Article (15)**

#### **Obligations of Enterprises and Establishments**

Enterprises and establishments shall commit to the following:

1. To use the facilities and incentives for their intended purpose.
2. Not to change the enterprise or establishment or transfer its ownership to another person or entity without the approval of the concerned authority.
3. Transparency and disclosure to the concerned authorities.

### **Article (16)**

#### **Insurance of Establishments**

Owners of enterprises and establishments wishing to obtain facilities and incentives must insure the establishment with an accredited insurance company in the State according to the required types of insurance specified by the Executive Regulation of this Law.

### **Article (17)**

## **Mechanism for Providing Credit Facilities and Financing Activities of Enterprises and Establishments**

1. The Emirates Development Bank, in cooperation and coordination with the Council, shall establish a mechanism for providing credit facilities and financing the activities of enterprises and establishments that are members of the Program.
2. The Emirates Development Bank shall commit that the credit facilities and financing it provides to small and medium enterprises that are members of the Program shall not be less than 10% of the total annual credit facilities and financing provided by the Bank.

### **Article (18)**

#### **Procedural and Technical Criteria for Obtaining Loans**

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

### **Article (19)**

#### **Annual Evaluation of the Environment for Enterprises and Establishments**

The concerned authorities shall conduct an annual evaluation to ensure the provision of a supportive and encouraging environment for enterprises and establishments by developing services and facilitating the rapid and effective completion of transactions, which helps achieve competitiveness for the State. A report on the evaluation results shall be submitted to the Council.

### **Article (20)**

#### **Representation of Enterprises and Establishments by the Ministry**

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

### **Article (21)**

#### **Exemption from Fees**

The federal fees from which enterprises and establishments are exempted, and the duration of this exemption, shall be determined by a decision of the Cabinet.

### **Article (22)**

#### **Penalties**

Without prejudice to any stricter penalty stipulated in any other law, any owner of an enterprise or establishment who violates any provision of Article (15) of this Law shall be punished with a fine of not less than (5,000) five thousand Dirhams and not exceeding (500,000) five hundred thousand Dirhams.

#### **Concluding Provisions**

### **Article (23)**

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

### **Article (24)**

Any provision that violates or contradicts the provisions of this Law is hereby repealed.

### **Article (25)**

This Law shall be published in the Official Gazette and shall come into force three months after the date of its publication.

Khalifa bin Zayed Al Nahyan

President of the United Arab Emirates

Issued by us at the Presidential Palace in Abu Dhabi:

On: 03/Jumada al-Awwal/1435 H

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