SALIENT FORMATION
GLOBAL STRUCTURING · UAE

THE FOUNDER'S CHECKLIST

5 Structuring *Mistakes Founders Make*

Each mistake costs founders six figures. Avoid them with this short checklist.

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BEFORE YOU MOVE

5 Mistakes Founders Make Before Moving to the UAE

After 800+ engagements, the same five mistakes account for almost every six-figure structuring problem we unwind for clients. Each one is preventable — but only if you spot it before formation, not after. This checklist names each mistake, its consequence, and how to avoid it.

1 Picking the wrong vehicle for the actual business

The most common error: choosing RAK ICC for an active trading or services business because it's the cheapest, or picking a Free Zone with a virtual office and no substance. Both create real operational and banking pain.

→ **Consequence: BANKING REJECTION**
→ Cost: 6–12 months of delays, $10K+ in re-formation costs

How to avoid: Match the vehicle to where revenue actually comes from and what banking you need. Active business → Free Zone or Mainland. Holding → RAK ICC. Financial services → DIFC or ADGM.

2 Ignoring home-country tax residency and CFC rules

The UAE company is "offshore" but most home countries have Controlled Foreign Company (CFC) rules that look through it and tax the profits anyway — especially the UK, Germany, France, and US.

→ **Consequence: DOUBLE TAXATION**
→ Cost: Home-country tax + UAE compliance cost; sometimes 40–50% effective rate

How to avoid: Plan UAE structuring in parallel with home-country tax exit. Get UK / US / EU counsel involved before formation. Most clients also need to formally cease home-country tax residency.

3 Skipping economic substance and treating it as paperwork

The UAE's Economic Substance Regulations (ESR) require real activity in the UAE for entities in nine "relevant activities." Many founders set up paper companies and assume the regulator won't check. They do.

→ **Consequence: TAX AUTHORITY DISPUTES**
→ Cost: AED 20K–400K+ fines, lost treaty access, information shared with home-country authority

How to avoid: Build substance from day one: real office (not virtual), local director, quarterly UAE-held board meetings, documented decision-making, employees proportionate to activity.

4 Setting up without a proper KYC and bank pack

UAE banks reject more applicants than they accept. The single biggest predictor of approval is the quality of the KYC pack — typically 30–60 pages documenting ownership, source of funds, expected activity, and substance. Founders who skip this submit minimal documents and get rejected.

→ **Consequence: BANKING REJECTION + FUTURE DOORS CLOSED**
→ Cost: Once rejected by one UAE bank, expect 6–12 months before others will engage

How to avoid: Prepare the pack before approaching any bank. Choose the right bank for your profile. Never apply to multiple banks in parallel — they share rejection data.

5 Confusing personal vs corporate ownership and exposure

Founders put personal assets (real estate, investments, IP) inside operating entities, mixing wealth with business risk. One lawsuit or audit can expose decades of accumulated assets.

→ **Consequence: PERSONAL LIABILITY**
→ Cost: Potentially entire personal wealth at risk; impossible to undo retroactively

How to avoid: Layer structures: foundation at apex for wealth, RAK ICC or holding companies for asset classes, operating entities at the base only. Each layer ring-fenced.

BOOK A FREE STRATEGY CALL

30 minutes with a senior advisor — confidential, no obligation. We'll review your specific situation, flag any of these mistakes in your existing plan, and recommend the right structure.

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