

General Trading Whitepaper

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Table of Contents

1. COVER LETTER

- 1.1. Introduction & Purpose
- 1.2. Key Highlights of the Whitepaper
- 1.3. Intended Audience and Application

2. WHITEPAPER: GENERAL TRADING LICENSE – AN OUTDATED MODEL IN THE CURRENT ECONOMIC CONTEXT

2.1. Introduction

- 2.1.1. Background on General Trading License
- 2.1.2. Current Classification (ISIC & DET references)

2.2. Innovation of the Past

- 2.2.1. Origins of the General Trading License
- 2.2.2. All-in-One Flexibility
- 2.2.3. Self-imposed Restriction
- 2.2.4. Linguistic Alignment

2.3. The Current Context

- 2.3.1. Changing Regulatory & Economic Landscape
- 2.3.2. UAE Vision 2031 and Specialization

2.4. Challenges of the General Trading License

- 2.4.1. Compliance Requirements
- 2.4.2. AML/CTF Risks
- 2.4.3. Banking Limitations
- 2.4.4. Tax Complexities

2.5. The Solution: Transition to Sector-Specific Licenses

- 2.5.1. Sector Specialization Benefits
- 2.5.2. Improved Banking Access
- 2.5.3. Reduced Compliance & Tax Risks

3. APPENDIX

This whitepaper has been developed to provide a clear, evidence-based perspective on why the General Trading license, while once a valuable innovation, no longer corresponds with the UAE's evolving economic, regulatory, and compliance landscape.

THE PAPER EXAMINES:

- The historical significance of the General Trading license as a pioneering model for business facilitation.
- The structural limitations, challenges, and systemic risks it poses in the present business and regulatory environment.
- Critical concerns in relation to compliance, Anti-Money Laundering/Counter-Terrorist Financing (AML/CTF), banking requirements, and taxation frameworks.
- A recommended shift towards sector-specific licensing models that align with the UAE's economic diversification agenda and the objectives of UAE Vision 2031.

The overarching aim of this document is to provide all stakeholders with a comprehensive understanding of why the continuation of General Trading as a licensing option is neither sustainable nor aligned with the UAE's long-term strategic direction.



2.1 INTRODUCTION

GENERAL TRADING LICENSE

A General Trading License is a standard license with the activity specified as “General Trading.”

ISIC Rev 4 & Rev 5 do not have a direct equivalent classification for “General Trading.”

DET general trading license coded as “4690018” is defined as “Commercial firms engaged in importing, trading and re-exporting of any of the allowed goods. The trading activities that need special approvals, can also be traded under this activity upon obtaining NOC from the competent departments”,

Historically, General Trading has functioned as an umbrella activity, allowing businesses to engage in trading across multiple categories.

2.2 INNOVATION OF THE PAST

As part of the UAE’s economic evolution journey, and its positioning as a regional and global trading hub, the General Trading license emerged as an innovation designed to support rapid growth.

There were many factors making general trading a good solution:

ALL IN ONE

The innovation was designed to permit a merchant, the prevailing and predominant growing business, to import, export, re-export, distribute, and store various products. The allure for the innovator at the time was to allow business expansion without regulatory intervention for additional permits or licensing.

SELF-IMPOSED RESTRICTION

The registrar’s self-imposed restriction of a licensed activity to a single group per license meant the merchant must obtain multiple licenses to trade in various products. The General Trading license resolved this pain point by combining multiple activities into one.

LINGUISTIC ANOMALY

The words business, trade, and commerce loosely have similar meanings in Arabic, “Tijara”. This lent itself nicely to fit with the proposed innovation. This linguistic alignment supported the concept of “General Trading” and positioned it as an administratively convenient innovation.

While we applaud the innovation, like many innovations, the context of the present may render it unnecessary.

2.3 THE CURRENT CONTEXT

In today's era of tax transparency, and sector-focused economic development in the UAE, the General Trading model is increasingly unsuitable. To align with UAE Vision 2031 of specialization, diversification, and global competitiveness, businesses are expected to operate with clear, well-defined activities rather than broad, undefined scopes.

2.4 CHALLENGES OF THE GENERAL TRADING LICENSE

COMPLIANCE

Businesses holding a General Trading license often assume full flexibility, but in practice they must still obtain sector-specific permits with respect to the activities being practiced. (e.g., food safety for consumables, conformity checks for electronics). This results not only in unexpected delays but also adds to the extra costs when expanding operations.

AML/CTF

Businesses with a General Trading License face heightened AML/CTF risks due to the broad and undefined scope of their activities. The diverse range of goods traded makes it difficult to assess risk, leading to increased risk exposure since illicit activities can be hidden within a variety of legitimate transactions. In addition, the broad nature of the license complicates due diligence and reporting, increasing the risk of non-compliance. Furthermore, failure to meet AML/CTF requirements can lead to fines or even suspension of the business license.

BANKING

Driven by compliance, banks want to know the specific type of business activity and its purposes before activating services such as a bank account or fund transfer. Banks struggle to assess risk for companies trading when presented with general trading activities. This results in higher rejection rates, and limited access to trade finance facilities and delays in account opening.

TAX

In general, accounting principles require different VAT treatments for different product types. Also corporate tax filings increasingly require activity-specific disclosures leaving companies more vulnerable to audits and adjustments.

2.5 THE SOLUTION

To support the UAE's current and future economic goals, a transition from General Trading licenses to sector-specific licenses is recommended.

- **Sector Specialization:** By choosing a sector-specific license, businesses get direct access to the right approvals (e.g., food safety, electronics conformity), avoiding repeated back-and-forth with regulators. This means fewer delays, lower costs, and faster market entry.
- **Easier Banking and Finance Access:** With a clear license scope, banks can assess risk quickly, leading to faster account openings, smoother transactions, and better access to trade finance. This improves liquidity and reduces disruptions in day-to-day operations.
- **Reduced Compliance and Tax Risks:** Sector-focused licenses simplify VAT treatment, corporate tax filings, and AML/CTF reporting, making documentation clearer and reducing the risk of fines, audits, or penalties. This gives companies more predictability and stability in their operations.

3. APPENDIX

REGULATORY REFERENCES

- ISIC Rev 4 & Rev 5: No classification exists for “General Trading,” reinforcing that it is not a globally recognized activity category.
- DET Activity Code 4690018: Defined as “Commercial firms engaged in importing, trading and re-exporting of any of the allowed goods. The trading activities that need special approvals can also be traded under this activity upon obtaining NOC from the competent departments.”
- Dubai Economy & Tourism (DET) Guidelines: Increasing emphasis on sector-specific licensing to ensure clarity in business operations.

GLOSSARY OF KEY TERMS

- **Sector-Specific License:** A license restricted to a defined category of business activity (e.g., food trading, electronics trading), requiring relevant approvals and compliance.
- **ISIC (International Standard Industrial Classification):** A United Nations system for classifying economic activities to ensure international comparability of statistics.
- **DET (Dubai Economy & Tourism):** The authority responsible for regulating and classifying business activities in Dubai.
- **AML (Anti-Money Laundering):** Legal and regulatory measures designed to prevent the generation of income through illegal or illicit actions.
- **CTF (Counter-Terrorism Financing):** Regulations and processes aimed at preventing the financing of terrorism through financial systems or trade.
- **KYC (Know Your Customer):** A due diligence process used by financial institutions to verify the identity, business activity, and risk level of clients.
- **CDD (Customer Due Diligence):** Procedures undertaken by financial institutions to assess customer risk and ensure compliance with AML/CTF laws.
- **EDD (Enhanced Due Diligence):** A more detailed investigation required for higher-risk clients, often triggered by broad or undefined business activities.
- **NOC (No Objection Certificate):** A formal approval issued by a regulatory authority that allows specific activities under a license.
- **VAT (Value Added Tax):** A consumption tax applied to goods and services, often varying by product type.
- **Corporate Tax:** A tax levied on the profits of businesses, requiring accurate disclosure of business activities.
- **FTA (Federal Tax Authority):** The UAE government body responsible for tax collection and enforcement of VAT and corporate tax regulations.
- **Economic Substance Regulations (ESR):** A UAE regulatory requirement mandating businesses to demonstrate substantial presence and activity in their declared sectors.
- **UAE Vision 2031:** The long-term national strategy focused on specialization, innovation, and global economic competitiveness.