

UAE ALLOWS 100% OWNERSHIP OF BUSINESSES FOR FOREIGN NATIONALS FROM 01/12/ 2020

Under the new legislation, the UAE will allow 100% ownership of businesses for foreign nationals from 01/12/2020.

BEFORE THE AMENDMENT

Previously, all businesses were required to have a UAE citizen sponsor, whilst foreign investors could hold up to 49% of a mainland UAE 'limited liability company' (LLC), operating as an onshore UAE business. This required an Emirati individual or 100 per cent Emirati-owned company to hold a 51 per cent share as a local sponsor.

THE AMENDMENT

Under the new amendments to the <u>UAE Federal Law No. 2 of 2015</u> on Commercial Companies, businesses can now be fully established by non-Emiratis of all nationalities, with companies now having a maximum of one year to comply with the amended law from the time its articles become effective. This can be extended under a decision by the cabinet as proposed by the Minister of Economy. The decree supersedes the UAE Federal Law No. 19 of 2018 on Foreign Direct Investment (FDI Law).

NOTE

It is still up to the discretion of the local governments to determine the level of ownership for eligible industries and economic activities. This will be crucial and will have a significant impact because while investors and businesspeople would expect to receive complete 100% ownership rights, the local government will make that decision and it may potentially differ between each of the Emirates.



STRATEGIC SECTORS

A committee shall be formed as per cabinet decision that will include representatives from relevant agencies. It will deal with proposals to oversee companies engaged in activities of strategic importance. The Cabinet will then issue a decision based on the committee's recommendations to issue regulations licensing such companies. The law, however, will not apply to some companies that are excluded based on decisions by the Cabinet and those that are either wholly-owned by federal or local governments or their subsidiaries. The new amendments allow non-joint stock companies to engage in investment activities on behalf of third-parties if laws governing these activities allow it.

IMPLICATIONS

- Analysts predict a major boost to the UAE's attractiveness to foreign investors, startups, and top talents around the world by removing existing barriers.
- This will improve the country's ease-of-doing-business as well as reduce the cost of business to set up in the mainland and the time it takes to launch a new business.
- It will boost the UAE economy's competitive edge and make the country more expat-friendly.
- It puts the country in a stronger position as it prepares for post-Covid recovery and reshapes its vision for the next 50 years.
- Local-foreign partnerships will be reassessed and local partners will need to reassess their participation in businesses. This will be a great incentive for UAE nationals to increase their efforts in becoming more actively involved in businesses.
- Free zones positioning may undergo change as the main advantage they offer (100 percent foreign ownership within the UAE) is no longer applicable. While establishing a business in any of the free zones does not require partnering with an Emirati, it does come with a host of restrictions, including restrictions for doing business outside the zones.

For more information, please contact:

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