

100% Foreign Ownership Permitted in the UAE

Client Alert | June 1, 2021

The UAE Commercial Companies Law (the “CCL”) has been amended to permit 100% foreign ownership of companies incorporated in the UAE under the CCL, commonly known as “onshore” companies (“**Onshore Companies**”). The UAE Ministry of Economy announced that the foreign ownership amendment would be effective on 1 June 2021. We previously discussed the amendment in our earlier [Client Alert](#).

The requirement that a minimum of 51% of the shares in an Onshore Company be held by one or more UAE nationals, being natural or legal persons, has been removed from Article 10 of the CCL. Foreign ownership restrictions are a key concern for foreign investors, including private equity and venture capital funds, and cause additional complexity and barriers to investments in Onshore Companies. Foreign investors may now own and control Onshore Companies without the need to employ nominee or similar structures, thus avoiding cumbersome arrangements, additional costs and legal uncertainty. Furthermore, single-shareholder entities, which previously had to be wholly-owned by UAE national(s), are now eligible to be 100% owned by foreign investors.

The Department of Economic Development (“DED”) of each Emirate will specify business activities open to 100% foreign ownership. The Abu Dhabi DED has issued a list of license activities which may be conducted by a foreign-owned Onshore Company encompassing more than 1,100 activities and covering a range of sectors. While “trading” does not appear on the current list, the Abu Dhabi DED may expand the list of license activities in the future to include this activity. The Dubai DED has announced that its list will include more than 1,000 commercial and industrial license activities. The discretion of each Emirate’s DED in determining which activities may be conducted by a foreign owned-Onshore Company may result in different foreign ownership regimes applying to companies operating in the same sector, depending on which one of the Emirates an entity is incorporated in.

Foreign ownership limitations remain in respect of companies carrying out activities of strategic importance, as determined by the UAE Council of Ministers. Companies carrying out such activities will be subject to local ownership and board participation requirements to be determined by the UAE Council of Ministers.

We expect the amended CCL to strengthen the UAE’s standing as an international investment destination. It remains to be seen whether the UAE’s free-zones will decline in popularity with foreign investors as a result.

We would be happy to help clients consider and review their current ownership and governance arrangements to assess the impact of the amended CCL on their business and also discuss investment opportunities with clients.

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