



UAE FDI LAW

100% FOREIGN OWNERSHIP INTO UAE MAINLAND: REVOLUTION OR NATURAL EVOLUTION?

Further to Decree Law no. 19 of 2018 (the “Decree”), issued to complement Federal Decree Law No. (18) of 2017 amending Federal Law No. (2) of 2015 on Commercial Companies, domestic ownership restrictions into UAE mainland entities have been loosened. The Decree opens the door to possible exceptions where the mandatory 51% shareholding of Limited Liabilities Companies and Private Joint Stock Companies (PJSCs) by UAE national or entities wholly owned by UAE nationals may be **reduced or lifted** via further resolution of the UAE Cabinet for specific sectors. This constitutes a major breakthrough in relation to foreign investment rules.

Pursuant to the Decree, an FDI Committee chaired by the Minister of Economy was formed, and tasked with referring sectors and specific activities to the UAE Cabinet to benefit from the scheme.

What are the eligible sectors?

122 qualifying activities across 13 sectors compose the “Positive List” opened to up to 100% foreign ownership. The list notably includes:

Renewable energy	Information and communications
Space	Professional, scientific and technical activities
Agriculture	Administrative and support services
Manufacturing	Education
Transport & Logistics	Health care
Hospitality	Arts and Entertainment
Food services	Construction

What are the xcluded sectors?

The “Negative List” - sectors not impacted by the Decree – includes:

Banking	Land and Air Transport Services
Financing	Commercial Agency Services
Insurance Services	Medical Retail Services

Application process

1. Submission of application of **new projects** to the FDI authority – *existing “projects”, implemented outside free zones, may also benefit from this scheme;*
2. Issuance of approval within 5 working days from the date of submission and registration of the new company in the FDI register. *The Judicial Police may carry out inspections to ensure that the activity is undertaken in line with the license obligations (see below);*
3. Rejected application may be appealed to the competent authority within 15 working days from the date of the decision. Rejection or absence of settlement within 10 working days from the date of filing may be escalated to the competent court within 30 days from the date thereof.

Quid of ongoing obligations as “Positive” business

Aside from a general obligation to adhere to the federal and local laws, and conduct the activity as reflected in the license, the licensee will have to meet the following conditions: – *additional conditions may apply for some activities.*

1. Evidence of deposit of the company’s capital on the bank account (a minimum of 20 is required). The minimum capital required varies depending on the activity;
2. Appointment of one or more licensed auditors for a renewable period of one year (up to six consecutive year);

3. **Implementation of Emiratization policies** in the company and joining Tawteen Partners Club;
4. **Ongoing collaboration with the Foreign Direct Investment** (by notably maintaining regular accounts for the FDI Project, notifying the date of commencement of work or production date, providing information and statistics)

Sectors not covered by the Positive / Negative Lists

Sectors not included in the lists may still be considered for foreign ownership increase by the authorities.

Key considerations to be taken into account by the Cabinet when deciding on sectors to benefit from the scheme will be the impact on the national economy – including from an innovation standpoint – and environment, job opportunities created for UAE nationals, and the profile of the foreign investor.

Application process

1. Submission of application to the FDI by the foreign investor;
2. The FDI authority decides whether it wishes to run the application past the FDI Committee (chaired by the Minister of Economy) after coordination with the licensing and local authorities – *projects deemed as a threat to peace or national security, national defense of foreign policy, or affects the strategic sector, public health or morals and values will immediately be rejected with no possibility to appeal;*

1. For exhaustive list and applicable conditions: [\[EN\]](#) / [\[AR\]](#)



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3. If approved by the FDI Committee, it makes a recommendation to the Council of Ministers;
4. Upon the Council of Ministers' approval, a comprehensive list of the required documentation, data and applicable fee will be communicated to the foreign investor and the license will be issued within 5 working days from the completion of the requirements;
5. The "approved entity" must comply with the Positive list's requirements (see above).

Rejection by any of the above bodies may not be appealed or challenged.

In both scenarios – whether the activity is in or out of the Positive List – existing businesses willing to avail the benefits of the Decree are submitted to the following process:

1. Obtain approval of relevant supervising authority depending on activity (e.g. the Dubai Real Estate Regulatory Agency for real estate brokerage activities);
2. Evidence of application to join Tawteen Partners Club;
3. Obtain approval, payment of the fees and issuance of updated license;
4. Evidence of deposit of the company's capital on the bank account (a minimum of 20% is required);
5. Registration of the license with the Ministry of Economy.

The key take-away of the loosening on domestic ownership restrictions is the UAE's continuous commitment to diversify its economy and increase the contribution of non-oil sectors. It will inevitably spur local economic growth and attract foreign investment outside of existing free zones.

How can we help you?

M/HQ can support you in assessing the impact of the new legislation on your business by providing preliminary assessment on the eligibility of your business and assist you with the relevant application process.

We are a multi-service platform catering to a broad spectrum of clients, from individual entrepreneurs, family run SMEs to multinational corporations.

Our one-stop-shop offering is unique in the Middle East: a holistic and cross-disciplinary combination of a market-leading corporate services firm with a law firm's specialist structuring expertise all on one single platform.

We have a substantial track-record delivering creative and results-oriented advice and support on a wide range of UAE structuring and re-structuring issues. Headquartered in the UAE, we are an entrepreneurial firm for entrepreneurial clients.

Who we are

We are a multi-services platform catering to a broad spectrum of clients – from individual entrepreneurs and local SMEs to wealthy international families, to established blue-chip companies and multinationals. Our one-stop-shop offering is unique in the Middle East: a holistic and cross-disciplinary combination of a market-leading corporate services firm, a law firm's specialist expertise and a regulatory & compliance services practice, all through one single platform.

We have broad experience in facilitating entry-to-market for businesses across all major fields of activities. We have a one-of-a-kind practical expertise understanding and handling complex corporate structures.

Headquartered in the UAE, we are an entrepreneurial firm for entrepreneurial clients.

Who will assist you



Célia Titouni
Senior Associate
✉ titouni@m-hq.com



Yann Mrazek
Managing Partner
✉ mrazek@m-hq.com