

Following our [legal briefing](#) on the “Practical Implementation of Federal Decree Law No. 26 of 2020 for Branches of Foreign Companies” dated 22 April 2021, it has recently been announced that from 1 June 2021 the foreign ownership restrictions with regard to limited liability companies (“LLCs”) are to be mostly lifted (with certain exceptions); this will have a direct impact on foreign direct investment (“FDI”) in the UAE. In this legal briefing we provide an overview on the expected changes to the licensing requirements for LLCs in Dubai and Abu Dhabi.

I. Main expected changes

Effective 1 June 2021, LLCs incorporated or to be incorporated in the UAE will in most cases not require an Emirati majority shareholder anymore. This means that foreign investors can have 100% ownership in mainland LLCs unless the LLC carries out certain restricted activities.

1. Activities

In principle, the liberalization applies to all commercial activities with the exception of certain activities of “strategic importance” for the UAE. In this regard Federal Decree Law No. 26 of 2020 introduced a committee consisting of representatives of the Departments of Economic Development (“DED”) from each Emirate; this committee shall decide on activities with strategic importance for the UAE as well as the licensing requirements for companies engaging in such activities.

a) Dubai

Although no official list of activities with strategic importance has been published till date, verbal information received from the DED in Dubai indicates that the following activities will likely not be opened for full foreign investment: **oil & gas, transportation, telecommunication, infrastructure, health care**. It is advisable

to verify the eligibility with the DED in Dubai on a case-by-case basis. However, it is expected that the DED in Dubai will publish an activity list on or after 1 June 2021.

Against the background of aforementioned restricted activities, it is furthermore expected that almost all trading, and manufacturing activities will likely be open for 100% FDI in Dubai. On the other hand, it is also expected that service / professional activities will not be eligible for full foreign ownership.

b) Abu Dhabi

The DED in Abu Dhabi has published a list of activities for which full foreign ownership shall be permitted from 1 June 2021 onwards¹.

The 26-pages long list contains mostly industrial, manufacturing and service activities. Moreover, it is noteworthy to mention that certain cultural activities as well as health care services and other institutions have been included in the list.

However, unlike Dubai, the list does not include trading activities. It remains to be seen whether the list will be amended at a later stage in order to include additional activities.

¹ The DED in Abu Dhabi published an announcement on their website which also

includes a list of the eligible activities. The announcement and the list can be accessed [here](#).

II. Practical considerations

Existing LLCs

Foreign investors holding shares in existing LLCs which would like to take advantage of the new rules, should:

- a) check whether the licensed activity would entitle them to full ownership of the LLC's shares;
- b) assess whether the participation of the Emirati shareholder is an advantage for its business;
- c) review the existing agreements with the Emirati shareholder for exit clauses; and
- d) negotiate with the Emirati shareholder the terms of acquiring the shares.

Once an LLC has verified all above mentioned points, the foreign investor has to acquire the shares in the LLC from the Emirati shareholder and register the new corporate structure with the DED in Dubai.

Establishment of new LLCs

Foreign investors wishing to establish a new LLC in Dubai, will not require an Emirati shareholder subject to the conditions stated above. Furthermore, foreign investors will be able to establish a one-person LLC, i.e., an LLC with only one shareholder.

If you are unsure as to whether your licensed activity would entitle you to change your corporate structure or if you require assistance in this regard, please contact your usual contact person at SCHLÜTER GRAF or send an email to dubai@schlueter-graf.com. Our dedicated corporate team will gladly assist you.

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