



100% Foreign Ownership in Mainland UAE – Update

First Austrian Company to make use of UAE’s Corporate Ownership Liberalisation

Daburon & Partners Legal Consultants LLP advised in the first successful transaction involving an Austrian company to obtain 100% foreign ownership in mainland Dubai. Congratulations to umdasch THE STORE MAKERS – Middle East regional headquarters in Dubai!

The Transaction

The share transfer to the Austrian parent company from the Emirati partner was conducted under the liberalised foreign corporate ownership regime created by the November 2020-amendment to the UAE Commercial Companies Law No. 2 of 2015, as implemented in Dubai from 1 June 2021.

In short, the transaction involved a verification of the activities with the Dubai Department of Economic Development (DED) and the obtaining of an initial approval for the shareholder transfer. Based on this, an amendment to the memorandum of association was signed in front of the Dubai notary public. A further pre-approval by the Dubai Municipality to implement the shareholder change was then applied for and granted without delay. In the context of the shareholder change, we also updated the newly introduced Ultimate Beneficiary Owners registry as a prerequisite for the registration of the shareholder change. Finally, the new licenses both for trading and industry were issued by the DED in record speed as the authorities seem keen to prove their liberal credentials.

Commercial Activities permitting 100% Foreign Ownership

Not all activities on the lists of the departments of economic development in the seven emirates are eligible for 100% foreign ownership. Also, it must be pointed out that the lists of activities as issued by each department of economic development differ significantly from emirate to emirate, and even the implementation regimes are not uniform between the emirates. It is also expected that the permitted activities and the procedure might further change as the procedure is not settled yet. Thus, a thorough evaluation has to be made with the authorities in the emirate of the seat of the concerned entity.

In case a certain activity can initially not be applied for 100% foreign ownership, there is an option to make a special application to the concerned authorities to permit the transfer. Such approval is, however, at the discretion of the authorities.

Branch Offices without Local Sponsor

The amendments to the Commercial Companies Law apply not only to LLCs in mainland. Also Branches of foreign companies can profit from the liberalisation because no branch sponsor is required anymore as per the amended UAE Commercial Companies Law.

Further Advice

Once the exit of the local party has been finalised and reflected in the newly issued license, an update of the entity's files with the Ministry of Human Resources and Emiratization and with the Federal Authority for Identity and Citizenship, as well as potentially other authorities (depending on the activities), must be implemented to stay compliant with the applicable regulations.

Summary

These are dynamic times for foreign companies in the UAE as the authorities have finally permitted foreign ownership and are evidently ready for implementation. Foreign companies which previously hesitated to invest in mainland due to the local majority ownership should reconsider their approach; others with existing entities in mainland which prefer to "do it alone" may now also check if their activities fall under the new regime.

As a word of caution: It will need to be seen if the flip side of this liberalisation is increased Emiratization of the workforce, higher ICV (in country value) requirements or a stricter approach on local agents to conduct business in the UAE – the next few months will show.

If you have any questions to the above, please contact us at info@daburon-partners.com.

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