

CHANGES TO THE FOREIGN OWNERSHIP LANDSCAPE IN THE UAE

Following recent news relating to the removal of the UAE's foreign ownership restrictions, the Ministry of Economy (**MoE**) and the Abu Dhabi, Dubai and Ajman Economic Departments have issued announcements paving the way for 100% foreign ownership of UAE onshore companies that operate in certain sectors or business activities.

BACKGROUND

Significant amendments were made to the UAE's Commercial Companies Law (**CCL**) in December last year (read our briefing on these changes here: [Link](#)). Amongst these changes were: i) the removal of the entrenched 51% UAE national ownership rule; and ii) the repeal of the UAE's Foreign Direct Investment Law (**FDI Law**). The FDI Law had acted as a framework that enabled greater foreign ownership of UAE onshore companies, however, in practice, it had not been brought fully into effect prior to its repeal.

LATEST DEVELOPMENTS IN ABU DHABI, DUBAI AND AJMAN

Following an announcement in May this year by the MoE, regarding the implementation of greater foreign ownership of UAE onshore companies, the Abu Dhabi, Dubai and Ajman Economic Departments have published separate lists of business activities where up to 100% foreign ownership of the relevant company's share capital is permitted. These lists are similar to the "Positive Lists" previously issued under the (now repealed) FDI Law's framework.

The activities that appear on the lists differ for each Emirate (that has published a list) but, as with the previous Positive Lists, there is a focus on the industrial, manufacturing and knowledge and innovation sectors, food and beverage processing, construction and contracting activities and certain service and trading related activities.

Notably, in the real estate sector, business activities related to "hotel management" (in Abu Dhabi), "hotels" and the "buying and selling of real estate" (in Dubai), appear on the permitted activities lists. The full scope of these activities is not yet clear but a relaxation of the foreign ownership restrictions in these areas could see a positive boost for investment in this sector.

Foreign ownership

- Local Economic Departments issue lists of sectors/business activities where up to 100% foreign ownership is permitted.
- The application process for an FDI licence should become clearer in the coming weeks and months, as more investors make applications.
- It will be necessary to liaise closely with the local Economic Departments at this stage, if considering making an application for greater foreign ownership.

APPLICATIONS

Although lists of permitted activities for foreign ownership have been published, exactly how the application process for obtaining an FDI licence will be conducted in practice remains to be seen. We understand that the Dubai Economic Department has started to receive applications.

Therefore, if you are considering making an application for a company that carries out a business activity that appears on the relevant list of permitted activities, it will be necessary to liaise closely with the relevant Economic Department to assess what documents are required to process the application, including any other regulatory consents or no objection certificates that may be required, depending on the sector in which the company operates.

FURTHER CLARITY

Although lists of permitted activities have been issued for certain Emirates, we await lists from the relevant Economic Departments from Sharjah, Ras Al Khaimah, Umm Al Quwain and Fujairah.

In addition, the amended CCL makes reference to a Strategic Impact List, which we understand will act like a "Negative List", setting out a list of sectors and business activities where foreign ownership will be either entirely prohibited or restricted. We understand that the Strategic Impact List will be issued shortly.

Greater clarity by the local Economic Departments regarding the application process for an FDI licence will be well received, including as to whether it is possible to make an application for greater foreign ownership of an entity that operates in a sector or business activity that does not appear on the current permitted activities list.

CONCLUSION

Relaxation of foreign ownership restrictions in the UAE continues and perhaps now with greater momentum. These developments should help bring clarity to the foreign ownership landscape and, potentially, simplify the way foreign owned businesses are structured within the UAE. We expect this to encourage further foreign direct investment into the UAE; it could also pave the way for greater activity in the UAE's capital markets.

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