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## UAE Cabinet approves economic activities eligible for up to 100% foreign ownership

In our news alert dated 21st of May and 15<sup>th</sup> November 2018, we announced the decision of the Cabinet to draft a federal law on the 100 percent foreign ownership of UAE- based enterprises and the eventually introduced Federal Law by Decree No.(19) of 2018 regarding Foreign Direct Investment (FDI law). The news alert covered also the intention of the Cabinet to issue a positive list, which will contain the eligible economic activities and industries. Before the FDI law, 100 percent ownership of business was possible only in the designated business zones known as Free zones.

On 2 July 2018 the Cabinet specified a total of 122 economic activities across 13 sectors for the eligibility for up to 100 percent foreign ownership.

Activities covered by the law include transport and storage, which allows investors to own projects in the area of e-commerce transport, supply chain, logistics, and cold storage for pharmaceutical products. Other areas are hospitality and food services, information and communications as well as professional, scientific and technical activities, thereby allowing for ownership in laboratories for research and development in biotechnology. The list also included administrative services, support services, educational activities, healthcare, art and entertainment, and construction.

However, the list imposes also restrictions for instance in the minimum share capital requirement for specific activities, which is significantly high or requires the company to register with the Emiratisation Partners Club (Tawteen Partners Club) within the Ministry of Human Resources and Emiratization.

The Activity list is currently only available in Arabic. MENA LEGAL will be delighted to analyse the relevant industrial sector for your business.

Local governments in cooperation with Foreign Direct Investment Committee (FDI) - the Committee was established by a resolution of the Council of Ministers according to the FDI law- will determine the exact ownership percentage of foreign investors of the announced economic sectors.

### Conclusion:

It remains to be seen how the percentage of ownership will be evaluated and whether individual Emirates would apply different percentage of ownership in the same sector or activity, depending on the economic objective of each Emirate and thus creating competitive sit-

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uation amongst the Emirates. Moreover, the share capital of wholly owned companies is substantial. For instance, hospitals are expected to have a share capital of at least AED 1 billion or the food production with a share capital of at least 300 million, raising the question whether the positive list will in fact stimulate FDI into the UAE.

MENA LEGAL will remain attentive to the evolution of the process and keep you informed.

**For more information, please contact: [info@mena-legal.com](mailto:info@mena-legal.com)**

Dr. Alexander Brexendorff  
Managing Partner



Dr. Alexander Brexendorff is an entrepreneur/owner and managing director of various legal, business, sports and Fintech consulting companies in Europe and the Middle East. He is as well the founder and head of the board of the Zurich and Dubai based international business and legal Swiss Association Brexendorff & Associates / MENA LEGAL.

Mrs. Karin Luzolo  
Legal Consultant



Karin Luzolo is a German certified lawyer with over seven years of legal work experience with renowned Law firms. Areas of her experience included strategic and compliance advisory in Immigration and citizenship law and EU - law and Fintech law.

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