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News Alert – UAE – Corporate – 100% Ownership of Companies

The Foreign Direct Investment law and associated sector list

In our [news alert dated 21st of May 2018](#), we announced the decision of the Cabinet to draft a federal law on the 100 % foreign ownership of UAE- based enterprises.

Within 4 months the UAE government drafted and enforced the Federal Law by Decree No. (19) of 2018 regarding Foreign Direct Investment (FDI law). This law outlines the rules for establishing the 100% foreign owned enterprise in the UAE.

Scope of application

The law applies to all companies established in the State and explicitly excludes the companies established in the Free zones.

Negative list

As previously mentioned in our news alert the law will provide the privilege of up to 100 % foreign ownership only to a selected industry sector.

The negative list reflects all sectors which do not fall under the FDI law. The content of the list is subject to changes and governed by the Council of Ministers. Currently the following sectors are excluded from the FDI law:

1. Exploration and production of petroleum materials
2. Investigations, security, military sectors, manufacturing of arms, explosives and military equipment, devices and clothing
3. Banking and financing activities, payment systems and dealing with cash
4. Insurance services
5. Hajj (pilgrimage) and Umrah services, providing employment and recruitment services for staff and servants
6. Water and electricity services
7. Services related to fisheries
8. Postal services, telecommunications services and audio and video services
9. Land and air transport services
10. Printing and publishing services
11. Commercial agents' services
12. Medical retail such as private pharmacies
13. Blood banks, venom and quarantine centres

Positive list

The Foreign Direct Investment Committee, a committee appointed by resolution of the Council of Ministers, is responsible to provide recommendation for the positive list to the Council of Ministers.

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The positive list has not yet been published. However, it is expected to be announced early next year. Based on the Ministry of Economy's statement among other sectors the permitted sectors for up to 100% ownership will be in technology, outer space, renewable energy, artificial intelligence and manufacturing.

Conclusion

It remains to be seen if the issuance of the positive list will happen within the announced time frame. Because without the existence of the positive list, the enforcement of the FDI law becomes more or less obsolete. Furthermore, it will be interesting to see how the Council of Ministers will allocate the percentage of ownership (100 % or lower percentage) for each sector.

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

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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 Iskander & Associates / MENA LEGAL.

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