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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, among other considerations, the framework under which it will be possible, in the near future, to establish a 100% foreign owned enterprise in the UAE. This possibility will come as an exception to the known rule obliging foreign investors to partner with a UAE national and to organize the holding by the latter of 51% minimum of shares.

Scope of application – Positive List

The law applies to all companies established in the State and explicitly excludes the companies established in the Free zones. However, all such companies may not benefit from the exception. It will apply and enable 100% foreign ownership for those companies doing business in some specific sectors to be, still, determined. The Foreign Direct Investment Committee, a committee to be appointed by resolution of the Council of Ministers, shall be responsible to provide recommendation for the positive list to the Council of Ministers and the latter shall determine such sectors.

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 high-technology products manufacturing, hence, a quite narrow list of sectors.

Negative list

The negative list reflects all sectors which do not fall and will 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

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10. Printing and publishing services
11. Commercial agents' services
12. Medical retail such as private pharmacies
13. Blood banks, venom and quarantine centres

Commitment from the Foreign Direct Investment Companies

Should a Foreign Direct Investment Companies be granted with the right to own 100% or lower % but above 49%, such company carrying a so-called Foreign Direct Investment Project will be granted with additional incentives regarding its assets, repatriation of capital, or confidentiality rights but will also be requested investments that are different from the standards in the UAE: the payment of the share capital shall be documented, the amount of the share capital is expected to be higher than the applicable standards AED 300,000 in Dubai or AED 150,000 in Abu Dhabi, and the employment of UAE nationals is expected to be mandatory regardless of the size or activity of the foreign direct investment project.

Conclusion

It remains to be seen if the issuance of the positive list will happen within the announced time frame and which sector of activity will be concerned. As of now without the existence of a positive list, the FDI law is a mere regulatory framework that is not subject of any enforcement by a private investor.

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

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