

New Investment Rules in the UAE: A Natural Culmination of a Series of Proposed Legislative Reforms

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The media has been buzzing with speculation and predictions following the UAE Cabinet's decision to (i) allow 100% foreign ownership by global investors in the UAE mainland; and (ii) grant 10 year residence visas for investors in the fields of medicine and engineering, as well as university students who have excelled in their area of study.

The news was communicated in a series of Twitter posts on Sunday 20 May 2018 by His Highness Sheikh Mohammed bin Rashid Al Maktoum who had chaired the Cabinet meeting.

The decision has been hailed as a reinforcement of the UAE Government's stance, and desire, to remain a hub for international investors and talent, offering 'excellent infrastructure and flexible legislation'.

Further, the decision appears to culminate previous discussions on relaxing foreign investment rules and assists in steering the UAE further towards becoming an open market. This trend began with Federal Decree Law No. (18) of 2017 amending Article 10 of the Federal Law No. (2) of 2015 on Commercial Companies by allowing the Cabinet to decide on sectors in which 100% foreign ownership would be permissible. Further, the draft proposed investment law gave investors the signal that the UAE was ready to relax its foreign investment rules in certain sectors.

While the decision is a much awaited positive step for the UAE, information regarding the implementation and impact of the cabinet decision remains scarce. We predict the following considerations will be taken into account when implementing the decision with respect to permitting 100% foreign ownership:

- **Agencies:** The impact on distributors and registered commercial agents. If the decision allows for 100% foreign ownership in the area of retail and wholesale there will be a great impact on the current arrangements between large retail companies/ manufacturers and local UAE companies.
- **Free Zones:** The impact on free zones. While the free zones offer other incentives for foreign investors setting up in their respective jurisdictions, the main advantage remains 100% foreign ownership. As such, the decision relaxes the ownership restriction in all sectors and this may affect the operation of the various free zones available within the UAE.
- **Other Laws:** The implications on other laws and regulations. Most likely, the implementation of the decision will require the amendment of some other laws and regulations, e.g. the Commercial Companies Law which should be amended to allow for a foreign sole shareholder company. Also, regulations governing the issuance of immigration cards and application for residency visas.

As always, the devil is in the detail. While the decision represents a significant step forward in opening the UAE market, the details of its scope and implementation technicalities remain unclear. What is clear, however, is that the UAE is ready to relax its foreign investment rules in certain sectors and for certain categories of global investors particularly now in the period leading up to Expo 2020.