

UAE – 100% FOREIGN OWNERSHIP IN ONSHORE COMPANIES

The UAE government has announced that relaxing existing foreign ownership restrictions allowing 100% foreign ownership in local on-shore companies, aims to stimulate the UAE economy and ease investments in specific sectors. This scope falls in line with the proposed introduction of long term visas of up to 10 years which shall benefit investors, professionals, etc. in certain fields. The United Arab Emirates (UAE) released a resolution to ease the restrictions surrounding foreign ownership for onshore companies and extension of residency visas. As of now, few details have been released. However, according to press reports, the new changes are expected to come into practice towards the end of the year.

Current Situation

Presently, when foreign investors intend to form a local company (LLC) in the UAE, the current UAE investment law allows them to own up to 49% of the company only. At least 51% of the company ownership belongs to the UAE nationals.

Implication of the new UAE Investment Law

The new law allows foreign investors to increase the percentage of ownership up to 100% (the 'Law'). Foreign investors will be able to be in complete control of the company, with respect to the management and the profits. There appears to be a consensus that the 100% foreign ownership rule will initially apply to larger global companies in selected industries, before expanding to other sectors. Similarly, there is no available information on how the 51% local ownership may be transferred, either totally or partially, to the foreign partner of an existing LLC. As of now however, there has been no clarification on these particular aspects of the Law but the government will release additional information in the coming months.

Advantages of the New UAE Investment Law for Investors

- Investors will be operating their business without having to share profits or limit business decisions because of restricted control of the business.
- The New UAE Investment Law will allow investors to conduct duty-free trade within the Gulf as per the Free Trade Agreement within the Gulf Cooperation Countries.
- As a foreign investor, investors will be able to enjoy higher returns because of the reduced administration costs and much more.
- Increased security of the investment.

10-year residency visas

Currently, UAE residency visas are granted to professionals and/or investors for a period of two (2) years, which is renewable. According to the recent announcement made, this will be changed and a ten-year residency visa will be granted to investors, innovators and individuals in specialized professions. Although there are also provisions for students and dependents. Students will be given a five-year residency visa, while top-performing students will be granted a ten-year residency visa. Further specifications as to the type of specialised professionals to be granted such a visa, shall be released closer to the time of the implementation of the new rule.

What to do next?

The highly anticipated UAE laws related to investment and residency are expected to come into force in the final quarter of 2018. Till that time, it is advisable to reconsider your business structuration and get ready for company transformation based on the incentives of the Law. Pierre-Yves Lucas, Umaira Choudhry