



FDI The Latest Development



Nicole Shroff

What's New in Foreign Direct Investment (FDI) in the UAE

Federal Decree-Law No. 19/2018 (the “**FDI Law**”) published on 23 September 2018 introduced the possibility of 100% foreign ownership in UAE companies notwithstanding the provisions of Federal Law No. 2/2015 on Commercial Companies. While the FDI Law set out a “**negative list**” of 13 sectors (including insurance, water and electricity, land and airport services, and retail medicine) where existing foreign ownership restrictions would continue to apply, it also referred to a “**positive list**” that the UAE Cabinet would promulgate to identify economic sectors and activities where up to 100% foreign ownership would be allowed.

On 2 July 2019 the Prime Minister issued a statement announcing the Cabinet's approval of a positive list of 122 economic activities in sectors including agriculture, manufacturing, renewable energy, electronic commerce, transportation, arts, construction, and entertainment divided into 51 industrial activities, 52 service activities and 19 agricultural activities.

The 100% foreign ownership in the positive list is accompanied by conditions, such as minimum capital requirements on some activities, obligations to employ advanced technology on other activities, and requirements to contribute to the Emiratization of the workforce on others. It is expected that the licensing authorities in each Emirate will ultimately determine the permitted foreign ownership percentages for specific projects.

The Cabinet Resolution

The Cabinet Resolution No. 16 of 2020 “*Concerning the Determination of the Positive List of Economic Sectors and Activities Eligible for Foreign Direct Investment and Percentage of their ownership*” published on 17 March 2020 (the “**Resolution**”) provides more clarity on the legal form of entities looking at 100% foreign ownership, minimum share capital, employment of UAE nationals, restrictions, controls and conditions of FDI in addition to those specified by the licensing authority and that set out in the relevant legislation. The Schedule provides the details of the sectors and the conditions to be met to avail of the benefits of the Resolution.

Investment is permitted through the legal form of a limited liability company (including single owner) and/or a private joint stock company (including single owner).

Advantages Granted to Direct Foreign Investment Projects

The advantages granted to a foreign direct investment company under the Resolution are in accordance with the advantages provided for in Federal Decree-Law No. 19/2018 on Direct Foreign Investment, provided the FDI company continues to engage in the activities licensed under the FDI Law. The advantages include:

1. Being subject the law applicable to national companies within the limits prescribed by the legislation in force and the corresponding international agreements to which the UAE is a party.
2. Being able to transfer its earnings outside the UAE, including:
 - (a) the net annual profits.
 - (b) the proceeds from the liquidation of the investment or the sale of all or part of the FDI project.
 - (c) the funds collected from the settlement of disputes in relation to the FDI project.
3. Employees of the FDI company may transfer their salaries, indemnities and entitlements outside the UAE subject to the legislation in force.
4. Guaranteed confidentiality in matters of technical, economic and financial importance concerning the investment initiatives submitted to the Competent Authority.
5. Not being fully or partially expropriated unless such action is in the public interest and in return for a fair compensation estimated at the time of expropriation.

6. No cancellations, termination or restriction of the properties allocated to the FDI project unless licensing conditions are violated.
7. No seizure, confiscation, freezing of the funds of a FDI company without a judicial decision in accordance with the legislation in force in the United Arab Emirates.

The local competent authority may grant any additional advantages to the FDI project.

Exclusions

A project of direct foreign investment in the economic activities referred to in Article 2 of this Decision shall be excluded from the provisions of Articles 71, 151 and 209 of Federal Law No. 2/2015 on Commercial Companies and its amendments, which implies that a FDI company may be constituted with one partner or more than 50 partners and the liability of a partner would be limited to his/her contribution in capital of the company as set out in the memorandum, the members of the board and the chairman may comprise of foreign nationals and the partners are free to dispose of their shares without contravention of the national majority rule.

Schedule I

**Positive List of Economic Sectors and Activities Eligible for Foreign Direct Investment
annexed to the Cabinet Resolution No. (16) of 2020**

Agricultural Sector				
#	ISIC4	Economic Activities	Minimum Capital	FDI Requirements and conditions
1	01111	Seed cultivation, barley, wheat and corn etc.	7.5	<ul style="list-style-type: none"> ▪ use of modern technology ▪ bring in high added-value ▪ contribute in research & development ▪ meet the requirements of licensing entities in the respective emirate
2	01112	Growing of leguminous crops	7.5	
3	0113	Growing of vegetables and melons, roots and tubers	7.5	
4	0114	Growing of sugar cane	7.5	
5	0116	Growing of other non-perennial crops	7.5	
6	0119001	Flowers and buds Cultivation	7.5	
7	0121	Growing of grapes	7.5	
8	0123001	Fruits and Citrus Cultivation	7.5	
9	0124	Growing of pome fruits and stone fruits	7.5	
10	0125	Growing of other tree and bush fruits and nuts	7.5	
11	0126	Growing of oleaginous fruits	7.5	
12	0127	Growing of beverage crops	7.5	
13	01289	Growing of aromatic, drug and pharmaceutical crops	7.5	
14	0161	Support activities for crop production	10	
15	0162	Support activities for animal production	7.5	
16	0163	Post-harvest crop activities	7.5	
17	0164	Seed processing for propagation	7.5	
18	0210	Silviculture and other forestry activities	7.5	
19	0240	Support services to forestry	7.5	

Manufacturing Sector				
#	ISIC4	Economic Activities	Minimum Capital Million/Dhs	FDI Requirements and Conditions
20	10	Manufacture of food products (except): 1071 Manufacture of bakery products 105 Manufacture of dairy products 108 Manufacture of prepared animal feeds	15	<ul style="list-style-type: none"> ▪ use of modern technology ▪ bring in high added-value ▪ contribute in research & development ▪ meet the requirements of licensing entities in the respective emirate
21	11	Manufacture of beverages (except): 1101 Distilling, rectifying and blending of spirits 1102 Manufacture of wines 1103 Manufacture of malt liquors	15	
22	14	Manufacture of wearing apparel (except:) 14109 Tailoring and Sewing of Wearing Apparel 1410122 Military Garments Manufacturing	15	
23	15	Manufacture of leather and related Products	15	
24	16	Manufacture of wood and of products of wood and cork, except furniture; manufacture of articles of straw and plaiting materials	15	
25	2012002	Straight or Complex Fertilizers manufacturing	15	
26	2013	Manufacture of plastics Synthetic rubber in primary forms	15	
27	2021	Manufacture of pesticides other agrochemical products	15	
28	2022	Manufacture of paints, varnishes and similar coatings, printing ink and mastics	15	
29	2023	Manufacture of soap and detergents, cleaning and polishing preparations, perfumes and toilet preparations	15	
30	2029006	Glues and Prepared Adhesives Manufacturing	15	
31	2029008	Manufacture of dyestuffs and pigments	15	
32	2029009	Textiles and Leather Finishing Used Chemical Materials Manufacturing	15	
33	2029013	Manufacture of photographic plates, films	15	
34	2029019	Gelatin and Its Derivatives Manufacturing	15	
35	2029021	Essential Oils Manufacturing (Essence)	15	
36	2029022	Extracted Natural Aromatic Products Manufacturing	15	
37	2029023	Aromatic Distilled Waters Manufacturing	15	
38	2029024	Matches Manufacturing	15	
39	2029025	Welding Powders and Pastes Manufacturing	15	

40	2030	Manufacture of man-made fibers	15
41	2100	Manufacture of pharmaceuticals, medicinal chemical and botanical products	15
42	22	Manufacture of rubber and plastics products	15
43	23	Manufacture of other non-metallic mineral products	15
44	24	Manufacture of basic metals (except:) 242 Manufacture of basic precious and other non-ferrous metals 2432 Casting of non-ferrous metals	20
45	25	Manufacture of fabricated metal products, except machinery and equipment except: 2529 Manufacture of weapons and ammunition	15
46	26	Manufacture electronic and optical products of computer	15
47	27	Manufacture equipment of electrical	20
48	28	Manufacture of machinery and equipment except: 28259 Tobacco Processing Machinery Manufacturing	100
49	29	Manufacture of motor vehicles, trailers and semi-trailers	100
50	3011101	Building of Commercial Vessels	100
51	3011103	Ships and Floating Structures Sections Manufacturing	100
52	3011905	Construction of Drilling Platforms, Floating or Submersible	100
53	3011906	Construction of Floating Structures	100
54	3011907	Building of Hovercraft	100
55	3012	Building of pleasure and sporting boats	15
56	3020	Manufacture of railway locomotives and rolling stock	20
57	3030	Manufacture of air and spacecraft and related machinery except: 3030006 Military Ballistic and Guided Missiles Manufacturing	100
58	3090	Manufacture of transport equipment n. e. c.	20
59	31	Manufacture of furniture	15
60	3220	Manufacture of musical instruments	2
61	3230	Manufacture of sports goods	3
62	3240	Manufacture of games and toys	3

63	3250	Manufacture of medical and dental instruments and supplies	20	
64	3290	Other manufacturing n. e. c.	3	
65	3312001	Repair and maintenance of trains engines	15	
66	3312002	Repair and maintenance of ship engines	15	
67	3315001	Repair and maintenance of ships	15	
68	3315004	Repair and maintenance of trains and railway equipment	15	
69	3315005	Maintenance and Repair of Aircraft engines	15	
70	3315006	Maintenance and Repair of Aircrafts	15	

Services Sector				
#	ISIC4	Economic Activities	Minimum Capital Million/Dhs	FDI Requirements and Conditions
71	6910002	Legal consultancy offices	In accordance with the legislation in force	<ul style="list-style-type: none"> ▪ Not to plead before UAE courts. ▪ Not to take any legal action in courts, tribunals and judiciary and administrative committees ▪ Not to carry out notarization functions ▪ To obtain approval of concerned entities for licensing this activity in the State ▪ To be a natural or legal person excelling in this field.
72	692	Accounting, bookkeeping and auditing activities; tax consultancy		Only business tax planning, consultancy and preparation and review of business tax activities
73	711	Architectural and engineering activities and related technical consultancy		To be a natural or legal person excelling in this field
74	862	Medical and dental practice activities		
75	75	Veterinary activities		
76	620	Computer programming, consultancy and related activities		To provide a work team comprising no less than 5 members specialized in computer programming by the end of the first year of the company
77	72	Scientific research and development		In accordance with the legislation in force
78	7730-77300	Renting and leasing of other machinery, equipment and tangible goods		
79	471	Retail sale in non-specialized stores (except cooperative societies 4711001)	100	
80	731	Advertising		

81	732	Market research and opinion polling	In accordance with the legislation in force	
82	702	Management consultancy activities		
83	712	Technical testing and analysis		
84	331	Repair of fabricated metal products, machinery and equipment (except ships, aircrafts and other transport equipment)		
85	8121-81210	General cleaning of buildings		
86	742	Photography activities		
87	8292-82920	Packaging activities		
88	823	Organization of conventions and trade shows		
89	741	Specialized design activities		
90	7490005	Legal Translation Services		
91	7490006	Translation services, movies and television programs		
92	7490012	Publications Translation Services		
93	8299002	Simultaneous translation services		
94	41	Construction of buildings		
95	42	Civil engineering		
96	432	Electrical, plumbing and other construction installation activities		
97	433	Building completion and finishing		
98	431	Demolition and site preparation		
99	439	Other specialized construction activities		
100	7730009	Construction and Building or Demolition Machines and Equipment Renting		
101	851	Pre-primary and primary education	(a) Public education is excluded. (b) To obtain the approval of concerned entities for licensing these activities and observe the specified	
102	852	Secondary education		
103	853	Higher education		
105	370	Sewerage	In accordance with the legislation in force	
106	382	Waste treatment and disposal		
107	3900001	Pollution Treatment and Environment Protection		

108	861	Hospital activities	100	(a) This activity is subject to approval of competent entities depending on the economic need taking into account the number of hospitals and medical and health centers in a specific area. (b) Dubai Healthcare City is excluded from the restriction above.
109	869	Other human health activities	70	In accordance with the legislation in force
110	8211001	Hotel Management	In accordance with the legislation in force	
111	8211004	Restaurant management		
112	90009	Creative activities and presentation of arts drama (theater)		Permitted only for theater and live performance activities
113	9000104	Music Band		In accordance with the legislation in force
114	9000110	Circus		
115	8130002	Landscape and gardening services		
116	9103-91030	Botanical and zoological gardens and nature reserves activities		Only public gardens services and specialized gardens services
117	5012-50120	Sea and coastal freight water transport		In accordance with the legislation in force
118	5022001	Internal Water Transportation of Goods		
119	7730016	Commercial Ships Rental		
120	5222002	Ship Piloting and Towing		
121	5222007	Marine towing of boats and jet sky		
122	New	Activities of holding companies in intellectual property		