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UAE Cabinet reveals economic activities eligible for up to 100% foreign ownership

In November 2018, we analysed the key take-away points of UAE Federal Decree-Law No. 19 of 2018 concerning Foreign Direct Investment (the **FDI Law**). Our full analysis on the FDI Law may be accessed here.

Under UAE Federal Law No. 2 of 2015, foreign investors cannot exceed 49% shareholding in limited liability companies (**LLCs**) established in UAE mainland. The FDI Law signalled the UAE's intent to attract and encourage foreign direct investment by **reducing the existing restrictions on foreign ownership**.

While the FDI Law set out a so-called negative list of economic sectors that **would not** witness any change in their foreign ownership percentage limitations, it also authorised the UAE Cabinet to subsequently issue a **positive list** where foreign ownership participation could reach up to 100%.

On 2 July 2019, the UAE Cabinet announced its decision regarding which sectors and activities would be included within the positive list referred to in the FDI Law (the **Cabinet Resolution**). Chaired by His Highness Sheikh Mohamad Bin Rashid Al Maktoum, Vice President and Prime Minister of the UAE and Ruler of Dubai, the UAE Cabinet specified that **122 economic activities across 13 sectors would become eligible for up to 100% foreign ownership**.

Although the Cabinet Resolution has yet to be officially published, an initial draft of the positive list suggests that the fields will include:

- ✓ **Healthcare** (including hospitals and medical and dental clinics);
- ✓ **Construction** (including construction, completion, decoration and demolition of buildings);
- ✓ **Manufacturing** (including food and beverages, clothing and electronics);
- ✓ **Transportation** (including maritime and coastal freight of goods);
- ✓ **Education** (from pre-school to higher education);
- ✓ **Agriculture**;
- ✓ **Entertainment**;
- ✓ **Arts**;
- ✓ Certain **professional, scientific and technical activities**.

The specific economic activities within those fields, as well as the permitted foreign ownership percentages, have yet to be revealed, although the UAE Cabinet has indicated that local Emirate governments will be able to specify the ownership percentages for each activity.

It is also **unclear** whether 100% foreign owned LLCs will need to appoint a local service agent. **Additional conditions** mentioned in the initial draft positive list include registration with the Ministry of Human Resources and Emiratisation's (the **MoHRE**) Tawteen Partners Club, the MoHRE's Emiratisation initiative, as well as minimum share capital requirements for certain activities.

We eagerly await the publication of the Cabinet Resolution in the UAE Official Gazette in order to provide a full breakdown of the new foreign ownership percentages in each economic sector and activity, and are following up closely with the Dubai Department of Economic Development to determine how the implementation of the Cabinet Resolution will look like for new and existing businesses.

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