

UAE Foreign Direct Investment Law No. 19/2018

On 23rd September 2018, Federal Decree Law No. 19 of 2018 was passed by His Highness Sheikh Khalifa Bin Zayed Al Nahyan which was later published on 30th September 2018 and came into force on 1st October 2018.

The FDI Law provides a framework permitting foreign 100% ownership in UAE Limited Liability Companies.

BACKGROUND

Prior to the promulgation of the FDI Law, foreign ownership in limited liability companies (LLC) established in UAE was restricted to a maximum of 49% of the share capital of the LLC. This was not conducive for attracting the FDI flows in the UAE. To augment investor confidence thereby increasing the FDI flows to UAE, a relook at permitting upto 100% ownership in the UAE economy was getting imperative. The anticipated legislation was brought out in September 2018 which provides framework for upto 100% foreign ownership. The law provides for Positive List and Negative List of sectors wherein FDI's will be permitted or not permitted. Further, The Foreign Direct Investment Committee (FDI Committee) and The Foreign Direct Investment Unit (FDI Unit) were also established. The FDI Committee was given responsibilities for proposing the FDI policies in the UAE while the FDI Unit was set up as an administrative arm of the FDI Committee.

The Positive List

The Decree Law 19 / 2018 requires the FDI Committee to consider following criteria in respect of the activities and economic sectors whilst compiling the Positive List.

- Integration with the strategic plans of the UAE
- Value addition to the UAE economy
- Competence, experience and reputation of the relevant foreign investor
- Impact on other national companies engaged in similar activity and
- Whether the activity achieves a positive impact on the environment in the UAE

Subsequently on 2nd July 2019, the UAE Cabinet issued a Resolution (“Positive List”) specifying 122 economic activities across 13 sectors which will be eligible for upto 100% ownership.

This sector includes:

- Administrative services
- Agriculture
- Art and entertainment
- Construction
- Educational services
- Healthcare services
- Hospitality and food services
- Information and communication
- Manufacturing industry
- Professional, scientific and technical activities
- Renewable energy
- Space
- Transport and storage

With the opening of the above sectors for upto 100% foreign investment, growth in economic activities in the UAE in these sectors is anticipated.

On 17th March 2020, the UAE Cabinet has released the full “Positive List of Economic Sectors and activities” under the Foreign Direct Investment (FDI) Law. The Cabinet Resolution No. 16 of 2020 determines the 'Positive List' of sectors and economic activities in which foreign direct investment is permitted and with 100% ownership.

Cabinet Resolution No. 16 of 2020 also sets condition that companies need to invest in new technologies, contribute to research and development and meet the requirements of UAE licensing entities.

The positive list of economic sectors and activities attached hereto and in which the foreign investor is permitted to invest and approved. The minimum share capital of the Foreign Direct Investment Project in the economic activities stated in the list attached hereto.



The Negative List

Areas of economic activity where foreign ownership in whole or in part is prohibited (a simple reflection of the current existing arrangements) appear on the Negative List. Following activities are included in the Negative List:

- Oil exploration and production
- Investigation, security, military (including manufacturing of military weapons, explosives, dress and equipments)
- Banking and financing activities
- Insurance
- Pilgrimage and umrah services
- Certain recruitment activities
- Water and electricity provision
- Fishing and related services
- Post, telecommunication and other audiovisual services
- Road and air transport
- Printing and publishing
- Commercial agency
- Medical retail (including pharmacies)
- Blood banks, quarantines and venom / poison banks

Impact and Current structures:

It is left to the discretion of each Emirate of the UAE to decide on the percentage of foreign ownership for each sector / activity as per their individual circumstances. This should be positive as each Emirate is given the discretion to develop the sectors the individual Emirate would like to grow.

Under the Commercial Companies Law a maximum of 49% foreign ownership was permitted. The foreign shareholders can now relook at opportunities to acquire upto 100% ownership in the company.

The Free Zones across UAE permit 100% foreign ownership. The shareholders may relook to move the existing business from Free Zone to the Mainland if it makes valuable economic proposition.

Disclaimer:

This summarized information is prepared for general guidance on matters of interest only. It does not constitute professional advice. You should not act upon the information contained in this publication without seeking professional advice. As such, it should not be used as a substitute for consultation with professional legal, tax or other advisers.

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

AGRICULTURAL SECTOR				
Sl. No.	ISIC4	Business activities	Minimum Capital Million/Dhs	FDI requirements and conditions
1	01111	Seeds Cultivation (Wheat, Corn, Barley, etc.)	7.5	<ul style="list-style-type: none"> - Use modern technology - Bring high added-value - Contribute in research & development - Meet the requirements of licensing entities in the State
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 Flower 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	

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MANUFACTURING SECTOR				
Sl. No.	ISIC4	Business 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	
21	11	Manufacture of beverages (except): 1101 - Distilling, rectifying and blending of spirits 1102 - Manufacture of wines 1103- Manufacture of malt liquors and malt	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 and synthetic rubber in primary forms	15	
27	2021	Manufacture of pesticides and 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	Gelatine 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	<ul style="list-style-type: none"> - Use modern technology - Bring high added-value - Contribute in research & development - Meet the requirements of licensing entities in the State.
39	2029025	Welding Powders and Pastes Manufacturing	15	
40	2030	Manufacture of man-made fibres	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 of computer, electronic and optical products	15	
47	27	Manufacture of electrical equipment	20	
48	28	Manufacture of machinery and equipment n.e.c. (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 train 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 Aircrafts Engines	15
70	3315006	Repair and maintenance of aircraft	15

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SERVICE SECTOR				
Sl. No.	ISIC4	Business 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	In accordance with the legislation in force	Only business tax planning, consultancy and preparation and review of business tax activities
73	711	Architectural and engineering activities and related technical consultancy	In accordance with the legislation in force	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	In accordance with the legislation in force	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	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	In accordance with the legislation in force	
81	732	Market research and public opinion polling		
82	702	Management consultancy activities		
83	712	Technical testing and analysis		
84	331	Repair of fabricated metal products, machinery and equipment (except ships or 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	Translation Publications Services		
93	8299002	Translation Services		
94	41	Construction of buildings	In accordance with the legislation in force	Only permissible for large-scale infrastructure projects such as airports, highway roads, sport facilities and projects whose value exceed AED 450,000,000
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	In accordance with the legislation in force	<p>1. Public education is excluded.</p> <p>2. To obtain the approval of concerned entities for licensing these activities and observe the specified restrictions & standards</p> <p>3. To observe the conditions and standards of educational institutions and</p>
102	852	Secondary education		
103	853	Higher education		
104	854	Other education		



				ensure a high level of education
105	370	Sewerage	In accordance with the legislation in force	In accordance with the legislation in force
106	382	Waste treatment and disposal		
107	3900001	Pollution Consequences Treatment and Environment Protection		
108	861	Hospital activities	100	<p>1. 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.</p> <p>2. Dubai Healthcare City is excluded from the restriction above.</p>
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	As per the applicable regulations
111	8211004	Restaurants Management		As per the applicable regulations
112	90009	Creative activities and presentation of arts drama (theater)	In accordance with the legislation in force	Permitted only for theater and live performance activities
113	9000104	Music Band		As per the legislation in force
114	9000110	Circus		
115	8130002	landscape and gardening services		
116	9103-91030	Botanical and zoological gardens and nature reserves activities	In accordance with the legislation in force	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 ski		
122	New	Activities of holding companies in intellectual property		