

UAE announces significant changes to foreign ownership and visa rules

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On 20 May 2018, the United Arab Emirates (UAE) Cabinet of Ministers approved a decision to allow foreign investors to hold 100% ownership of UAE companies, as well as announced significant changes to the UAE visa system as they pertain to specific categories of expatriates.

The forthcoming changes were announced on Twitter by His Highness Sheikh Mohammed Bin Rashid Al Maktoum, Vice President and the Prime Minister of the UAE and the Ruler of Dubai where he stated,

At today's Cabinet meeting, we decided to allow 100 percent foreign ownership of companies in UAE, with a 10 year visa for investors, scientists, doctors, engineers, entrepreneurs and innovators. The UAE has always welcomed, and always will, innovators and business leaders.

This decision will be enforced by third quarter this year. Our open society, tolerant values, excellent infrastructure and flexible legislation offer the best environment for international investment and exceptional talent.

The UAE Cabinet has instructed the Ministry of Economy to issue a detailed report during the third quarter of 2018, and to implement the new decisions by the end of 2018.

Foreign investment rules regarding UAE companies

The changes to the ownership rules are a significant departure from the current rules restricting foreign ownership. Currently, foreign investors may generally only hold 100% ownership of their companies in one of the UAE's free zones, which are specialized economic zones within the country. However, these companies are not permitted to conduct business within the UAE, outside of their specific free zone. As a general comment, in order to conduct business in mainland UAE, foreign investors must either appoint a local agent or establish a company under the UAE Commercial Companies Law (Federal Law No 2 of 2015) which requires that any such company must have a UAE National Company or individual holding at least 51% of the share capital.

It remains to be seen how the decision to relax the local participation requirements will be implemented and what criteria will be used to determine eligible foreign investors, for example, whether the new rules will be applied on a sector basis.

Change to visa rules

The UAE Cabinet has also announced a decision to grant long-term 10-year visas to investors and certain categories of professionals, and 5- or 10-year visas to students studying in the UAE, an option not available under the current regime. Presently, the UAE generally does not issue long-term visas to expatriates; an individual's UAE residence visa is generally linked to the employment status of the person and their employer, and is valid for a maximum of three years.

Impact

The decision is a positive development for the UAE, although specific information regarding how the changes will be implemented is not yet available. EY will continue to monitor developments closely as new information becomes available.

Businesses should also closely follow further developments and announcements on these planned changes which may have significant implications, not only from a company establishment and visa perspective, but also from a commercial perspective, including possible implications from a value added tax perspective.

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