

## Newsletter | December 2020

### **UAE open doors with a new legislation for foreign companies**

Amendments to the commercial law n.329, coming into force on the 2<sup>nd</sup> of January 2021, will consent to foreign investors to hold 100% of the share capital of a UAE company, with the sole exclusion of certain activities of national interest.

Previously, this was allowed only in the about forty “free trade zones” which offer tax concessions and custom duty to expatriate investors.

The new legislation has also cancelled the obligation of having an Emirate citizen in the board of the company and a “local agent” for the branches of the foreign companies operating in the Emirates.

The decision of these opening came from the recent crisis which has heavily hit the country due to the crash of the oil price, of the tourism, the retail and the logistic activities. Due to COVID 19, the country also had to cancel the Dubai World Expo 2020, which should have given a lash to the local economy.

The luxury brands which preside since a long time the region and recently suffered from the crisis, will now be able to open directly their shops in the UAE, possibly without the intermediation of the local retailers such Chalhoub or Al Tayer or, at least being in a better position to negotiate with them different forms of agreements. Possibly the new law will not mean a “no need” for a local partner, which in the majority of the business will be still advisable, but the form of the contracts and the weight of the two parties will be better balanced. We will probably see more joint venture agreements than franchising as in the past years.

Together with the subject law, the UAE has also introduced other amendments to other local laws (for debts, alcohol etc) which will also incentive the foreign people to move to the country to support a new economic renaissance.

The partners of Arkios Legal in Dubai office will be at disposal for any further information and to support their clients’ initiative in the region.



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