

Dubai: Practical Implementation of Federal Decree Law No. 26 of 2020 for Branches of Foreign Companies

Legal Briefing (22 April 2021)

As previously announced, the government of the United Arab Emirates (UAE) has amended the Commercial Companies Law (Federal Law No. 2 of 2015, "CCL") by issuing Federal Decree Law No. 26 of 2020 ("Decree Law") and thereby overhauling the entire corporate landscape by removing the general requirement to have a majority Emirati shareholder/service agent. In this legal briefing we provide an overview on the changes made to the licensing requirements for branches of foreign companies in Dubai.

I. Local Service Agents for Branches of Foreign Companies

One of the changes introduced by the Decree Law is the abolishment of the requirement of having a local service agent for a branch of a foreign company. Article 329 of the old CCL has been repealed without replacement with effect from April 1, 2021. The Department of Economic Development in Dubai ("DED") has now started implementing this in their licensing procedures:

a) Existing Branches

Existing branches of foreign companies may take advantage of the new legal landscape by removing the Emirati service agent from the license and registry. In order to do so, a letter from the Emirati service agent is required, confirming that he/she has no outstanding dues and agrees with the removal. Such letter will then have to be submitted to the DED and the Ministry of Economy ("MoE").

b) Establishment of New Branches

Foreign companies intending to open a branch in Dubai, do not require an Emirati service agent anymore.

However, it should be noted that all other registration and licensing requirements remain the same. In particular, the registration with the MoE with all its terms and conditions is still required. Furthermore, once the Emirati service agent has been removed from the license, subsequent administrative changes (i.e. with immigration and labour department) need to be implemented.

II. Summary

Existing branches of foreign companies in Dubai should consider terminating the agreements with their local service agents. Companies wishing to establish a branch in Dubai, do not require a service agent anymore which will save them expenses and make the administration of the branch easier and more flexible.

For more information, please contact your usual contact person at SCHLÜTER GRAF or send an email to dubai@schlueter-graf.com.

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