

Dubai Executive Council Resolution No. 11 of 2025: A Game Changer for Free Zone Businesses?

Legal Briefing (27 March 2025)

Dubai has once again demonstrated its commitment to fostering innovation and economic growth with the issuance of Executive Council Resolution No. 11 of 2025 on 3 March 2025 (the “**Resolution**”). This landmark Resolution aims to regulate the operations of free zone establishments outside their designated zones, marking a significant shift in Dubai's business landscape.

Under the Resolution, free zone entities can now expand their operations into mainland Dubai, provided they obtain the necessary onshore licenses or activity permits from the Dubai Department of Economy and Tourism (DET). Exceptions apply only e.g., for financial institutions which are licensed within the Dubai International Financial Center (DIFC), which is stated in article 2 of the Resolution. For many industries and branches, this makes it easier to bring their business to their customers, reduce operational costs and link the establishment of a free zone company with mainland operations. Furthermore, this move aligns with Dubai's ambitious D33 Agenda, which seeks to double the size of the city's economy by 2033 and establish Dubai as one of the world's top three economic cities.

The Resolution introduces under article 4 three types of licenses and permits for free zone entities. Firstly, a license enables free zone entities to establish a branch in Dubai (onshore), in compliance with existing branch establishment requirements. Secondly, another license allows entities to open a branch with its headquarters remaining within the free zone (dual license). Both licenses have a duration of one year, renewable for similar periods. Lastly, a temporary permit facilitates the practice of specific activities within mainland Dubai. A list of commercial activities which can be carried out by free zone entities under the Resolution (through a branch or with permit) shall be released within the next six months (article 9 of the Resolution).

These measures will help to integrate free zone entities into Dubai's mainland business ecosystem. On the other hand, the Resolution also states some requirements for companies that fall within the scope. Companies have to comply with federal and local regulations when operation onshore, distinct from those in the free zone. For example, they have to ensure that their businesses maintain separate financial records for the operations inside and outside the free zones. Also, certain tax benefits related to the corporate income tax, which qualified free zone companies take advantage of, do not apply to branch offices in the mainland.

Widely praised as a groundbreaking initiative, this resolution brings together previous efforts into a comprehensive legislative framework. While the option for free zone companies to establish branches in Dubai mainland has existed for years - and the ability to apply for permits for certain activities outside free zones was announced in 2020 - this resolution formalizes and streamlines these opportunities. By providing clear guidelines for branch licenses and permits, Dubai is reinforcing its commitment to fostering innovation, expanding business possibilities, and positioning itself as a dynamic global hub for entrepreneurship and economic growth.