

The new Civil Transaction Law of the United Arab Emirates - Federal Decree-Law No. 25/2025

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Introduction

On 1 June 2026, a new Civil Transactions Law (or “Civil Code”) will come into force in the United Arab Emirates. While the Civil Transactions Law introduced in 1985 has already been amended several times in a piecemeal fashion, the current reform is the first comprehensive one. Federal Decree-Law No. 25/2025 will completely replace the Civil Transactions Law of 1985. This reform is one of a series of major legal reforms which have taken place on the Arabian Peninsula, such as the first ever codification of civil law in Saudi Arabia at the end of 2023.

Statutory interpretation and development of the law

Art. 4 (3) of the Civil Code now codifies the ‘lex specialis’- doctrine, which is generally recognized both in legal theory and practice. It is applied to resolve conflicts of law in a uniform manner. Art. 4 of the Civil Code lays down that a more specific law takes precedence over the general law. This applies in particular even if the general law was enacted after the specific law.

If the law does not address legal issues, the new Civil Code expressly allows courts to refer to Sharia law by way of judicial development of the law. While it has always been possible for judges to develop the law by referring to Sharia law, the major change is that judges are now no longer bound to a particular theological school. Instead, judges are to interpret and develop the law in a way that best serves the public interest.

Pre-contractual duties

One of the most significant changes is the introduction of the concept of ‘culpa in contrahendo’ (CIC), which is already reality in many other civil law jurisdictions. This concept imposes a duty on the negotiating parties to negotiate with due care and not to lead a negotiating partner to act to his detriment before a contract is concluded. The Civil Code states in Art. 121 and 122 that parties should conduct negotiations in good faith and disclose information relevant to the contract in a timely manner. If one party negotiates or terminates the negotiations in bad faith, this party is liable to pay damages to the other party in accordance with Art. 121 (3).

New age of majority

The Civil Code establishes a new age of majority in Art. 84 (2). In future, civil capacity will commence at the age of 18 Gregorian years, instead of 21 lunar years as was previously the case. This means that Emirati civil law is not only aligning with other jurisdictions, but also with Emirati labour law and criminal law, eliminating previous contradictions.

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In order to encourage young entrepreneurship, the age at which minors can manage their own assets has been lowered from 18 lunar years to 15 Gregorian years. In accordance with Art. 149 (1), courts can authorize discerning minors upon request of the guardian to manage all or part of their property.

Strengthening the rights of buyers

In the new Civil Code, buyers have more remedies when a defect occurs. Instead of the previous binary choice between returning the goods or accepting them, there is now an additional option of keeping the goods and claiming a reduction in the purchase price. However, according to Art. 495 of the Civil Code, the seller can counteract the claim for reduction or rescission by providing a non-defective identical substitute for the thing sold. Furthermore, the limitation period for defect claims is expanded from six months to one year, Art. 510 of the new Civil Transactions Law. It is not possible though for the seller to invoke the statute of limitation if he has fraudulently concealed the defect.

Protecting sellers with limited capacity

People with no or limited legal capacity, i.e. people with mental illness or minors, are now explicitly protected in real estate transactions. When property belonging to such a person is sold at an unusually low price, the seller is entitled to receive the fair market price. However, according to Art. 463 (1), this claim must be asserted within three years after the seller gains full legal capacity or three years after his death. It is important to note that a third party purchasing this property is protected by law. If the third party acquires the property from the original purchaser in good faith, any claims the original seller may have against the original purchaser have no bearing on the rights of the third party.

Framework agreement

In Art. 138 the institution of framework agreements is officially recognized. A framework agreement is a contract concluded between a seller and a buyer on a long-term basis that sets out the essential terms and conditions for future contracts (call-offs). It is an effective way of structuring long-term contractual relationships, as it eliminates the need for comprehensive negotiations for each single transaction.

Strengthening the legal position of the guarantor

Regarding the legal relationship between creditors and guarantors, the rights of guarantors are significantly strengthened. The Civil Code introduces the right of 'beneficium excussionis'. That means that a creditor must first and foremost exhaust all legal remedies and seize all assets of the debtor before suing the guarantor. However, the guarantor must actively invoke this defense, and he must, at his own expense, identify debtor assets that are capable for enforcement, Art. 1010 (2). Furthermore, the guarantor is protected by a full transfer of rights. If the guarantor pays the debt, he is subrogated to the creditor in all his rights against the debtor, Art. 1022. So in a figurative sense he steps into the shoes of the creditor.

Conclusion

The new Civil Transactions Law standardizes and streamlines the Emirati legal system. Until the new law comes into force on 1 June 2026, companies should review their contract templates and T&C in light of the upcoming changes.