

## Insights

# RELAXATION OF FDI RESTRICTIONS IN THE UAE: A MAJOR ACCESS POINT FOR BUSINESS AND FOREIGN INVESTMENT IN THE REGION

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The UAE led the Middle East and North Africa region with the highest FDI inflows (i.e. - purchasing of assets in another country). The UAE has made it to the top 20 host economies in terms of FDI inflows, according to a UNCTAD report released in July 2023. Foreign direct investment in the UAE rose from USD 21 billion in 2021, to 23 billion in 2022, being its highest FDI inflow ever recorded.

In an effort to further develop and nurture foreign direct investment, the UAE Government has progressively been undertaking a series of major business and legal reforms, resulting in the relaxation of pre-existing rules regarding the extent to which foreign investors could invest in 'onshore' private companies and businesses in the UAE. Until recently, these rules created significant restrictions with respect to foreign direct investment in such onshore companies which typically meant that at least 51% of the capital of such a company had to be legally owned by a UAE citizen. As a result, foreign investors (with some exceptions, such as GCC nationals) could only hold a maximum of 49% of the capital of that company, leaving them without legal control. Coupled with associated business licensing restrictions, this had discouraged foreign capital investment into the UAE market.

However, UAE Federal Decree Law No. 32/2021 has effectively removed most of these restrictions. Consequently, following the full implementation of the law and related relaxations in the business licensing regime, the requirement for a local partner has effectively been abolished (except as regards activities in certain sectors deemed to have 'strategic impact', where the requirement for UAE national participation has been preserved - such as, defence, banking, and commercial agencies ) and non-UAE nationals may now legally hold 100% of the shares in, and control, onshore private companies. This has significantly expanded the scope for non-national investment in UAE business, which was, traditionally and historically, only open on an unrestricted basis to foreign investors within UAE free zones.

## RELATED CAPABILITIES

- Corporate

## MEET THE TEAM



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