

IN-DEPTH

# Mergers & Acquisitions

UNITED ARAB EMIRATES

LEXOLOGY

# Mergers & Acquisitions

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**Mark Zerdin**

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*In-Depth: Mergers & Acquisitions* (formerly The Mergers & Acquisitions Review) provides a practical overview of global M&A activity and the legal and regulatory frameworks governing M&A transactions in major jurisdictions worldwide. With a focus on recent developments and trends, it examines key issues including relevant competition, tax and employment law considerations; financing; due diligence; and much more.

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# United Arab Emirates

Danielle Lobo, Abdus Samad and Alexander Grant

Afridi & Angell

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## Introduction

The United Arab Emirates (UAE) is a federation of seven emirates that was formed on 2 December 1971 by Abu Dhabi, Ajman, Dubai, Fujairah, Sharjah and Umm Al Quwain following the end of the British protectorate over the 'Trucial States'. The Emirate of Ras Al Khaimah joined the federation the following year. In addition to the seven constituent emirates, the UAE comprises a number of free trade zones located across the different emirates. Each free trade zone has its own regime for the purposes of incorporating and administering companies, and many free zones have their own regulations on the incorporation, administration and liquidation of companies incorporated within the relevant free zone. In addition, the Dubai International Financial Centre (a free zone situated in the Emirate of Dubai) and the Abu Dhabi Global Market (a free zone situated in the Emirate of Abu Dhabi) have their own independent courts and financial services regulators.

As such, the UAE is not a unitary jurisdiction for the purposes of business set-up and administration. The fractured nature of the UAE corporate landscape means that, in the context of an M&A transaction, due diligence, transaction structuring, transaction documentation, and closing-related processes can sometimes become exceedingly complex.

Notwithstanding the foregoing challenges, the UAE remains a jurisdiction of choice for businesses looking to establish a presence in the region. UAE government policy has and still remains welcoming towards inbound capital. Steps have also been taken to introduce policy reforms (including substantial liberalisation of a long-term 'golden visa' regime)<sup>[1]</sup> that make it easier for entrepreneurs and startup investors to establish a base in the UAE from which to conduct business and access capital. As a consequence, both investors and entrepreneurs now appear to be more confident of their long-term prospects in the UAE.

## Year in review

### Overview of M&A activity

The year in review has seen the UAE economy show tremendous resilience despite regional geopolitical instability and adverse global trade policies. The UAE consolidated its status as the preferred destination in the region for investors due to its business-friendly regulations and efficient legal framework. M&A activity has remained buoyant throughout the year, with robust deal activity observed across a wide range of sectors, including traditional sectors such as real estate, hospitality, and infrastructure, as well as emerging sectors like technology, renewable energy, and healthcare. This diversification of the M&A market, coupled with increased outbound investments, a tourism boom and sustained infrastructure development, is helping the UAE emerge as a prominent force in the global M&A market.

The UAE M&A market has, however witnessed a notable shift toward larger transactions (typically with significant public sector involvement) over the past year. While overall deal activity has remained robust, the average transaction size has increased significantly. In Q1

2025 alone, the total value of UAE deals reached US\$20.3 billion. This trend suggests that mid-market deals are becoming less prevalent, with major, high-value transactions driving overall market momentum. Notably, the UAE reported the region's largest M&A transaction of the year so far, with Borealis AG's acquisition of Borouge PLC for a reported US\$30.85 billion<sup>[2]</sup>.

## Developments in corporate and takeover law and their impact

Since the most recent foreign direct investment reforms undertaken by the UAE federal government in 2020 and 2021, the majority of private companies in the UAE (including those incorporated outside a free zone) are capable of being wholly owned by a foreign (i.e., non-UAE) national (or a body corporate wholly owned by foreign nationals). These reforms were brought about through Article 10 of the UAE Commercial Companies Law adopted in September 2017 (pursuant to Federal Decree-Law No. 18 of 2017), which stipulated that the Federal Cabinet may adopt resolutions permitting foreign nationals to hold in excess of 49 per cent of the share capital of UAE companies. The UAE Cabinet then issued Cabinet Decision 55 of 2021 (the Cabinet Decision), which includes a list of activities that are considered to have 'strategic impact'.

The following activities were included in the Cabinet Decision:

1. security and defence activities and activities of a military nature;
2. banks, money exchange, finance companies and insurance activities;
3. printing currencies;
4. telecommunications;
5. hajj and umrah services; and
6. fisheries-related services.

For each activity, a specific UAE authority has been identified as the regulatory authority in charge of making decisions with respect to foreign ownership of companies engaged in such activity. For example, the Ministry of Defence and the Ministry of Interior are the relevant regulatory authorities for the activities in the security and defence sector. Each regulatory authority has been provided with a broad range of powers to determine the percentage of permitted foreign direct investment (FDI) and enact rules and conditions applicable to 'strategic impact activities'. This is with the exception of fisheries-related services, which is the only activity listed in the Cabinet Decision that requires 100 per cent UAE national ownership. The Cabinet Decision provides that an investor must submit an application to the local licensing authority (in most cases, this would be the Economic Department in the relevant Emirate, but in certain instances, it will be the municipality) of the Emirate in which that investor wishes to conduct the desired activity. The local licensing authority will then submit an application to the designated regulatory authority (as specified in the Cabinet Decision). The regulatory authority will consider the application and will then issue a decision:

1. approving the application and determining the percentage of UAE national contribution required, together with any conditions attached to such approval; or

## 2. rejecting the application.

For activities that are not listed in the Cabinet Decision, the licensing authority of each Emirate has been empowered to decide the level of foreign ownership permitted. The licensing authorities in the Emirates of Abu Dhabi, Dubai and Sharjah have issued guidance to investors on which activities they will permit for 100 per cent foreign ownership. Generally, it appears that at present the Emirate of Abu Dhabi has adopted the most liberal regime. Specifically, the Abu Dhabi Department of Economic Development (being the licensing authority in the Emirate of Abu Dhabi) has issued Administrative Decision 320 of 2021 (the Administrative Decision), which specifically identifies those activity descriptions that are designated to have 'strategic impact' and that are therefore subject to the restrictions contained in the Cabinet Decision. The Administrative Decision also states that investors are permitted to fully own or to own any percentage of companies to practise all commercial and industrial activities except for the strategic impact activities.<sup>[3]</sup> The licensing authorities in Dubai and Sharjah have at present taken a different approach from that of the Abu Dhabi Department of Economic Development in that they have published a list of specific activities in which 100 per cent foreign ownership is permitted. At present, implementation of the foreign ownership regime in the other Northern Emirates (being the Emirates of Fujairah, Ras Al Khaimah, Umm Al Quwain and Ajman) is inconsistent, and inquiries are required to be made on a case-by-case basis to confirm whether a particular business can be undertaken through a wholly foreign-owned entity.

The liberalisation of the previously restrictive foreign ownership regime has clearly provided a much-needed boost to the UAE economy. Foreign investors can now invest with the confidence that they will be able to hold all of the capital of companies that they incorporate onshore in the UAE (subject, of course, to the restrictions identified above). There have also been a number of corporate reorganisations taking place as group structures are simplified to remove UAE national ownership.

## Legal framework

As previously mentioned, the UAE is not a unitary jurisdiction insofar as business incorporation and administration are concerned. In addition to the seven constituent emirates of the UAE, the numerous free trade zones remain very relevant, including in the context of M&A transactions.

The UAE Federal Constitution apportions powers between the federal government (based in Abu Dhabi) and the governments of the constituent emirates. Some fields are regulated only at the federal level (e.g., immigration and labour relations), although local interpretations and practices sometimes differ from one emirate to another. Other matters are regulated only at the emirate level (e.g., each emirate retains sovereignty over its own natural resources, including its crude oil and natural gas reserves). Other matters are regulated at both the emirate and federal levels (e.g., company formation and registration).

The UAE's currency is the UAE dirham. The exchange rate has been pegged at approximately 3.67 dirhams per US dollar since 1997. There are no currency import or export controls.

Any business operating in the UAE must hold a licence authorising its business activity in the UAE. These licences are issued by the concerned authorities in each emirate. A licence allows the licensed entity to carry on the business that it is licensed to conduct within the emirate that issues the licence from the business premises identified in the licence. For example, a Dubai business licence authorises the conduct of business in the Emirate of Dubai. If the licence holder wishes to conduct business in the Emirate of Abu Dhabi, then it must apply for and obtain a business licence in Abu Dhabi. No personal income tax is currently imposed anywhere in the UAE.

A business that wishes to operate in a free zone must obtain a licence from the authority for that free zone. The resulting licence authorises the conduct of the licensed activity within the geographical limits of the free zone. For example, a company licensed to trade certain goods in the free zone can import its goods into the free zone and re-export to destinations outside the free zone (and the wider UAE). However, the free zone licence does not authorise it to engage in any of these commercial activities in the UAE (outside the geographical limits of the free zone). An additional feature of most of the free zones is that they are not part of the customs territory of the UAE. The import of goods into a free zone from overseas does not attract customs duty. Instead, customs duty (5 per cent on most items) is paid when goods move from the free zone into the UAE proper. The free zones also observe a simplified process for hiring personnel. Shares in onshore and free zone entities can be freely transferred (subject to statutory pre-emption rights applicable in many instances), but any transfers are subject to background and know-your-client checks undertaken by the relevant free zone authority in relation to the incoming shareholder.

## Foreign involvement in M&A transactions

Despite regional geopolitical tensions and adverse global trade policies, the year in review has seen robust M&A activity continuing to be driven by foreign investors looking to take advantage of the UAE's substantially liberalised foreign investment regime and new sectors of the economy being opened up, in addition to the UAE government's programmes to attract foreign talent by offering a variety of new options for skilled professionals and entrepreneurs (especially in high-tech industries) to reside and work in the UAE. It also appears that foreign investors are increasingly growing confident of the value proposition offered by UAE businesses. In particular, this approach has made itself evident in investments by leading foreign investors in UAE-based technology startups. In Q1 2025, funding for UAE tech startups surged, with enterprise application companies alone securing US\$688.1 million, marking a sharp increase from previous quarters. Fintech and retail startups also reported significant growth in investment activity, underscoring the sector's expanding appeal to both regional and international investors. Strong activity in the region is projected to continue, with the UAE set to consolidate its status as the preferred destination in the region for foreign investors.

## Significant transactions, key trends and hot industries

The year in review has seen continued interest in the commercial gaming industry. Gambling was historically a criminal offence in the UAE; however, the government established the General Commercial Gaming Regulatory Authority (GCGRA) in 2023. The GCRA is a sector-specific regulator established to introduce a regulatory framework for a national lottery and the commercial gaming sector. The GCGRA has exclusive jurisdiction to regulate, license and supervise all commercial gaming activities and facilities at a nationwide level. The commercial activities that the GCGRA regulates are internet gaming, land-based gaming activities, sports wagering and lottery.<sup>[4]</sup> The government of the UAE has shown a desire to create a world-leading, socially responsible and well-regulated gaming environment, ensuring that all participants adhere to strict guidelines and comply with the highest standards. The GCGRA will coordinate regulatory activities, manage licensing nationally and facilitate unlocking the economic potential of commercial gaming.<sup>[5]</sup>

No person may operate or manage any activity related to commercial gaming or establish or participate in the establishment of any gaming facility without first obtaining the required licences, approvals and permits. There are five main categories of licence that the GCGRA can grant to entities or individuals in connection with commercial gaming activities. A licence is required from any entity or individual that falls within one or more of the following categories: gaming operators, gaming-related vendors, key person corporate, key person individual and gaming employee.<sup>[6]</sup> In certain situations, entities may require multiple licences.

The first half of 2025 has seen the UAE's commercial gaming industry move decisively from regulatory planning to active market implementation, driven by strong international interest. A key milestone was NOVOMATIC AG receiving its Tier-1 gaming vendor licence in April 2025, enabling one of the world's leading gaming technology companies to supply land-based gaming solutions across the UAE.<sup>[7]</sup> Additionally, Scientific Games secured one of the first lottery supplier licences, positioning itself to provide lottery systems and content for the anticipated launch of a national lottery under the GCGRA.<sup>[8]</sup> These landmark licences underscore 2025 as the year the UAE's gaming sector transitioned from concept to reality, with global suppliers committing early to the country's vision of a world-class, responsibly regulated gaming environment. The year in review has also seen rapid growth in the UAE's artificial intelligence (AI) sector, with Abu Dhabi reportedly adding 150 new AI companies in the first half of 2025 and Dubai continuing to expand its AI ecosystem.<sup>[9]</sup> This growth was built on the 61 per cent growth in AI firms seen in Abu Dhabi in 2024. Strategic investments, including the launch of MGX, an AI-focused investment firm, have helped fuel the development of AI infrastructure and technologies across the country.<sup>[10]</sup> Furthermore, international collaborations with global tech leaders have accelerated AI research and innovation across Abu Dhabi and Dubai, reinforcing the UAE's position as the region's premier AI hub.

The year in review has also continued to see strong interest in virtual asset businesses. The government of the Emirate of Dubai established the Dubai Virtual Asset Regulatory Authority (VARA) in 2022, a sector-specific regulator established specifically to exercise oversight over all businesses operating in the virtual asset space. The Dubai government has shown an interest in promoting and developing an ecosystem to cater to blockchain businesses, and this has resulted in tremendous interest in both foreign and regional virtual asset businesses looking to establish a presence in Dubai.<sup>[11]</sup> Over the past year, VARA has continued to refine its rulebook and expand its licensing activity, issuing a new wave

of licences to virtual asset service providers (VASPs), bringing the total number of fully regulated firms to more than 35.<sup>[12]</sup> Dubai is now a global focal point for international and regional blockchain businesses seeking a well-regulated environment to establish operations. Similarly, in the Emirate of Abu Dhabi, the Abu Dhabi Global Market has also been very successful in attracting virtual asset businesses, with a well-developed ecosystem and regulation serving the needs of these businesses.<sup>[13]</sup>

## Financing of M&A: main sources and developments

External financing for acquisitions continues to be less prevalent in the UAE in comparison to other jurisdictions, and a large majority of acquisitions continue to be financed in cash. Where acquisition financing is made available on a transaction, it is usually structured as a long-term loan, which is almost always secured by personal or corporate guarantees, including securities over target assets. In addition to the primary facility documentation, borrowers may issue a promissory note, a subordination agreement for any remaining debt and an assignment of certain identified assets, depending on the nature of the business. Although most acquisitions that are financed are funded through conventional finance, various other Islamic finance structures are also used, particularly the murabahah.<sup>[14]</sup> I musharakah,<sup>[15]</sup> mudarabah<sup>[16]</sup> and ijarah<sup>[17]</sup> structures. However, the financial covenants of these Islamic structures are often more onerous than those found in conventional facilities.

In terms of the availability of private equity investment, the private equity market continues to grow steadily, with increased investor interest in private equity in the UAE over the past year. Abu Dhabi is joining the already well-established Dubai in being a hotspot for asset managers (including private equity, hedge funds, institutional funds and venture capital firms) with a number of funds, including Fidera Capital, Argentem Creek Partners, SC Lowy and Monroe Capital, among others, opening offices in the Emirate.<sup>[18]</sup> New funds are also being established in the Emirate, including MGX, which aims to become a leading global investor in AI.<sup>[19]</sup> In particular, we anticipate a growing number of private equity investors will continue to invest in the UAE's renewable energy projects and energy transition initiatives; an industry being driven by the UAE's desire to be carbon-neutral by 2050.<sup>[20]</sup>

In the UAE, we anticipate that there will be continued public sector activity in areas of strategic interest (for example, businesses involved in advanced agricultural processes and those that enable the government to protect food security and supply chain integrity for vital products).

## Employment law

The UAE Unemployment Insurance Scheme, announced in May 2022, provides financial support for loss of employment. The scheme applies to all workers in the private and federal sector, with a few exceptions, which include: investors and business owners who own and manage their business; domestic workers; temporary employees; juveniles under the age of 18; retired individuals who receive pensions and have joined a new employer; and

freezone employees. The scheme is a mandatory requirement, and all eligible employees could subscribe to the scheme from 1 January 2023, and the deadline for subscriptions was 30 June 2023. Employees commencing after 1 January 2023 had a four-month grace period to subscribe to the scheme, starting from the date the visa status change is applicable.<sup>[21]</sup>

Emiratisation targets are increasingly becoming a key consideration for employers. Emiratisation is a government-led effort in the UAE to enhance the employment of its citizens within both the public and private sectors. At present, enterprises under the authority of the Ministry of Human Resources and Emiratisation (MoHRE) with a workforce of 20 employees or more are mandated to incrementally enhance the proportion of UAE nationals within their skilled workforce by 2 per cent annually. As of January 2024, private sector companies with a workforce of 20 to 49 workers were required to hire at least one UAE citizen, and as of January 2025, they are required to hire at least two Emirati citizens.

The UAE has also repealed and replaced its primary legislation regulating employment matters in the UAE (being UAE Federal Law 8 of 1980). The new legislation was promulgated as UAE Federal-Decree Law 32 of 2021 (the New Labour Law). The New Labour Law imposes minimum standards on termination of employment, working hours, annual leave and safety standards, among other things, which cannot be contracted out of. Certain material changes to UAE employment law brought about by the new Labour Law are set out below.

Under the New Labour Law, an employment contract must be for a specified period of time, not in excess of three years. Such a contract may be renewed. Employers are directed to replace existing unspecified term employment contracts with specified term employment contracts during a transition period of one year from the effective date of the new statute; this period may be extended by the MoHRE. Even though unspecified term contracts are no longer acknowledged, there is no effective distinction between specified and unspecified term contracts as regards termination of services or end-of-service gratuity. This is a significant change from previous law.

Unspecified term contracts concluded under the old law may be terminated with at least 30 days' written notice by either party, if the employee has served less than five years; 60 days' written notice if the period of service is more than five years; and 90 days' written notice if the period of service is more than 10 years.

Employers are required to adjust their positions within one year of the 2 February 2022 effective date of the new Labour Law, including the replacement of unspecified term employment contracts with specified term employment contracts.

The new Labour Law contains a number of provisions prohibiting discrimination. There is a general prohibition on discrimination on the grounds of race, colour, sex, religion, ethnic origin or disability. The New Labour Law also maintains a requirement that was introduced in 2019 that women shall receive the same salary as men for the same work or for work of equal value.

As before, it is still prohibited for an employer to charge an employee, directly or indirectly, any costs related to the employee's recruitment or employment.

The New Labour Law contains an express recognition that employees may be hired on a full-time basis, on a part-time basis, or based on temporary or flexible working hours.

There are provisions on the assignment of jobs between employers and on the assignment of additional duties to employees, with details to appear in Executive Regulations. These provisions appear to acknowledge developments in the field since the 1980 legislation was enacted.

The UAE's Federal Decree-Law No. 9 of 2024, effective 31 August 2024, amended the New Labour Law<sup>[22]</sup> to strengthen employee protections and improve dispute resolution. The statute of limitations for labour claims has been extended from one to two years, and employer fines now range from 100,000 dirhams to 1 million dirhams. MoHRE can require wage continuation for up to two months during disputes, issue legally enforceable execution orders and make binding decisions for claims up to 50,000 dirhams, with larger claims referred to the courts if unresolved. For employers, these amendments signal a more stringent regulatory environment, demanding greater compliance with UAE labour law.

In addition to the New Labour Law, certain UAE free zones have their own employment regulations, which apply to all companies licensed to operate in that free zone. In general, these employment regulations act as a supplement to the New Labour Law, with the exception of the DIFC free zone, where DIFC Law 2 of 2019 applies, and the Abu Dhabi Global Market, where the ADGM Employment Regulations 2019 apply.

On the sale of a business, there is nothing in the UAE that is akin to the Transfer of Undertakings (Protection of Employment) Regulations 2006 of the United Kingdom. Consequently, for employees to be transferred to a purchasing entity, the employees' employment contracts with the selling entity must be terminated and new employment contracts entered into with the purchasing entity.

On the termination of employment, transferring employees must be paid their end-of-service gratuity in accordance with the New Labour Law, their salary for any accrued but unused annual leave, and any other entitlements as set out in their employment contracts.

End-of-service gratuity payments must be paid to any employee who completes one year or more in continuous service. If an employee has terminated his or her employment contract, the gratuity is 21 days' basic salary for each of the first five years of employment and 30 days' basic salary for each additional year over five years. The New Labour Law caps the end-of-service gratuity to an amount equal to an employee's basic salary for two years. An employee will also be entitled to a gratuity payment for fractions of the year worked, provided that the employee has completed one year in continuous service. The selling entity would therefore be required to make payment of the end-of-service gratuity and all other contractual payments to employees when they are transferred to the purchasing entity. Alternatively, the end-of-service gratuity and all other contractual payments due to employees could be paid by the purchasing entity and then deducted from the consideration payable for the business. However, one practical matter to consider with the latter approach is that the transferring employees will, on termination of their employment with the selling entity, be required to sign an undertaking confirming receipt of all amounts due by the employer. An employee will be reluctant to do so unless this is in fact the case, and it is unlikely that a prospective purchaser will want to make any payments in connection with the transferring employees until after the completion of the transfer of the business.

Transferring employees may also raise concerns about the termination of their current employment contracts and the payment of their end-of-service gratuity, as this will result in the end of their period of continuous service, and they will therefore be required to work for the purchasing entity for a year before being entitled to an end-of-service gratuity payment. Generally, there is no procedure for the transfer of the continuous service period from one employer to another. However, depending on where within the UAE an employee is employed, it may be possible for a period of continuous service to be acknowledged by the new employer, thereby preserve valuable end-of-service benefits for the employee.

As part of the sale of a business in the UAE and the transfer of employees, the amendment or cancellation and reissuance of UAE residence visas for each transferring employee will also need to be considered. As the number of employees that a company can sponsor for visa purposes is dependent on the space that it leases or owns, a purchasing entity will also need to ensure that it occupies sufficient space to sponsor all transferring employees.

In addition, the applicability of the Pensions Law<sup>[23]</sup> (as amended) will also need to be considered in any transfer of a business in the UAE. The Pensions Law will have implications for any company that employs GCC nationals.

In the DIFC, the following applies with regard to end-of-service benefits:

1. end-of-service gratuity benefits of employees will accrue until 31 January 2020, then stop accruing thereafter;
2. from 1 February 2020, employers must make monthly mandatory contributions into a professionally managed and regulated savings plan (qualifying scheme) for the benefit of their employees; and
3. the monthly mandatory contributions into the qualifying scheme must be at least 5.83 per cent of the employee's basic salary for the first five years of service and 8.33 per cent of the employee's basic salary for each additional year of service, provided that the basic salary is not less than 50 per cent of the employee's total monthly compensation.

DIFC employment law will not have an effect on employers operating outside the DIFC (e.g., in other free zones or onshore in the UAE).

## Tax law

The UAE issued Federal Decree-Law No. 47 of 2022 (the CT Law), which applied from 1 June 2023 onwards and introduced corporate tax in the UAE. This is a federal tax and applies across all emirates, with the Federal Tax Authority responsible for administration and compliance. Taxable income will be the accounting net profit of a business, after making adjustments for certain items specified under the CT Law and its various implementing regulations and associated guidance. The CT rates levied are as follows:

1. zero per cent for taxable income up to 375,000 dirhams;
2. 9 per cent for taxable income above 375,000 dirhams; and
- 3.

a different tax rate for large multinationals that meet specific criteria set with reference to Pillar Two of the OECD Base Erosion and Profit Shifting project.

Under the CT Law, companies incorporated in and conducting business from free trade zones in the UAE may be eligible for specific statutory relief from corporate tax if they meet certain regulatory requirements (such as conducting business primarily within the free zone and maintaining adequate substance in the relevant free zone). It is, however, clear that there will be no blanket exemption (or zero rate of tax) for businesses established in one of the relevant free zones and that only income from specific sources and counterparties is eligible for relief.

The UAE issued a substantive law on value-added tax (VAT) in 2017. Pursuant to the VAT Law,<sup>[24]</sup> the imposition of VAT in the UAE commenced on 1 January 2018 at a rate of 5 per cent.

Registration for VAT is mandatory for any taxable person or business if the total value of its taxable supplies made within the UAE exceeds the mandatory registration threshold of 375,000 dirhams during the previous 12 months or if it is anticipated that the taxable supplies will exceed the threshold in the next 30 days.

A taxable supply refers to a supply of goods or services made by a business in the UAE that may be taxed at a rate of either 5 or zero per cent. Reversed charge supplies and imports are also taken into consideration for this purpose if a supply of such imported goods and services would be taxable if it were made in the UAE.

Entities that are not based in the UAE but that provide goods or services in the UAE are also required to apply for registration if they meet the threshold requirements.

The supply by a taxpayer of either exempt or zero-rated goods or services will not attract VAT; however, a supplier of zero-rated goods or services will be able to claim a refund on any VAT paid on their purchases, unlike a supplier of exempt goods or services, who will be unable to recover any VAT paid on their purchases. The VAT Law sets out a list of zero-rated and exempt supplies.

The VAT Law also permits tax grouping, which allows group companies to be treated as one entity for the purposes of VAT. Each group company will be jointly and severally responsible for each other group company's VAT liabilities, and no VAT will be payable on transactions between entities within the group.

Generally, a VAT-registered customer must account for VAT paid in respect of purchases; however, certain transactions between entities within the GCC will be subject to VAT by reverse charge. The concept of reverse-charging VAT allows the simplification of transactions within a single market (i.e., the GCC states). The reverse charge removes the obligation to account for VAT on a sale from a supplier and places it on the customer. For the purposes of a single market VAT treatment, only those countries that have implemented VAT at the relevant time will be taken into account; non-implementing countries would be treated like any foreign country.

Cabinet Decision No. 59 of 2017 specifies all designated zones for the purposes of implementing the designated zone provisions in the VAT Law. A designated zone is required to be a specific fenced area with security measures and customs controls in place to monitor the entry and exit of individuals and the movement of goods to and

from the area. Concessional VAT treatment may be available for transactions involving the supply of physical goods within designated zones. No VAT concessions are available for transactions involving the supply of services within designated zones. The Cabinet has the authority to amend the list of designated zones as required.

Regarding the applicability of the VAT Law to M&A transactions, it provides that 'the transfer of the whole or independent part of a Business from a Person to a Taxable Person for the purposes of continuing the Business that was transferred'<sup>[25]</sup> shall not be considered a supply, and therefore will not be subject to VAT. Consequently, in common with some European jurisdictions, the sale and purchase of a business in the UAE should not attract VAT. Recent amendments to the UAE VAT Executive Regulations, effective 15 November 2024, have expanded VAT exemptions relevant to M&A transactions. Notably, the definition of financial services now explicitly covers investment fund management services and the transfer of virtual assets, both of which are exempt from VAT, simplifying the tax treatment of these transactions and reducing associated costs for investors.<sup>[26]</sup> Tax advice must be sought in each case to assess whether VAT may be applicable in the context of a particular transaction.

Note also that pursuant to Article 42 of Cabinet Decision No. 52 of 2017, a transfer of title to equity securities is exempt from VAT.

The UAE has also recently introduced a Domestic Minimum Top-up Tax (DMTT), effective for financial years beginning 1 January 2025, implementing the OECD's global minimum tax (Pillar Two) for large multinational enterprises (MNEs). The DMTT applies to MNEs with consolidated global revenues of €750 million or more in at least two of the preceding four fiscal years, requiring UAE entities within such groups to pay a top-up tax if their effective UAE tax rate falls below 15 per cent. Importantly, this rule applies even to free zone or previously exempt entities, meaning that many groups that were historically considered tax-favoured may now face additional UAE tax obligations.<sup>[27]</sup>

The Federal Tax Authority is now also actively pursuing litigation in respect of alleged violations of UAE tax legislation, and the negotiation of appropriate tax warranties and covenants in M&A transactions is now an essential part of a UAE M&A transaction.

## Competition law

The UAE has overhauled its competition law regime, issuing Federal Decree-Law No. 36 of 2023, which came into force on 29 December 2023 (2023 Competition Law). The 2023 Competition Law replaces the previous Federal Decree-Law No. 4 of 2012 (2012 Competition Law). The 2023 Competition Law refers to the Implementing Regulations. While the 2023 Competition Law Implementing Regulations are yet to be issued, there has been issued a decree (being the Cabinet Decision No. 3 of 2025 (the Decree)), which establishes the relevant thresholds that trigger the requirement to seek clearance under the 2023 Competition Law. Until the new Implementing Regulations are issued however, the Implementing Regulations issued pursuant to the 2012 Competition Law shall still apply (to the extent these are not superseded by the Decree).

The 2023 Competition Law applies to all entities engaging in economic activities that take place in the UAE, as well as practices taking place in other jurisdictions that have

an effect on the UAE market. The 2023 Competition Law includes a new, wider definition of economic activity, including every activity primarily related to production, distribution, provision of products and goods, or performance of services in the UAE.<sup>[28]</sup> Previous sectoral exemptions under the 2012 Competition Law have been removed.

The 2023 Competition Law defines 'economic concentration' as 'any action that leads to the full or partial transfer (merger or acquisition) of ownership or usufruct rights in properties, rights, stocks, shares, or obligations of an Establishment to another' that results in the 'direct or indirect control' over another establishment or a group of establishments.<sup>[29]</sup> Parties that wish to participate in an economic concentration are required to notify the UAE Ministry of Economy and obtain clearance before the proposed transaction can go ahead, if one of the following two conditions is met:

1. turnover threshold: The total annual sales value of these establishments in the relevant market during the last fiscal year exceeds the amount determined by the Council of Ministers; or
2. market share threshold: the total share of these establishments exceeds the percentage of the total transactions in the relevant market during the last fiscal year determined by the Council of Ministers.<sup>[30]</sup>

The Decree establishes two alternative thresholds for triggering the requirement to seek merger clearance in accordance with the 2023 Competition Law. A filing is required if either of the following thresholds are met.<sup>[31]</sup>

1. turnover threshold: Where the total annual sales of the concerned establishments in the relevant market in the UAE exceed 300 million dirhams during the last fiscal year (approximately US\$81.6 million); or
2. market share threshold: where the total market share of the concerned establishments exceeds 40 per cent of the total sales in the relevant market in the UAE during the last fiscal year

The Decree also provides that a dominate position exists in a market when a business holds a market share exceeding 40 per cent of the total sales of the relevant market, whether acting alone or with other businesses. Holding a dominate position is not prohibited; however, a person with a dominate position is restricted from undertaking certain practices that are likely to result in anticompetitive harm.<sup>[32]</sup>

In terms of penalties, the 2023 Competition Law provides that whoever violates the 2023 Competition Law shall be sentenced to a fine of no less than 2 per cent and no more than 10 per cent of the annual total sales of goods or services revenues subject to the violation, which the violating establishment has achieved within the UAE during the last fiscal year. If it is not possible to determine the annual total sales or revenue, the penalty shall be a fine of no less than 500,000 dirhams and no more than 5 million dirhams.

## Outlook and conclusions

The outlook for M&A (in particular, those transactions that involve a foreign investor) is bright for the UAE. As a result of the substantial overhaul and liberalisation of the commercial gaming regime, the foreign ownership regime and the liberalisation of the visa and long-term residency programmes available to foreign investors and entrepreneurs, the UAE economy is seeing a wave of inbound investment and M&A activity. In addition, the significant steps that have been taken by the UAE government to make it easier to establish and operate businesses (including to reduce costs) will, in our view, provide further impetus to business and investor confidence. We expect this trend to continue in the short term.

## Endnotes

- 1 <https://u.ae/en/information-and-services/visa-and-emirates-id/residence-visas/golden-visa#:~:text=The%20UAE's%20'Golden%20visa'%20> ^ [Back to section](#)
- 2 [www.gcgra.gov.ae/media/ey0dnp5m/guide-to-licenses-in-the-uae\\_brochure\\_111223-w-cover.pdf](http://www.gcgra.gov.ae/media/ey0dnp5m/guide-to-licenses-in-the-uae_brochure_111223-w-cover.pdf). ^ [Back to section](#)
- 3 [www.gcgra.gov.ae/media/ey0dnp5m/guide-to-licenses-in-the-uae\\_brochure\\_111223-w-cover.pdf](http://www.gcgra.gov.ae/media/ey0dnp5m/guide-to-licenses-in-the-uae_brochure_111223-w-cover.pdf). ^ [Back to section](#)
- 4 <https://www.novomatic.com/en/explore-novomatic/press/press-releases/novomatic-awarded-one-of-the-first-gaming-licenses-in-the-uae> ^ [Back to section](#)
- 5 <https://www.scientificgames.com/news/media-releases/scientific-games-granted-license-from-uae-s-general-commercial-gaming-regulatory-authority/> ^ [Back to section](#)
- 6 <https://www.abudhabichamber.ae/en/media-centre/news/Abu-Dhabi-Chamber-Abu-Dhabi-AI-sector-expands-2025-1> ^ [Back to section](#)
- 7 <https://gulfnews.com/technology/abu-dhabi-ai-companies-surge-61-in-year-as-150-new-firms-launch-in-2025-1> ^ [Back to section](#)
- 8 [www.vara.ae/en/](http://www.vara.ae/en/). ^ [Back to section](#)
- 9 <https://www.vara.ae/en/licenses-and-register/public-register/> ^ [Back to section](#)
- 10 [www.adgm.com/setting-up/virtual-asset-activities/overview](http://www.adgm.com/setting-up/virtual-asset-activities/overview). ^ [Back to section](#)
- 11 A shariah-compliant form of financing that involves a sale contract in which the seller includes a profit margin in the sale price along with the actual cost of the subject matter of the contract. ^ [Back to section](#)
- 12 A shariah-compliant joint venture or partnership. ^ [Back to section](#)

- 13** A shariah-compliant form of financing in which two or more investors collaborate and pool their capital and appoint an agent to manage their investment in return for the payment of a fee. ^ [Back to section](#)
- 14** The Pensions Law (Federal Law No. 7 of 1999 concerning Pensions and Social Securities) (as amended). ^ [Back to section](#)
- 15** The VAT Law (Federal Decree Law No. 8 of 2017). ^ [Back to section](#)
- 16** Federal Decree Law No. 8 of 2017 Article 7. ^ [Back to section](#)
- 17** Cabinet Decision No. 100 of 2024. ^ [Back to section](#)
- 18** Cabinet Decision No. 142 of 2024. ^ [Back to section](#)
- 19** Federal Decree-Law No. 36/2023 Article 1. ^ [Back to section](#)
- 20** Federal Decree-Law No. 36/2023 Article 1. ^ [Back to section](#)
- 21** Federal Decree Law No. 13/2022. ^ [Back to section](#)
- 22** Federal Decree-Law No. 9 of 2024. ^ [Back to section](#)
- 23** The Pensions Law (Federal Law No. 7 of 1999 concerning Pensions and Social Securities) (as amended). ^ [Back to section](#)
- 24** The VAT Law (Federal Decree Law No. 8 of 2017). ^ [Back to section](#)
- 25** Federal Decree Law No. 8 of 2017 Article 7. ^ [Back to section](#)
- 26** Cabinet Decision No. 100 of 2024. ^ [Back to section](#)
- 27** Cabinet Decision No. 142 of 2024. ^ [Back to section](#)
- 28** Federal Decree-Law No. 36/2023 Article 1. ^ [Back to section](#)
- 29** Federal Decree-Law No. 36/2023 Article 1. ^ [Back to section](#)
- 30** Federal Decree-Law No. 36/2023 Article 12. ^ [Back to section](#)
- 31** Cabinet Decision No. 3 of 2025 Article 3. ^ [Back to section](#)
- 32** Cabinet Decision No. 3 of 2025 Article 2. ^ [Back to section](#)

# Afridi &Angell

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**Danielle Lobo**  
**Abdus Samad**  
**Alexander Grant**

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[dlobo@afриди-angell.com](mailto:dlobo@afриди-angell.com)  
[asamad@afриди-angell.com](mailto:asamad@afриди-angell.com)  
[agrant@afриди-angell.com](mailto:agrant@afриди-angell.com)

Afridi & Angell

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