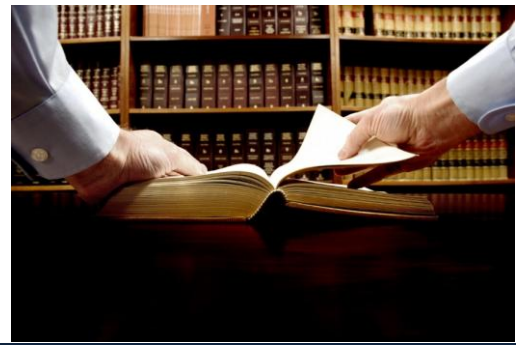


inBrief

**Amendments to the UAE Federal Companies Law – Key Changes**

By Saurbh Kothari and Manaf Khreis | 30 December 2025

The UAE recently introduced Federal Decree-Law 20 of 2025 (the **CCL Amendment**) amending several provisions of Federal Decree-Law 32 of 2021 regarding commercial companies (the **Companies Law**). Certain key provisions of the Companies Law have been amended in order to: give clarity on its scope; introduce common law principles and rules surrounding non-profit companies, as well as flexibility in structuring shareholding arrangements. These amendments came into effect on 15 October 2025.

Applicable to free zones

The CCL Amendment provides that the provisions of the Companies Law apply to branches or representative offices of free zone companies established on mainland UAE (i.e. outside of the free zone areas). The Companies Law does not apply to companies incorporated in UAE free zones where the relevant free zone's laws and regulations contain specific provisions disapplying the provisions of the Companies Law.

Most free zones of the UAE have their own laws and regulations. However, if a free zone's laws and regulations do not contain specific provisions excluding the provisions of the Companies Law, the provisions of the Companies Law may apply in addition to its own laws and regulations. Furthermore, there are certain free zones in the UAE that do not have their own laws and regulations and, in those cases, the provisions of the Companies Law may apply. When addressing any corporate law issues, it is crucial for a free zone company to consider if the Companies Law will apply to that free zone company and the impact of those provisions on its company.

The CCL Amendment re-affirms that free zone companies are considered to hold the nationality of the UAE. This aspect is important from the perspective of UAE corporate tax and double taxation treaties which may be entered into between the UAE and other countries.

Flexibility in shareholding and share transfers

One of the most notable changes is the introduction of shareholder-rights mechanisms. Limited liability companies (**LLCs**) and private joint stock companies may now include drag-along and tag-along rights in their Memoranda of Association and by-laws. Further, the CCL Amendment provides for a structured succession approach where, in the event of a shareholder's death, remaining shareholders have a right of first refusal over the shares of the deceased shareholder, with valuation determined, by agreement, with the legal heirs or by the competent court (in the case of non-agreement). The Memoranda of Association and by-laws must include provisions regarding the right of first refusal.

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Classes of shares

The CCL Amendment now permits the issuance of different classes of shares. These shares may, for example, have different rights and restrictions in terms of value, voting rights, redemption rights, priority in the distribution of profits or liquidation, etc. Memoranda of Association and by-laws of LLCs will be required to have specific provisions regarding the issuance of different classes of shares. The Cabinet will determine the categories of different classes of shares and set out the respective conditions of each category of those shares.

Companies looking at restructuring their shareholding and issuance of different classes of shares would be advised to wait for the issuance of further guidance by the Cabinet. It is worth noting that there are free zones in the UAE where the issuance of different classes of shares is currently permitted.

Re-domiciliation and cross-jurisdiction mobility

The CCL Amendment introduces the concept of re-domiciliation of companies. This new option permits a company to move its corporate registration from one jurisdiction to another without dissolving the company or creating a new legal entity. Subject to the satisfaction of certain criteria, a company may transfer its jurisdiction of incorporation from one Emirate to another or from a free zone to mainland or vice-versa.

The provisions are silent on foreign companies transferring their jurisdiction of incorporation to mainland UAE. However, there are certain free zones in the UAE where a foreign company can transfer its domicile.

Non-profit companies

The CCL Amendment specifically provides for the incorporation of non-profit companies. The net profits of a non-profit company are required to be reinvested in the company in order to achieve the company's objectives. The profits cannot be distributed to its partners or shareholders. The Cabinet is expected to issue further clarification regarding the prescribed purposes of such non-profit companies as well as regulations governing such non-profit entities.

Improved governance mechanism

The CCL Amendment introduces a more expedient approach for resignation, removal, and continuity rules for mainland LLCs' managers. A decision on a manager's resignation must be taken by the shareholder(s) within 30 days of the submission of such resignation otherwise the manager's resignation will be considered automatically effective. This period has been reduced from the initial 40 days to 30 days.

It remains to be seen if the local licensing authorities will record a resignation by a manager and remove a manager's name from an LLC's license in the absence of an appointment of a replacement by the shareholders.

Conclusion

The CCL Amendment is important in that it expands the scope of mainland LLCs and offers greater flexibility.

Previously, when structuring a joint venture entity with complex shareholding arrangements, shareholders tended to opt for an offshore jurisdiction or free zone for ease of doing business and flexibility. Now however, the CCL Amendment provides the option to structure these same arrangements locally without the need for a holding company structure. It will be interesting to observe how these provisions are practically implemented by local authorities. ■

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