

Recent Developments in the UAE Corporate and Commercial Law Landscape:

Key Amendments to the Commercial Companies Law

Introduction

The United Arab Emirates (“UAE”) has introduced material amendments to the UAE Commercial Companies Law through Federal Decree-Law No. (20) of 2025 (“**Amendment Act**”), amending the Federal Decree-Law No. (32) of 2021 on Commercial Companies (“**UAE Company Law**”). The amendments form part of the UAE’s continuing effort to upgrade and modify its corporate law framework, improve structuring flexibility, and make the jurisdiction more attractive for investment, restructuring, private capital and cross-border business activity.

The recent reforms encapsulated in this article are significant as they move the UAE Company Law closer to structures commonly used in sophisticated investment jurisdictions across the globe. In particular, these amendments address key company mobility features across jurisdictions, inclusion of multiple classes of shares as well as shareholder exit mechanisms, non-profit companies and private placement routes for private joint stock companies, to name a few.

Historically, UAE mainland corporate structures were relatively restrictive in areas such as differentiated share rights, investor exit mechanics and movement of corporate registration between authorities. Parties often relied on shareholders’ agreements to regulate matters such as drag-along rights, tag-along rights, preferred economics, succession arrangements and investor protections. While such contractual arrangements remain important, the amendments now create clearer statutory recognition for several of these mechanisms.

This is especially relevant for founders, investors, family businesses, joint ventures, private equity sponsors and companies preparing for fundraising or restructuring. Matters that were previously treated largely as private contractual arrangements may now need to be reflected more carefully in constitutional documents, commercial registers and authority filings.

1. Scope of Relevant Entities

The amendments are most relevant to companies governed by the UAE Commercial Companies Law, including mainland limited liability companies, private joint stock companies and public joint stock companies. Free zone entities are not automatically treated in the same way as mainland companies for all purposes. However, pursuant to Article 3 of the Amendment Act, branches and representative offices of free zone and financial free zone companies conducting activities in the mainland may fall within the UAE Commercial Companies Law for those mainland activities. Accordingly, the following entities should review their constitutional and governance documents:

ENTITY TYPE	PRACTICAL RELEVANCE
Mainland LLCs	High relevance, particularly for share classes, in-kind contributions, shareholder exit rights and succession planning
Private joint stock companies	High relevance, especially for private placement, governance and capital raising
Public joint stock companies	Relevant where the Securities and Commodities Authority (“SCA”)-regulated approvals, public offering rules or restructuring matters arise
General/limited partnerships	Relevant where alignment review of partnership agreements is required
Free zone companies with mainland branches or representative offices	Relevant to the extent they conduct onshore activity or seek to redomicile registration
Foreign or offshore structures considering UAE migration	Relevant where redomiciliation or continuation into the UAE is being considered

2. Redomiciliation of Company

One of the most important new reforms provided under Article 15 of the Amendment Act is the creation of a clearer statutory pathway for transferring a company’s registration and licensing between competent licensing authorities while preserving its legal identity. These amendments shall allow entities to get transfers between emirates, free zones and financial free zones while maintaining legal personality, contracts and obligations, without requiring its liquidation or re-establishment.

This development is commercially important as it allows a company to transfer its licensing authority to better align with its operations, investor requirements, regulatory strategy or group restructuring plan. A company may no longer need to dissolve one entity and incorporate a new one simply to move between licensing regimes, provided the statutory and authority-specific conditions are fully satisfied.

From a legal and transactional perspective, the key benefit is continuity. If properly implemented, the company should retain its legal personality, contractual history, rights, obligations, shareholding structure and operational track record. That said, companies should still review their key contracts, financing documents, regulatory licences, tax registrations, employment files and bank arrangements before commencing any redomiciliation process.

Typical legal issues to assess before redomiciliation include:

ISSUE	IMPORTANCE
Shareholder approval	The transfer may require a special resolution or partner approval depending on the company form
Licensing authority consent	Both the existing and destination authorities may need to approve or record the transfer
Regulatory approvals	Sector-specific businesses may require additional consent from regulators
Contracts and financing documents	Change-of-registration, change-of-control, jurisdiction or notification clauses may be triggered

ISSUE	IMPORTANCE
Tax and VAT registrations	Corporate tax and VAT records may need updating with the Federal Tax Authority
Employment and immigration files	Labour and visa files may need to be migrated or amended
Real estate and asset registrations	Registered assets, leases and permits should be reviewed for authority-specific requirements

The amendment should be seen as a framework for mobility, not as an automatic transfer right. The implementing rules, licensing authority procedures and sector-specific approvals will determine the practical route in each case.

3. Differentiated Classes of Shares

A further major development is the recognition of multiple classes of shares, particularly for mainland limited liability companies. Article 76 of the Amendment Act lays out the new reforms in relation to the differentiated share classes with rights that may vary in terms of voting, dividends, redemption, liquidation priority and other rights or restrictions set out in the constitutional documents. These classifications and associated rights are expected to be recorded in the commercial register.

This is a substantial change for UAE corporate structuring. It gives companies greater flexibility to design capital structures that better reflect commercial arrangements among founders, investors and strategic partners.

Potential use cases include:

SHARE CLASS	USES
Ordinary shares	Standard equity participation and voting rights
Preference shares	Priority economics, liquidation preference or enhanced dividend rights for investors
Non-voting or limited-voting shares	Economic participation without equivalent governance control
Redeemable shares	Structured exit or buy-back arrangements, subject to applicable law and authority approval
Founder or management classes	Governance or economic rights tailored to founders or key management, where permitted

For venture capital and private equity transactions, the ability to use differentiated share rights is especially relevant. It may reduce reliance on purely contractual workarounds and allow investment terms to be reflected in the company's constitutional documents.

Companies should ensure that such rights are properly drafted, approved, filed and enforceable. Any inconsistency between the memorandum, articles, shareholders' agreement and commercial register may create disputes at the point of exit, financing or enforcement.

4. In-Kind Contributions and Capital Structuring

Article 78 of the recent changes in the Amendment Act also address in-kind capital contributions for limited liability companies. Shareholders or strategic investors may contribute assets in exchange for shares, subject to valuation by accredited valuers or agreement between the partners, with review and approval by the competent authority.

This is important for companies where value is contributed through assets rather than cash. Examples may include intellectual property, technology, equipment, real estate rights, receivables or business units. The reform can support more flexible incorporation, restructuring and investment planning.

However, in-kind contributions should be carefully documented. The company should establish title to the asset, valuation methodology, transfer mechanics, warranty protection and authority approval. Overvaluation or insufficient documentation may create future disputes among shareholders or with creditors.

5. Drag-Along and Tag-Along Rights

The Amendment Act recognises drag-along and tag-along mechanisms in investment agreements. These rights are familiar in private equity, venture capital and joint venture documentation. A drag-along right allows specified shareholders, usually majority holders, to require other minority shareholders to sell on the same terms in a third-party sale. A tag-along right allows other minority shareholders to participate in a sale initiated by another shareholder on equivalent terms.

The practical effect is greater certainty around exit planning. Previously, these rights were commonly included in shareholders' agreements, but their interaction with UAE company law and constitutional documents required careful drafting. The amendments create a stronger basis for incorporating these rights into the memorandum or articles of association of a company.

For companies with existing shareholders' agreements, the immediate priority is alignment. The shareholders' agreement and constitutional documents should be reviewed together. A poorly drafted drag-along clause can become oppressive whereas a poorly drafted tag-along clause can delay or frustrate a legitimate sale. Hence, both clauses must be drafted with precision and clarity.

6. Succession Planning for Shares

Article 14 of the Amendment Act addresses succession-related transfer mechanics. The revised law clarifies how shares may be transferred on death at an agreed price, with priority rights in place for the company or existing shareholders to acquire the deceased shareholder's shares.

This is particularly relevant for family-owned businesses, professional services firms, closely held LLCs and joint ventures where the identity of the shareholder is commercially sensitive. Companies should review whether their constitutional documents properly address death, incapacity, inheritance, valuation and transfer restrictions to this effect.

A succession clause should not be treated simply as a boilerplate provision. It should be consistent with UAE inheritance rules, the shareholders' agreement, family arrangements, valuation principles and any banking or financing covenants provided in the relevant agreements.

7. Non-Profit Companies

Article 8 of the Amendment Act introduced the statutory recognition for non-profit companies. This form of companies have been recognised as a new corporate form under the Commercial Companies Law, with profits to be reinvested in the company's stated purposes rather than distributed to shareholders or partners. Further rules are expected to define the detailed establishment, governance and operating framework for such entities.

This development may be relevant for social enterprises, philanthropic initiatives, ESG projects, development organisations, educational or cultural ventures and corporate social responsibility platforms. Until implementing regulations provide further detail, parties considering this structure should proceed cautiously and confirm licensing, governance, funding and distribution restrictions before incorporation.

8. Private Placements by Private Joint Stock Companies

Article 32 of the Amendment Act also expanded the capital raising options for private joint stock companies. Private joint stock companies may offer shares or securities through private placement on UAE financial markets, subject to conditions and controls issued by the SCA.

This is a meaningful development for companies that are not yet ready for a public offering but require access to structured capital markets fundraising. It may support pre-IPO funding, institutional investment rounds, strategic placements and growth-stage capital raising.

However, private placement should not be treated as a lightly regulated fundraising route. SCA conditions, investor eligibility, offering documentation, disclosure standards and market rules will need to be reviewed in each case.

9. M&A and Transactional Implications

The amendments will affect legal due diligence and transaction documentation in UAE in M&A, fundraising and restructuring transactions.

Buyers, investors and lenders should now conduct legal due diligence on the following as well:

DUE DILIGENCE TOPICS	IMPORTANCE
Share class register and constitutional documents	To identify preferential rights, voting variations and liquidation priorities
Shareholder agreements	To check drag-along, tag-along, pre-emption and exit mechanics
Redomiciliation history or pending migration	To confirm authority approvals and continuity of legal identity
In-kind contributions	To verify valuation, title and authority approval
Free zone/onshore activity	To assess whether mainland compliance obligations apply
SCA-related matters	Relevant for public companies and private joint stock companies raising capital
Succession provisions	Relevant for family businesses and closely held companies

Transaction documents should also be updated. Share purchase agreements, investment agreements and subscription agreements should now include warranties on compliance with the amended Commercial Companies Law, registration of share classes, validity of constitutional documents, authority approvals and absence of triggered exit rights.

▪ Company Action

Companies should treat the amendments as a governance and structuring opportunity, not merely a compliance update. The following actions are recommended:

- i. Review the company's memorandum and articles of association against the amended law;
- ii. Compare the constitutional documents with any shareholders' agreement for alignment of rights;
- iii. Identify whether existing exit, transfer, pre-emption, succession or deadlock provisions require amendment;
- iv. Assess whether multiple share classes would improve the company's investment or governance structure;
- v. Confirm whether any free zone entity conducts mainland activity through a branch or representative office;
- vi. Review whether any planned restructuring, relocation or licensing change could benefit from the redomiciliation framework;
- vii. For private joint stock companies, assess whether private placement may be a viable capital raising route;
- viii. Update board and shareholder approval templates to reflect the new statutory mechanics;

- ix. Confirm filing requirements with the relevant licensing authority before implementing any amendment;
- x. Monitor any forthcoming Cabinet, Ministry of Economy, SCA and licensing authority guidance.

Conclusion

The Amendment Act represents a notable development in the UAE's corporate and commercial law landscape. The reforms increase flexibility in company structuring, provide clearer tools for shareholder exits, support company mobility across licensing authorities, and broaden the available legal forms and fundraising routes.

For UAE companies, the practical message is straightforward: constitutional documents and shareholders' agreements should now be reviewed together. Companies that update their governance documents early will be better positioned for future investment, restructuring, succession planning and transactional execution. Companies that delay may find that outdated documents create friction at precisely the moment when certainty is most needed: during financing, sale, shareholder exit or corporate migration.