

UAE Commercial Companies Law Reforms Reshape Joint Venture Structuring

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The UAE has introduced important reforms to the Commercial Companies Law through Federal Decree Law No. (20) of 2025 as it continues to redefine how local and foreign investors structure joint ventures across the UAE. This recent reform has particular relevance for businesses operating between free zones and onshore jurisdictions, offering greater certainty, flexibility, and alignment with international structuring norms.

According to **Luis Soares de Sousa, Senior Associate and corporate lawyer at Wisefields**, these changes mark a meaningful shift in how joint ventures can be designed and protected under UAE law.

“What we are seeing is a gradual but deliberate move toward substance-driven structuring rather than workaround-heavy solutions,” says Soares de Sousa. *“The law is catching up with how joint ventures are actually negotiated in practice.”*

Free Zone Companies and the Scope of the Commercial Companies Law

One of the most significant clarifications relates to when the Commercial Companies Law applies to free zone entities. While free zone companies remain governed primarily by their respective free zone regulations, the law now expressly applies where such companies:

- Establish onshore branches or representative offices; or
- Conduct business outside their free zone but within the UAE.

The law also confirms that all free zone companies carry **UAE nationality**, removing lingering ambiguity that previously affected regulatory treatment and cross-border structuring.

This clarification strengthens the legal foundation for **dual licensing and hybrid operating models**, allowing businesses to maintain free zone incorporation while operating lawfully onshore.

“Dual licensing is no longer just a practical solution, it now has a clearer statutory footing,” notes Soares de Sousa. *“That reduces execution risk for groups that need operational flexibility across jurisdictions.”*

Enhanced Constitutional Flexibility for Joint Ventures

Drag-Along, Tag-Along, and Succession Rights

A notable reform allows key shareholder protections, such as drag-along rights, tag-along rights, and succession mechanics to be embedded directly in a company’s constitutional documents, rather than relying solely on shareholders’ agreements.

This is particularly relevant for joint ventures where exit alignment between majority investors and minority operators is critical. Historically, such provisions faced enforceability risks in onshore companies.

“Embedding these rights at the constitutional level shifts enforcement from a contractual debate to a corporate one,” explains Soares de Sousa. *“That gives minority and majority investors alike more certainty around exits and succession planning.”*

Different Classes of Shares in Onshore Companies

The law now expressly permits onshore companies to issue shares with **different voting, dividend, and redemption rights**. This reform significantly narrows the structuring flexibility gap between onshore entities and financial free zones such as the DIFC and ADGM.

For joint ventures, this enables parties to reflect unequal contributions and differing risk-return profiles within the share structure itself. Common examples include:

- A hospitality brand contributing intellectual property and operational expertise; and
- A real estate partner funding land acquisition and construction costs.

“This is a game-changer for joint ventures that previously defaulted to free zone structures purely for economic and structuring flexibility,” says Soares de Sousa. *“Onshore vehicles can now support sophisticated capital economics without artificial structuring.”*



In-Kind Capital Contributions: Greater Clarity, Some Open Questions

The reforms also introduce a clearer framework for **in-kind capital contributions**, such as land, intellectual property, brands, or pre-development works, in exchange for equity.

Historically, uncertainty around valuation and contribution mechanics pushed parties to structure these inputs as post-incorporation transfers or licensing arrangements, often resulting in tax inefficiencies and accounting complexity.

While the new law improves clarity in principle, implementing regulations, particularly around valuer accreditation and valuation methodologies, are still awaited.

“The direction is positive,” observes Soares de Sousa. *“Once the valuation rules are finalised, in-kind contributions should become a far cleaner and more commercially intuitive tool for joint venture formation.”*

A More Mature Joint Venture Landscape

Taken together, these reforms signal a more mature and investor-aligned corporate framework in the UAE. By strengthening enforceability, expanding structuring options, and reducing reliance on contractual workarounds, the Commercial Companies Law enhances the UAE’s appeal as a jurisdiction for complex joint ventures.

“For sponsors and strategic partners, the message is clear,” concludes Soares de Sousa. *“You can now achieve certain international-standard joint venture economics and governance without stepping outside the onshore regime.”*

For further insights, contact:

Luis Soares de Sousa

Senior Associate, Wisefields

📞 +971 563 388 001 (UAE)

✉️ luis.sousa@wisefieldslaw.com

