

UAE's Commercial Companies Law 2025 Amendments:

A Structural Upgrade for Strategic Transactions

Introduction:

Federal Decree-Law No. 20 of 2025 (the “**Amendments**”) introduces significant changes to Federal Decree-Law No. (32) of 2021 on Commercial Companies (the “**CCL**”), marking a decisive step in the continued evolution and enhancement of the UAE’s corporate law framework.

The Amendments introduce proactive and substantial changes to fifteen articles of the CCL and add one new article, providing flexibility in ownership structures, corporate governance, sale and exit processes, and the transfer of company registration across jurisdictions.

This article will deep dive into some of those amendments.

Non-Profit Companies:

The Amendments introduce a notable conceptual shift through the express recognition of non-profit commercial companies. Article 8(3)(b) of the CCL now permits the incorporation of companies established for non-profit purposes, where net profits generated from economic activities are reinvested exclusively towards achieving the entity’s founding objectives. Such profits may not be distributed to shareholders or members.

At present, these provisions are articulated at a principal level. A Cabinet decision will define the purposes, regulations, and forms of such companies, and may exempt them from certain provisions of the law.

Drag-Along and Tag-Along Rights:

Historically, UAE businesses frequently incorporated common-law style exit and transfer mechanisms, such as drag-along and tag-along rights, into shareholders’ agreements (“**SHA**”). However, given their contractual nature and the absence of explicit statutory recognition, questions often arose regarding enforceability.

The Amendments address this concern directly by introducing Article 14(4) to the CCL. Shareholders or partners of private joint-stock companies and limited liability companies (“**LLCs**”) now have the discretion to embed the following mechanisms in the company’s memorandum of association (“**MOA**”):

- a. **Drag-along rights**, enabling majority shareholders, subject to agreed conditions, to compel minority shareholders to sell their interests;
- b. **Tag-along rights**, allowing minority shareholders to compel the majority shareholders to have them participate in a sale initiated by the majority on identical terms.

These provisions expand the options available for structuring companies with diverse partner or shareholder groups, protect minority rights, ensure smooth ownership transfers, and create a clearer and safer business environment that boosts investor confidence and encourages participation in mergers and acquisitions.

This statutory endorsement significantly enhances transactional certainty, particularly for private equity and venture capital investments, and family-owned businesses where exit planning and succession are critical considerations.

Disposition of Shares of Deceased Partners or Shareholders:

The introduction of Article 14(4)(b) defines the mechanism for disposing of the shares of a deceased partner or shareholder. The new provisions grant other partners, shareholders, or the company itself the right of first refusal at a value agreed upon with the heirs. Where agreement cannot be reached, court-appointed valuation serves as a fallback.

This codification brings much-needed clarity to succession planning, particularly for family-owned businesses and closely held companies and reduces the risk of protracted disputes between existing stakeholders and heirs.

Recognition of Multiple Classes of Shares and Equity Interests:

Another investor-friendly reform is the introduction of flexibility in capital structuring. Previously, all equity shares were deemed identical, carrying equal rights and obligations. The new Article 76(4) of the CCL permits the creation of multiple classes of shares with differentiated economic and control rights, including variations in voting power, dividend entitlement, redemption rights, and liquidation preferences.

With this forward-looking step, the UAE becomes one of the first countries in the region to allow multiple share classes in limited liability companies, whereas many jurisdictions restrict this feature to public joint-stock companies. All share classes, together with their rights and restrictions, must be recorded in the commercial register to ensure transparency.

This change enables founders and investors to replicate preference-style arrangements commonly used in growth and investment transactions.

Nationality and Redomiciliation:

The Amendments address two structural issues of broad relevance. First, Article 9(3) now confirms that any company established in the UAE including those incorporated in free zones and financial free zones shall have UAE nationality, removing any ambiguity on this point.

Secondly, the introduction of Article 15 BIS establishes a statutory redomiciliation regime, enabling companies to transfer their commercial registration between mainland authorities and free zones (including the DIFC and ADGM) while preserving their legal personality, contracts, and obligations without requiring liquidation or re-establishment. Such transfers are subject to special resolutions, regulatory approvals from both jurisdictions, and the absence of encumbrances on the commercial register.

This facilitates corporate mobility and strategic restructuring without the disruption traditionally associated with cross-jurisdictional moves within the UAE from a mainland jurisdiction into a freezone jurisdiction or vice versa.

Private Placement and Lock-Up Periods:

The Amendments introduce a limited but potentially transformative capital-raising tool. Under the newly inserted Article 32(2) of the CCL, private joint-stock companies are now permitted to offer their securities through private placement in UAE financial markets, subject to regulations issued by the Securities and Commodities Authority in coordination with the Ministry and relevant authorities.

In tandem, the Amendments address lock-up periods for private joint-stock companies. The traditional two-year lock-up period for disposing of shares has been reduced to one year, with the possibility of further reduction or exemption by ministerial decision in accordance with the amended Article 266(3) of the CCL. Importantly, private joint-stock companies are also exempted from the lock-up period altogether when offering shares through private placement or listing on financial markets in accordance with the amended Article 266(4) of the CCL.

Concluding Remarks:

Taken together, the Amendments represent a meaningful evolution of the CCL, providing greater clarity while introducing enhanced flexibility, strengthened investor protections, and improved structural coherence across jurisdictions. The breadth of the reforms spanning inter alia share class differentiation, re-domiciliation, and statutory exit mechanisms reflects a legislative intent to position the UAE as a jurisdiction of choice for sophisticated corporate structuring and cross-border investment.

Businesses and investors alike would be well advised to proactively review their existing structures and appropriately manage the risks and opportunities arising from this next phase of corporate law reform in the UAE. Several of the new provisions notably those concerning non-profit companies and private placement, await implementing regulations that will determine the full practical impact of the reforms.