

## Dubai Airport Free Zone: 5 Innovations introduced by the Implementing Regulations 2021

On 14.03.2021, the Dubai Airport Free Zone Authority ("DAFZA") issued the Dubai Airport Free Zone Implementing Regulations 2021 ("Implementing Regulations 2021"). They came into force on the same day and have replaced the previous regulations completely. The Implementing Regulations 2021 form the legal basis for the establishment of new companies and the operation of existing companies in the free zone and are therefore of major importance. We have compiled five significant innovations for you:

### Innovation 1

#### Introduction of the Public Limited Company

In addition to the Free Zone Company with Limited Liability ("FZCO") and the dependent subsidiary of a foreign mother company ("Branch"), investors now have a third legal form to choose from: the Public Limited Company ("PLC"). This type enables companies located in the Dubai Airport Free Zone to trade their shares on the Dubai Financial Market or Abu Dhabi Securities Exchange.

DAFZA also allows for the conversion of an FZCO into a PLC. In addition, a PLC can be converted into an FZCO. Finally, the conversion of a Branch into an FZCO or a PLC is permitted.

### Innovation 2

#### Possibility to Suspend the License

As an alternative to the liquidation of a company, the Implementing Regulations 2021 offer FZCOs and PLCs the possibility to temporarily suspend the license ("Dormancy"). This option may be considered if the continuation of a company is economically not viable for the foreseeable future, however, an improvement of the business situation cannot be completely ruled out either.

An application for dormancy can in principle be made for a period of up to twelve months. During this period, the company is prohibited from conducting any business activities.

### Innovation 3

#### More Flexible Requirements for Share Capital and Shares

The share capital of an FZCO can now be denominated in any currency and must be at least AED 1 (or its equivalent in another currency). For PLCs, the minimum share capital requirement amounts to AED 250,000 or its equivalent in US dollar.

In addition, the Implementing Regulations 2021 open up the possibility of attaching different rights and obligations to shares in an FZCO or PLC. This allows for greater freedom in structuring the shareholding. The issuance of so-called bearer shares, fractional shares or treasury shares is, however, not permitted.

### Innovation 4

#### Possibility to hold a Virtual General Assembly

The Implementing Regulations 2021 expressly authorise the holding of general assemblies by electronic means. However, it must be ensured, amongst others, that the participants are sufficiently identified and the chosen communication channel is secure.

### Innovation 5

#### Declaration of the Beneficial Owners

In line with the tightened regulations regarding the disclosure of beneficial owners, the Implementing Regulations 2021 also stipulate the obligation for FZCOs and PLCs to disclose their beneficial owners to DAFZA at least once a year. DAFZA must be notified of any changes within 14 days. PLCs whose shares are traded on a stock exchange are exempt from the aforementioned obligations.

### Conclusion

The Implementing Regulations 2021 modernise the corporate rules in the Dubai Airport Free Zone and offer greater flexibility to investors.

If there is a compelling need for action for existing FZCOs and branches in exceptional cases, the new regulations must be implemented within six months, i.e. by 14.09.2021 at the latest.



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**Do you have questions? – We would be glad to answer them!**

From our office located in the heart of Dubai, our team of German attorneys has been advising small and medium-sized companies, corporations and individuals on the laws of the United Arab Emirates for more than 15 years. Our areas of expertise include corporate law (in particular business set-up), commercial agency law, employment law as well as tenancy and real estate law. We would be happy to attend to your questions as well. Contact us!

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Published: 25.05.2021

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