UAE Commercial Companies Law Update: New Share Classes, Non-Profit Incorporation, Entity Migration and Improved Deadlock Frameworks

The UAE has issued Federal Decree-Law No. 20 of 2025 (the *"Amendment Law"*), introducing a series of notable updates to Federal Decree-Law No. 32 of 2021 regulating Commercial Companies (the *"CCL"*). These reforms reflect the UAE's continuous efforts to enhance corporate governance, provide greater flexibility for investors, and promote a regulatory environment aligned with international standards.

This article provides a practical summary of the main changes affecting companies governed by the CCL.

1. Establishment of a Dedicated Legal Form for Non-Profit Companies

The amendments (CCL) introduce, for the first time, a dedicated legal form for the incorporation of non-profit companies in the UAE. Under this structure, all income must be directed solely toward achieving the entity's approved objectives, and no portion of the revenues may be distributed to partners or shareholders.

By establishing this company form, the legislature has created a regulated corporate channel through which social, charitable, and community-driven activities may be formally undertaken addressing an absence that has long existed within the UAE corporate framework. The detailed regulatory parameters, including permissible purposes, governance requirements, and any exemptions or privileges, will be issued by way of a Cabinet decision in coordination with the competent authorities.

2. Statutory Adoption of Drag-Along, Tag-Along and Succession Provisions

The Amendment Law makes significant revisions to Article 14(4), allowing LLCs and private joint The recent amendments introduce a significant modification to Article 14(4) by expressly allowing both limited liability companies and private joint stock companies to incorporate drag-along and tag-along arrangements directly within their constitutional documents. These mechanisms traditionally included only in private shareholders' agreements may now be embedded in the memorandum or articles of association. In particular, companies may stipulate provisions that oblige shareholders to transfer their shares to a third-party buyer upon the occurrence of agreed-upon conditions, as well as provisions that grant shareholders the right to join an existing sale on equivalent terms. This marks the first time UAE legislation formally recognizes these rights within the core governance documents of private companies, thereby strengthening the statutory basis for exit processes that were historically contractual in nature. While the recognition of these tools within the company's constitution enhances minority protections and clarifies majority exit pathways, the complexity of valuation approaches and transaction-specific arrangements such as confidentiality obligations or put-and-call structures means that shareholders' agreements will continue to play a critical complementary role. The amendments also establish a new statutory regime governing the transfer of shares upon the death of a shareholder. Article 14(4) now permits LLCs and private joint stock companies to set out, in their constitutional documents, the procedures applicable to the deceased shareholder's shares, including granting a right of first refusal to other shareholders or, notably, to the company itself. In cases where the share price cannot be agreed with the heirs, the competent court must determine the valuation through one or more independent experts.

Of particular interest is the express mention of the company as a potential acquirer of a deceased shareholder's shares a concept not broadly contemplated under current UAE company law outside of capital-reduction contexts. The Amendment Law, however, does not clarify whether such acquired shares must be cancelled, held as treasury shares, or reallocated to remaining shareholders, nor does it identify any additional regulatory consequences. It remains uncertain whether this development is intended solely as an exception for succession-related transfers or whether it indicates a broader legislative openness to permitting share buybacks by LLCs in future reforms.

In summary, while Article 14(4) significantly enhances statutory flexibility in relation to shareholder exits, transfers, and succession particularly within private and family-owned enterprises it is expected that these changes will operate alongside, rather than replace, the detailed provisions customarily set out in private shareholders' agreements.

3. Authorization of Private Placements by Private Joint Stock Companies

The amendments also introduce an important enhancement to the capital-raising options available to private joint stock companies. For the first time, these companies are expressly allowed to undertake private placements of their securities within the UAE's financial markets, without being restricted by the statutory lock-in period that would ordinarily apply. The conditions, procedures and regulatory requirements for such offerings will be issued by the Securities and Commodities Authority (SCA).

Previously, the legal framework governing private placements by private joint stock companies in the UAE offered limited guidance and lacked comprehensive implementing rules. This regulatory gap often forced promoters and investors to rely on offshore vehicles or parallel corporate structures when seeking to raise interim capital. The new amendment therefore represents a notable shift toward facilitating domestic fundraising and providing clearer pathways for private capital injections within the UAE market.

4. Introduction of Share Class Flexibility for LLCs

The revision to Article 76(4) introduces clear statutory authority for limited liability companies to issue multiple classes of shares, each with differing characteristics. LLCs may now structure shares that vary in their nominal value, voting weight, dividend entitlement, redemption features, liquidation preferences, or other rights associated with share ownership.

This development is particularly significant for family-owned businesses, venture capital investors and private equity structures, where differentiated share rights such as preferred shares, convertible instruments, or investor-specific protections are often required to reflect commercial expectations and governance arrangements. Allowing a variety of share classes within the legislative framework enhances the UAE's attractiveness as a jurisdiction capable of supporting more sophisticated investment and ownership models.

The precise rules governing the issuance, rights and conditions applicable to each class of shares will be determined by forthcoming Cabinet decisions, which will ultimately shape how this statutory flexibility may be implemented in practice.

The amendments also refine Article 85(4) by introducing a mechanism that allows the competent authority to appoint directors from outside the shareholder group when an LLC becomes deadlocked in forming a new board. Under the earlier version of the law, if the term of the existing board expired and the shareholders failed to agree on a new board, the outgoing directors would continue in office for a grace period of six months. Once that period lapsed, the authority acting together with the relevant licensing body could step in to appoint a replacement board, but such appointments were effectively restricted to individuals who were already shareholders.

This limitation often proved problematic, particularly where the deadlock itself stemmed from disagreements among the shareholders. Because the authority could not appoint independent or neutral directors, regulatory intervention frequently failed to resolve the underlying stalemate. As a result, some companies remained without a functioning board, hindering their ability to comply with legal requirements or conduct basic commercial operations.

The Amendment Law removes this constraint by permitting the appointment of directors who are not shareholders in such circumstances. This change provides a practical tool to restore governance and operational continuity where shareholder consensus cannot be reached, and enhances the ability of regulators to intervene effectively in deadlock scenarios.

6. Unified Regime for Company Migration and Cross-Emirate Continuation

The amendments also establish a comprehensive statutory regime governing the continuation or migration of companies within the UAE. This framework covers movements between Emirates as well as transfers between the mainland and free zones, including financial free zones, while expressly preserving the company's legal personality, rights, obligations, assets and liabilities throughout the process.

Under the newly introduced Article 15 (repeated), a company may resolve, through a special resolution or with the approval of an absolute majority of its shareholders, to shift its commercial registration from one competent authority to another. This includes transitions from an Emirate authority to a free zone authority or vice versa, without any break in the company's legal capacity or existence.

Such migration is conditional upon several regulatory requirements:

- both the transferring and receiving registries must permit continuation;
- no annotations or restrictions may exist that prevent the transfer;
- all necessary approvals from the competent authorities must be obtained;
- and, in the case of joint stock companies, the approval of the Ministry of Economy or the Securities and Commodities Authority is required.

The company must also satisfy the disclosure obligations set by the authorities involved. For companies entering or exiting financial free zones, additional rules will be issued pursuant to a Cabinet decision to ensure a harmonized and coordinated approach to continuation across jurisdictions.

This development is particularly noteworthy, as it introduces for the first time a unified legal pathway that allows companies to migrate without dissolution, liquidation, or reincorporation. The new framework is expected to produce several practical benefits, including:

- lowering costs and reducing procedural burdens;
- permitting companies to relocate to jurisdictions offering regulatory or financing advantages, or to the mainland where operational needs require it;
- maintaining corporate identity, license, contractual relationships, and banking arrangements; and
- facilitating corporate reorganizations and group-wide consolidation efforts.

7. Streamlined Pathway for Conversion into a Public Joint Stock Company

The Amendment Law streamlines the process of converting a company into a public joint stock company.

Key procedural steps such as forming a founders' committee or submitting a new incorporation application are no longer required.
Existing company management may complete the conversion, with the general assembly later convening to appoint the board, auditor, and share registrar.

This simplified pathway supports companies preparing for capital markets and pursuing public offerings.

Conclusion

Federal Decree-Law No. 20 of 2025 represents one of the most wide-ranging updates to the UAE Commercial Companies Law in recent years.

The amendments introduce modern governance tools, broaden fundraising options, support complex ownership structures, and improve the flexibility of corporate restructuring.

Companies operating in the UAE should review their constitutional documents, shareholder arrangements, and governance systems to determine whether modifications are needed to take advantage of the new statutory mechanisms.

Further implementing regulations are expected, which will provide additional clarity and help shape how these reforms operate in practice.

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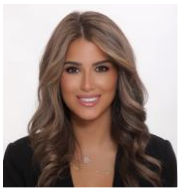

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1. Article 8(3)(b) of the CCL as amended by the Amendment Law
2. Article 14(4) of the CCL as amended by the Amendment Law.
3. Articles 32(2) and 93 of the CCL as amended by the Amendment Law
4. Articles 76 (4) of the CCL as amended by the Amendment Law.
5. Articles 85(4) of the CCL as amended by the Amendment Law.
6. Articles 15 (repeated) of the CCL as introduced by the Amendment Law
7. Articles 275 of the CCL as introduced by the Amendment Law