



FAMILY BUSINESSES IN THE EMIRATE OF DUBAI

A GUIDEBOOK

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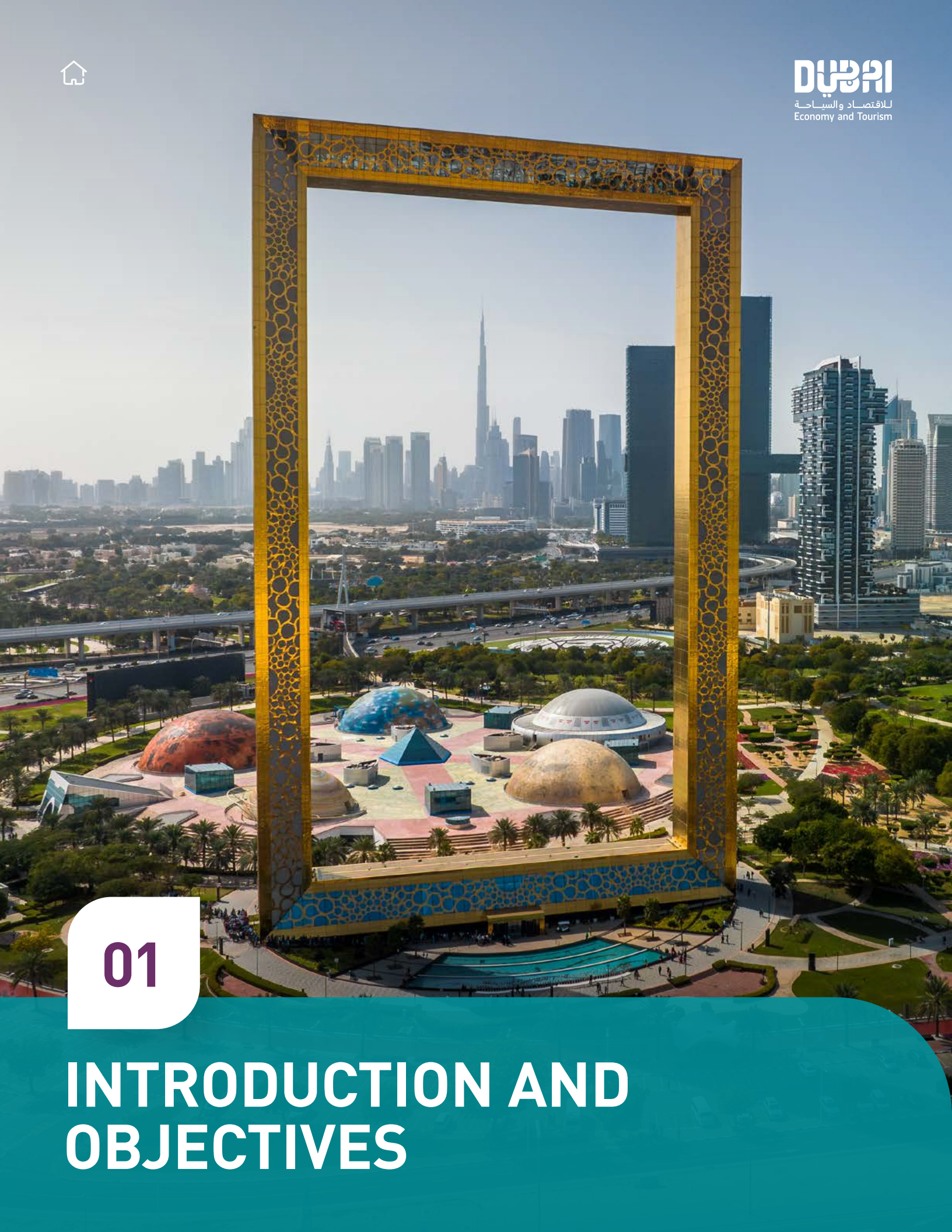
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The Images: Creative Rationale

In this booklet, the choice to feature Arabesque architecture reflects a deep reverence for the traditions and meticulous craftsmanship inherent in Middle Eastern family businesses. Arabesque design, with its rich heritage and intricate patterns, is more than just an aesthetic choice — it is a commitment to quality and enduring value.

The images within these pages are dominated by arches, a powerful symbol of strong foundations and resilience. These elements, combined with the timeless elegance and convey both stability and luxury. This design approach ensures that the booklet not only resonates deeply but also distinctly stands out, demonstrating our deep understanding of the unique needs and aspirations of high-net-worth individuals.





01

INTRODUCTION AND OBJECTIVES



This guidebook will help family businesses understand the various world-class options available to them in Dubai for the protection and preservation of their wealth without disrupting the growth and operations of their business, both now and in the future.

It provides a high-level overview of the various corporate structuring options for family businesses in light of recent legislative changes (particularly, the UAE Family Business Law and the Dubai International Financial Centre (**DIFC**)¹ trusts and foundations regimes), corporate and family governance options, and other key elements that impact family wealth preservation, such as estate and succession planning, real estate ownership, family offices and tax considerations.

The information provided in this document is for general information purposes only and may be subject to change. This guide is not intended as legal, financial, or professional advice. The reader should not solely rely on the information contained herein and is strongly encouraged to seek independent legal or professional advice before making any decisions or taking any actions based on the content of this document (such as, when considering undertaking organisational and/or governance (re)structuring of your family business).

For further information and guidance, we recommend that you also reach out to the competent authorities.

Many of the recent legal developments in Dubai and the UAE relating to wealth preservation, protection of assets and estate and succession planning are aimed at ensuring that wealth passes between generations of family members smoothly and efficiently.

Much of the UAE's economy is dependent on family businesses; circa 90% of privately-owned companies in the UAE employ more than 70% of the sector's workforce and account for 40% of the national GDP. The stability of all family businesses is critical to the economic stability of the UAE.

¹ The DIFC is a global financial centre. It has a separate and independent regulatory framework with civil and commercial laws that are modelled on English common law with its own English-language court system. The DIFC Courts are courts of the UAE, albeit with their own distinct common law English-language system



[...] Family businesses are important partners in our economic growth. Their role is vital, their contribution is essential, and their sustainability and continuity are a priority. We are committed to implementing the directives of HH Sheikh Mohammed bin Rashid Al Maktoum to provide an empowering environment that protects family businesses and helps them develop strategies to keep pace with the rapid changes taking place in the world of business. These efforts will help consolidate Dubai's exceptional model for supporting the growth and sustainability of family businesses."

His Highness Sheikh Maktoum bin Mohammed bin Rashid Al Maktoum



Compared to other international economies, most UAE businesses are owned by relatively younger families (i.e., currently in their second and third generation), that are approaching the critical stages of succession planning and the generational transition of the wealth. This comes with certain organisational and governance challenges; maintaining unity and harmony among large families in times of transition is crucial to the economic stability of the UAE.

To date, many of these UAE family businesses continue to own personal assets (e.g., the family home) and business assets (e.g., the operational business) within a single company. However, it is critical to segregate personal family wealth from business assets, so that all personal wealth is insulated from risk and protected from creditors' claims and lawsuits that may be brought against the operating business. If personal wealth and business assets are not properly segregated to create the clear future distribution of wealth amongst the family members, this not only creates conflict within the family, but also disrupts the underlying operational business and can take decades to resolve.

Early consultation within the family as well as with key members of the corporate leadership team(s), is not only important to maintain the harmony and unity of the family, but also to guarantee the smooth implementation of a succession plan. When structuring a family business, families should work closely with their legal, tax, and financial advisors. Professional expertise and proper advice are critical to ensure that ownership structures are sustainable and reflect the family's wishes. The family's strategy should be regularly revisited to make sure that it continues to meet the evolving needs of the family and its business.

AED 3.67 Trillion

to transfer to the next generation in the Middle East over the coming decade.

Only 20% of Family Businesses are managed by the third generation in the Middle East

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02

CORPORATE AND WEALTH MANAGEMENT STRUCTURING OPTIONS FOR FAMILY BUSINESS



2.1 | UAE Family Business Law

The Federal Decree-Law on Family Business (Federal Decree by Law No. 37 of 2022) (the Family Business Law)² is focused on the creation of long-term legacy and succession plans for all UAE-based family businesses. The Family Business Law creates a framework that regulates ownership and governance of family businesses and facilitates the transition of ownership of the business between family members to support the continuation of family businesses across generations.

It is an “opt-in” legislation, meaning that families must themselves choose to be formally registered in order to obtain such official status and the various corresponding benefits.

The Family Business Law also applies to certain structures established by families in the DIFC.

Key features:

1. To opt into the Family Business Law, a family business must be incorporated within the UAE (including within a free zone), and must be a privately owned company, trust, foundation or waqf. Public joint stock companies and partnerships are excluded.³
2. Family businesses who wish to benefit from the Family Business Law must formally register with the registry office in their relevant emirate.⁴
3. Unlike the UAE Commercial Companies Law, the Family Business Law also allows companies to include the following provisions in their articles of association and/or memorandum of association:
 - a. Creation of various classes of shares;⁵
 - b. Rights of first refusal in the event a shareholder wishes to sell their shares;⁶
 - c. Share buy-back options in the event of a capital reduction or the bankruptcy or incapacity of a shareholder;⁷
 - d. Squeeze-out rights (i.e., the compulsory sale of the shares of minority shareholders to majority shareholders);⁸ and
 - e. Unlimited number of shareholders in an LLC.⁹
4. A family business can also choose which specific provisions of the Family Business Law should apply to it.
5. If applied correctly, the Family Business Law can regulate the management functions of a family business, define the rights and responsibilities of the company director, specify the conditions for a director’s appointment and removal, and outline the formation and functioning of the company’s board.
6. Importantly, the transfer of shares or assets of a family business, under the provisions of the Family Business Law (or the laws of the free zones, if applicable), whether through sale, gift (Hiba), or usufruct, is also considered compliant with the UAE Federal Personal Status Law, provided the transfer occurs during the lifespan of the transferring shareholder.
7. If a family business wants to opt out of this law, it can do so anytime by passing a special resolution and de-registration.
8. Family businesses can implement governance structures through a family charter or constitution, which can be formalised as a legally binding document. For additional details, please refer to Section 3.1 below.

² Federal Decree by Law No. 37 of 2022 took effect in January 2023

³ Article 3, Federal Decree by Law No. 37 of 2022

⁴ Article 4.1, Federal Decree by Law No. 37 of 2022

⁵ Article 21.1, Federal Decree by Law No. 37 of 2022

⁶ Article 8.1, Federal Decree by Law No. 37 of 2022

⁷ Article 11.1, Federal Decree by Law No. 37 of 2022

⁸ Article 9, Federal Decree by Law No. 37 of 2022

⁹ Article 7.1, Federal Decree by Law No. 37 of 2022



2.2 | The Dubai Family Ownership Law

The **Dubai Family Ownership Law**¹⁰ provides family businesses with wealth structuring solutions to overcome the current legal limitations of existing corporate entities in order to create effective investment vehicles. Some of the key features of the Dubai Family Business Law include:

- Regulation of family ownership of business within the Emirate;
- Facilitation of an easy and non-contentious transmission of assets to successive generations;
- Maintenance of the continuity of family ownership;
- Maintenance of social cohesion and prevents disputes among members of the same family; and
- Promotion of development and growth by developing the capacity of young leaders (next-gens).

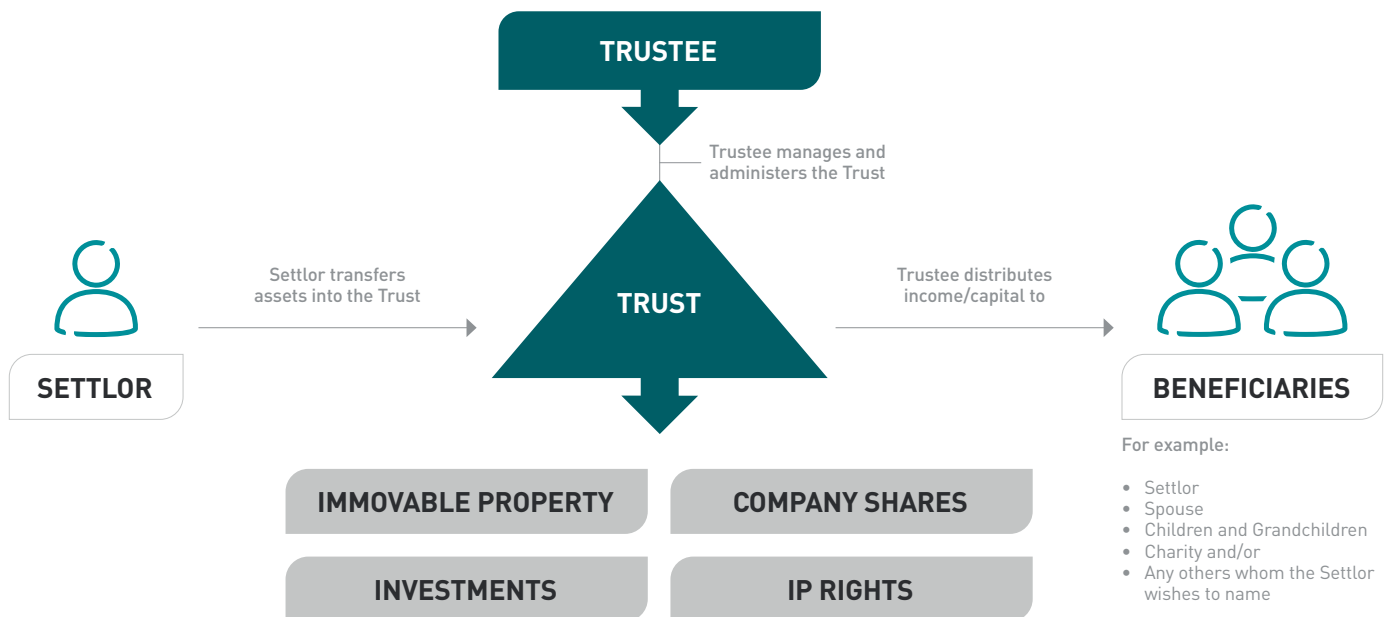
2.3 | Trusts

A trust is a private legal arrangement between a settlor (often the original owner of the assets) and the chosen trustee. Once the settlor transfers his assets to a trust, the trustee(s) become responsible for owning and managing these assets for the benefit of one or more persons that are known as beneficiaries¹¹. The terms and conditions of the trust, including how the assets are managed and distributed, are set out in a legal document called the trust deed. Given its similarities with the Islamic concept of waqf, the concept of a trust may be considered an acceptable and familiar structuring option for UAE-based families.

¹⁰ Dubai Law No. 9 of 2020 regulating family ownership in the Emirate of Dubai

¹¹ An exception to note is that, under Federal Decree Law No. [31] of 2023 concerning Trusts, asset ownership resides with the 'trust' rather than the 'trustee'. For more information, please see section 2.3.1 (UAE Trust Law) below

TYPICAL STRUCTURE OF A TRUST





There are currently two trust regimes in the Emirate of Dubai:

- a. Federal Decree Law No. (31) of 2023 concerning Trusts **(the UAE Trust Law)**; and
- b. DIFC Trust Law No 4 of 2018, as amended **(the DIFC Trust Law)**.

2.3.1 | UAE Trust Law

The UAE Trust Law introduces common-law trust arrangements as a wealth structuring option in the UAE. The UAE Trust Law operates throughout the UAE, but does not apply to the financial free zones that have their own Trust Laws (i.e., the DIFC).

Key features:

- A trust may be created by an individual or a legal entity that then transfers their assets into the trust.
- The UAE Trust Law treats a trust as a distinct legal entity (similar to a company). Therefore, the trust deed must be registered with the designated UAE government authority (this authority is yet to be created).¹² Once established, the relevant authority will issue registration and validity certificates for the trust.¹³
- The law provides for the role of a ‘protector’ acting as a person appointed by the settlor to oversee and protect the trust, similar to the guardian of a foundation.¹⁴

If the trust appoints corporate trustees, they must be licensed professional trustees in the UAE.¹⁵

2.3.2 | DIFC Trusts

The DIFC¹⁶ was the first UAE jurisdiction to introduce a regulatory framework for trusts in 2006, which was subsequently amended in 2018 and 2023.

Key features of the DIFC trust framework:

- Unlike other jurisdictions, a DIFC trust can be of unlimited duration.¹⁷

- There is no register of trust documents under the DIFC Trust Law and trust deeds are private documents.
- The DIFC Courts have the requisite expertise and proficiency in the law of trusts.
- The DIFC Trust Law allows for various types of trusts to be established, e.g., discretionary trusts, non-charitable purpose trusts and reserved power trusts.
- The DIFC Trust Law contains some of the strongest “firewall” provisions amongst other global financial centres, thereby protecting DIFC trusts from the enforcement of foreign judgments.¹⁸
- “Duress provisions” within the DIFC Trust Law offer enhanced protection by requiring a trustee to immediately cease to act in relation to the trust where a foreign judgment has been made against them.¹⁹
- The DIFC Trust Law provides additional safeguards in respect of prior transactions by a settlor when transferring property into a trust, with the effect that such transfer(s) may not be invalidated.²⁰

¹² Article 3.1 of Federal Decree by Law No 31 of 2023

¹³ Article 44.3 of Federal Decree by Law No 31 of 2023

¹⁴ Article 34 of Federal Decree by Law No 31 of 2023

¹⁵ Article 13.3 of Federal Decree by Law No 31 of 2023

¹⁶ The Dubai International Financial Centre (DIFC) is a global financial centre. It has a separate and independent regulatory framework with civil and commercial laws that are modelled on English common law with its own English-language court system. The DIFC Courts are courts of the UAE, albeit with their own distinct common law English-language system

¹⁷ Article 36(1) of DIFC Law No 4 of 2018 (as amended)

¹⁸ E.g., Articles 14 and 16 of DIFC Law No 4 of 2018 (as amended)

¹⁹ Article 16A of DIFC Law No 4 of 2018 (as amended)

²⁰ Articles 14(2) and 14(3) of DIFC Law No 4 of 2018 (as amended)



2.4 | Awqaf

An endowment (sg. 'waqf', pl. 'awqaf') can be established under statute in the UAE. A waqf can provide a Shari'ah-compliant wealth structuring and philanthropy option derived from regional culture and norms.

A waqf is a form of endowment (unlike and separate from zakat) under which the ownership of assets is transferred to a legal entity (called waqf) which shall itself manage such assets for a defined period of time, for the benefit of named beneficiaries (Muslims and non-Muslims), or a charitable cause.

The waqif (founder) donates assets (e.g., real estate, shares, interests in companies and/or monies) to the waqf in perpetuity or on a temporary basis, where it is managed by the nazir (waqf administrator) for the benefit of someone else (e.g., philanthropic causes, family members). The terms of the waqf are usually set out in a hijat al waqf (deed).

A waqf can be established for various purposes, such as (a) religious, charitable or other pious purposes (Waqf Khairi), or (b) for family (property preservation) purposes (Waqf Ahli), which is also considered charitable under Islamic jurisprudence. Primary beneficiaries of a Waqf Ahli usually would be the family of the founder (waqif), and public benefit to secondary beneficiaries would usually gain greater importance following the demise of the founder and the family.

In Dubai, there is an endowment statute at the emirate level²¹ and federal law²². The waqf structure shares certain similarities with trusts, foundations and companies. It separates legal and beneficial title so that the property is held for the purposes of the waqf. A waqf, however, does not provide an automatic right to change the endowed property (inalienability of waqf property, except where there is an exchange of property of equal value, or if a transaction has been authorised by a judge or is otherwise legally permissible). The rights of parties are determined in accordance with the law where the waqf is established. Statutory Awqaf also

provide significant powers for government agencies to intervene in such matters. It is generally not possible to redomicile a waqf.

Under UAE federal law, a waqf must be established in accordance with the 'valid and legal' will of the settlor. In order for a waqf to be legally valid, the settlor (waqif) or his legal representative, must obtain a waqf certificate from the competent court and register the waqf in the designated register at the emirate level.²³

A waqf may be established during the settlor's life or after his demise. However, if it is established after the settlor's demise, its value may not exceed one-third of the settlor's property at the time of establishing waqf, in line with Shari'ah principles.²⁴

²¹ Dubai Law No. (14) of 2017 Regulating Endowments and Gifts in the Emirate of Dubai and Dubai law No. (17) of 2022 on the emirate's Endowments and Minors' Trust Foundation

²² Federal Law No. (5) of 2018

²³ Article 9.1, Federal Law No. (5) of 2018 on Waqf (Endowment)

²⁴ Article 9.2, Federal Law No. (5) of 2018 on Waqf (Endowment)

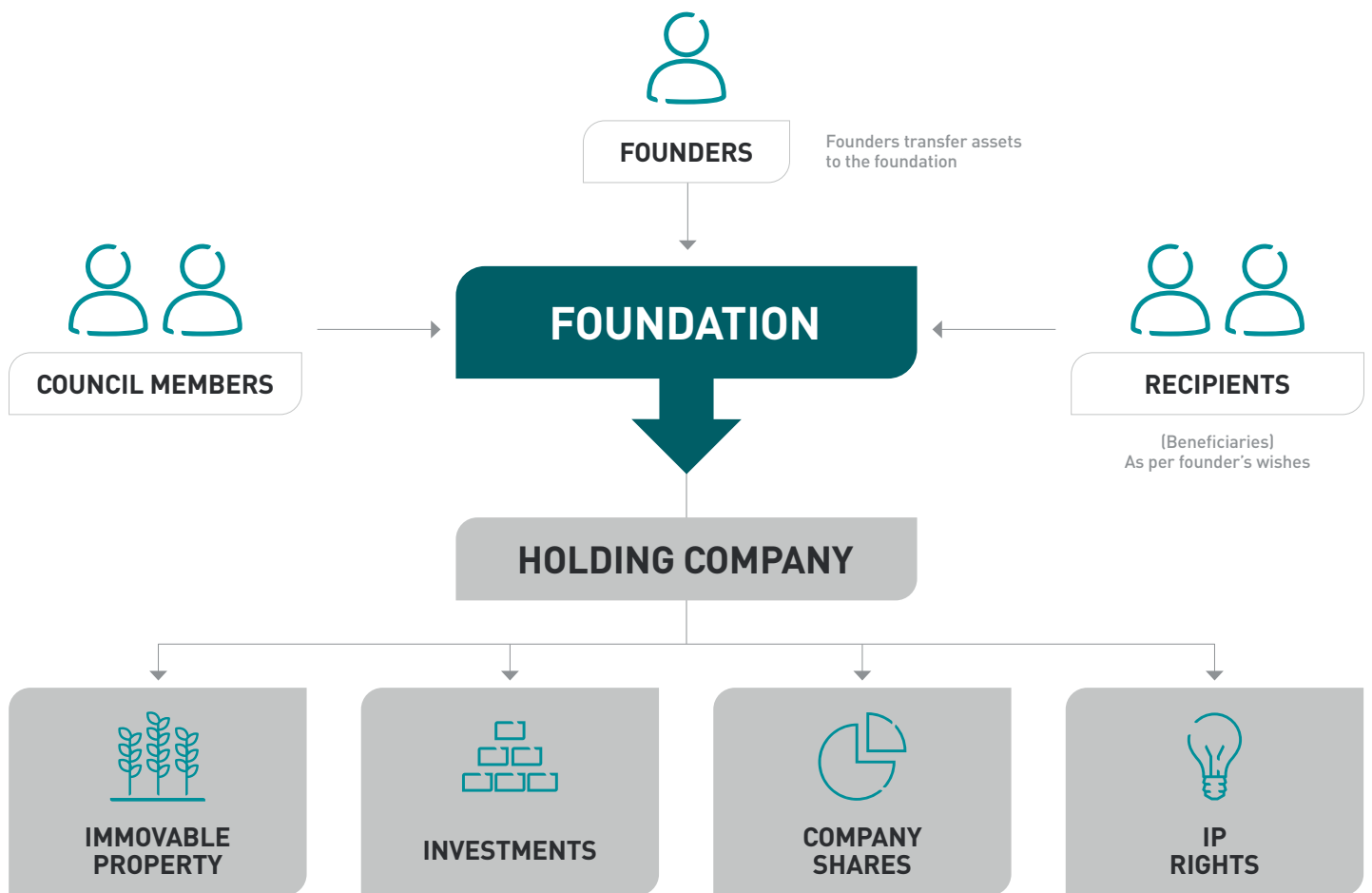


2.5 | Foundations

A foundation is an independent legal entity which, like a company, has its own legal personality²⁵. However, unlike a company, a foundation does not have shareholders and does not issue any shares

or ownership titles. Foundations can only carry out commercial activities if they are necessary, ancillary or incidental to its purposes²⁶. There are more than 1,000 foundations registered in the UAE to date.

Typical Structure Of A Foundation



²⁵ Article 10(1) of DIFC Law No 3 of 2018 (as amended)

²⁶ Article 12(5) of DIFC Law No 3 of 2018 (as amended)



In the Emirate of Dubai, the DIFC has a robust foundations regime under DIFC Law No. 3 of 2018, as amended (**the DIFC Foundations Law**). A foundation is established by a founder and once the Charter of the foundation is filed with the DIFC Registrar, details of the foundation are recorded on the DIFC Register and can be publicly viewed (unless the founder decides to register the foundation on the DIFC's Private Register created in 2023 to allow families a greater degree of privacy, if so desired). In any case, the foundation Charter and the details of the founder, council members, guardians and beneficiaries remain private.

Unlike the trust, there is no immediate requirement to transfer significant assets to the foundation. The founder can contribute assets to the foundation, as can other persons who are then known as contributors.

Foundations are widely recognised across the UAE and internationally. Foundations have become very popular in the UAE since their introduction in the UAE in 2017 and provide greater flexibility over the care and management of assets held by the foundation.

A foundation is mainly used for the following reasons:

- As a vehicle for the consolidation and protection of family wealth;
- As an effective estate and succession planning solution;
- For commercial transactions;
- For securitization structures;
- For long-term businesses holding;
- As anti-hostile takeover instruments; and
- For charitable purposes.

A foundation is governed by its **Charter and By-laws**. The Charter (similar to the memorandum of association of a company) must be registered with the DIFC Registrar²⁷. However, the By-laws (similar to a shareholders' agreement) are private documents and can be easily modified when changes occur.

Other key features of a foundation:

- Foundations are typically managed by a Council (similar to a board of directors) made up of two or more persons (which may include corporate entities).
- A foundation may be protected by a Guardian; this is usually a trusted family adviser that is chosen and appointed by the Founder to have a veto right and oversight on the Council's decisions, to ensure that the foundation's Charter and By-laws are followed by the Council in accordance with the Founder's wishes.
- Founders typically retain certain exclusive powers over the foundation, such as the right to wind-up and liquidate the foundation at any point in time during their lifespan, or the right to change the objects of the foundation. Founders may act as Council members and they can act as the Guardian. However a Guardian cannot act as a Council Member, as this would create a direct conflict of interests.

Benefits and uses of a DIFC Foundation:

- Given their versatility, DIFC Foundations can be used by traditional families, modern corporations, pension funds, charities and/or investment managers.
- A company can be converted into a DIFC Foundation and vice versa.
- A DIFC Foundation can also be used for charitable purposes.
- DIFC Foundations are highly tax-efficient.
- A DIFC Foundation can act as a trustee of a trust.

²⁷ Article 17(1) of DIFC Law No 3 of 2018 (as amended)



- Similar to the DIFC Trust Law, the DIFC Foundations Law contains enhanced firewall provisions protecting the foundation and its assets from foreign judgments.
- DIFC foundations can be easily re-domiciled to and from other jurisdictions.
- DIFC foundations benefit from the jurisdiction of the DIFC Courts.

2.6 | Other Corporate Structuring Options

2.6.1 | DIFC Prescribed Company²⁸

In 2020, the DIFC introduced the Prescribed Company regulatory framework to provide a more flexible and cost-effective structuring option. Prescribed Companies are categorised as private companies under the DIFC Companies Law and come under the framework of a 'small private company'.

The Prescribed Company is in essence the DIFC equivalent to a special purpose vehicle (**SPV**) (i.e., a company with a limited purpose, such as a family holding structure). A sufficient legal connection to the DIFC (or the UAE) must be demonstrated in order for the DIFC to permit the incorporation of a Prescribed Company.

A Prescribed Company must have a registered address in the DIFC, which can be easily achieved by retaining a DIFC-licensed corporate services provider²⁹.

US\$1 Trillion

Expected to reach by 2026, from \$700 billion in 2021, Projected compound annual growth rate of 6.7% for financial wealth in the UAE as per Dubai Economic Agenda D33

²⁸ In May 2024, the DIFC has announced its intention to substantially revise the prescribed company regulations to enhance the proposition of the DIFC prescribed companies

²⁹ Article 3.1.1(c) of DIFC Prescribed Company Regulations 2023



03

GOVERNANCE OF FAMILY BUSINESSES



Effective governance is key to the proper running of a corporation, and this applies equally to a family business.

The main objectives of family business governance are:

- a. Facilitation of institutionalisation of decisions;
- b. Enabling positive communication and smooth decision-taking;
- c. Effective conflict management;
- d. Promoting transparency and accountability;
- e. Assisting with succession planning and intragenerational transfer of duties and power; and
- f. Supporting effective control of a family business.

One of the main objectives of the UAE Federal Family Business Law is the creation of a comprehensive and friendly legal framework to regulate the ownership and governance of family businesses in the UAE, and to facilitate their transition through generations; hence, governance is at the core of its application.

The first step towards creating an effective governance framework is designing the requisite policies and a family charter or constitution, along with the creation of certain committees if required. The next crucial step is the careful implementation of the governance tools, as well as their regular update.



A full governance model encompasses all components of a family business: family governance, ownership governance, corporate governance and wealth governance [...] each family business should prioritise and rank these elements of governance based on its personal challenges and circumstances.³⁰

US\$253 Billion

By 2024, Assets under Management in this market are projected to reach.

www.statista.com

³⁰ Hammadeh, Fadi. (2018); Family Business Continuity in the Middle East & the Muslim World (Betting Against the Odds), p. 44.



3.1 | Family Charter or Constitution

A family charter, also known as a family constitution³¹, is a document that outlines the values, principles, and guidelines that govern a family. It serves as a roadmap for the family's interactions, decision-making processes, and the handling of family and business matters. By outlining the fundamental rules governing relationships between family members as well as their relationship with the business, a family charter aims to safeguard the capital of a family and ensure its human, social and financial wealth. A well-drafted family charter is meant to be a guidebook that evolves over time, adapting to the changing needs of the family and its business³².

The Family Business Law defines a “*Family Constitution*” as “*the written document regulating the governance of the dealings of the Family relevant to the Family Business, and the relationship between the Family and the Family Business.*”

In line with the enactment of the UAE Federal Family Business Law and the Dubai Family Business Law, family charters can be formalised as legally binding documents in the UAE³³. This significant development permits UAE-based family businesses to obtain greater legal certainty concerning their formalised governance documents.

The UAE Federal Family Business Law requires that a family charter is approved by a majority of the members of a family council. The approved charter should ideally be registered at the respective registry office in their relevant emirate³⁴. The UAE Ministry of Economy has released a template family charter as a guideline document. At the Dubai-emirate level, the Dubai Centre for Family Businesses has published guidelines for both corporate governance and family governance along with a sample articles of association for family businesses.

3.2 | Family Assembly, Family Council and/or Family Committees

Each family may consider establishing any of the following governance forums, depending on the family's size, complexity, business, objectives and vision.

- a. **A family assembly** usually convenes as a yearly forum that gathers all family members. It is the highest governing body of the family, aiming at facilitating communication, updating family members on current topics concerning the family business and supporting the maintenance of family ties.
- b. **A family council** is typically formed as a forum of select family members acting on behalf of the wider family assembly. As a governing body that meets regularly, the family council acts akin to a board of directors of a company. Family councils usually oversee conflict resolution, define and modify family policies, organise assembly meetings, and have certain financial oversight tasks.
- c. **Family committees** are created as specialised forums for the effective management of a family business. They typically are limited to specific mandates and their members have specific expertise or interest in the respective mandates. Examples of such topical committees include family education, family philanthropy or family emergency committees.

³¹ The Family Business Law at Article 6 describes a ‘Family Constitution’ as follows:

“The Family may have a constitution containing rules on Family ownership, objectives and values; mechanisms for evaluating shares, methods of distributing profits, and education and qualification requirements for Family members to work in the Family Business and its subsidiaries; as well as methods of resolving Family disputes related to the Family Business, and other rules and provisions.”

³² Chiniara, Walid S. (2020); *Dynastic Planning. A 7-Step Approach to Family Business Succession Planning and Related Conflict Management*, Business Expert Press, pp.134-135

³³ However, in the event of a conflict between the articles of association and the ‘Family Constitution’, the provisions of the articles of association shall prevail (Article 6.3 of the UAE Federal Family Business Law)

³⁴ Article 4.1, Federal Decree by Law No. 37 of 2022



04

FAMILY OFFICES



A family office is a legal entity created to oversee and manage the financial needs of a specific family or multiple families, including management of wealth and assets, such as investment, tax and estate planning and lifestyle management services. Family offices are not considered a family business structuring option; rather, any number of structures (companies, trusts, foundations, etc.) can perform the tasks of a family office.

Advantages of establishing a family office in the UAE:

- Tax efficiency;
- Creation of a substantive presence in the UAE;
- Long term residency granted to non-Emiratis;
- Robust banking system;
- English/common law jurisdictions as well as civil law Arabic-language jurisdictions;
- Ease of doing business;
- Facilitation of global estate and succession planning;
- Global connectivity and access to regional business community; and
- High caliber of professional investment advisors.

While the DIFC is a popular center for family offices in Dubai, the Dubai Multi Commodities Centre (**DMCC**) and Dubai World Trade Centre (**DWTC**) also provide unique and attractive single and multi-family office offerings in the UAE.

The decision of a family to either set up their own Single-Family Office (**SFO**) or to use the services of a Multi-Family Office (**MFO**) instead, depends on several factors including the primary purpose of the family office, the size and types of assets it will manage, the location of those assets, tax considerations, the investment strategies for various asset groups, etc.

To date, there are no other jurisdictions outside the UAE where separate and distinct legal forms are available for SFOs and MFOs.

A | DIFC Family Arrangements Regulations 2023

The DIFC Family Arrangements Regulations (**the FA Regulations**) govern the constitution and conduct of family businesses, family offices and all family wealth structuring activities in the DIFC. The sophistication of these regulations has helped to position the DIFC as the 'jurisdiction of choice' for family offices and family businesses in the MENA region.

Highlights of the FA Regulations:

1. Registration requirements for SFOs and MFOs can be consolidated within one 'Family Office' licence category, provided the shareholders of the family office have a net global aggregate asset base of at least USD 50 million³⁵.
2. SFOs are exempt from the requirement to register as a Designated Non-Financial Businesses and Professions (**DNFBP**) with the Dubai Financial Services Authority.
3. A **Family Entity** can be a body corporate, a partnership, a foundation, or any other legal entity, provided it is established for the purpose of holding, investing and managing the assets of a single family or of a Family Structure (defined below)³⁶.
4. A **Family Structure** is now defined as one or more Family Entities or trusts, provided that for any trust or foundation, the trustee, council or governing body must be appointed by at least one family member or Family Entity³⁷.
5. A Family Entity or Family Office that is incorporated or registered in the DIFC as a company is considered a private company and may have more than 50 shareholders³⁸.

³⁵ Article 4 of DIFC Family Arrangements Regulations

³⁶ Article 2.5.1 of DIFC Family Arrangements Regulations

³⁷ Article 2.5.1 of DIFC Family Arrangements Regulations

³⁸ Article 7.3 of DIFC Family Arrangements Regulations



6. Single families which demonstrate a substantial presence in the UAE may be exempt from the requirement of leasing office space as part of their licensing conditions, and may instead use the office of a DIFC-registered corporate services provider³⁹
7. Alternative dispute resolution (e.g., arbitration*) is encouraged by the FA Regulations⁴⁰.

Did You Know?

For an enhanced fee, a Family Entity or a Family Office may apply to be removed from the DIFC Public Register and remain solely registered in the DIFC Private Register, allowing for greater privacy⁴¹.

B | DMCC Family Offices

In the DMCC, a SFO is incorporated as a standard FZ-LLC company structure with a license allowing wealth, asset and legal affairs management and other associated services to a single family, which may include family members, family businesses, corporate structures, trusts or foundations.

Other key characteristics:

- The SFO can also hold shares in a family business, or other assets and can be included in wealth management structures that use trusts and foundations.
- The SFO must be owned 100% by members of the same family.
- The SFO must not offer any services to anyone other than the family's own members, entities, businesses, trusts, or foundations.

C | DWTC Family Offices

Both SFOs and MFOs can be established in the DWTC under its family office framework.

A DWTC SFO:

- Can be established as a regular Free Zone Establishment (**FZE**) or Free Zone Company (**FZCO**);
- Must have a minimum of AED 500,000 in proven liquid assets;
- Must be wholly owned by lineal descendants of the same family;
- May be controlled (not owned) by up to 49% by non-family members; and
- Is considered an offshore entity founded by family members, with a specific license for management of professional services.

A DWTC MFO

A DWTC MFO is a corporate structuring option aimed at professional service providers and wealth management advisors who wish to provide their services to multiple families under a single license.

- Can also be established as a regular FZE or FZCO with a specific license for the management of professional services and the provision of administration services, whereby the services are rendered to multiple families; and
- Has no restrictions on ownership, structure, board requirements or minimum capital requirements other than the restrictions applicable to FZEs or FZCOs generally.

³⁹ Article 7.4.1 of DIFC Family Arrangements Regulations

⁴⁰ Article 7.6 of DIFC Family Arrangements Regulations

⁴¹ Article 7.2.1 of DIFC Family Arrangements Regulations

*The FA Regulations are not prescriptive concerning the arbitration forum or seat; hence, a choice has to be made by each family business accordingly.



05

INHERITANCE AND SUCCESSION PLANNING



It is essential for UAE-based family businesses to implement robust inheritance and succession plans in order to consolidate, preserve and protect their wealth.

The recent introduction of various regulatory and legislative changes across the UAE has positively enabled family businesses to be better prepared for succession. A well-prepared and executed estate and succession plan, coupled with robust legal structures, ensures the smooth transition of wealth from generation to generation, whilst minimising disruption to operational businesses. This can all be achieved in a harmonious manner covering cross-border estates and global families.

In view of accurately describing succession planning options, this guidebook distinguishes between the personal estate of a natural person who is a family business member and the family business' corporate ownership.

The personal estate of a natural person may be structured via a foundation, a trust, a waqf, or a corporate structure during their lifetime (as outlined in previous chapters). Succession planning may take place via certain structures or by means of a will.

In any case, it is advisable to have a succession plan in place. In the absence of a succession plan, upon a person's death, the UAE intestate succession laws apply, which habitually follow the Shari'ah prescribed heirship regime. Estates of non-Muslims may be excluded from the application of Shari'ah succession, but only if the person has a UAE-registered will in place.

There are currently two options for executing a will in the Emirate of Dubai:

1. The DIFC Courts' Wills Service: Established in 2015 and permits the execution of wills (including guardianship wills) for non-Muslims..
2. The Dubai Courts: The Notary public at the Dubai Courts allows the registration of wills and guardianship provisions.

It is estimated that only 20 percent of family businesses are managed by the third generation in the Middle East

The United Arab Emirates' wealth management market is experiencing a surge in demand for Shari'ah-compliant investment products

US\$249 Billion

In 2024, Financial Advisory services are set to dominate the Wealth Management market, with a projected market volume.

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Economy and Tourism

06

REAL ESTATE OWNERSHIP



Real estate remains a top preferred investment option for family businesses in the UAE. Transfer of real estate from one owner to another, be they companies or individuals, is currently subject to applicable transfer fees as prescribed by each emirate's land department.

In the event of inter-vivo (lifetime) transfers of real estate to first and second-degree family members, e.g., via a gift (hiba), the emirate's land departments apply a reduced fee compared to the fee they apply to third-party sales.

In the event that a real estate is transferred into a foundation domiciled in the UAE by the foundation's founder or its contributors, the emirates' land departments may also apply a reduced fee as compared to the fee applied to third-party sales. For example, in Dubai, a transfer of an immovable property to a DIFC foundation or to the first degree relatives via the means of a gift (heba) or in the event of inheritance transfers (pursuant to the a grant of probate) typically triggers a 0.125% Dubai Land Department fee in addition to nominal administrative fees.

However, transfers of real property by means of a trust deed from the settlor to a trustee of a DIFC-domiciled trust and thereafter, to the intended beneficiaries are currently subject to the standard land department sales transfer fee of 4%.



07

TAX CONSIDERATIONS



7.1 | UAE Corporate Tax

In December 2022, the UAE government issued the federal corporate tax law on the taxation of corporations and businesses (Corporate Tax Law)⁴², which has come into effect for financial years starting on or after June 1, 2023. The move marked a significant shift in the tax landscape of the UAE, historically known for its tax-free business environment, aiming to bolster the UAE's competitiveness and align its fiscal policies with international tax standards and best practices. The corporate tax is set at a headline rate of 9% for taxable profits exceeding AED 375,000.

Under the Corporate Tax Law, a company based in the UAE is generally subject to corporate tax.

Natural persons are generally not subject to corporate tax in the UAE unless they are conducting a 'Business' or 'Business Activity' (i.e., economic activities whether continuous or short term excluding employment, personal investment or real estate investments subject to meeting certain conditions) in the UAE, have a permanent establishment in the UAE or derive state sourced Income (i.e. income that is accrued in, or derived from, the UAE). However, the Corporate Tax Law does help individuals and family businesses to structure their activity in a tax efficient manner.

As such, the following may be of relevance to family businesses, individuals or families, in tax efficient structuring of their businesses and wealth:

- a. **No personal income tax:** One of the most significant advantages of the UAE is that it does not levy personal income tax. This means that individuals residing in the UAE do not pay taxes on salary or other personal or passive income, regardless of its source.
- b. **No capital gains tax on individuals:** The UAE does not impose capital gains tax on individuals (when not conducting 'Business'), which makes it a favourable location for passive investments in assets such as real estate, stocks, and other securities.
- c. **No inheritance tax:** There is no inheritance tax in the UAE, providing a significant advantage for estate planning. Wealth can be passed on without the levy of tax.
- d. **Clarification on definition of business for natural persons:** 'Business' or 'Business Activities' conducted by resident or non-resident individuals are subject to corporate tax only if the total turnover derived from such activities exceeds AED 1,000,000 within a calendar year. Salaries, personal investment income and real estate investment income are also not subject to corporate tax (subject to meeting certain conditions).
- e. **Personal Investment income:** Personal Investment income is not subject to Corporate Tax when earned by a natural person from investment activity conducted in his/her personal capacity that is neither conducted through a Licence or requiring a Licence from a Licensing Authority, nor considered as a commercial business in accordance with the UAE commercial law.
- f. **Real Estate Investment income:** Real Estate Investment income is not subject to Corporate Tax when earned by a natural person if it is related, directly or indirectly, to the selling, leasing, sub-leasing, and renting of land or real estate property in the UAE that is not conducted through a licence nor requiring a licence from a licensing authority.
- g. **Family Foundations tax neutrality:** The UAE Corporate Tax Law currently regards family foundations and similar wealth consolidation structures (e.g., trusts) as taxable entities by default. However, the Corporate Tax Law allows a family foundation, subject to meeting certain conditions, to make an application to the Federal Tax Authority (FTA) to be treated as an unincorporated partnership for UAE CT purposes.

⁴² The Federal Decree-Law No. [47] of 2022 on the Taxation of Corporations and Businesses, issued on 9 December 2022, and related Cabinet and Ministerial Decisions



If the application is approved, the family foundation would be treated as a transparent legal entity, meaning that the beneficiaries, rather than the foundation itself, would be treated as earning the income for UAE Corporate Tax purposes. In such case, as the income would be deemed as directly earned by natural persons, it would not fall in the scope of UAE Corporate Tax (subject to certain conditions). Furthermore, a juridical entity within a Family Foundation may choose to elect for tax transparency. This option provides enhanced tax benefits for Family Foundations holding assets within the UAE, in line with the UAE's Corporate Tax framework. This may be used as a tax efficient holding structure for purposes of asset protection and succession planning.

- h. Small business relief:** Small businesses are afforded relief to ease the implementation of and simplify the compliance with Corporate Tax in the UAE. Residents who are taxable persons may elect for the small business relief where their revenue in a relevant tax period and all previous tax periods is below or equal to AED 3 million for each tax period. This relief allows for reduced compliance requirements (simplified tax return and record keeping requirements) and are not required to pay the Corporate Tax on the relevant tax period. However, this relief is not available to Qualifying Free Zone Persons (**QFZP**) and member of a Multinational Enterprise Group (**MNE**).
- i. Taxation of dividends and profit distributions:** Domestic dividends and other profit distributions received from UAE resident person are exempt from Corporate Tax without any conditions being prescribed by the Corporate Tax Law.
- j. Participation exemption:** Dividends and other profit distributions received from foreign juridical persons should be exempt from Corporate Tax if the recipient has a participating interest in the foreign company (such as dividends and capital gains), subject to meeting certain conditions.
- k. Business Restructuring relief:** The Corporate Tax Law neutralises the corporate tax impact of business restructuring transactions undertaken as part of the restructuring or re-organisation of a business. Ordinarily, business restructuring transactions such as mergers or de-mergers may result in a taxable gain or loss, even where the ultimate ownership of the business or taxable person does not change, or the original owners of the business retain an ownership in the restructured business. So as not to hamper restructuring transactions undertaken for valid commercial or other non-fiscal reasons, the business restructuring relief allows certain types of restructuring transactions to take place in a tax neutral manner. The Business Restructuring relief is available subject to meeting certain conditions and to the transferor having elected for the application of the relief.
- l. Qualifying Group relief:** The Corporate Tax Law allows for a tax neutral outcome of transfer/restructuring of assets or liabilities where there is no change in the overall ownership of the assets or liabilities from a group perspective. Under this relief, assets or liabilities transferred between two taxable persons within the same 'Qualifying Group' (i.e., group of companies) do not create a gain or loss for Corporate Tax purposes subject to satisfying certain conditions. It is subject to an election by the transferor and to being clawed back if within two years the transferee ultimately disposes of the asset or liability outside of the Qualifying Group, or the transferor or transferee leave the Qualifying Group.
- m. Application of 0% Corporate Tax rate for Qualifying Free Zone Companies:** Free zone companies may benefit from a 0% tax rate subject to meeting certain requirements and conditions under the Corporate Tax Law. Qualifying Free Zone Person's Qualifying Income should be earned from Free Zone transactions or Qualifying Activities (including manufacturing and processing of goods or materials, trading of qualifying commodities, holding of shares and other securities for investment purposes, fund management services,



headquarter services to related parties, treasury and financing services to related parties, logistics services, wealth and investment management services, reinsurance services, ownership, management and operation of ships, distribution of goods or materials in or from a Designated Zone, Logistics services, financing and leasing of aircrafts). Additionally, the Qualifying Free Zone Company must meet certain conditions including maintaining adequate substance in the Free Zone, and preparing audited Financial Statements and Transfer Pricing Documentation requirements. Moreover, the non-qualifying income should not exceed the de-minimis threshold.

- n. Foreign tax credit:** A credit is available for foreign taxes paid on a UAE taxable person's income, which is limited to the amount of corporate tax due on the relevant income. Any unutilised foreign tax credit cannot be carried forward or back and will ultimately be lost.
- o. Diverse investment protection, double taxation and economic partnership treaty networks:** The UAE has signed over 140 double taxation agreements (**DTAs**) with countries worldwide, including major economic powerhouses like the United Kingdom, Saudi Arabia, India, China, and Singapore. These treaties aim to prevent the same income from being taxed in two countries i.e., double taxation, and eliminating additional taxes and fiscal evasion. The UAE has also signed multiple Comprehensive Economic Partnership Agreements (**CEPAs**) with key trading partners to strengthen economic ties, boost trade and investment, and position itself as a global trade hub. The UAE's diverse network of DTAs, CEPAs and investment protection treaties position it as a hub for international trade and investment.

The corporate, investment, tax, asset protection and wealth preservation vehicles and solutions available in the UAE make it a favourable destination in the Middle East and beyond. As such, global families are choosing the UAE as their preferred jurisdiction.

AED 3.67 Trillion

assets are projected to be transferred to the next generation in the Middle East over the next decade, according to H.E. Mohammad Ali Rashed Lootah, President and CEO of Dubai Chambers.



7.2 | Criteria of UAE Tax Resident

- a. The UAE's Cabinet Resolution No. 85 of 2022 regarding Determining Tax Domicile **(the Resolution)** clarifies the legal parameters relating to Tax Residency for “natural and legal persons” in the UAE.
- b. Article 4 of the Resolution provides that a natural person (i.e., an individual) is considered a tax resident in the UAE if any of the following conditions are met:
 1. Their usual or primary place of residence and centre of financial and personal interests is in the UAE; or
 2. they are physically present in the UAE for a total period of 183 days or more during consecutive 12-month period; or
 3. they are physically present in the UAE for a period of 90 days or more in a consecutive 12-month period and (i) are a UAE national, or (ii) hold a valid UAE residency permit, or (iii) are a GCC national and have at least one of the following:
 - a permanent place of residence in the UAE; or
 - an employment or a business in the UAE.
- c. An entity that is incorporated or otherwise established or recognised in the UAE (whether mainland or free zone) will automatically be considered a resident person for the purposes of UAE Corporate Tax. UAE companies such as Limited Liability Companies, Private Joint Stock Companies, Public Joint Stock Companies and other UAE juridical persons will, therefore, be resident persons.

A foreign entity may also be treated as a resident person for UAE CT purposes if it has a “Place of Effective Management” in the UAE. This means the UAE is the place where key management and commercial decisions about the company are typically made.

All facts and circumstances must be considered in determining where a company is effectively managed and controlled.

7.3 | Tax Residence Certificate

If a legal or natural person qualifies as a Tax Resident, they may apply for a tax residence certificate (TRC) with the FTA.

The Domestic TRC is based on UAE tax laws and criteria and is generally used by to prove tax residency to tax authorities and other government entities internationally.

A TRC for DTA purposes is also available and aims to confirm a residency in the UAE for the purposes of claiming tax benefit under a specific DTA.

7.4 | Value Added Tax

The Value Added Tax (VAT) was introduced in the United Arab Emirates (UAE) in January 2018 at a standard rate of 5%. Certain goods and services are subject to VAT at a zero rate (0%), such as exports, while others, such as specific financial services, are exempt from VAT.

VAT is a transaction-based, indirect tax that is levied and collected at each stage of the supply chain by businesses that meet the VAT registration requirements. The final consumer ultimately bears the VAT cost, while businesses are responsible for collecting and remitting the tax to the FTA.

Businesses that are registered, or required to register, for VAT—referred to as “taxable persons”—charge VAT on goods or services supplied in the course of their business. These taxable persons must collect the VAT from their customers and, on a periodic basis, remit the collected VAT to the FTA, along with the filing of a tax return.

Taxable persons are also allowed to recover the VAT paid on goods and services purchased from their suppliers or on imports, provided they meet the specified conditions.



08

CONFLICT MANAGEMENT AND DISPUTE RESOLUTION



There are various dispute resolution mechanisms available to family businesses in the UAE, including litigation and alternative dispute resolution mechanisms such as mediation and arbitration.

Family business disputes are a distinct form of dispute which encompass various elements of civil (family) matters, commercial and corporate matters and succession matters. Family businesses may be reluctant to litigate internal conflicts due to the interpersonal and familial relationships at the core of these conflicts, the sensitive issues at hand and the desire for privacy.

Mediation and arbitration may therefore be more attractive frameworks for disputes related to family businesses, affording greater flexibility over the resolution process, choice of arbitrator or mediator, and increased privacy and confidentiality. Giving particular attention to the rising alternative dispute resolution trends and to the needs for family businesses in the UAE, we note the following alternative dispute resolution options:

- a. The recently issued DIFC Family Arrangements Regulations (2023) dedicate an entire section to alternative dispute resolution, providing that any instrument governing the affairs of a family entity (or trust or foundation) making reference to arbitration shall be deemed a binding arbitration agreement between the parties. Neither of the DIFC Family Arrangements Regulations, nor the DIFC Foundation and Trust Laws are prescriptive concerning the arbitration forum (or seat). They permit families to elect the most suitable arbitration forum.
 - The recently enacted UAE Family Businesses Law⁴³ also provides parties to a dispute with the right to arbitrate disputes both 'onshore' as well as in the financial centres. This law is also not prescriptive in terms of the arbitration forum or seat. It allows families to elect the most suitable domestic arbitration forum.
- b. The Dubai Family Business Law⁴⁴ requires family businesses to refer their disputes to a 'special

judicial committee' formed by H.H. the Ruler of Dubai to settle disputes arising from contracts governing ownership of family property. One of the main objectives of this law is to maintain social cohesion and prevent disputes among family members. The law provides that the committee shall consist of experts and specialists in the legal and financial fields and in family business management.

- c. Dubai Resolution 14 of 2023⁴⁵ regarding the formation of a committee to resolve disputes of family businesses and Family Property⁴⁶ in the Emirate of Dubai provides for family business disputes to be referred, in first instance⁴⁷, to the Centre for Amicable Resolution of Disputes⁴⁸ for amicable settlement, failing which, disputes shall be referred to the recently established '**Family Disputes Settlement Committee**' at the Dubai Courts⁴⁹.
- d. The Dubai International Arbitration Centre (DIAC) is a well-recognised arbitration centre that can cater to arbitration disputes for family businesses. Dubai is considered an arbitration- friendly jurisdiction, having minimal court and legislator interference, pro-arbitration legislation and a solid record for enforcement of international and domestic arbitral awards. This creates a significant opportunity for Dubai to become a world centre for family business dispute resolution.

⁴³ UAE Federal Decree-Law No. 37 of 2022 on Family Business

⁴⁴ Dubai Law No. 9 of 2020 for Family Business Ownership Governance

⁴⁵ Resolution No. (14) of 2023 Forming the Tribunal for Settlement of the Disputes of Family Companies and Family Property in the Emirate of Dubai issued on 18 October 2023

⁴⁶ Family Property is defined as: "The movable and immovable property; copyrights and related rights; industrial property rights; trademarks; and other rights that are subject of a Family Property Contract regulated pursuant to the Family Property Law" (Law No. [9] of 2020 Regulating Family Property in the Emirate of Dubai and its amendments)

⁴⁷ Unless the 'Family Property Contract', or the memorandum of association or charter of a family business, provides for the amicable settlement of disputes through a board to be formed from amongst the shareholders of a Family Company or from amongst family members

⁴⁸ Dubai Law No. 18 of 2021 on Conciliation in the Emirate of Dubai

⁴⁹ The Tribunal comprises the following members: a Judge from the Courts, whose grade is not lower than appellate Judge, as chairman of the Tribunal; and two [2] members from amongst experts and specialists in the legal, financial, and family business management fields, as recommended by the Director General of the Dubai Chambers.



09

UAE & DUBAI GOVERNMENT INITIATIVES BENEFITING FAMILY BUSINESSES



Innovation goes hand in hand with long term visionary planning. With the legal innovations that the UAE has witnessed in recent years, it is only natural that the UAE and specifically the Dubai Government have introduced several complimentary initiatives to create an innovative and sustainable environment for family businesses.

9.1 | Thabat Venture Builder

In recognition of the key contributions that family businesses make to the domestic economy, the UAE Ministry of Economy (**MOE**), in collaboration with B-M Gulf and other leading strategic and collaboration partners, recently launched the Thabat programme (**Thabat**). Thabat's mission is focused on equipping family businesses with the tools, knowledge, guidance, and network they need to expand their legacy. It also delivers workshops and assists family businesses' next generations in creating new business opportunities, from the concept stage to client testing and the establishment of a sustainable growth strategy.

Thabat is aimed at doubling family-owned businesses' contributions to the UAE's GDP, with a goal of reaching a contribution of US\$320 billion by 2032. The first stage of the program's mandate is to assist 200 family businesses to grow into large- scale enterprises with an aggregate market value exceeding US\$40.84 billion, and to help them adopt new technologies.

9.2 | Dubai Centre for Family Businesses

His Highness Sheikh Mohammed bin Rashid Al Maktoum issued a Decree in 2022 establishing the **Dubai Centre for Family Businesses** (the **CFB**). The CFB, established under the aegis of the Dubai Chambers, aims to support family businesses in achieving their long-term potential of becoming sustainable, thereby ensuring smooth generational transfers and efficient and unfettered succession planning. It offers consultation and training assistance, emphasising good governance and succession planning. The mandate of the CFB is to provide technical

and administrative support, together with 'creative solutions', to family businesses located in Dubai to prepare them for the future economy.

The CFB includes the following innovative programmes as part of its offering to its members:

- The Dubai Family Business Management Programme, which was developed in partnership with the Mohammed bin Rashid Centre for Leadership Development to prepare a new generation of family business leaders and enhance their global presence;
- The Next Generation Training Programme, which aims to educate young active and non-active family members about their future roles in family businesses;
- The Governance Series, a set of awareness sessions where international and regional families are invited to share their experiences with an audience of Dubai-based family businesses focused on topics such as UAE family business laws, family business governance and family offices;
- The Advisors' Certification Programme, which aims to develop a pool of world-class certified and accredited advisors for family businesses included on a central directory; and
- The CFB has also made available a large repository of educational materials on its e-library, featuring over 2000 multimedia resources for those interested in learning more about the challenges faced by family businesses.
- The CFB provides advisory services to support family businesses in assessing their governance readiness and maturity as well as developing effective governance framework.

Additionally, the CFB regularly organises topical events (such as round tables, panel discussions and conferences) to engage with and support the family business sector.



9.3 | DIFC Family Wealth Centre

The DIFC established the Family Wealth Centre (**FWC**) in 2023 with the aim of strategically positioning the DIFC as an optimal global jurisdiction to preserve the wealth and protect the assets of family businesses using foundations, trusts and other related corporate structures in the DIFC.

Interestingly the FWC recently entered into a MoU with the CFB. The partnership focuses on training, education, and joint events to elevate governance standards. It encourages family businesses to adopt world-class, ESG and Shari'ah-compliant standards.

The partnership provides access to the Family Office Club, recommends business structures for succession planning and adopts certification programs for family business advisors.

The FWC also aims to raise awareness of wealth preservation and asset protection by providing:

- Advisory and educational services;
- Networking events;
- Compliance accreditation; and
- Access to a network of certified expert advisers.

9.4 | Family Business Council-Gulf

The Family Business Council – Gulf (**FBCG**) is a regional member of the Family Business Network International (**FBNI**), a not-for-profit international network run by family businesses, for family businesses, with the aim of facilitating success across generations.

Established in 1989, FBNI currently counts over 16,000 individual members from over 4,000 family businesses across 65 countries. FBNI aims to help family businesses grow, succeed and prosper through the exchange of best practices, new ideas and peer-to-peer learning activities.

FBNI also acts as a thought leader and a source of knowledge reference on regional family business issues, as it supports the next generation of business-owning families and presents critical family business issues to governments and decision-makers in the GCC.

FBCG, a regional member of the FBNI network, aims to “facilitate the continuity of GCC family businesses across generations”. In particular, it seeks to:

- Identify and address GCC-specific issues;
- Advance intellectual progress on topics related to family business management, such as succession, Family governance, next generation development and family communication; and compliance accreditation; and
- Promote a positive role for family businesses in the economy and in society.



9.5 | Links to Additional Resources

Useful content and family business events:

DUBAI CHAMBERS:

- [Dubai Centre for Family Businesses - Dubai Chambers](#)
- <https://fblibrary.dubaichamber.com/>
- <https://www.dubaichamberdigital.com/knowledge-hub>

FBN/FBCG:

- <https://fbc-gulf.org/>
- <https://www.fbn-i.org/>

THABAT:

- <https://www.thabatventures.ae/>

DIFC:

- <https://www.difc.ae/ecosystem/difc-family-wealth-centre>

90%

Private sector in the UAE is comprised of family-owned businesses, contributing to circa 40% of the national GDP

Many family businesses in Dubai established during the 1950s and 1960s anticipate generational shift in 5-10 years

Dubai Chambers.



10

PHILANTHROPY -

ITS ROLE IN THE COMMUNITY AND ITS
IMPORTANCE TO FAMILY BUSINESSES



Philanthropy, a key pillar of Islam, is an intrinsic element of the culture and tradition of the United Arab Emirates. Philanthropic and charitable social initiatives reflect a deep-rooted ethic to contribute to the sustainable development of our society.

Such principles are further enhanced by the current growing trend of impact (social) investments. Combining ethical investments with philanthropic objectives, not only ensures a Family Business achieves its moral and ethical objectives but does so whilst positively impacting their underlying businesses and contributing to the betterment of our society.

The positive inclusion and involvement of all family members in philanthropic initiatives and activities from an early age, not only instills a deep-rooted awareness of effective wealth management across generations, but also serves to unite diverse family members by encouraging them to collaboratively identify, select and implement philanthropic mandates for their family.

Whilst individual family members may, based upon their focused and dedicated philanthropic strategy, identify preferred charitable causes, the current trend of philanthropic collaboration between family offices is becoming increasingly popular. Such investment trends not only maximise their social impact, but also serves to further unite and strengthen the harmonious bonds between families across the United Arab Emirates.

Waqfs, foundations and trusts, are popular options for many wealthy families and have been historically used to fulfill philanthropic objectives and initiatives. They are incredibly versatile and can be personalised and established to suit each family's objectives, whilst protecting privacy and enabling a family to carry out such activities.

Charitable activities are well regulated in the UAE. Donors, fundraisers and recipients (NGOs) of philanthropic endeavours must comply with the regulatory requirements when engaging in such activities. There are many key considerations and inherent risks associated with philanthropic and charitable activities and family businesses are advised to navigate the regulatory landscape, obtain

the requisite government and regulatory authorities' approvals, prior to establishing a charitable structure or making a charitable donation. It is crucial for families to proactively develop and implement compliance solutions that enable their businesses to meet their strategic objectives, whilst leveraging the exceptional fundraising potential of the UAE.

Philanthropy has clearly entered a new era of evolution, where transparency and sustainability are key criteria for investment decisions and charitable activities. The UAE is witnessing a fundamental shift in the traditional structuring of philanthropic donations, as the younger generations consider alternative options and hybrid methods of achieving their charitable objectives, such as impact investment funds and social enterprise vehicles.

Given their technical expertise and awareness of ESG compliant investments and obligations, the next generation of business leaders are being positively encouraged by their senior family members to showcase their entrepreneurial and innovative vision to curate unique, yet impactful philanthropic initiatives.



11

DIGITISATION



The digital industrial revolution that we continue to witness, driven by technology and disruptive trends, such as rise of data and connectivity, analytics, human-machine interaction, Internet of Things, AI and robotics, impacts all businesses across the world.

With the advent of the 4th generation technology, the Dubai government is at the forefront of creating a digital ecosystem which fosters our digital economy and contributes to the wellbeing of its citizens, residents and visitors. The Vision of H.H. Sheikh Mohammed Bin Rashid Al Maktoum, Vice-President & Prime Minister of the UAE, and Ruler of Dubai, is to make Dubai the world's digital capital.

Digital Dubai was established by His Highness Sheikh Mohammed Bin Rashid Al Maktoum in 2021 to develop and oversee the implementation of policies and strategies governing all matters related to Dubai's information technology, data, digital transformation, and cyber-security (<https://www.digitaldubai.ae/>). Since its inception, Digital Dubai has launched over 130 initiatives (<https://www.digitaldubai.ae/initiatives/ai-lab>) in partnership with government and private sector entities. Key initiatives include the Dubai Data Initiative, the Dubai Blockchain Strategy, the Happiness Agenda, the Dubai AI Roadmap and the Dubai Paperless Strategy.

Given the inevitable positive impact this will have on many family businesses in the UAE, it is imperative that they prioritise digitisation and develop their own internal 'digitisation strategy'. By doing so, not only will they benefit from ground-breaking technologies whilst aligning with international best practice, but they will also remain competitive within the constantly evolving global marketplace. Studies have shown that when integrated into the appropriate context, digitization results in significant cost efficiency and enhances productivity for businesses.

Despite its manifold benefits, the technological and digital media revolution exposes family businesses to many risks that can be mitigated.

Family businesses are encouraged to become digitally resilient, by adopting adequate cyber-security measures to safeguard their privacy and reputation. By monitoring and anticipating digital threats and risks, family businesses can develop an integrated approach to secure the digital front.



12

FAMILY BUSINESS PROCEDURES IN MAINLAND DUBAI



UAE-based family businesses that wish to benefit from Federal Decree-Law No. (37) of 2022 Concerning Family Businesses (the “Family Business Law”) must formally register themselves as a ‘Family Business’ in their relevant emirate. Below is a summary of the procedure for registration as a ‘Family Business’ in the Emirate of Dubai (excluding free zones)*, for your information:

a. Procedure for registering an existing Dubai-based company incorporated under the UAE Commercial Companies Law as a ‘Family Business’, in accordance with the Family Business Law:

1. Review the statutory requirements and ensure that the business is eligible for registration as a Family Business.
2. Apply for the registration of the business as a Family Business with the Dubai Business Registration and Licensing Corporation (DBLC). This registration is deemed a ‘reclassification’ of an existing company, by DBLC.
3. If applicable, update details of family members, ultimate beneficial owners (UBOs), and company manager(s) by sharing their updated identity documents, addresses, and contact details with DBLC.
4. If applicable, update the business name, economic activities, legal form, business location, and share ownership records of the existing business.
5. Amend and submit the amended Memorandum and/or Articles of Association to DBLC to reflect family ownership and roles among family members that are shareholders in the company.
6. (OPTIONAL) Prepare and submit the Family Charter outlining the governance framework, roles of family members, decision-making protocols, and dispute resolution mechanisms.
7. Obtain the necessary approvals from the competent authorities, if the Family Business reclassification affects any regulated activities.

8. Seek approval from DBLC for the reclassification of the existing business as a Family Business.
9. Pay all prescribed license or registration reclassification fees to DBLC and receive the Family Business License or Registration Certificate.
10. The company’s registration in the National Economic Register (NER) maintained by the Ministry of Economy (MOEC) is automatically updated to reflect the Family Business status. A welcome message will then be sent to the newly classified Family Business by MOEC, with an option to voluntarily register the Family Charter with the MOEC.
11. All relevant government authorities and service providers are automatically notified of changes in the business classification.
12. If the reclassification affects the company’s tax registration status, the company’s registration details will need to be updated with the FTA.

b. Procedure for Registering a New Family Business in the Emirate of Dubai, in accordance with the Family Business Law:

1. Review the statutory criteria and ensure that requirements and eligibility to register a new Family Business are fulfilled.
2. Reserve a business name that complies with the applicable regulations and which reflects the nature of the Family Business.
3. Choose the economic activities that the Family Business intends to practice (e.g., professional, commercial, or industrial activities).

* For companies that are incorporated or wish to incorporate in a free zone in the Emirate of Dubai, and intend to register themselves as a ‘Family Business’ under the Family Business Law, please contact the relevant free zone authority.



4. Select a legal form for the Family Business from among the various options permitted (e.g., LLC, Civil Company, Private Joint Stock Company, etc).
 5. Register details of the family members, UBOs, and the company manager(s) for the Family Business by providing their identity documents, addresses, and contact details.
 6. Obtain the initial approval from DBLC to confirm that the Family Business can legally operate in the envisaged geographic zone of Dubai.
 7. Obtain any required external approvals for activities regulated by other government entities (e.g. health, food, or real estate sectors etc).
 8. Prepare and submit to DBLC the draft Memorandum and/or Articles of Association outlining ownership distribution, profit-sharing agreements, and roles among family members.
 9. [OPTIONAL] Prepare and submit to DBLC the Family Charter outlining the governance framework, roles of family members, decision-making protocols, and dispute resolution mechanisms.
 10. Secure a physical office or commercial premise(s) for the Family Business by obtaining an Ejari Certificate or title deed from the Dubai Land Department (DLD).
 11. Pay all prescribed license or registration issuance fees to the DBLC and receive the new Family Business License or Registration Certificate.
 12. The family business is automatically registered in the National Economic Register (NER) maintained by the Ministry of Economy (MOEC). A welcome message will be sent to the new Family Business by MOEC, with an option to voluntarily register the Family Charter with the MOEC.
 13. Apply for an establishment card from the General Directorate of Residency and Foreigners Affairs (GDRFA) and the Ministry of Human Resources and Emiratization (MOHRE) if you plan to sponsor family members and employees for the Family Business.
 14. Apply for residency visas for family members and employees through the GDRFA and the MOHRE.
 15. Register the Family Business with the FTA and obtain a Tax Identification Number (TIN) for the Family Business.
 16. Open a corporate bank account for the Family Business with any licensed commercial bank in the UAE.
 17. Obtain utility and telecom connectivities for the Family Business, from existing service providers.
- c. Procedure for Amending the Registration of a Family Business in the Emirate of Dubai, in accordance with the Family Business Law:**
1. Apply for amendment of the registration of the Family Business, specifying the type of amendment required (business name, economic activities, legal form, share ownership, business location, governance structure, etc.).
 2. If applicable, update details of the family members, UBOs, and the company manager(s) by providing their updated identity documents, addresses, and contact details.
 3. If applicable, update the business name, economic activities, legal form, business location, and share ownership details of the Family Business.



4. Amend the Memorandum and/or Articles of Association to reflect changes in ownership distribution, profit-sharing, or roles among family members and share the amended memorandum and/or articles of association with the DBLC.
5. (OPTIONAL) Amend the family charter to reflect governance changes, new decision-making protocols, or updated family roles.
6. Obtain approval from the DBLC for the requested amendment to the Family Business registration.
7. Obtain the necessary approvals from the competent authorities if the amendments impact regulated activities or company legal form.
8. Pay all prescribed license or registration amendment fees to DBLC and receive the amended Family Business License or Registration Certificate.
9. The Family Business registration in the National Economic Register (NER) maintained by the Ministry of Economy (MOEC) is automatically updated to reflect the amended registration details, if applicable.
10. All relevant government authorities and service providers are automatically notified of the amendments to the Family Business registration, if applicable.
11. If the amendments impact tax registration, update the Family Business registration details with the FTA.

d. Procedure for Reclassifying a Family Business as a Non-Family Business in the Emirate of Dubai:

1. Review the statutory criteria and ensure that the requirements and eligibility for de-registration as a Family Business are fulfilled, such as it is intended that persons outside the Family will own

the majority of its Shares with a right to vote under the provisions of the Family Business Law, or when the Family Business no longer wants to remain registered, at which point the Family Business shall be removed from the DBLC Family Business Register at the request of any interested party or pursuant to a decision of DBLC. The company shall then continue in the legal form in which it existed prior to acquiring the status of a Family Business, and its Memorandum and/or Articles of Association shall be accordingly amended.

2. Apply for re-classification of the Family Business as a Non-Family Business.
3. If applicable, update details of the shareholders, UBOs, and the company manager(s) by providing their updated identity documents, addresses, and contact details to DBLC.
4. If applicable, update the business name, economic activities, legal form, business location, and share ownership details of the existing Family Business.
5. Amend the Memorandum and/or Articles of Association to reflect changes in company ownership, and removal of family ownership and Family Business status and share a copy thereof with DBLC.
6. Obtain approval from DBLC for de-registration as a Family Business.
7. Obtain any necessary approvals from the competent authorities if the de-registration impacts regulated activities or the company legal form.
8. The Family Charter filed with DBLC is then automatically cancelled.
9. Pay all prescribed de-registration fees along with any applicable license or registration amendment fees (if any) to DBLC and receive the amended Business License or Registration Certificate.



10. The registration in the National Economic Register (NER) maintained by the Ministry of Economy (MOEC) is automatically updated to reflect the removal of Family Business ownership status. If the Family Charter was registered with the MOEC, the MOEC will automatically cancel and remove it from its records.
11. All relevant government authorities and service providers are automatically notified of changes to the business classification, if applicable.
12. If the reclassification impacts tax registration, update the registration details with the FTA.

Please note that the procedure for renewing the license or registration of a Family Business, or liquidating and cancelling the license or registration of a Family Business will follow the same process as that for companies incorporated under the UAE Commercial Companies Law.

Contact Details:

For further details concerning Family Business registration in the Emirate of Dubai, please contact DBLC through any of the following channels:

✉ **Email:** familybusiness@dubaidet.ae

☎ **Contact Center:** +971 600 55 55 59

📞 **WhatsApp:** +971 600 55 55 59

🌐 **Website:** [Invest in Dubai](https://investindubai.ae)

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