

Legal Glimpse – By MAS Advocates

Dubai Family Ownership Law – Guide for Families to Regulate Family Assets



The Government of Dubai has promulgated Dubai Law No.9 of 2020 – Regulating Family Ownership in the Emirate of Dubai (“**Law**”)¹ with an objective to facilitate easy transmission of assets within the successive family generations (upto the fourth degree) whilst setting out pre-determined legal processes to be followed by such families to avoid legal disputes.

¹ The Law is in force since 19th August, 2020 and repeals any contradictory legislations and provisions.



The Law is of vital importance since majority of the UAE businesses in the hospitality, construction and real estate sectors are family owned. Furthermore, the networth of the UAE business families gross over \$ 40 billion, with substantial part of the wealth concentrated in Dubai, the richest city in MENA region.

The family businesses can at their will elect to apply and benefit from this Law by executing a notarized Family Ownership Contract (“**FOC**”) between the family members for a term of 15 years and renew it subject to the terms agreed, provided that each renewed term doesn’t exceed 15 years. The Law permits FOC to manage and administer the stocks and shares in commercial companies, civil companies, assets of sole proprietorships (with exception of public joint stock companies), other moveable or immovable assets including intellectual property rights, industrial designs and other rights with respect to the aforesaid assets owned by the members of the family (“**Family Assets**”). The FOC shall determine the share of the partner in the Family Assets as per agreed terms or in accordance with legal inheritance.

The Law provisions for a Committee to be formed by decision of the Ruler of Dubai which shall comprise of experts in the field of legal, financial and family business management with powers to exclusively adjudicate dispute under the FOC. The Law also stipulates for administration of the Family Assets to be undertaken by an administrator appointed by the partners to the FOC owning two-thirds of the Family Assets. Such administrator may be a partner in the FOC, a third party or a legal person and shall be responsible for duties mentioned in the FOC including distribution of profits emanating from the Family Assets amongst the partners in proportion to their agreed percentage. The partners may elect to appoint Board of Directors to supervise the administration of the Family Assets and the duties of the administrator.



The primary intention of the Law is to ensure transition of the Family Assets into the hands of successive family generations and therefore prohibits third party from becoming a partner in the FOC and transfer of the Family Assets to a third party (during the term of the FOC) except with approval of atleast 51% majority. The partner may alienate his or her share in the Family Assets by assignment to spouse or relatives upto first degree or by offering it to the other partners within limits of their agreed share in the FOC.

It is pertinent to note that the Law permits the partners or heirs to submit a request to own the share of the Family Asset which has been attached under bankruptcy or insolvency proceedings against the partner or has been acquired by the third party for reasons other than voluntary transfer by the partner. The Law authorizes the Committee to issue a final decision on the value of transfer of such share if the partners are unable to arrive at a consensus with the bankruptcy trustee or third party, as the case maybe.

The Committee has been empowered with key decision-making powers *inter alia* concerning alienation and disposal of Family Assets to third party by partitioning them from the Family Assets or compensating the third party with respect thereof, as long as it does not affect the continuation of the Family Assets. Though the Law grants the Committee with exclusive jurisdiction to adjudicate disputes arising out of the FOC, it is yet to clarify the binding effect and implementation of the decisions issued by the Committee.

Any amendment to the FOC will require consent of partners owning atleast 75% of the Family Assets, unless a higher percentage is agreed in the FOC. Whereas, any decision to terminate the FOC requires a minimum majority of only 51% (unless otherwise agreed in the FOC). Therefore, vital decision of terminating the FOC can be undertaken and effected by partners owning lesser share in the Family Assets.



The Law issues a direction to the government agencies to take necessary measures for implementation of this Law including customization of the commercial and real estate records and documents of the assets which are governed by the Law. The responsibility of efficiently applying this Law in its spirit relies heavily on the government agencies in Dubai and on the Committee which is yet to be established under the Law.

Conclusion:

The intent of the Law is to promote Dubai as a regional and global hub for family businesses and ensure that the control over the assets and wealth generated therefrom is passed within successive family generations and is not dispersed in hands of third parties. The Law acts as a tool to effectively assist family businesses to structure their assets and obligations in an organized manner whilst avoiding lengthy litigation battles before the onshore courts and minimizing legal complications.

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