Chambers | Practice Guides

Joint Ventures 2026

Definitive global law guides offering comparative analysis from top-ranked lawyers

UAE: Law and Practice & Trend and Developments

Mohamed Essam, Alia Elraey and Pareen El-Nashar
Matouk Bassiouny



UAE

Law and Practice



Contributed by:
Mohamed Essam, Alia Elraey and Pareen El-Nashar
Matouk Bassiouny

Contents

1. Market Conditions P.4
1.1 Geopolitical and Economic Factors p.4
1.2 Industry Trends and Emerging Technologies p.4

2. JV Structure and Strategy P.4
2.1 Typical JV Structures p.4
2.2 Strategic Drivers for JV Structuring p.5

3. JV Regulation P.5
3.1 Legal Framework and Regulatory Bodies p.5
3.2 Anti-Money Laundering Compliance p.5
3.3 Sanctions, National Security and Foreign Investment Controls p.5
3.4 Competition Law and Antitrust p.6
3.5 Listed Companies and Market Disclosure Rules p.6
3.6 Transparency and Ownership Disclosure p.6

4. Legal Developments P.6
4.1 Notable Recent Decisions or Statutory Developments p.6

5. Negotiating the Terms P.7
5.1 Preliminary Negotiation Instruments and Practices p.7
5.2 Disclosure Obligations p.7
5.3 Conditions Precedent, Material Adverse Change and Force Majeure p.7
5.4 Legal Formation and Capital Requirements p.7

6. Core Terms of a JV Agreement P.8
6.1 Drafting and Structure of the Agreement p.8
6.2 Governance and Decision-Making p.8
6.3 Funding p.8
6.4 Deadlocks p.8
6.5 Other Documentation p.8
6.6 Rights and Obligations of JV Partners p.8
6.7 Minority Protection and Control Rights p.9
6.8 Applicable Law and Dispute Resolution in International JVs p.9

7. The JV Board P.9
7.1 Board Structure p.9
7.2 Duties and Functions of JV Boards and Directors p.9
7.3 Conflicts of Interest p.10

8. IP and ESG P.10
8.1 Ownership and Use of IP p.10
8.2 Licensing v Assignment of IP Rights p.10
8.3 ESG Considerations in JVs p.11

9. Exit Strategies and Termination P.11
9.1 Termination of a JV p.11
9.2 Asset Redistribution and Transfers p.11
9.3 Exit Strategy p.11

Matouk Bassiouny is a leading full-service MENA law firm with over 270 lawyers operating out of its offices in Cairo, Egypt (Matouk Bassiouny & Hennawy), Abu Dhabi, United Arab Emirates (Matouk Bassiouny), Khartoum, Sudan (Matouk Bassiouny in association with AIH Law Firm), and Algiers, Algeria (Matouk Bassiouny). Matouk Bassiouny's MENA offices are supplemented by a New York satellite office dedicated to enhancing the firm's international dispute resolution services in addition to two country desks covering Libya and South Korea. Trained locally and internationally in both civil and common law systems, the firm's attorneys are fully conversant in English, Arabic, French, and Korean. Matouk Bassiouny is ideally placed to advise multinationals, corporations, financial institutions, and governmental entities on all legal aspects of investing and doing business in the region.

Authors



Mohamed Essam is a partner at Matouk Bassiouny and serves as head of corporate and M&A for the UAE as well as head of fintech and ECVC. He advises on complex fintech, venture capital, M&A, commercial, and capital markets transactions. Mohamed has assisted leading players in the fintech and venture capital industry, ranging from local and regional to multinational and international clients.



Alia Elraey is an associate at Matouk Bassiouny's UAE offices and a solicitor qualified in England and Wales. Her practice focuses on commercial law and dispute resolution, with particular experience before the Abu Dhabi Global Market Courts and the Dubai International Financial Centre Courts. Alia advises on regulatory compliance, manages legal risks across sectors including international trade and commercial operations, and supports the drafting and negotiation of commercial contracts. Alia also supports M&A matters, including drafting transaction documents.



Pareen El-Nashar is an associate in Matouk Bassiouny's UAE corporate team. Her practice focuses on corporate structuring and mergers and acquisitions, with particular experience in company incorporations, group restructurings, and ongoing corporate governance across free zone jurisdictions. Pareen advises on the day-to-day management of UAE entities, supports transactional work, and assists clients in navigating the regulatory and structural complexities of operating in the UAE.

Matouk Bassiouny

24th Floor
Al Sila Tower
Regus ADGM Square PO Box 5100746
Abu Dhabi
UAE

Office 601
Maze Tower
Sheikh Zayed Road
Dubai
UAE

Tel: +971 2694 8657
Email: mohamed.essam@matoukbassiouny.com
Web: matoukbassiouny.com

1. Market Conditions

1.1 Geopolitical and Economic Factors

Despite conflict in the Middle East, joint venture (JV) activity in the UAE has remained strong. JV parties have, however, become more cautious: some now prefer outright acquisitions for the speed and control they offer. At the same time, joint ventures remain attractive where parties wish to share risk and invest in stages. Furthermore, geopolitical events have generally delayed transactions and extended approval periods.

Nonetheless, the UAE continues to benefit from a growing network of economic partnership agreements. Looking ahead to 2027, the authors expect further investment and consolidation in strategic sectors, with joint ventures continuing to support domestic growth and foreign investment into the UAE.

1.2 Industry Trends and Emerging Technologies

Technology and energy have generated significant joint venture activity in the UAE. Growth in artificial intelligence, cloud services and data centres has been supported by the UAE's digital strategy and investment in computing capacity. Renewable energy, infrastructure, advanced manufacturing and real estate have also remained active because of continued economic diversification, population growth and major development projects.

Emerging technology affects both the structure of the venture and the matters covered by its agreements. Data is increasingly treated as a key contribution alongside capital and intellectual property. The parties must therefore specify who may collect, access, use and share data; whether it may be used to train AI systems; where it will be stored; and how cross-border transfers will be managed under the federal, the Dubai International Financial Center (the DIFC) or the Abu Dhabi Global Market (the ADGM) data-protection regime. The documents should also distinguish intellectual property contributed by each party from technology developed by the venture and allocate ownership of AI-generated outputs.

2. JV Structure and Strategy

2.1 Typical JV Structures

Joint ventures in the UAE may be structured as equity-based or contractual arrangements, depending on the parties' objectives. An equity joint venture involves establishing a separate legal entity owned by the partners. It is generally suited to long-term collaboration or where a standalone corporate identity, licence or regulated vehicle is required. The limited liability company is the most common vehicle, whose liability is generally limited to their capital contributions. Full foreign ownership is permitted in most sectors, subject to restrictions on activities with strategic impact. ADGM and DIFC private companies are also popular

where the parties prefer a common law governance framework.

A contractual joint venture does not require a separate entity. The parties remain independent and operate under an agreement setting out their respective roles, contributions and profit-sharing arrangements. This structure is generally used for specific projects or short-term collaborations, or where establishing and licensing a separate entity would be impractical. Its main advantage is flexibility, while its principal disadvantage is the absence of a corporate liability shield, requiring liability and risk to be managed contractually.

2.2 Strategic Drivers for JV Structuring

The main factors regarding JV structuring are the parties' identity and jurisdiction, whether the venture is privately or government-backed, its sector and where it will operate. For mainland UAE-based equity joint ventures, licensing requirements, foreign ownership restrictions on activities with strategic impact and the number and complexity of shareholders influence the choice of vehicle. DIFC or ADGM entities may be preferred where common law governance or free zone regulation is important, although separate approvals may be required to operate in mainland UAE. For contractual joint ventures, the key issue is whether the proposed activities may be undertaken without a separately incorporated and licensed entity. The parties should also consider profit and loss allocation, rights to assets and revenue, risk-sharing, governance, control and accounting treatment.

Tax is also a central consideration. A mainland UAE-incorporated joint venture is a separate taxable person and is generally subject to corporate tax at 9% on taxable income exceeding AED375,000. DIFC and ADGM entities also fall within the federal corporate tax regime. A qualifying free zone person may benefit from the 0% rate on qualifying income only if the applicable substance, de minimis, transfer pricing and audited financial statement requirements are met. An unincorporated joint venture is generally tax-transparent, with each partner accounting for its share, but may apply for Federal Tax Authority approval to be treated as a taxable person. Transactions with related parties must be conducted on an arm's length basis.

3. JV Regulation

3.1 Legal Framework and Regulatory Bodies

The principal legislation governing UAE mainland-incorporated joint ventures is the Commercial Companies Law, Federal Decree-Law No 32 of 2021, as amended by Federal Decree-Law No 20 of 2025, which regulates their formation, governance and dissolution. Contractual joint ventures are governed by their agreements and Federal Decree-Law No 25 of 2025 Promulgating the Civil Transactions Law and Federal Decree-Law No 50 of 2022 Promulgating the Commercial Transactions Law. Competition matters fall under Federal Decree-Law No 36 of 2023 Regulating Competition. Incorporated joint ventures in the DIFC are governed by the Companies Law, DIFC Law No 5 of 2018, as amended, while those in the ADGM are governed by the ADGM Companies Regulations 2020, as amended.

3.2 Anti-Money Laundering Compliance

The UAE's anti-money laundering framework is set out in Federal Decree-Law No 10 of 2025 regarding Anti-Money Laundering and Combating the Financing of Terrorism and Proliferation Financing and Cabinet Resolution No 134 of 2025 issuing its Executive Regulations. It applies across the mainland and the commercial and financial free zones. In the DIFC, it is supplemented by the Anti-Money Laundering, Counter-Terrorist Financing and Sanctions Module of the Dubai Financial Services Authority (the DFSA) Rulebook and the DIFC Ultimate Beneficial Ownership Regulations 2018. In the ADGM, the corresponding instruments are the Financial Services Regulatory Authority (the FSRA) Anti-Money Laundering and Sanctions Rules and Guidance and the ADGM Beneficial Ownership and Control Regulations 2022.

3.3 Sanctions, National Security and Foreign Investment Controls

Federal Decree-Law No 10 of 2025 regarding Anti-Money Laundering and Combating the Financing of Terrorism and Proliferation Financing and Cabinet Decision No 74 of 2020 require compliance with UAE and United Nations sanctions. Relevant DIFC and ADGM entities are also subject, respectively, to the DFSA Anti-Money Laundering, Counter-Terrorist Financing and Sanctions Module and FSRA Anti-

Money Laundering and Sanctions Rules and Guidance. Parties should screen their partners, ultimate beneficial owners and funding sources.

Competitors must limit information-sharing and co-operation to what is necessary for the venture under Federal Decree-Law No 36 of 2023 Regulating Competition. A jointly controlled venture may also require merger clearance.

The UAE has no general cross-sector foreign investment screening regime. Foreign investors may own 100% of most mainland companies, but strategic-impact activities under Cabinet Resolution No 55 of 2021 may be subject to national ownership, board or approval requirements. These include defence, financial services, telecommunications, currency printing, specified religious services and fisheries.

The DIFC and ADGM generally permit 100% foreign ownership, although regulated financial services require DFSA or FSRA approval. Separate licensing may be required for mainland operations.

3.4 Competition Law and Antitrust

Federal Decree-Law No 36 of 2023 Regulating Competition, Cabinet Resolution No 59 of 2026 and Cabinet Decision No 3 of 2025 prohibit horizontal and vertical restrictive agreements, including price-fixing, output restrictions, market or customer allocation and bid-rigging, and abuse of dominance. A market share above 40% establishes dominance, but broader market-power factors are also assessed.

A jointly controlled JV may constitute an economic concentration. Notification is required where combined annual sales in the relevant UAE market exceed AED300 million or combined market share exceeds 40%. Filing must occur at least 90 days before completion, and closing of the transaction is suspended pending clearance; parties should think of including a clearance condition and realistic long-stop date in applicable JV establishment documents.

3.5 Listed Companies and Market Disclosure Rules

Where a joint-venture party is listed, no additional requirements attach to the joint venture itself, but the listed party must continue to observe the securities laws, continuous disclosure obligations and corporate governance standards applicable to listed companies. A material transaction may therefore need to be disclosed to the market and, depending on its size relative to the company, may require shareholder approval.

3.6 Transparency and Ownership Disclosure

Under UAE federal regulations, disclosure of ultimate beneficial ownership is mandatory under Cabinet Resolution No 109 of 2023, which regulates the beneficial owner procedures and applies to all mainland entities and entities in the economic free zones. Certain entities must maintain a register of beneficial owners, file the information with the licensing authority and update it when circumstances change. A beneficial owner is an individual who ultimately owns or controls at least 25% of the shares or voting rights, or who otherwise exercises control over management. In the DIFC, the Ultimate Beneficial Ownership Regulations 2018 require entities to maintain a UBO register, file particulars with the Registrar and report changes within 30 days. A UBO includes a natural person holding at least 25% of shares or voting rights, entitled to appoint or remove a majority of directors, or otherwise exercising significant control.

In the ADGM, the Beneficial Ownership and Control Regulations 2022, as amended, apply to entities other than branches of foreign companies or partnerships. They require records of beneficial owners and controllers and notification of changes to the Registration Authority within 15 days. The ADGM applies a similar ownership threshold as the DIFC.

4. Legal Developments

4.1 Notable Recent Decisions or Statutory Developments

The defining development of the last three years is the amendment of the Commercial Companies Law by Federal Decree-Law No 20 of 2025, which has materially improved the UAE's federal regime for joint ventures. Companies may now issue multiple classes of shares carrying different rights, so that preferred returns, weighted or non-voting quotas and liquida-

tion preferences can be built directly into the capital structure of a mainland limited liability company. Drag-along and tag-along rights, together with succession and deadlock mechanisms, may now be included in the constitutional documents, giving them enforceability against the company and third parties rather than existing only as contractual agreement between shareholders. The reforms also permit corporate re-domiciliation, extend the law's reach to foreign companies with a UAE presence and to free zone companies conducting onshore activities. The practical effect is that complex joint venture arrangements which were previously pushed into free zones or offshore holding structures can now be implemented onshore.

5. Negotiating the Terms

5.1 Preliminary Negotiation Instruments and Practices

Negotiations usually begin with a mutual non-disclosure agreement to protect information exchanged during due diligence, followed by heads of terms or a memorandum of understanding recording the key commercial points on a non-binding basis. Where one party contributes a unique asset or opportunity, an exclusivity or lock-out arrangement is common. At this stage the parties usually agree on the intended ownership split and capital contributions, the governance principles including board composition and veto rights, the scope of the venture's business, the funding and profit-distribution mechanics, the conditions to be satisfied before completion, and the governing law and dispute resolution forum.

5.2 Disclosure Obligations

There is no general obligation to make a joint venture public at the negotiation stage. Disclosure obligations arise in specific circumstances where the venture meets the merger-control thresholds and must be notified to the competition authority before completion; where a party is listed and the transaction is material enough to require market disclosure or shareholder approval; where the venture operates in a regulated sector requiring prior approval and therefore disclosure to the relevant regulator; and, on formation of the entity, where beneficial ownership information must be filed with the licensing authority.

5.3 Conditions Precedent, Material Adverse Change and Force Majeure

Joint venture agreements usually include conditions precedent revolving around obtaining any required sector approvals, securing competition clearance where required, executing the ancillary agreements, completing the licensing authority's KYC checks, delivering the necessary corporate authorisations and legal opinions, and the absence of any material adverse change. Material adverse change clauses are negotiated, and in the current geo-political and economic climate a higher focus is placed on them, particularly around regional conflict, sanctions and commodity price movements. Force majeure is a recognised concept under UAE law, excusing performance where an event beyond a party's control renders performance impossible rather than merely more onerous, and it has become a focal point of negotiation given regional instability, with parties defining triggering events carefully and specifying whether the consequence is suspension, renegotiation or termination.

5.4 Legal Formation and Capital Requirements

Establishing a UAE mainland limited liability company involves reserving the trade name, preparing and notarising the constitutional documents, obtaining initial approvals from the economic department and any sector regulator, completing the anti-money laundering and KYC requirements, contributing the share capital and obtaining the trade licence. The timeline ranges from a few days to several weeks depending on the complexity of the venture and the jurisdiction. There is no fixed minimum capital for a limited liability company established in the mainland UAE beyond the requirement that it be adequate to the company's purpose, and free zone entities are subject to the capital requirements of the relevant authority.

In the DIFC, incorporation proceeds through the Registrar of Companies under DIFC Companies Law No 5 of 2018. The application includes the name and activities, articles, corporate approvals, ownership and UBO/KYC details, and evidence of a registered office. Regulated financial activities require prior DFSA approval.

In the ADGM, incorporation proceeds through the Registration Authority under the ADGM Companies Regulations 2020. Similar constitutional, ownership, KYC and premises information is required, although notarisation is unnecessary unless requested. FSRA approval is required for regulated financial activities.

6. Core Terms of a JV Agreement

6.1 Drafting and Structure of the Agreement

For an equity joint venture the documentation comprises the joint-venture or shareholders' agreement, which governs the relationship between the parties as owners, the constitutional documents filed with the licensing authority, and a suite of ancillary agreements such as intellectual property licences, services and secondment agreements, supply or offtake arrangements and parent guarantees. At the federal level, the reforms to the commercial companies law introduced by Federal Decree-Law No 20 of 2025 Amending Certain Provisions of Federal Decree-Law No 32 of 2021 on Commercial Companies have shifted the balance between the shareholders' agreement and the company's constitutional documents, since protective terms that once were incorporated only in the shareholders' agreement can now be included in the constitutional documents of the company and thereby made enforceable against the company itself. For a contractual joint venture a single collaboration agreement can include all of these functions, defining each party's scope of work, cost allocation, profit and loss sharing, liability, intellectual property ownership and termination.

6.2 Governance and Decision-Making

Certain fundamental decisions are reserved to the shareholders and typically require a supermajority or unanimity, including amendments to the constitution, changes to capital or share classes, approval of the annual budget and business plan, material related-party transactions and borrowing, changes to the venture's scope, and dissolution. The board or management committee takes strategic and operational decisions within the parameters the shareholders set, with seats generally allocated in proportion to shareholding, although weighted voting is now available following the recognition of differentiated share classes. Day-to-day operations are delegated to the appointed managers, and the JV entity's shareholder agreement and constitutional documents should mark a clear difference between management authority and matters requiring board or shareholder approval.

6.3 Funding

JV entities are typically funded through a combination of equity contributions made on incorporation, shareholder loans, and third-party debt supported where necessary. The agreement should address whether the parties are obliged to meet future funding calls and the consequences of a failure to do so, which may include dilution, default or a forced transfer of the defaulting party's interest, together with any anti-dilution protection and pre-emption rights on new issues. Where future funding alters the ownership balance, the agreement should specify whether board representation and reserved-matter thresholds are to be recalculated.

6.4 Deadlocks

Deadlock is addressed through a series of mechanisms, starting with referral to the senior executives of each party for a defined negotiation period, followed where necessary by mediation, and then by a structured buy-out such as a put or call option, a mechanism under which one party's offer to buy compels the other either to sell or to buy at the same price. Winding up the venture and, ultimately, recourse to the courts remain the options of last resort.

6.5 Other Documentation

Depending on the sector, the arrangement is commonly supported by intellectual property and technology licences, services and management agreements, secondment or employment arrangements for key personnel, supply and offtake contracts, asset transfer agreements, lease assignments and parent company guarantees or comfort letters, alongside continuing confidentiality undertakings.

6.6 Rights and Obligations of JV Partners

In an incorporated venture profits are distributed in accordance with the constitutional documents, and the parties may agree profit-sharing ratios that differ from their equity percentages, subject to the requirement to set aside a statutory reserve. In a contrac-

tual venture profit and loss allocation is a matter of agreement. Non-compete and non-solicitation obligations are enforceable provided they are limited in purpose, duration and territory and are proportionate to the interest protected, and including consideration for adherence strengthens enforceability. Liability for the venture's debts is limited to capital contributions in an incorporated structure, whereas in a contractual venture liability turns on the terms of the agreement and the nature of the underlying obligations.

6.7 Minority Protection and Control Rights

Minority shareholders benefit from a combination of statutory and contractual protection. Federal Decree-Law No 20 of 2025 Amending Certain Provisions of Federal Decree-Law No 32 of 2021 on Commercial Companies confers pre-emption rights on share transfers, the right to vote in proportion to ownership, the right of shareholders holding at least a tenth of the capital to convene a general meeting, rights to inspect the company's records and protection against resolutions that unfairly prejudice minority interests. These are supplemented contractually by reserved matters requiring enhanced consent, guaranteed board representation, information and audit rights, tag-along rights, anti-dilution protection and put options exercisable on specified default events.

The DIFC Companies Law No 5 of 2018 and the ADGM Companies Regulations 2020 provide similar safeguards, including statutory pre-emption on new share issues, rights to receive accounts and inspect specified records, protections for class rights, meeting-requisition rights and court remedies for unfairly prejudicial conduct. In both jurisdictions, issue-pre-emption rights may be excluded or disapplied only as permitted by the applicable legislation.

6.8 Applicable Law and Dispute Resolution in International JVs

Parties are free to choose the governing law of their agreement, and while the constitution of a mainland entity must comply with the Commercial Companies Law, the shareholders' agreement itself is frequently governed by English, ADGM or DIFC law in international ventures, with UAE law more common for domestic mainland arrangements. On dispute resolution, arbitration is the usual choice for cross-border ventures, whether seated at one of the UAE's arbitration centres or under international rules, while the DIFC and ADGM courts are increasingly selected for their common law procedure and English-language proceedings, and the onshore courts remain appropriate for domestic ventures. As a signatory to the New York Convention, the UAE enforces foreign arbitral awards through a streamlined application to the execution judge, and domestic arbitration is governed by the Federal Law No 6 of 2018 Concerning Arbitration, as amended by Federal Decree-Law No 15 of 2023 Amending Certain Provisions of Federal Law No 6 of 2018 Concerning Arbitration as amended.

7. The JV Board

7.1 Board Structure

The board of an equity joint venture is generally structured to mirror the ownership split, so that in an evenly held venture each party appoints an equal number of directors and a casting vote or independent chair is provided to break ties, while in a majority-minority structure the majority appoints most of the directors with the minority guaranteed at least one seat. There are no nationality restrictions on the managers of a mainland limited liability company.

7.2 Duties and Functions of JV Boards and Directors

Under Federal Decree-Law No 32 of 2021 on Commercial Companies, as amended, directors and managers of mainland companies must act within their powers, exercise due care, protect the company's interests, avoid misuse of office and disclose conflicts, abstaining from voting where required. Their duties are owed to the company.

The DIFC Companies Law, DIFC Law No 5 of 2018, and the ADGM Companies Regulations 2020 impose similar duties, including promoting the company's success for shareholders as a whole, exercising reasonable care, skill and diligence, avoiding conflicts and declaring interests. A board may delegate functions to individual directors, committees or third parties where permitted by the regulations and the constitutional documents. Matters reserved to the board

or shareholders cannot be delegated, and directors remain responsible for supervising any delegate.

The board must ensure that annual financial statements and any required reports are prepared, audited where applicable, circulated to shareholders and filed or presented for approval. JV documents commonly require additional reporting, including management accounts, budgets and business plans.

7.3 Conflicts of Interest

For companies incorporated in the UAE mainland jurisdiction, Federal Decree-Law No 32 of 2021 on Commercial Companies, as amended, requires a director to disclose any direct or indirect conflict before the relevant matter is considered. A conflicted director must not participate in the discussion or vote, and the disclosure and decision should be recorded in the minutes. Appointment by, or employment with, a joint venture partner does not automatically disqualify the director, but transactions involving that partner may require additional board or shareholder approval.

In the DIFC and ADGM, directors must avoid conflicts and disclose the nature and extent of any interest under the DIFC Companies Law No 5 of 2018 and the ADGM Companies Regulations 2020. A conflict may be authorised by the non-conflicted directors or shareholders where permitted by the applicable law and articles. Whether the interested director may participate or vote will depend on those provisions and the terms of the authorisation.

8. IP and ESG

8.1 Ownership and Use of IP

At the outset, the parties should identify the intellectual property each party will contribute to the joint venture ("Background IP") and clearly record its ownership. Background IP is generally licensed, rather than assigned, to the joint venture. This allows the joint venture to use the IP while ownership remains with the contributing party and the licence can be terminated when that party exits or the joint venture ends.

The parties should also agree who will own any intellectual property created by the joint venture ("Foreground IP"), including any developments or improvements to the Background IP. Where the joint venture will use a party's brand or trade marks, the parties should enter into a trade mark licence addressing matters such as permitted use, quality control, territory, duration and termination.

The same considerations apply to a contractual joint venture, although the parties' rights will be governed entirely by the joint-venture agreement. Clear drafting is therefore important to avoid disputes over ownership and use. Assignments and licences of registered trade marks and patents should also be recorded with the UAE Ministry of Economy where required to be effective against third parties. Cross-border licensing arrangements must comply with applicable transfer pricing requirements and may have tax consequences in the licensor's jurisdiction.

8.2 Licensing v Assignment of IP Rights

Licensing is generally more suitable for a joint venture because it allows the contributing party to retain ownership of its intellectual property and continue using it in its own business. A licence can also be limited by purpose, territory and duration and terminated when the joint venture ends or the contributing party exits. Licence fees should be determined on an arm's length basis in accordance with applicable transfer pricing requirements.

An assignment may be appropriate where the intellectual property has been developed exclusively for the joint venture and has no separate value to the contributing party. It may also be required where the joint venture needs full ownership to enforce the rights, grant sub-licences or facilitate a future sale of the business.

An assignment permanently transfers ownership of the relevant rights, subject to any agreed reversion provisions. A licence only grants the joint venture defined rights to use the intellectual property. The licence should therefore specify whether it is exclusive, the permitted scope of use and what happens to the licensed rights when the joint venture terminates.

8.3 ESG Considerations in JVs

Environmental, social and governance (ESG) matters are becoming increasingly important when structuring joint ventures in the UAE. This reflects the UAE's Net Zero 2050 strategy, federal climate change legislation and the sustainability reporting obligations or expectations applicable to listed companies. International investors, lenders and other counterparties also commonly impose ESG requirements as a condition of their participation.

Joint venture agreements increasingly include ESG standards, reporting and audit obligations, board-level oversight and a clear allocation of responsibility for environmental compliance and emissions. They may also provide for remedial action or termination following a serious environmental or governance breach.

ESG performance may affect a joint venture's access to financing, insurance and government contracts. It should therefore be addressed as a substantive part of the joint venture's governance and risk allocation arrangements.

9. Exit Strategies and Termination

9.1 Termination of a JV

An incorporated joint venture may be dissolved on the expiry of its agreed term, the achievement of its purpose, a resolution of its shareholders, insolvency or liquidation, or a court order following an unresolved dispute or deadlock.

A contractual joint venture will generally terminate when the relevant project is completed, its agreed term expires, the parties agree to terminate it, a party commits a material breach, a force majeure event makes performance impossible, or a party becomes insolvent.

The joint-venture agreement should set out the consequences of termination. These normally include settling outstanding liabilities and third-party obligations, dealing with the joint venture's assets, terminating intellectual property licences and returning Background IP, addressing employees, preserving confidentiality and any continuing restrictive covenants, and completing any required tax and regulatory procedures. For an incorporated joint venture, the parties may also need to liquidate and deregister the entity, cancel its licences and notify the relevant authorities.

9.2 Asset Redistribution and Transfers

The treatment of assets on termination depends on how they were originally contributed. Where a party retains ownership and only licenses or makes an asset available to the joint venture, the asset should generally return to that party. The joint-venture agreement should specify the applicable value, valuation procedure and treatment of depreciation, improvements, liabilities and tax.

Where ownership of an asset has been transferred to an incorporated joint venture, the asset belongs to the joint venture and will not automatically return to the contributing party. On liquidation, the asset may be sold or distributed only after the joint venture's liabilities have been settled and in accordance with applicable law and the constitutional documents.

Assets created or acquired by the joint venture, including intellectual property, customer relationships and goodwill, should be dealt with in the manner agreed by the parties. The parties should also consider whether third-party consent is required to assign contracts, whether change-of-control provisions may be triggered and whether licences or permits can be transferred. Employees will generally need to be terminated and rehired because UAE law does not provide for their automatic transfer. Transfers of real property may also require registration and payment of the applicable fees.

9.3 Exit Strategy

The parties have broad freedom to agree the circumstances and procedures for exiting a joint venture, subject to the applicable commercial companies law and the constitutional documents of the joint-venture entity. Federal Decree-Law No 20 of 2025 Amending Certain Provisions of Federal Decree-Law No 32 of 2021 on Commercial Companies has increased the flexibility available to shareholders when structuring governance and economic rights of an entity incorporated in mainland UAE, including the ability to

include tag-along and drag-along rights in the constitutional documents. The constitutional documents of DIFC and ADGM companies which are governed separately by the DIFC Companies Law No 5 of 2018 and the ADGM Companies Regulations 2020, may contain bespoke share classes, transfer restrictions, tag-along, drag-along and other exit rights.

Share transfers must nevertheless comply with applicable statutory pre-emption rights and the company's constitutional documents. Federal Decree-Law No 32 of 2021 on Commercial Companies also provides a procedure for dealing with a shareholder's interest following death, including valuation by agreement or, where the parties cannot agree, by the court. Any distribution from profits must also take account of the applicable statutory reserve requirements.

Common exit arrangements include lock-up periods, put and call options, negotiated buy-outs and trade sales supported by tag-along and drag-along rights. Successful joint ventures may also convert into public joint-stock companies and proceed to an initial public offering. In practice, a negotiated buy-out at fair market value is the most common exit route, while liquidation is generally used only where no viable alternative is available.

Trends and Developments

Contributed by:
Mohamed Essam, Pareen El-Nashar and Alia Elraey
Matouk Bassiouny

Matouk Bassiouny is a leading full-service MENA law firm with over 270 lawyers operating out of its offices in Cairo, Egypt (Matouk Bassiouny & Hennawy), Abu Dhabi, United Arab Emirates (Matouk Bassiouny), Khartoum, Sudan (Matouk Bassiouny in association with AIH Law Firm), and Algiers, Algeria (Matouk Bassiouny). Matouk Bassiouny's MENA offices are supplemented by a New York satellite office dedicated to enhancing the firm's international dispute resolution services in addition to two country desks covering Libya and South Korea. Trained locally and internationally in both civil and common law systems, the firm's attorneys are fully conversant in English, Arabic, French, and Korean. Matouk Bassiouny is ideally placed to advise multinationals, corporations, financial institutions, and governmental entities on all legal aspects of investing and doing business in the region.

Authors



Mohamed Essam is a partner at Matouk Bassiouny and serves as head of corporate and M&A for the UAE as well as head of fintech and ECVC. He advises on complex fintech, venture capital, M&A, commercial, and capital markets transactions. Mohamed has assisted leading players in the fintech and venture capital industry, ranging from local and regional to multinational and international clients.



Pareen El-Nashar is an associate in Matouk Bassiouny's UAE corporate team. Her practice focuses on corporate structuring and mergers and acquisitions, with particular experience in company incorporations, group restructurings, and ongoing corporate governance across free zone jurisdictions. Pareen advises on the day-to-day management of UAE entities, supports transactional work, and assists clients in navigating the regulatory and structural complexities of operating in the UAE.



Alia Elraey is an associate at Matouk Bassiouny's UAE offices and a solicitor qualified in England and Wales. Her practice focuses on commercial law and dispute resolution, with particular experience before the Abu Dhabi Global Market Courts and the Dubai International Financial Centre Courts. Alia advises on regulatory compliance, manages legal risks across sectors including international trade and commercial operations, and supports the drafting and negotiation of commercial contracts. Alia also supports M&A matters, including drafting transaction documents.

Matouk Bassiouny

24th Floor
Al Sila Tower
Regus ADGM Square P.O. Box 5100746
Abu Dhabi
UAE

Office 601
Maze Tower
Sheikh Zayed Road
Dubai
UAE

Tel: +971 2694 8657
Email: mohamed.essam@matoukbassiouny.com
Web: matoukbassiouny.com



The 50/50 Joint Venture in the UAE

Introduction

The 50/50 joint venture (50/50 JV) is, at once, the most intuitive expression of partnership – two parties contributing equally, sharing equally, and governing equally – and at the same time is the most structurally challenging corporate arrangement available. It promises both partners that they matter equally and that neither is subordinate, and for a time, sometimes a long time, that promise holds.

Yet, the very symmetry that makes the 50/50 JV attractive is also what makes it challenging and sometimes dangerous. A budget that one party considers aggressive and the other considers essential. A hire that one partner views as essential and the other views as irrelevant. A contract renewal that sits unsigned on a desk for weeks, then months, because neither party will approve it. The company does not collapse, but it simply slows down. In a market as fast-paced as the UAE, a company that slows down could eventually fall behind.

This article examines those fault lines. It is written for the partner who is about to sign a 50/50 JV agreement and wants to understand what lies ahead, and for the partner who signed one year ago and is now living with the consequences. It addresses the structural weaknesses of the model, the specific complications introduced by UAE law, the legislative reforms that have begun to address them, and the contractual tools that remain indispensable for any venture that intends to survive its own governance.

Practically speaking, the UAE has procedurally been introducing greater flexibility for mainland companies incorporated in the UAE under the federal system. Whereas the UAE financial free zones, being the Abu Dhabi Global Market (the ADGM) and the Dubai International Financial Centre (the DIFC), already offer considerable flexibility in structuring governance and economic rights.

The anatomy of a 50/50 JV

Before examining what goes wrong, it is worth understanding what a 50/50 JV is designed to achieve. The structure is most commonly deployed where two strategic partners bring complementary but roughly equivalent contributions to a shared company. One partner may contribute technology, intellectual property, or international market access and the other may bring local market knowledge, regulatory relationships, or operational infrastructure. The logic is that neither contribution is subordinate to the other, and therefore neither party should be subordinate in governance.

In the UAE, the most common vehicle for such arrangements is the limited liability company, whether incorporated on the mainland, within an economic freezone, or within a financial free zone such as the ADGM or the DIFC.

The governance of a 50/50 LLC typically mirrors the ownership split. Each partner most likely appoints an equal number of directors or managers. Reserved matters, those decisions deemed sufficiently material to require more than a simple majority, effectively require unanimity, not merely because equal ownership demands it, but because neither partner entered the venture expecting to be subordinate to the other. The business plan, the annual budget, capital expenditure above a threshold, the appointment or removal of senior management, entry into related-party transactions, and any amendment to the constitutional documents: all of these, in a well-drafted joint-venture agreement, require both parties to agree. The result is a structure in which the company cannot act unless both partners consent. This is not a defect; it is the agreement between the parties. The question is what happens when consent is withheld.

Types of joint ventures

Not all 50/50 JVs are alike. The disputes they generate, the governance pressures they face, and the exit dynamics they produce depend heavily on the commercial relationship between the partners and the scope of the venture's activities. Three models dominate the UAE market, and each carries its own structural fault lines.

The complementary-contribution model

This is the classic model: one partner contributes one category of value such as technology, intellectual property, product development, or international networks, and the other contributes a different category such as local market infrastructure, regulatory access, distribution capability, or operational expertise. Both contributions are essential to the venture's success, and both are difficult to replicate. The structure works well at inception because the partners occupy distinct roles and depend on each other to reach a market neither could access alone.

The challenge emerges over time. It is not about one contribution being worth more than the other but it is about visibility and measurement. Neither partner is contributing less, but each may perceive the other's contribution differently as the venture matures. This perception gap drives disputes over dividend policy, reinvestment strategy, and whether the venture's scope should expand into areas where one partner's expertise is more relevant than the other's. The underlying tension is not inequality of contribution, but it is the difficulty of measuring fundamentally different contributions against a single metric over time.

The same-industry model

This is the most complex model, and the one that generates the most intractable governance disputes. Here, both partners operate in the same sector. They may be competitors who have agreed to collaborate on a specific project, a geographic market, or a service line that neither wishes to pursue alone. Both bring deep industry knowledge. Both understand the market. Both have existing operations, client relationships, and commercial strategies that predate the venture and will continue alongside it.

The difficulty is not that the partners fail to understand each other, but it is that they understand each other too well. Each knows precisely what the other stands to gain or lose from any given decision, because each will analyse that decision identically if it arises in their own business.

The financially-strategic model

Here, one partner is a financial investor and the other is an operational or strategic partner responsible for managing and growing the business. Both bring indispensable value, capital and governance discipline on one side, and execution capability and sector expertise on the other.

The challenge lies not in the quality of either partner's contribution but in the structure of their incentives over time. The financial partner's return is tied to an exit event within a defined investment horizon. The strategic partner's return may be tied to long-term market position, recurring revenue, or the venture's role within a broader group strategy. These objectives are not contradictory at inception, but they become increasingly difficult to reconcile as the financial partner's target exit date approaches. Disputes in this model centre on timing, valuation methodology, and the terms on which a third-party buyer is acceptable.

Where you incorporate makes a difference

The UAE is not a single corporate law jurisdiction. It is a layered system, having mainland, economic free zones, and financial free zones. For a 50/50 JV, the choice of incorporation determines, where there is deadlock, whether the partners have the tools to resolve or whether they are left to largely resort to litigation, or dissolution. Thus, the choice of incorporation determines not only the governance tools available at formation but the remedies available when things go wrong.

Mainland LLCs

For a 50/50 JV, previously, the law had a particular set of constraints that compound the deadlock problem. Share transfers must have been and still have to be notarised before a licensed notary public, and the notary requires both shareholders to attend and approve the transaction regardless of what the joint-venture agreement provides. A partner who refuses to appear at the notary can block any transfer indefinitely. UAE courts have generally not granted specific performance compelling a party to attend the notary, with relief typically limited to damages for breach of contract. They will award damages for breach of contract, but the shares will not be transferred. The memorandum of association, not the shareholders' agreement, is the governing constitutional document, and where the two conflict, the memorandum of association prevails. A reserved matter applicable in the shareholders' agreement but absent from the memorandum may be unenforceable against the company itself. The contractual architecture of a 50/50 JV can be beneficial on paper but structurally unenforceable in practice when needed.

Economic free zones

Entities incorporated in economic free zones such as JAFZA, DMCC, and DAFZA are governed by the company regulations issued by their respective free zone authorities. Some closely mirror the Commercial Companies Law in structure and limitation. Others offer greater flexibility that would be difficult to implement on the mainland. However, economic free zone companies generally remain subject to UAE civil law principles in the event of a dispute, and their disputes are typically resolved before UAE mainland courts or through arbitration.

Financial free zones

ADGM and DIFC

The financial free zones, ADGM and the DIFC, largely operate as common law jurisdictions within the UAE. The ADGM directly applies English common law. English case law is directly binding on ADGM courts, and ADGM common law evolves automatically as English case law develops. The DIFC, by contrast, has enacted its own codified body of civil and commercial laws. While these are modelled on English common law principles, they stand as the DIFC's own statutes. Both permit multiple share classes with differentiated voting rights, weighted governance structures, and class-specific mechanisms. Both have their own court systems that apply common law principles, grant specific performance and injunctive relief, and have developed a body of precedent on shareholder disputes.

The practical implication is straightforward. A 50/50 JV structured through ADGM or the DIFC has access to a fundamentally different and more predictable set of laws than one structured on the mainland or in an economic free zone. The partners can be compelled to act, not merely compensated for the other's refusal to act. For ventures involving sophisticated governance mechanisms, international partners, or significant capital, this difference is not marginal; it is decisive.

Contractual solutions

Legislative reform provides the framework, but it does not address the specific commercial dynamics of any particular joint venture. The partners are obliged to make sure the specific commercial dynamics are reflected in a joint-venture agreement, and within it, the deadlock clause is one of the most important provisions. A venture without a deadlock clause is a bet that the partners will always agree. That bet most likely loses eventually.

The tiered escalation structure

A well-drafted deadlock clause must begin with a structured attempt to resolve the disagreement within the relationship, before the relationship itself becomes the dispute. The first tier is escalation. The matter is referred to a designated decision maker who is given a defined period to resolve the issue amicably. The

second tier is mediation. The dispute is referred to an independent mediator, agreed upon by both parties or appointed under institutional rules, who facilitates a structured negotiation within a defined timeframe. During the mediation period, neither party may take unilateral action, and the company continues to operate under the last approved budget and business plan. The purpose is not to impose a solution but to introduce a neutral perspective, and to preserve the status quo while that conversation takes place. Only if mediation fails does the resolution mechanism engage. The choice of mechanism depends on the nature of the venture, the relative financial strength of the partners, and the degree to which the venture's value is tied to one partner's ongoing involvement.

The independent director or chairperson with the casting vote

An increasingly common contractual tool, particularly for operational deadlocks that do not rise to the level of a full governance crisis, is the appointment of an independent director or chairperson with a casting vote on defined matters. This mechanism works best for day-to-day operational decisions where paralysis is commercially damaging but the underlying disagreement does not go to the heart of the venture's strategy.

Governing law and dispute resolution

In the UAE context, enforceability is the overriding consideration. Mechanisms that require specific performance, compelling a party to buy or sell shares at a determined price, are more reliably enforced in ADGM and DIFC courts and in arbitration rather than in mainland courts. For this reason, many practitioners recommend that the joint-venture agreement be governed by the ADGM or DIFC law and that disputes be referred to arbitration under institutional rules, even where the operating entity is a mainland or economic free zone LLC. Nonetheless, practitioners should be aware that while an ADGM or DIFC-governed joint-venture agreement is enforceable between the parties, a mainland LLC remains subject to the Commercial Companies Law. Orders directed at the company's constitutional documents or share register may still require mainland court or notary co-operation.

Conflicts of interest and scope

Beyond deadlock, the joint-venture agreement must address the ongoing management of conflicts. Mandatory disclosure obligations, restrictions on related-party transactions without independent approval, clearly defined non-compete boundaries, and a mechanism for allocating corporate opportunities between the venture and the partners individually are not optional provisions. They are significant and prevent the slow accumulation of disagreements that eventually trigger the deadlock clause in the first place. A well-drafted agreement specifies which partner has the lead in negotiating transactions where the other has a conflict, provides for independent valuation of related-party dealings, and establishes clear criteria for determining whether a new opportunity belongs to the venture or to a partner individually.

Structuring for survival

The 50/50 JV is not a structure that tolerates ambiguity. It does not give room to vague scope definitions, under-developed exit mechanics, or the assumption that goodwill will bridge the gaps that drafting left open. Every element of governance architecture must be well thought of, because in a structure where neither party can act alone, every gap becomes a potential point of disagreement.

Jurisdiction matters not as an afterthought but as the most significant decision. If the venture involves sophisticated governance mechanisms, international partners, or significant capital, the holding entity should be incorporated in the ADGM or DIFC, with a mainland or economic/financial free zone operating subsidiary where required for licensing purposes.

Scope must be defined with precision. The venture's permitted business activities, geographic territory, and the boundaries of each partner's activities outside the venture must be agreed at the outset and revisited periodically. Ambiguity in scope is the single greatest source of conflict in same-industry joint ventures, and it compounds over time as markets evolve and opportunities arise that were not contemplated at formation.

The exit must be built into the structure from day one. Lock-in periods, valuation methodologies, buy–sell triggers (Russian Roulette, Texas Shootout),

the mechanics of share transfer, and the interaction between exit rights and pre-emption regimes should all be agreed before incorporation, not negotiated under the pressure of a live dispute. The partners who cannot agree on how to leave will eventually pay lawyers to determine it for them, at far greater cost and with far worse outcomes.

And above all, the partners must resist the temptation to rely on goodwill. The partners who are negotiating a joint-venture agreement are, by definition, in a period of maximum alignment. They share a vision, they trust each other, and they cannot imagine a future in which they disagree. That future will arrive. The purpose of the joint-venture agreement is not to govern the relationship when things are going well but it is to govern the relationship when things go wrong. The quality of the agreement is measured not by how it reads at signing, but by how it performs under disagreement.

Conclusion

The 50/50 JV in the UAE is not inherently flawed. It remains the appropriate structure for partnerships where contributions are genuinely equal and where neither party should have unilateral control. However, it is a structure that demands more; more precision in drafting, more sophistication in governance design, more honesty about the conflicts that will inevitably arise, and more willingness to invest in the legal architecture that will manage those conflicts when they do arise.

Procedural implementation in the UAE has evolved considerably, introducing new tools such as multiple share classes, and statutory exit rights that were previously available only in the financial free zones. The ADGM and DIFC continue to offer the most predictable enforcement environment for complex governance mechanisms.

The question for clients and their counsels is not whether these tools are necessary. They are. The question is whether they will be deployed proactively, at the point of incorporation, when alignment is high and cost is low, or reactively, in the context of a dispute, when alignment has been reduced and cost is measured not only in legal fees but in commercial value.

The partners who build the exit into the structure, who define the scope before it becomes contested, who choose their jurisdiction with enforcement in mind, and who draft for disagreement rather than harmony; those are the partners whose ventures survive. The rest will learn the same lesson that every 50/50 JV eventually teaches: that equality without clear alignment is not a partnership. It is deadlock.

Chambers | Practice Guides

Chambers Practice Guides bring you up-to-date, expert legal commentary on the main practice areas from around the globe. Focusing on the practical legal issues affecting businesses, the guides enable readers to compare legislation and procedure and read trend forecasts from legal experts from across key jurisdictions.

To find out more information about how we select contributors, email Luke.Wilson@Chambers.com