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New Family Business Law: Bolstering family businesses in the UAE

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Family businesses hold a prominent and important role in the UAE economy and, prior to this year, have done so without a flexible and robust legal framework within which to govern them. That has now changed.

As of this year, UAE Federal Decree Law No.37 of 2022 (known amongst practitioners and professionals as simply the **New Family Business Law**) has come into effect, and with it a range of provisions specifically targeted at bolstering family businesses now and into the future.

Aimed at supporting succession planning and the sustainability of family businesses (fewer than 15% of which make it to a third generation), the New Family Business Law enables smoother transfers of businesses between generations, provides an exception to certain statutory pre-emption rules and introduces the ability for different share classes to be allotted and any number of shareholders.

Of particular interest to family businesses, practitioners and the economy as a whole, in light of recent public fallouts, is the introduction of dispute resolution mechanisms aimed at avoiding or resolving disputes in such companies. It remains to be seen how effective the new 'Family Business Dispute Resolution Committees' will be, but it is undoubtedly a welcome step towards the avoidance of the sorts of disputes which remain a principal factor in the termination of many businesses.

The New Family Business Law is in effect now and applies in all Emirates and free zones of the UAE.

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