

Cabinet Decision No. 77/2022 Concerning Limited Liability Companies

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The Cabinet,

Pursuant to the perusal of the Constitution;

Federal Law No. 1/1972 on the Competencies of Ministries and the Powers of Ministers, and its amendments;

Federal Decree-Law No. 32/2021 concerning Commercial Companies;

Based on the proposal of the Minister of Finance, and its approval by the Council of Ministers,

Issued the following Decision:

Article 1 - Definitions

In application of the provisions of the present Decision, the following terms and expressions shall have the meanings assigned thereto unless the context requires otherwise:

- State: United Arab Emirates.
- Ministry: Ministry of Economy
- Minister: Minister of Economy.
- Competent Authority: Local authority concerned with corporate affairs in the concerned Emirate.
- Company: Limited Liability Company.
- General Assembly: Owner of the company when it is a Single-Member company or all the partners when it is owned by several partners.
- Manager: Manager authorised to manage the Company, who is duly appointed, whether in the Company's Articles of Incorporation, a separate contract, or by a decision of the General Assembly or others.
- Board: Board of Directors.
- Registrant: The Registrant of Companies who is appointed by the Minister and who carries out his duties in the Ministry.
- Governance: Set of controls, standards and procedures that achieve corporate discipline in the management of the company in accordance with international standards and methods, by defining responsibilities, duties and limits of powers.
- Relevant Parties: Any of the partners, the general manager, the board of directors, the supervisory board members - as the case may be - or the executive management or the Company's employees whenever they have dealings or contracts with the Company in which any cases of conflict of interest are realized.
- Working day: The official working day of the relevant Competent Authority.
- Decree-Law: - Federal Decree Law No. 32/2021 concerning commercial companies.

Article 2 - Scope of Application of the Decision

The provisions of this Decision shall apply to the Limited Liability Company with respect to all of the following:

- 1- The procedures for establishing and managing the Company in case of a Single-Member company.
- 2- The regulation of the cases in which the provisions prescribed regarding joint-stock companies do not apply to the Company.

Article 3 - Provisions Regulating the Establishment of a Single-Member Limited Liability Company

1- Under the present Decision, the terms and conditions for the establishment of a Single-Member Limited Liability Company shall be regulated.

2- Subject to the provisions set out in Clause (1) of this Article, the Competent Authority shall regulate the standards, terms and conditions for the establishment of a Single-Member Limited Liability Company in matters not provided for in this decision.

3- A Single-Member Limited Liability Company shall have a name that derives from its purpose or from the name of its owner, provided that the name follows the expression Limited Liability Company (Single-Member Company).

4- A single natural or juristic person may establish a Single-Member Limited Liability Company or own all the shares of an existing Limited Liability Company to become a Single-Member Limited Liability Company.

Article 4 - Articles of Incorporation of a Single-Member Limited Liability Company

1- The Articles of Incorporation of a Single-Member Limited Liability Company shall include in particular the following data:

- a- The full name, nationality, date of birth and place of residence of the owner.
- b- The name, address and trade name, if any, of the Company and the purpose of its establishment.

- c- The Company's head office and its branches, if any.
- d- The Company's capital, its estimated value, and the method of estimating it.
- e- The start and end of the Company, if any.
- f- The Method of management of the Company, indicating the names of the persons who have the right to sign on behalf of the Company and the extent of their powers.
- g- The beginning and end of the fiscal year.
- h- The profit and loss distribution ratio, if any.
- i- Any other data determined by the Competent Authority.

2- If the Company's Articles of Incorporation include the name of the Manager(s), the full name, nationality, place of residence and authority shall be indicated.

Article 5 - Procedures of Incorporation of a Single-Member Limited Liability Company

In the matter of incorporating a Single-Member Limited Liability Company, the following procedures shall be followed:

- 1- The application for incorporation shall be submitted to the Competent Authority on the approved form, accompanied by the required documents, and after payment of the prescribed fees.
- 2- The Competent Authority may request the amendment or completion of any data or documents in accordance with the provisions of the Decree-Law and the decisions issued pursuant thereto.
- 3- The Competent Authority shall issue its decision regarding the application for the incorporation of a Single-Member Limited Liability Company within a period of (5) five working days from the date of submitting the application or completing the data and documents or making amendments. In the event of rejection of the application, the rejection shall be justified, provided that the expiry of the period for deciding on the aforementioned application shall be considered as a rejection of the aforesaid application.
- 4- The applicant or his representative, if the application is rejected in any of the cases referred to in Clause (3) of this Article, may file a grievance with the Competent Authority within (15) fifteen working days. If the grievance is rejected or not decided upon within (15) fifteen working days from the date of its submission, he may appeal against it to the competent court within (30) thirty days from the date of his notification of the refusal or the lapse of that period, as the case may be.
- 5- If the application for incorporation is approved, the Competent Authority shall register the Single-Member Limited Liability Company in the commercial registry and issue a commercial licence for it.
- 6- The Competent Authority shall provide the registrant with a copy of the Company's commercial license and its Articles of Incorporation through electronic linking in accordance with the controls set by the Minister in this regard.

Article 6 - Data and Documents to be Kept at the Head Office of a Single-Member Limited Liability Company

A Single-Member Limited Liability Company shall maintain at its head office the following:

- 1- A copy of the Articles of Incorporation and any updates or amendments thereto.
- 2- A statement of the cash amounts, the nature and value of the assets owned by the shareholder and the date of their ownership.
- 3- Any other data, documents or records prescribed under the provisions of the Decree-Law and the decisions implementing it.
- 4- Any other data or documents determined by the Competent Authority.

Article 7 - Management of a Single-Member Limited Liability Company

1- Subject to the provisions, related to Limited Liability Companies, that are contained in the Decree-Law, a Single-Member Limited Liability Company shall be managed by one or more managers as determined by the owner in the Articles of Incorporation.

2- The General Assembly shall appoint the Manager or managers of the aforementioned Company, unless the appointment is made by virtue of the Articles of Incorporation or a separate contract.

3- Should there be more than one Manager, the Owner may appoint the board for which the number and capacities of each of the chairman, deputy and members shall be determined by their appointment decision.

4- The term of office for the Manager(s) shall be determined by the appointment decision.

5- The administrative, financial, and other powers of the Manager or the Board shall be specified in the Articles of Incorporation or the appointment decision and shall include sufficient powers to run the Company's business and take the necessary actions to preserve its funds and ensure honest and faithful work.

6- If the position of a member of the Board becomes vacant, the Board may appoint a replacement member, provided that the matter is proposed to the General Assembly at its first meeting to approve his appointment or the appointment of someone else, unless the Articles of Incorporation stipulate otherwise.

Article 8 - Board Meetings

- 1- The Board shall hold its meetings in accordance with the relevant provisions of the Articles of Incorporation.
- 2- Board decisions shall be issued by a majority vote of the members present and the representatives in the meeting, and in the event of an equality of votes, the chair of the meeting shall have the casting votes, unless the Articles of Incorporation provide otherwise.
- 3- Before convening any meeting of the General Assembly, the Board shall hold its meeting at least (30) thirty days before the date of the General Assembly meeting, and notify the shareholder after the end of the Board meeting by virtue of a detailed notice of the decisions of the Board. The Owner shall be notified of the proposed date of meeting of the General Assembly and its detailed agenda including the topics listed in the agenda of the General Assembly.
- 4- The details of the topics considered and the decisions that were taken shall be written down in the minutes of meetings of the Board, including any reservations by the members have or disagreeing opinions. They shall be signed by the members who attended the meeting and the rapporteur of the meeting. In the event that one of the members refuses to sign, his objection shall be recorded in the minutes, and the reasons for the objection shall be mentioned if they were expressed. The minutes of the Board meetings shall be kept by the rapporteur of the Board.

Article 9 - Determining the Tasks and Duties of the Executive Management

The Board or the Manager authorised to manage a Single-Member Limited Liability Company - as the case may be - must preserve its rights, and exercise due diligence, and he shall carry out all actions that are consistent with the Company's purpose and the powers granted.

Article 10 - Governance

The Single-Member Limited Liability Company shall prepare a system for corporate governance and discipline in accordance with professional principles and with the nature of the Single-Member company. The aforesaid system shall be approved by the Owner, either directly or through the General Assembly.

Article 11 - Company Accounts

- 1- The Company shall prepare regular accounts in accordance with international accounting standards and principles in a manner that reflects a correct and fair picture of the Company's profits or losses for the fiscal year and the Company's position at the end of the fiscal year, subject to any requirements stipulated by the Decree-Law and the decisions issued in implementation thereof.
- 2- The Company shall apply the international accounting standards and principles when preparing its interim and annual accounts and determining the distributable profits.

Article 12 - Appointment of the Auditor

- 1- The Single-Member Company shall have one or more Auditors who shall be appointed, and whose fees shall be determined, by the General Assembly. The Auditor shall be registered with the Ministry and licensed by the Competent Authority to practice the profession.
- 2- An Auditor shall be appointed for a renewable period of one year, during which he shall audit the accounts for the fiscal year.
- 3- The Auditor shall exercise his duties from the end of the meeting of the aforementioned Assembly until the end of the next annual General Assembly meeting, and he shall abide by the provisions stipulated in the Decree-Law and the decisions issued in implementation thereof.

Article 13 - Powers of the Auditor

The Auditor may have access at all times to all of the Company's information, entries, books, records, documents and other documents. He may request clarifications that he deems necessary to perform his task, and he may also verify the assets, rights and obligations, and if he is unable to exercise his powers and perform his duties, he shall prove this in writing in a report submitted to the Board or the manager of the Company, as the case may be. Should the Board or the Manager of the Company fail to enable the Auditor to perform his task, the Auditor shall send a copy of the report to the Owner. Then, if he is unable to perform his duties, his report shall be sent to the Competent Authority and he shall present it to the General Assembly.

Article 14 - Approving the Balance Sheet

- 1- Subject to Article (94) of the Decree-Law, the Manager or the Board, as the case may be, after preparing the balance sheet and the profit and loss account, shall obtain the Owner's approval of the balance sheet and the profit and loss account audited by the Auditor, within the four months following the end of the fiscal year.

2- In the event that the Owner does not approve the balance sheet and the profit and loss account within the period specified in Clause (1) of this Article, the Manager or the Board, as the case may be, shall submit a request to the Competent Authority within (7) seven days, to be counted from the date of end of the period specified in Clause (1) of this Article, to invite the owner to consider approving the balance sheet and the profit and loss account and the powers mentioned in Article (94) of the Decree-Law, and the Competent Authority shall compel the owner to decide on the approval decision within a period not exceeding (10) ten days from the date of notifying the Owner, provided that a copy of the balance sheet is deposited with the Competent Authority in accordance with the dates set by it.

Article 15 - Annual Report of the Auditor

1- The Auditor shall submit to the General Assembly a report that includes the data and information stipulated in the Decree-Law.

2- The Auditor shall attend the General Assembly meeting and read his report in the General Assembly, explaining any obstacles or interferences from the Board encountered during the performance of his work. His report shall be independent and impartial, and he shall express his opinion in the meeting on everything related to his work, particularly the Company's budget, and his comments on the Company's accounts, its financial position and any violations therein. The Auditor shall be responsible for the correctness of the data contained in his report. During the General Assembly meeting, the Owner may discuss the Auditor's report and seek clarification from him on what is stated in it.

Article 16 - Sale of Shares and Bringing in of Partners

The following shall be followed regarding the sale of shares or the entry of partners into a Single-Member Limited Liability Company:

- 1- Obtaining a pre-approval of the sale from the Competent Authority.
- 2- All the terms, conditions, and standards of the Limited Liability Company, unless otherwise stipulated in this Decision, to the extent consistent with the nature of the Single-Member Limited Liability Company.
- 3- If the ownership of the shares is transferred by inheritance, the Company shall persist temporarily until the statuses are regularised; provided that the heirs choose someone on their behalf to manage the Company for no more than (6) six months from the date of death. Upon completion of the inheritance procedures, the Single-Member Limited Liability Company shall be transformed into a Limited Liability Company, and the shares shall be registered for this purpose.
- 4- The capacity of (Single-Member Company) shall cease when partners enter and shall be then subject to the provisions related to Limited Liability Companies.

Article 17 - Convening the General Assembly Meeting

1- The General Assembly shall be convened at the invitation of the Manager or the Board of Management at least once a year, during the four months following the end of the fiscal year, and it shall be held at the time and place specified in the meeting invitation letter, taking into account the provisions relating to the Single-Member Companies.

2- The Manager or the Board, as the case may be, may call the general assembly to convene whenever they see a reason to do so.

3- The Competent Authority, the Auditor or the shareholder may submit a request to the Manager or the Board - as the case may be - to invite the General Assembly to convene, The director or the board, as the case may be, shall, in this case, invite the General Assembly to convene within (5) five days from the date of submitting the request, calling for a general assembly meeting within a period of no less than (21) twenty-one days and not exceeding (30) thirty days from the date of the invitation to convene.

4- If the invitation to the General Assembly meeting is announced before the date of the meeting for a period less than the period specified in Article (93) of the Decree-Law, the invitation to convene the General Assembly meeting shall be considered valid if approved by the shareholder.

Article 18 - Distribution of Dividends

Taking into account the provisions related to Single-Member Companies, the Company shall deposit cash dividends to the shareholder in accordance with what was stipulated in the Articles of Incorporation, provided that the cash dividends deposit transaction does not exceed (30) thirty days from the date of issuing the decision approving such distributions.

Article 19 - Listing a Clause on the Agenda of the General Assembly

Taking into account the provisions related to Single-Member Companies, the following shall be applied with respect to listing any new clause in the General Assembly's Agenda:

- 1- The application for listing shall be in writing, and shall be submitted and signed by the Shareholder.
- 2- Listing of any critical topics by the Auditor, the Manager, the board or others to the General Assembly Meeting shall be permissible, accompanied by the supporting documents and information, and the provisions prescribed with respect to regulating the clauses of the General Assembly's meeting and its results shall apply in their regard.

Article 20 - Transactions with Relevant Parties

Subject to the provisions related to Single-Member Companies, the Company may not enter into transactions with relevant parties except in one of the following cases:

- 1- If the approval of the Manager or the Board is obtained - as the case may be - if the value of the transaction does not exceed (5%) of the Company's capital.
- 2- If the approval of the General Assembly is obtained by virtue of a special decision, if the transaction exceeds (5%) of the capital, and the related party may not participate in voting for the General Assembly's decision issued regarding such transaction.
- 3- The Manager or the Board, as the case may be, shall maintain regular books of accounts according to the rules to give a correct and fair picture of the Company's business status and clarify its dealings. These books shall be kept in accordance with the internationally recognised and applied accounting principles, and the shareholder shall have the right to examine the account books and any documents related to a transaction the company has concluded with one of the related parties.

Article 21 - Applicability of the Provisions Related to Limited Liability Companies or Joint-Stock Companies in accordance with the Nature of Single-Member Companies

Unless a special provision is provided for in the present Decision, the general provisions related to Limited-Liability Companies as well as the provisions related to Joint-Stock Companies shall apply to Single-Member Companies, in a manner that does not conflict with the nature of Single-Member Limited Liability Companies.

Article 22 - Provisions Regulating Cases for Which No Special Provisions Related to the Company are Provided for and that Do Not Apply to Joint-Stock Companies

The below cases shall be regulated in accordance with the criteria and provisions prescribed in their respect as follows:

- 1- Board Membership:
 - Regarding the membership of the Company's Board of Directors, the following provisions shall apply:
 - a- Board members shall be elected through the General Assembly and by secret ballot, unless the Company's Articles of Incorporation stipulate otherwise.
 - b- Membership in the Board of Directors shall be terminated in any of the following cases:
 - 1) Death.
 - 2) Dismissal from membership by a decision of the General Assembly.
 - 3) Resignation accepted by the General Assembly, taking into account the legal responsibility applicable in this regard.
 - 4) Failure to disclose a direct conflict of interests unless the General Assembly decides to accept keeping the membership and the attendance of meetings without the right to deliberate or vote when a case of conflict of interest arises.
 - 5) There is no maximum limit for membership in other Boards of Directors.
- 2- Relevant parties, deals and transactions:
 - a- Any transactions or deals concluded with relevant parties shall be submitted to the General Assembly for adoption and approval when they amount to more than (3%) of the Company's capital. If they amount to less than (3%), then said competence shall be conferred upon the Board of Management when the Company does not have a Board of Directors, or upon the General Manager when the Company does not have a Board of Management.
 - b- Subject to the above Clause (a) of this Article, the General Assembly may raise or lower the aforementioned percentage in accordance with the decision-making mechanism prescribed in the General Assembly.
 - c- The Company shall create a real-time register wherein contracts, deals or transactions in which any of the relevant parties have a relationship or interest shall be recorded.
 - d- Relevant parties shall immediately disclose any of the transactions or contracts referred to in this Article.
 - e- The relevant parties from among partners or the Board of Directors shall neither participate in the deliberations nor shall they vote on decisions regarding any of the transactions or contracts, whenever there is a conflict of interest.
 - f- The Company shall include the transactions and contracts with the relevant parties in the annual report and present them to the General Assembly.

Article 23 - Monitoring the Implementation of the Decision

The Competent Authority shall take charge of monitoring the implementation of the provisions of this Decision.

Article 24 - Publication and Enforcement of the Decision

The present Decision shall be published in the Official Gazette, and it shall come into force as of the day following the date of its publication.

Issued by us:

On 18 Muharram 1443 H.

Corresponding to: 16/08/2022

Mohammed bin Rashid Al Maktoum

Prime Minister

The present Decision was published in the Official Gazette of the United Arab Emirates, Issue No. 734, p. 59.