DIFC PRESCRIBED COMPANIES: A PRACTICAL GUIDE FOR INVESTORS

For investors buying a business or investing alongside others, a prescribed company (“**PC**”) in the Dubai International Financial Centre (“**DIFC**”) is one option for holding the investment. Its licence is restricted to holding company activity, and it cannot maintain a workforce. Before incorporating, decide whether the company will only hold the investment or will also need to employ people and run the business.

The Prescribed Company Regulations 2026 took effect on 24 July 2026, removing the previous eligibility tests. Applicants still need the Registrar’s approval and must meet the applicable requirements. A PC must also appoint a corporate service provider (“**CSP**”) unless it is exempt. The CSP must be registered with the Dubai Financial Services Authority (“**DFSA**”) as a Designated Non-Financial Business or Profession.

HOLDING AN INVESTMENT THROUGH A PC

A family investing in a business alongside two co-investors could hold the investment through a jointly owned PC. The PC’s articles and shareholders’ agreement can set out how the investors will fund it, take decisions and distribute returns. They would still need to secure the PC’s rights against the business and its other shareholders in the underlying investment documents. Selling the PC’s shares could provide an exit, although transfer restrictions, change-of-control approvals and tax would still need to be considered.

For an acquisition financed by a bank, discuss the proposed holding company with the lender before incorporating it. If a PC is to act as purchaser and borrower, confirm the security and signing arrangements and whether the bank will require guarantees from other group companies.

A founder who wants one company to own intellectual property, employ developers and contract with customers needs an appropriately licensed operating company. A PC could hold shares in that company but cannot perform those operational functions itself. Using secondments or other staffing arrangements does not avoid workforce restriction.

Before transferring an investment into a PC, check that it can own the asset and obtain any local approvals. Fund structures need separate regulatory advice. A PC licence does not authorise financial services, and using a PC to establish a DIFC fund requires the necessary DFSA authorisation. A family using a PC to hold investments should also address succession and creditor protection separately.

CHOOSING BETWEEN JURISDICTIONS

A special purpose vehicle ("**SPV**") incorporated in the Abu Dhabi Global Market ("**ADGM**") is the closest alternative for passive investment holding. Singapore and England and Wales offer ordinary private companies limited by shares that can also carry on an operating business, subject to licensing. For clients considering London, the comparison below is with a company incorporated in England and Wales.

Vehicle	Why consider it	What to check
DIFC PC	You want to hold investments through a company administered in Dubai.	Whether the PC is exempt from the CSP requirement; who will administer it and sign; whether it can hold the intended assets.
ADGM SPV	An alternative for passive holdings, particularly if other group companies or advisers are already in ADGM.	Check current registration and signatory requirements and appoint a CSP unless exempt. An SPV cannot conduct operational business or hire staff.
Singapore private company	You plan to manage Asian investments from Singapore or need the same company to hold investments and run a business.	Arrange a locally resident director and registered office and appoint a secretary within six months of incorporation. Foreign applicants must engage a registered CSP to reserve the company name and complete incorporation. Assess where control and management will take place.
England and Wales private company	The business has UK assets, management or counterparties, or the company will also need to operate.	Arrange an appropriate registered office in England and Wales and plan for public filings. Individual directors must verify their identity for incorporation; separate requirements apply to people with significant control. Directors need not be UK residents.

Where either DIFC or ADGM would work, keeping the holding company in the same jurisdiction as other group companies may make board procedures, banking documentation and later transactions easier to manage. Reports published in September 2026 indicate that ADGM has removed the requirement for SPVs to demonstrate a connection to ADGM, the UAE or the GCC. This could widen

access for investors without an existing regional connection. Applicants should confirm the current position with the Registration Authority or an ADGM-licensed CSP before applying. The separate requirements for an eligible authorised signatory and, unless exempt, an ADGM-licensed CSP continue to apply. If the company itself is likely to need staff or conduct operational business, consider an ordinary company from the outset.

TAX AND THE EVENTUAL EXIT

Before choosing a jurisdiction, work through what the company will receive and pay out, and how the investors expect to exit. Check the expected dividends, financing payments and sale proceeds against source-country taxes, treaty and anti-abuse rules, and the shareholders' own tax position. Where decisions are actually made also matters.

DIFC PC or ADGM SPV status does not, by itself, secure the UAE free zone 0% rate. A company seeking Qualifying Free Zone Person status must meet the conditions on qualifying income and substance, as well as the other requirements. Do not assume a registered-office service is sufficient on its own. Check any proposed outsourcing against both the tax rules and the vehicle's restrictions and consider whether the dividend or participation exemptions apply.

Singapore looks to where control and management are exercised. Its tax authority generally treats foreign-owned investment holding companies with purely passive or only foreign-sourced income as non-resident unless they meet the relevant conditions for residence. Appointing a nominee director alone will not secure treaty access.

A company incorporated in England and Wales is generally UK tax resident even if managed from abroad, subject to any applicable treaty provisions that treat it as resident elsewhere. Dividend exemptions can be relevant to a holding company's income, while the substantial shareholdings

exemption may apply when it sells qualifying shareholdings. Check the conditions against the planned exit. A sale of the holding company by its owners can produce a different tax result from a sale of the investment by the company.

WORKING WITH A CSP

To establish whether a PC is exempt from appointing a CSP, look beyond the immediate shareholder. The test includes indirect control through shares, votes or governing documents, and the controller must fall within one of the specified categories of registered entity, regulated firm, government entity or listed body. Ownership by a DIFC Foundation alone does not confer exemption. An exempt PC may use an affiliate’s qualifying DIFC registered office, with the prescribed written consent.

For an existing PC, this assessment should start now. A non-exempt PC incorporated before 24 July 2026 must appoint a CSP within six months of that date, unless the Registrar grants longer on application. That period concerns the CSP appointment; it is not a general extension for meeting other requirements. Owners of PCs with an existing aviation, maritime or intellectual property purpose licence should ask the Registrar how the holding-company restriction applies to their licence.

For a non-exempt PC, the CSP provides the registered office, makes the required filings with the Registrar and keeps current copies of the company’s records. The directors retain their own responsibilities. Agree who will prepare and approve information, how quickly the CSP will respond to transaction requests and how the directors will access the records. The engagement should also cover a change of provider and the handover of records. Ending the engagement does not necessarily change the registered office immediately, so the handover and address filings need to be coordinated.

PREPARING TO INCORPORATE

The incorporation timetable should allow for the CSP's checks, the bank's own requirements and any approvals needed to transfer the investment. Ask which steps can start together and which require the company to exist first. Incorporation and a licence do not guarantee a bank account, so avoid committing to a completion date before the sequence and timing of those steps have been agreed.

Bring a proposed ownership chart and details of the asset to the first discussion. These will help establish whether the company can hold the investment and whether a CSP exemption is available. Explain who will make decisions and sign for the company, and where they will do so.

Also set out how the investment will be funded, where income will come from and how returns will reach the investors. Discuss any plans for the company to employ people or start an operating business, and how the investors intend to exit.

A DIFC PC is worth considering where investors need a company to hold an investment and do not expect it to employ staff or run the business. Before incorporating, the proposed structure should be checked against the financing arrangements, tax position and intended exit. Resolving these points early can avoid having to reorganise the structure when a lender or buyer becomes involved.

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