

News

DUBAI

Dubai's Innovative Strategy via Resolution no. 11 for the year 2025: the Expansion of Free Zone Operations onto Mainland



Overview

Dubai's Executive Council has issued Resolution No. 11 of 2025, marking a transformative shift in the regulatory landscape for free zone companies. This resolution allows businesses operating in Dubai's free zones to expand their operations into mainland Dubai, offering them greater flexibility to engage in broader markets and opportunities previously restricted. It is part of the Emirate's strategy to boost economic growth, optimize business operation, and attract more foreign investment.

The new regulation creates clearer pathways for free zone entities to expand and operate outside their designated zones, provided they adhere to the necessary legal and regulatory requirements set by the Department of Economy and Tourism (DET).

Essential Considerations in the Resolution:

One of the core elements of this Resolution is that free zone businesses can now establish branches on the mainland or operate specific activities within mainland Dubai, contingent upon obtaining the appropriate permits or licenses from the DET. This represents a major shift from the previous regulations, which imposed strict limitations on free zone companies' ability to conduct business outside their designated zones. Companies can now choose between a range of operational models: they can establish a branch office on the mainland, maintain their headquarters in the free zone while operating a branch in the mainland, or apply for a temporary permit to conduct specific activities for a limited period of up to six months.

The DET, along with the relevant authorities, is set to publish a list of approved economic activities within six months of the resolution's enactment date.

While the new Resolution opens up significant opportunities, it also introduces additional layers of regulatory responsibility. Businesses must now ensure compliance with the new licensing process, which includes maintaining separate financial records for activities conducted in the free zone and those conducted in the mainland. This distinction is critical for tax reporting and regulatory purposes. However, the advantage is the ability to directly engage in government contracts and other mainland business activities, eliminating intermediaries and potentially enhancing market access.

Moreover, businesses operating in the mainland will be subject to UAE Labour Law, which differs from the employment regulations within free zones, meaning companies must adjust their workforce structures accordingly. To implement this decision, the Resolution stipulates a one-year deadline from its effective date for businesses to align their operations with the new regulatory framework. An extension of up to one additional year may be granted, subject to the approval of the DET.

It is important to note that financial establishments licensed to operate in Dubai International Financial Centre (DIFC) are exempt from these regulations.

Conclusion:

By permitting free zone businesses to operate on the mainland, Dubai is cementing itself as an attractive destination for foreign investment. Investors previously deterred by the complexity of operating in both free zones and the mainland will now find a more streamlined approach to entering the market. The Resolution not only facilitates smoother business operations but also aligns with Dubai's broader vision of economic diversification, making it easier for foreign investors to integrate into the Emirate's business ecosystem.

As a result, companies seeking to expand their footprint in Dubai must now reassess their strategies, as the market will become more competitive with an influx of new entrants from various sectors.

While this offers significant opportunities for growth, market access, and reduced operational costs, it also introduces new legal complexities that must be carefully managed. To navigate this regulatory shift successfully, businesses must prioritize legal due diligence, ensuring compliance with licensing requirements, tax regulations, and employment laws. By doing so, they can fully capitalize on the potential of the new Resolution and position themselves for long-term success in Dubai's dynamic business landscape.



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