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# Shareholders' dispute in UAE

Disaccord between the shareholders of a company typically entails differences in opinion, conflicting interests, or disputes over the management, assignment of shares, control, or direction of the company including disagreements over strategic decisions, financial matters, profit distribution, breach of fiduciary duties, or violation of shareholder rights.

At the outset, we must understand that in most jurisdictions globally, a limited liability company is the preferred type of business setup as it distinguishes the identity of the company from its shareholders. In UAE too the most favored form of business is an LLC as protecting personal assets from litigation is paramount for entrepreneurs. The Shareholders in a Limited Liability Company are distinct from the Company and the company is a separate legal person in the eyes of law.

The Shareholders of an LLC are afforded rights under a well-established legal framework primarily governed by the Federal Decree-Law no. (32) of 2021 Issued on 20/09/2021 On Commercial Companies and the Federal Law No. (5) of 1985 Civil Transactions Law.

The most striking part of the jurisdiction of UAE in relation to the powers and obligations of the Shareholders is that the Shareholders in a company are different from Shareholders acting as managers in the company. The roles of a shareholder and a manager in a company are distinct and can be held by different individuals or entities. A shareholder is an equity or a stockholder, that owns shares or equity in a company. Shareholders typically invest capital in the company in exchange for ownership. They have certain rights, such as voting rights in general meetings, entitlement to dividends, and the right to receive a portion of the company's assets upon liquidation. On the other hand, a manager, also referred to as a director or executive, is an individual appointed to manage and oversee the operations of a company. Managers have the responsibility of making strategic decisions, implementing policies, and ensuring the company operates efficiently. They are typically involved in day-to-day management, supervising employees, financial planning, and executing the company's business objectives. Further, there could be Shareholders appointed as Managers in the Company. Managers may or may not be shareholders in the company.



## Practice areas

DISPUTE RESOLUTION

## Locations

