

FEDERAL LAW NO. 1 of 1979
CONCERNING THE REGULATION OF **industry AFFAIRS**

We, Zayed Bin Sultan Al Nahyan, President of the United Arab Emirates State,
Pursuant to the perusal of the provisional Constitution; and
Law no. 1 of 1972 concerning the Jurisdiction of Ministries and the Powers of the
Ministers and the amending laws thereof; and

Acting upon the proposal of the Minister of Finance and **industry**, and the approval
of the Council of Ministers and the Federal National Council and the ratification of
the Federal Supreme Council,

Have promulgated the following Law:

PART ONE
DEFINITIONS

Article 1

The following terms and phrases shall have the meanings assigned to them unless
the context indicates otherwise:

The Minister: The Minister of Finance and **industry**.

The Ministry: The Ministry of Finance and **industry**.

The Department: The Industrial Department in the Ministry of Finance
and **industry**.

The Director: The Director General of the Industrial Department, and its executive
and administrative President.

The Committee: The Industrial Advisory Committee set up in accordance with the
provisions of this Law.

The Industrial Project: It is the exploitation process which its fundamental objective
is to transform raw materials in term of their substance, composition, form or shape
into fully-manufactured or intermediate products. And also which contributes to
transform intermediate products into fully-manufactured products including mixing,
separating, filling or packaging products and also the addition of production capacity
or constitution of new production assets to replace the old assets which their
productivity lifetime is terminated in compliance with whatever has been decided at
the date of the endorsement of the project pursuant to a specified plan.

The owner of the industrial project: Physical persons, establishments and
organizations which own an industrial project in the State whether it is administered
by them or through an intermediary.

The Director of the Industrial Project: Is the person who is entrusted with the
industrial project management or his deputy in enforcement of the provisions of this
Law.

Industrial Production: Is the value of the output of the industrial goods produced per economic unit.

The Domestic Industrial Production: Is the output of each industrial project wherein the cost of production through manufacturing in the State is not below 25 % of its total costs.

PART TWO GENERAL PROVISIONS

Article 2

The provisions of this Law shall apply to all industrial projects in the State except the following:

1- Industrial Projects operating in the extraction of petroleum, its refining, or the extraction, refining or liquefaction of natural gas or petroleum gases, or extraction of minerals, their distillation and preparation for **industry** or by any of the relating means.

2- Industrial projects of fixed capital not in excess of (250.000) two hundred and fifty thousand Dirhams, or whose employees do not exceed ten people, or which use of motive power does not exceed five horsepower.

3- Privileges projects regulated by special laws or subject to the provisions of a treaty or convention to which the State is a party.

4- Projects of the State general plan which the Federal Government is entrusted with their implementation.

PART THREE ON THE INDUSTRIAL ADVISORY COMMITTEE AND THE SUBSIDIARY COMMITTEE

Article 3

An industrial advisory committee shall be set up in the Ministry of Finance and **industry** and shall be composed as follows:

- 1- The Minister of Finance and **industry**: President.
- 2- The Undersecretaries of the following Ministries:
 - a- The Ministry of Finance and **industry**: Vice-President.
 - b- The Ministry of Economy and Commerce: Member.
 - c- The Ministry of Planning: Member.
 - d- The Ministry of Labor and Social Affairs: Member.
 - e- The Ministry of Petroleum and Mineral Resources: Member.
 - f- The Ministry of Electricity and Water: Member.
- 3- A national representative of each Emirate selected by its Governor: Member.

4- Two business men working in the private sector of **industry**, they shall be appointed by a decision from the Minister upon the nomination of the Union of Chambers of Commerce and **industry** in the State for a renewable two-year term: Members.

5- The Director or his deputy: Committee Reporter.

The Committee may resort to the assistance of State officials and experts as necessary, and it shall set up a subsidiary Committee to study a specific issue and submit a report on the result of study.

Article 4

The Committee shall be competent to examine the following issues taking into account the decisions of the general policy of the State:

1- Study the applications for the establishment of industrial projects pursuant to the provisions of this Law and adopt the appropriate decisions.

2- Study the applications submitted by the concerned parties for privileges and exemptions to be granted for the industrial projects and adopt the appropriate decisions pursuant to the determined rules in this regard.

3- Study the issues referred to it from the Ministry of Finance and **industry** concerning the industrialization policy in the State or the means for the encouragement of the industrial investment, determination of its fields, determination of privileges and exemptions which the industrial projects benefit from taking into account their importance or the regulation of the Arab or foreign capital investment in industrial projects, and determination of its share of investment and it shall submit reports on the result of the study and the proposals of the Committee.

4- Other issues included within its competence in accordance with the provisions of this Law or for which the Minister requests its opinion.

Article 5

The Committee shall meet periodically at least once every month, upon call from its President. It may be convened for an extraordinary meeting as necessary upon the request of Committee President or one third of its members.

The attendance of the absolute majority of the members is required for the meeting to be legally held provided that the President or his substitute in the event of his absence is among them.

Article 6

The decisions of the Committee on the matters included within its competence shall be issued on the basis of economical and technical studies and in the light of the industrial policy and the general policy of the State.

These decisions shall be issued by the majority of the attending members; in the event of a tie, the side with which the President votes shall prevail.

The decisions of the Committee shall be deemed final after being accredited by the Minister.

Article 7

The Committee shall have a Secretariat composed of members of among the Department officials. It shall be set up by a decision from the Minister, the Committee Secretariat shall in specific set down the agenda, check the minutes, register the decisions of the Committee and its proposals and notify them to the competent authorities.

PART FOUR ESTABLISHMENT OF INDUSTRIAL PROJECTS

Article 8

Starting from the date of the implementation of this Law, the license for the establishment of industrial projects shall only be granted to the citizens of the United Arab Emirates State, or to the companies set up in compliance with the provisions of the Laws in force in which the share of the national capital is not less than 51% of their capital and on condition that the Director is a citizen or the majority of the members of the Board of directors are citizens.

Non-citizens who own existing industrial facilities at the time of the enforcement of this Law, and do not have national partners who own at least 51% of the capital of the industrial facility, are required to dissolve their activities within two years from the date of enforcement of this Law unless they satisfy the conditions provided for in this Article during six months from the date of implementing its provisions.

Article 9

It is not allowed to set up any industrial project in the State or engender any changes in it unless after the owner obtains an approval pursuant to the provisions of this Law and the Regulations in force in the State. The application regarding the establishment of the industrial project shall be submitted to the Department on the special Form pursuant to the implementing regulation 

Article 10

The application of the industrial project must be accompanied with a report which includes the relevant studies and the objective of its setting up, its economical and technical feasibility, its primary resources, annual costs of production, the amount of capital sufficient for the achievement of its objectives, financing method and the necessary workers, possibility of marketing its products and other issues pertinent to

the project. The implementing regulation to this Law shall determine the information related to the application.

Article 11

The Department shall study the applications to the industrial project from the economical and technical sides in the light of the general plan and policy of the State and in compliance with the Laws and Regulations in force. The department shall submit the application with the results of its studies and recommendations to the Committee within two months from the date of receiving the application.

The Committee shall submit its recommendations on the application to the Minister within fifteen days from the date of receiving it.

Article 12

A decision on the application mentioned in the preceding Article shall be issued by the Minister within thirty days from date of receiving it.

If the Minister has approved on the application, this decision must include the requirements for the establishment of the industrial project.

The Department is required to notify the applicant of the decision issued by the Minister within fifteen days from the date of its issuance.

Article 13

The applications for the establishment of the industrial projects shall be examined in the light of the following considerations:

- 1- The requirements of the economic and social plan, and the industrial development programs in the State.
- 2- The agreements concluded with the Arab countries.
- 3- The needs of the State in the field of local consumption and subrogation of the local production in place of the imported production.
- 4- The extent of availability of local raw materials to be relied on in manufacturing.
- 5- The possible execution of the project in the areas determined by the Government.

Article 14

If the owner of the industrial project does not start the establishment activities within six months from the date of notification of the approval decision on the project given by the Minister, the Minister may cancel the approval decision on the project unless the owner of the project before the termination of this period requests its extension provided that he indicates in this application the justifying reasons. In this instance, the Minister may approve on granting the owner of the project an appropriate delay pursuant to the circumstances of each instance 

Article 15

The Department may control all the stages of execution of the industrial project and follow up the fulfillment of the requirements provided for in the approval decision on the establishment of project.

The owner of the project must provide the Department with the information requested in this regard, pursuant to the rules and procedures indicated by the implementing regulation.

Article 16

If the approval on the project is cancelled pursuant to Article 14, the applicant whose application is cancelled may not request its renewal unless after the elapse of three months form the date of cancellation of the approval.

PART FIVE ON THE INDUSTRIAL REGISTER

Article 17

An industrial register shall be set up in each Department in which shall be recorded all the industrial projects; the implementing regulation to this Law shall determine the information related to this register and registration procedures therein¹.

Article 18

With due consideration to the provisions of Article 8 of this Law, the owners of the industrial projects or projects under construction at the time of implementation of this Law are required to request their registration in the Industrial Register within three months from the date of enforcement of this Law.

Registration application mentioned in the preceding paragraph shall be submitted on the form provided for this purpose which the implementing regulation shall indicate its information²

Article 19

The Department after the registration of the project in the Industrial Register must license the project for production, the license shall be issued in the name of the project owner, and he is required to notify the Department of every amendment or change that may occur on the information indicated in the mentioned Register pursuant to the conditions and within the time-limits fixed by the implementing regulation.

PART SIX
MEANS OF ENCOURAGEMENT OF INDUSTRIAL PROJECTS

Article 20

The Council of Ministers and the competent authorities in the member Emirates of the Federation; each within his concern, and upon a recommendation from the Committee may grant the projects subject to the provisions of this Law the following privileges and exemptions:

- 1- Allocation of a plot of land to the locale of the industrial project whether free of charge or for a reduced price or by rental for nominal rent and better conditions.
- 2- Rent out the industrial premises necessary for the project to its owner with better conditions inside the industrial areas set up by the Government.
- 3- Supply the project with electricity and water with encouraging prices.
- 4- Exemption from customs duties concerning the following imports:
 - a- Machines, tools, spare parts and building materials needed for the industrial project.
 - b- Raw and intermediate materials, semi-manufactured goods necessary for the project productivity objectives in addition to wrapping and packaging products consumed during production.
- 5- Profits procured by the project in addition to the reserve funds deducted from the profits for exploitation in the project, shall be exempted from all taxes for a renewable five-year term starting from the date of commencement of production.
- 6- Exempting the project exports regarding the local industrial products from export taxes and fees.
- 7- Granting the exports mentioned in the preceding subparagraph an encouragement aid.
- 8- The local production shall benefit from the customs protection taking into consideration the sufficiency of such production in terms of quantity, quality and high standard.

Article 21

The following industrial projects shall have priority for obtaining the privileges and exemptions provided for in the preceding Article:

- 1- Projects aiming to produce goods for local consumption which replace or compete with foreign goods or having export capacity.
- 2- Projects using local raw materials.
- 3- Projects set up inside the areas determined by the Government.
- 4- Any other projects of special economic significance or deemed so in the development plan of the State.

Article 22

The owner of the industrial project may obtain from the Department whatever information, statistical statements, maps and other studies and researches concerning a certain **industry** important to the project owner.

The Department may provide instructions and information regarding manufacturing for new investors.

Article 23

The Ministry by a decision from the Minister and upon the recommendation of the Committee may participate in the expenses of studies and researches performed by the project owner if this project is of special significance for the national economy.

Article 24

In the instance of setting up new industries, the owners of industrial projects shall have the priority for obtaining a loan from banks and financial institutions owned by the State or in which it contributes, after the approval of the Minister of Finance and **industry**, and upon the Committee recommendation provided that the bank or the financial institution shall determine the conditions and amount of this loan.

Article 25

Priority in Government purchases shall be given to local **industry** products on condition that these products are close in standard to foreign products concerning quality, goodness and current price.

Article 26

The owner of the industrial project on the termination of the activities necessary for project operation must inform the Department of this matter, which is required to inspect the project within ten days at most; if it ascertains from the completion of these works in whole or in part, it shall grant the project owner a certificate in this regard. Date of issuance of this certificate shall be the date of production commencement.

Article 27

It is not allowed to dispose with the imported materials which are exempted from the customs duties pursuant to the provisions of this Law in other than the objectives of their importation.

The Department must be notified of any disposition of these materials contrary to the provision of the preceding paragraph with payment of the customs duties from which they were exempted.

The owner of the industrial project must keep a register for these materials on the form set down by the Department in this regard.

Article 28

The project owner is not allowed to rent out the land or premises allocated for the project pursuant to the provisions of this Law nor to dispose of them in any other manner unless after the obtainment of an approval from the competent authorities.

Article 29

If the owner of the industrial project sells, alienates or rents some or all of it to third parties, or if the project stops work in whole or in part, its owner is required to inform the Department of this matter with statement of the reasons. The project lessee, buyer or alienee must submit to the Department an application for annotation in the Industrial Register within two months from the date of alienation of ownership or conclusion of the rent contract, to transfer the licenses to the new owner or lessee and perform the necessary changes in the information of the Register.

In the event of failure to adopt these procedures, it is allowed to withdraw the privileges and exemptions which the project benefits from in accordance with the provisions of this Law.

Article 30

The owner of the industrial project must provide the Department with the periodical reports and information which clarify the extent of project benefit from the exemptions granted to it, and the extent of **industry** development, costs and production elements pursuant to the prototype set down by the Department in this regard. He is also required to submit to the Department a report on the financial situation of the project in the light of the general budget ratified by a certified public accountant and the balance accounts of every fiscal year.

Article 31

The owner of the industrial project is required to keep a register for the personnel pursuant to the information determined by the Implementing Regulation to this Law .

Article 32

The owner of the industrial project must comply with all Laws and Regulations in force and must precisely implement their provisions concerning industrial security, public health and maintenance of environment.

In the instance of appointment of Project Director, the owner is required to notify the Department of this matter by a registered letter; the Director  shall be responsible with the project owner for the implementation of its provisions.

Article 33

The number of citizens working in the industrial project must not be less than 25% of the total employees. The Minister upon a recommendation from the Committee

may decide to exempt the project from this restriction or reduce the mentioned percentage if a sufficient number of citizens is not available.

Article 34

Without prejudice to any greater penalty, whoever violates the provisions of this Law or its Implementing Regulation shall be sentenced to a fine of fifty thousand Dirhams at most. In addition to this, the competent authority upon a recommendation from the Committee may deprive the project from all or some of the privileges decided in this Law.

Article 35

If the project produces goods contrary to the standards and specifications decided for production or cheats in production quality, the project owner or its director shall be sentenced to imprisonment for two years at most, and to a fine equal to the amount of benefit which he has obtained from cheating in addition to an amount not in excess of one hundred thousand Dirhams or any of these penalties with confiscation of the materials and products object of violation.

The penalty shall be doubled in the event of recurrence in addition to the closure of the facility for a period not in excess of three months. It is allowed to decide the final withdrawal of the facility license.

Article 36

Whoever sets up or administers an industrial project without the obtainment of a license pursuant to this Law shall be sentenced to a minimum fine of ten thousand Dirhams and one hundred thousand Dirhams at most in addition to the closure of the project.

Article 37

Every official commissioned by virtue of the present law to implement the provision thereof and divulges a secret or data submitted regarding the industrial projects, shall be sentenced to a fine not exceeding 50.000 Dirhams, and such without prejudice to the disciplinary sanctions set forth by the law.

PART SEVEN
FINAL PROVISIONS

Article 38

The share of the foreign capital in the industrial projects shall be in compliance with the Laws and Regulations in force in the State.

Article 39

The Department Officials assigned by the Minister to control over the implementation of the provisions of this Law shall have the capacity of Judicial Officers to detect any violation to its provisions. For the fulfillment of their tasks, they shall be entitled to search the warehouses of the industrial project, inspect its registers and examine its production. The owner and the workers of the industrial project must enable these Officials to carry out their task and give them any information and clarifications which they request pursuant to the Law.

Article 40

The Ministers and the competent authorities in the Emirates; each within his concern, are required to implement the provisions of this Law, and the Minister of Finance and **industry** must issue the decisions and regulations necessary for the implementation of its provisions.

Article 41

This Law shall be published in the Official Gazette and be put into effect as of the publication date.

Promulgated by Us at the Presidential
Palace in Abu Dhabi
On 20/4/1399 H.
Corresponding to 19/3/1979

Zayed Bin Sultan Al Nahyan
President of the United Arab Emirates State

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