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VARIABLE CAPITAL COMPANY: DIFC BROADENS INVESTMENT STRUCTURING OPTIONS IN THE UAE

29 September 2026

On 9 February 2026, the DIFC brought into force the Variable Capital Company Regulations 2026 (“**VCC Regulations**”), introducing the Variable Capital Company (“**VCC**”) as a new corporate vehicle in the DIFC.

The VCC enables tailored investment strategies by allowing investors to consolidate multiple investments under one entity while maintaining legal separation between them. It also offers cost savings, together with regulatory and tax exemptions.

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1. Key Features of the VCC Regime

'Umbrella' Structure

The VCC is a private company incorporated in the DIFC. Its principal advantage for investors is the ability to create either Segregated Cells or Incorporated Cells (together, "**Cells**") within the VCC.

Segregated Cells hold assets and liabilities separately from other Cells and from the VCC but are not separate legal entities¹. Incorporated Cells, by contrast, are separate legal entities within the VCC, treated as private companies² that have no parent or subsidiary relationship with the VCC or with other Incorporated Cells³. Despite being separate legal entities, Incorporated Cells may use the VCC's centralised services, including maintenance of management accounts and financial statements, issuing and redeeming Cell shares, valuation of assets within Cells, compliance, reporting and administrative functions. Unlike a Segregated Cell, an Incorporated Cell can contract, sue and be sued in its own name, while a Segregated Cell relies on the VCC to act on its behalf.

The VCC may have any number of Cells⁴, provided that it does not have both types at the same time. It may also have no Cells at all.

This lets investors hold multiple investments in a single entity while keeping them legally separate – a structure particularly suited to family offices and private funds. In particular, Incorporated Cells are typically used for larger transactions, PE/VC structures, standalone risk compartments and structures requiring greater legal separation, while Segregated Cells are more commonly used for simple SPVs and family compartments.

The regime is also flexible in practice: DIFC companies may convert into a VCC and vice versa, and Incorporated Cells may be transferred between VCCs, subject to Registrar approval

and creditor safeguards⁵. Segregated Cells may also merge or consolidate, provided creditors are given prior notice and an opportunity to opt out⁶.

Asset Segregation

Cells ring-fence risk: investors can back higher-risk assets, such as start-ups, through one Cell without exposing Cells that hold more conservative investments.

Flexible Share Capital and Distributions

The share capital of the VCC tracks the net asset value of the VCC or of each Cell, so shares can be issued and redeemed as needed and capital can move efficiently⁷.

Unlike other types of DIFC companies, the VCC is not limited to paying dividends out of profits: it may also make distributions out of capital, based on the net asset value of the VCC or the relevant Cell⁸.

2. Regulatory Requirements and Exemptions

The VCC, and each of its Incorporated Cells, must appoint a Corporate Service Provider to act on its behalf, unless it qualifies as an Exempt VCC⁹. Failure to do so carries a fine of up to USD 20,000, and failure to give the Corporate Service Provider the documents and information it requires carries a penalty of up to USD 100,000¹⁰.

A VCC qualifies as an Exempt VCC where its controller is any of the following¹¹:

- 1) a Registered Person;
- 2) an Authorised Firm;
- 3) a Government Entity; or
- 4) a Publicly Listed Entity.

Incorporated Cells within an Exempt VCC are automatically exempt.

3. Costs

Application Costs¹²

The application fee for incorporating a VCC or an

¹ Article 2.2.1 of the Variable Capital Company Regulations 2026 ("**VCC Regulations**"). Access via the [link](#).

² Article 2.2.2 of the VCC Regulations.

³ Article 2.2.4 of the VCC Regulations.

⁴ Article 4.1.4 of the VCC Regulations.

⁵ Article 10 of the VCC Regulations.

⁶ Article 9 of the VCC Regulations.

⁷ Article 6.1 of the VCC Regulations.

⁸ Article 6.3 of the VCC Regulations.

⁹ Article 12.1 of the VCC Regulations.

¹⁰ Appendix 2 of the VCC Regulations.

¹¹ Article 1.1.7 of the VCC Regulations.

¹² Appendix 1 of the VCC Regulations.

Incorporated Cell within a VCC is USD 100, while the annual license renewal fee is USD 1,000. The fee for establishing a Segregated Cell is USD 300.

Initial and Maintenance Costs

A VCC used solely for proprietary investment does not need a license from the DFSA (the UAE's financial services regulator), which lowers set-up costs and reduces ongoing compliance.

The VCC can also be tax-efficient: qualifying investment income may attract a 0% corporate tax rate, and losses can be offset across Cells within the VCC, subject to the applicable conditions. In addition, Incorporated Cells may be included in a tax group with the VCC, allowing losses from one Cell to be offset against profits from another Cell.

4. Conclusion

The VCC regime strengthens the DIFC's position as a leading investment hub and gives family offices, private funds and other investment vehicles greater structuring flexibility.

Key benefits include:

- 1) a single entity holding multiple investments with different risk profiles, while keeping them legally separate;
- 2) flexible share capital and distributions;
- 3) regulatory exemptions;
- 4) low application and renewal fees, and potential tax benefits.

White Square advises on VCC structuring and incorporation, and on ongoing DIFC and DFSA compliance. We would be glad to discuss what the new regime means for you.

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