



## Legal Bulletin

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### Getting Closer to VAT

The UAE appears to be one step closer to introducing a value-added tax (“VAT”) system. According to the 2014 annual report of the Ministry of Finance (the “MOF”), issued on 30 June 2015, *“developing and ensuring the sustainability of the federal government’s financial resources”* is the MOF’s first strategic objective for 2014-2016. In the list of initiatives proposed to meet this objective, the introduction of a tax system in the UAE comes second in priority.

Tracing the steps the UAE has taken in this regard thus far, we see that most of the groundwork has already been laid out. The draft laws on tax procedures and policies have been outlined, the common VAT law framework has been agreed to with five other GCC countries, and now, the annual report has explicitly called for the implementation of the tax system. ■

### Introduction of PPP in UAE

For the first time in its history, Dubai has passed a law introducing public-private partnerships (“PPPs”) in the form of Law No. 22 of 2015, regulating partnerships between the public and private sectors in the emirate of Dubai (the “PPP Law”).

Currently, the government develops and self-finances the vast majority of major infrastructure projects in the UAE. The PPP Law represents an

attempt by Dubai to reduce the financing needs of the government and to tap into the expertise and efficiency of the private sector in carrying out projects. Many other jurisdictions, particularly Europe and the United States, have had PPP regimes in place for many years. However, the PPP law represents a significant shift in policy for the Emirate.

The law may be a reaction to the recent softening of global oil prices, rising debt, and a statement delivered in August by the International Monetary Fund to Dubai’s government related entities (“GREs”) to slow down on major projects, paired with the IMF’s downward revision of growth estimates across the GCC. Currently, Dubai’s GREs have a debt outstanding equal to 126% of total GDP in the Emirate.

According to news sources, only projects crossing a threshold of AED 200 million will be considered, with the Department of Finance responsible for approving projects valued up to AED 500 million, and the Supreme Financial Committee responsible for projects above this value. The PPP law also contains terms for the partnership agreement, and conditions for approval.

We are still awaiting a copy of the law, and will provide updates once this is published. ■

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### Overhaul of Mutual Fund Regime in the UAE

Currently, mutual funds in the UAE are regulated by Resolution No. 37 of 2012 (the "**Mutual Funds Law**"), issued by the Emirates Securities and Commodities Authority ("**ESCA**"), which governs the registration, licensing, management, and administration of mutual funds in the UAE. ESCA is currently in the process of finalizing an amended Mutual Funds Law, along with supplements and guidelines thereto, the goals of which are to bring the funds regime in line with comparable jurisdictions.

The objective behind the re-alignment of the Mutual Funds Law appears to be to promote the use of local funds as a vehicle for investment, and to attract the registration and marketing of foreign funds onshore.

The draft rules would, among other things, ease investment restrictions imposed on fund managers and sponsors and distinguish between professional and retail investors. ESCA is contemplating enacting guidelines to the new law, as well as three mutual fund supplements, which will provide additional rules that are applicable only to exchange traded funds, private equity funds, and real estate investment trusts. ESCA intends to implement the new rules by end of October 2015 at the earliest. ■

### Changes to Dubai's RERA Rental Index

The RERA Rental Index, which by law is relied upon by Dubai landlords and tenants to determine the allowable increase in rent, will now only be updated yearly (as opposed to every four (4) months, as it is currently). This has been confirmed by the Land Department.

The change will undoubtedly create a lag between the changes in the rental market and the updates to the Rental Index, which had become a widely used and useful tool for landlords, tenants, and real estate brokers in the Emirate. It will also have an effect on how cases are adjudicated in the Dubai Rental Dispute Settlement Center, as the index is the primary source of evidence regarding rental increase disputes. ■

### Dubai Closes First Solar IPP

On July 19, 2015, it was announced that the Power Purchase Agreement for Phase II of the Mohammed bin Rashid Al Maktoum Solar Park was signed, and that the plant will be operational by 2017.

The project was developed as an independent power project. Shuaa Energy 1, the project company, has a 51% stake and the remaining 49% shareholder is ACWA & TSK.

The Phase II project is a photovoltaic plant and the Solar Park is projected to produce more than 3,000 MW of electricity when completed in 2030. ■

### New Labour Laws Take Effect January 1, 2016

The UAE Ministry of Labour issued a comprehensive new set of rules applicable from January 1, 2016, which alter the labour law landscape in the UAE.

The key changes cover employment contracts for workers hired from abroad, termination, and labour permits for resident workers pursuant to the following decrees:

1. Ministerial Decree 764: Standard Work Contracts
2. Ministerial Decree 765: Termination of Limited Contract and Unlimited Contract
3. Ministerial Decree 766: Granting of New Work Permits

Some of the highlights of the new law include: the terms of labour contracts must be signed by the employee before being submitted to the Ministry of Labour for approval, whether the employee is in the country or coming from abroad, in "clear and detailed" terms. This means that effectively, offer letters to foreign employees will become legally binding as the law also states that there cannot be significant changes between the offer letter and the contract. Further, the termination for both limited and unlimited contracts may be done upon at least one month's but not more than three months' notice, with salary.

We are still awaiting a copy of the law, and will provide updates once this is published. ■

### ADGM Opens for Business

On October 21st, the Abu Dhabi Global Market began accepting and approving financial service license applications through its Financial Services Regulatory Authority ("**FSRA**"). We previously reported that draft financial services regulations had been issued for public comment. These draft regulations have now been adopted as the Financial Services and Markets Regulations and FSRA Rules, establishing the legislative and regulatory framework of the market.

Licenses had already been issued in May of this year to non-financial services entities, however it is the issuance of financial services licenses (as projected by the authority, in the last quarter of 2015) which solidifies the ADGM's establishment as a financial centre.

The next step in the development of the ADGM is the court system and its interaction with the onshore Abu Dhabi courts. According to the authority, key appointments have been made and the ADGM has invited the public for consultation on draft Court regulations (which can be found here: <http://www.adgm.com/setting-up-business/open-market-consultation/>). ■

## Events Roundup

### **Global M&A Playback, organized by The American Lawyer – 28 October 2015, New York**

A one-day conference which represented the M&A landscape in several jurisdictions including the U.S., Italy, the U.K., Poland, Germany, Central and Eastern Europe, Canada, MENA, China, India and Brazil. Afridi & Angell sponsored the MENA session where partners Shahram Safai and James Bowden and associate Ronnie Dabbasi gave an overview of the geo-political, cultural and regulatory considerations that are unique to the MENA region, as well as factors that will impact on the success of an M&A deal in MENA. ■

### **AML Obligations in the UAE: the recent changes, organized by Academy & Finance – 15 & 16 November 2015**

Charles Laubach, partner, will be speaking on a couple of topics: mobilising and empowering the regulatory authorities, and clarifying the sanctions and liabilities. Click [here](#) to view the full conference programme. ■

### **Optimal Successions in Dubai & the UAE, organized by Academy & Finance – 23-25 November 2015**

Shahram Safai, partner, will speak on the topic of managing the transition to DIFC wills, the impact on existing and common succession instruments/techniques. Stuart Walker, partner, will participate on a panel on what practitioner think of DIFC wills. Click [here](#) to view the full conference programme. ■

### **Dubai Real Estate legal Landscape – knowing your rights & avoiding potential pitfalls, organized by the Dubai Chamber of Commerce & Industry and Afridi & Angell, 15 December 2015**

Shahram Safai, partner, and Geoff Smith, senior associate, will co-present this half day workshop covering pre- and post-property ownership issues. Click [here](#) to view the workshop details. ■

#### **Afridi & Angell**

Founded in 1975, Afridi & Angell is one of the leading and most established full-service law firms in the UAE. We provide comprehensive legal advice and innovative business solutions in banking and finance; corporate and commercial Law; dispute resolution; projects; construction and real estate; employment; energy; project finance; transport; as well as doing business in the UAE and in the DIFC. We advise local and regional clients ranging in size and sophistication from start-ups to some of the region's largest public and private companies, governments and quasi-government institutions. We work extensively with entrepreneurs and investors from the region and beyond, and have attracted numerous international clients looking for the right counsel to protect and expand their interests in the UAE.

Afridi & Angell is the exclusive UAE member of top legal networks and associations, most notably Lex Mundi, the world's leading network of independent law firms.

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