

Dubai's New Hotel Industry Initiatives

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The recent award to Dubai as host city for the Expo 2020 has reinforced the general global interest in the Emirate, and this in turn supports the industry as it continues to go from strength to strength.

According to Dubai Economic Department, Dubai will need to double its hotel supply to accommodate the anticipated 20 million visitors it expects by 2020.

To support the continued growth, His Highness Sheikh Mohammed Bin Rashid Al Maktoum, Vice President and Prime Minister of the United Arab Emirates and Ruler of Dubai, has issued a series of directives to enhance and streamline hotel investment and development in Dubai.

These directives range from streamlining approval processes for hotel development with Dubai Municipality, to allocation of government land for development of 3 and 4 star hotels in Dubai, with exemptions on rezoning fees and some Municipality fees for a period of time. We are awaiting the release of further detail in respect of these directives, and will be reporting on them as soon as the information becomes available.

Additional new initiatives announced have introduced regulation on holiday home letting, and imposed a new 'Tourism Dirham' fee.

A. LICENSING OF HOLIDAY HOMES

Decree No. 41 of 2013 concerning the Regulation of the Holiday Homes Rental Market in Dubai ("New Decree") was issued on 24 November 2013.

Letting of holiday homes is now regulated by the Department of Tourism and Commerce Marketing in Dubai ("DTCM") by virtue of the New Decree.

Applicants (whether a natural person or corporate entity) are required to obtain a license from DTCM and comply with DTCM's requirements as set out in the New Decree. The New Decree extends to all parts of Dubai, including special development zones and free zones including the Dubai International Financial Centre ("DIFC").

Article 7 of the New Decree provides that the license term issued by DTCM will be for 1 year, renewable on similar terms. (DTCM does have the authority to approve an extended license term up to a maximum of 4 years upon the applicant's request). The fees payable for the license will be determined by DTCM and have not been set out in the New Decree.

DTCM shall classify all holiday homes into 2 categories namely, deluxe or tourist class (in accordance with classification criteria to be issued by DTCM), and has powers of inspection of the accommodation to ensure it meets the classification criteria.

DTCM Powers

DTCM will exercise its powers and tasks through officers appointed by DTCM's Director General in coordination with the Director General of Dubai Government's Legal Affairs Department. Such officers shall be entitled to inspect holiday homes, access records and draw up reports as required.

DTCM's powers are summarized as follows:

1. Establish technical conditions, requirements and standards required for holiday homes in conformity with the best international practices;
2. Consider license and license renewal applications;
3. Determine duties and obligations of license holders;
4. Supervise license holders under the New Decree and resolutions passed by DTCM in this regard;
5. Monitor and inspect holiday homes to ensure fulfillment of and compliance with DTCM requirements;
6. Handle complaints received against license holders or unlicensed individuals/entities involved in the business of providing holiday homes and take all necessary courses of action;
7. Impose penalties for violation of the New Decree and other resolutions passed by DTCM in this regard;
8. Create a database of license holders and holiday homes in Dubai;
9. Establish a register containing documented data on holiday homes;
10. Any other task deemed necessary.

Obligations of a Licence Holder

A license holder must comply with the following rules and obligations:

1. Comply with all relevant laws including DTCM issued resolutions;
2. Maintain paper and electronic records in respect of the holiday home operations and provide access to DTCM employees upon request;
3. Maintain insurance as per DTCM-specified requirements for the entire license term;
4. Participate in the electronic program of hotel and tourism establishments as per Decree No. 13 of 2011;
5. Provide accurate data on the holiday home and its classification;
6. Respond to DTCM complaints within set time limits;
7. Maintain a notice with details of the DTCM-granted license and classification of the holiday home within the premises of each holiday home;
8. Provide regular maintenance services to the holiday homes;
9. Provide electricity and water services to the customers at no additional cost;
10. Hire of holiday homes on a daily, monthly or annual basis;
11. Hire the whole, and not part only, of the holiday home (ie. it is prohibited to rent rooms or beds);
12. Not to act as an intermediary between customers and any unlicensed entity undertaking letting of holiday homes;
13. Provide data, documents and statistics to DTCM upon request;
14. Notify DTCM of any change of information;
15. Comply with any other obligation that may be imposed by DTCM.

Sanctions

Article 11 of the New Decree provides that any violation of its provisions, or of any resolution issued by DTCM in respect thereof, may result in a fine ranging from AED 200 to AED 20,000. The fine amount would double in the event of a repeat violation within one year, subject to a maximum cap of AED 100,000.

In addition to fines, DTCM is also entitled to issue warnings, suspend a license for a maximum period of 6 months or cancel the license of the violator. The violator may submit a written application to DTCM for reactivation of its license after the lapse of 1 year from cancellation date.

Status

The New Decree has not yet been published in the Official Gazette and will come into effect upon the date which is 3 months from the date of such publication.

Please note that Article 16 of the New Decree requires that all persons and entities conducting the

business of holiday home lets in Dubai, must reconcile with the New Decree and the conditions imposed by DTCM within 3 months from the effective date of the New Decree.

B. TOURIST DIRHAM

To assist in raising funds for the international promotion and marketing of Dubai and to strengthen Dubai's position in line with best practices within the international tourism industry, Executive Council Decision No. 2 of 2014 was issued, approving the Tourism Dirham in Dubai.

The Tourism Dirham is a minimum charge to be applied to hotel guests staying in any type of hotel 'establishment' (including hotels, holiday homes, serviced apartments and guesthouses). The fee will be levied per occupied room night and shown as a separate line item in the tourist's bill. The Municipality charge and the service charge will not be levied on the Tourism Dirham fee.

The fee will be introduced from 31 March 2014 and ranges from AED 7 per occupied room per night (for a guest house and 1 star/budget hotel) to AED 20 per occupied room per night (for a 5 star or higher rated hotel or resort and a deluxe hotel apartment). There are various different fee amounts which are dependent on the classification of hotel establishment, and various different violations included, for which a fine may be levied.

We hope to be able to provide you with further information on the other initiatives recently introduced in the next issue of our Law Update.