

Guide to Hotel Operations in the Middle East: Part One

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The aim of this guide is to provide our readers with an overview on the regulatory landscape governing hotel operations across the Middle East region. To achieve its aim, the guide answers initial practical questions that are of general interest to hotel operators, owners and investors alike. In this first part, we will explore the regulatory framework of Bahrain, Egypt, Iraq and Jordan. The second part will cover Kuwait, Oman, Qatar, the Kingdom of Saudi Arabia and the United Arab Emirates.

The guide has been compiled on the basis of information provided as at the date of its publication, and therefore may be subject to amendments from time to time. Please note that this guide is intended to provide a high level overview of current laws, regulations and procedures. Separate legal advice on matters specific to the hotel property and the regulatory framework under which it operates should always be sought, including undertaking enquiries with the relevant Ministries and Authorities having jurisdiction over the property as necessary. If, based on the above, you require any further information, please do not hesitate to contact our Hospitality team on hospitality@tamimi.com.

	Bahrain	Egypt	Iraq	Jordan
HOTEL OPERATOR RELATED				
Is the Operator required under the local legal requirements to establish a Special Purpose Vehicle ("SPV"), i.e. a branch company, a representative office or a permanent establishment in order to provide Hotel Management Services?	The Operator is required to incorporate an SPV and obtain a commercial registration from the Ministry of Industry and Commerce ("MOIC"). The SPV will also be required to obtain a Tourism Licence from Tourism Affairs. Providing hotel management services directly from abroad without any legal presence in Bahrain is only possible if the Operator is the parent company (or the owner) of a chain of hotels and it has established a Hotel in Bahrain as part of that chain or hotel group.	Pursuant to Companies Law No. 159 of 1981 and Investment Law No. 8 of 1997, the Operator is required to incorporate an SPV at the Commercial Registry to undertake hotel management services in Egypt.	Pursuant to the Investment Law No. 4 of 2006, the Operator cannot conduct any commercial business in Iraq unless it incorporates an SPV, which is generally a Limited Liability Company ("LLC").	Pursuant to Article 240 (b) of the Jordanian Companies Law No. 22 of 1997, the Operator cannot conduct any commercial business in Jordan unless it incorporates an SPV. However, Article 240 (b) is not strictly applied in practice.
Is a local partner/sponsor required?	A local partner/ sponsor is not required in Bahrain.	A local partner/ sponsor is not required in Egypt.	A local partner/ sponsor is not required in Iraq.	A local partner/ sponsor may be required in Jordan, depending on the objectives of the company. If the Operator establishes an SPV in Jordan, the foreign ownership restrictions are subject to the objectives of the company. In respect of hotel management, the SPV may be fully owned by non-Jordanians pursuant to the Foreign Ownership Regulation.
May the Operator be able to establish within a 'free zone' where 100% foreign ownership of the legal establishment is permitted?	The SPV may be 100% owned by foreigners and/ or GCC nationals.	The SPV may be 100% owned by foreigners. As a general rule, no hotel Operator is undertaking activities in a free zone to date.	The Operator generally establishes an LLC which allows 100% foreign ownership. However, there is no free zone in Iraq.	
What is the most common form of legal entity used by the Operator in the Territory and how long does it usually take to set up such legal entity?	A Single Person Company ("SPC") or a With Limited Liability Company ("WLL") are the most common form of legal entity used in Bahrain. 3 to 5 weeks are required to register such companies.	A Joint Stock Company is the most common form of legal entity used in Egypt. 3 days from the date of submitting the required documents to the Authority to register such company.	A LLC is the most common form of legal entity used in Iraq. It shall be registered as an Iraqi national company at the Registrar of Companies. 1 to 2 months are approximately required to register such company.	The most common form of legal entities in Jordan are: <ul style="list-style-type: none"> - A LLC (may be established within a period not exceeding one month); - A private shareholding company (may be established within a period not exceeding one month); and - A foreign operating branch (may require approximately 40 days to be established and is subject to certain conditions).
What would the typical licensed activity be for the Operator?	Hotel, flats and restaurants for tourist service management	Hotel management services	NA, as the Operator is not required to hold any licence other than completing its registration as an LLC.	Managing and operating touristic restaurants and hotels.

	Generally, the minimum capital requirement is subject to the form of the SPV incorporated by the Operator to manage the business. The minimum capital requirement for an SPC is BHD 50,000 and the minimum capital requirement for a WLL is BHD 20,000.	The minimum capital requirement applicable to an SPV is EGP 250,000 for Joint Stock Company with 10% paid in upon establishment and 15% paid in within 3 months from establishment.	The minimum capital requirement applicable to an LLC is 1,000,000 IQD. However, we generally recommend investing at least 10,000,000 IQD.	The minimum capital requirement is subject to the form of the SPV incorporated by the Operator to manage the business: - For an LLC: 1 Jordanian Dinar divided into indivisible shares of equal value. - For a Private Shareholding Company: 50,000 Jordanian Dinars. - For a Foreign Branch: it will be in accordance with the mother company's subscribed capital.
Are there any requirements in terms of minimum capital applicable to the Operator?				
Are any licences/permits required for the Operator to undertake the business of managing hotels in the country where the Hotel is located?	A Management of Hotel Apartments licence (Hospitality management) from Tourism Affairs is required for the Operator.	No specific licences or permits are required for the Operator to undertake the business of managing hotels in Egypt.	No specific licences or permits are required for the Operator to undertake the business of managing hotels in Iraq. The Owner is responsible for applying for all the licences and permits.	A licence issued by the Ministry of Tourism and Antiques is required for the Operator.
Is the Operator subject to withholding tax in respect of its services provided in the country where it has not incorporated a legal establishment there?	There is no withholding tax imposed to hotel services in Bahrain.	The Operator is subject to withholding tax imposed to hotel services at the rate of 20%.	There is no specific legislation that addresses withholding tax on payments for royalties in Iraq. However, there are provisions in the tax law which the tax authority could use to argue that such payments should be taxable in Iraq, i.e. if the income is considered to be 'income arising in Iraq'.	The Operator is subject to withholding tax imposed to hotel services at the rate of 10%. It must be deducted by the resident and paid in to the Income and Sales Department on behalf of the non-resident within a period not exceeding 30 days from the date of effecting the payment or it becoming due.
Are there any currency restrictions on transfer of funds by the Operator outside of the country?	There are no currency restrictions on transfer of funds by the Operator outside of Bahrain. However, the government authorities will generally recognise sanctions imposed by the United States, the United Nations and the European Union in this regard.	In principle, there are no currency restrictions on transfer of funds by the Operator outside of Egypt. However, there are currently practical restrictions due to the directives of the Central Bank of Egypt to protect the foreign currency reserve by limiting transfers abroad.	Pursuant to the Anti-Money Laundry Law and the Iraqi Central Bank ("CBI") regulations, there are currency restrictions on transfer of funds above USD 10,000 by providing supporting documents showing the source/origin of these funds. Such supporting documents shall be provided to the bank which will undertake to submit them to the CBI to obtain the required approvals.	In principle, there are foreign currency restrictions and/or repatriation of cash restrictions that might be imposed by the Central Bank of Jordan. However, to our knowledge, the Central Bank of Jordan has not imposed any restrictions so far.
HOTEL OPERATION RELATED				
Who is the tourism classification authority in the Territory?	The Minister of Industry and Commerce (more specifically the Tourism Affairs) is responsible for tourism affairs and classifications of hotels and serviced apartments.	The Ministry of Tourism	The Tourism Commission	The Ministry of Tourism and Antiques
What are the various classifications applicable to Hotels and Serviced Apartments (stars, grades, categories)?	Stars and grades are based on international classification and must be in accordance with the regulations of the Tourism Affairs.	Stars and grades are based on international classification and must be in accordance with the regulations of the Ministry of Tourism.	The Regulation of the Touristic Utilities Classification No.1 of 2004 illustrates in details the classifications of the hotels by providing a list of requirements for each classification from one to five stars.	The classification for hotels is 5 stars, 4 stars, 3 stars, 2 stars, 1 star and Not Touristic. The classification for Services Apartments is Band (A), Band (B) and Band (C).
What other government departments are involved in the licensing of the hotel industry within the country?	<ul style="list-style-type: none"> - Tourism Affairs; - Directorate of Public Health - Environment Health Section; - Department of Public Health - Food Section; - General Directorate of Civil Defence; - General Directorate of Criminal Investigation; - Municipality Affairs; - Ports and Maritime Affairs (in cases of licensing a floating tourist hotel) ; and - Coast Guard Directorate (in cases of licensing a floating tourist hotel). 	<ul style="list-style-type: none"> - Ministry of Foreign Affairs; - Tourism Development Authority. 	<ul style="list-style-type: none"> - Tourism Commission; - Immigration Department. 	Ministry of Tourism
	The Owner must obtain:	The Owner must obtain a licence from the Ministry of Tourism.	The Owner must obtain a Profession Practice License from the Tourism Commission (which can be held by the Owner or by the Operator).	The Owner must obtain a license from the Ministry of Tourism and Antiques.
	Hotel licence (5 stars) from Tourism Affairs;	The licence can be held in an individual's name or a corporate entity.	The licence can be held in an individual's name or a corporate entity.	A request must be submitted by the corporate entity to the Ministry of Tourism and Antiques, alongside the land registration certificate and all building plans duly certified by the relevant authorities. Thereafter, the Minister of Tourism may issue a temporary two-year permit during which time the construction or redecorating of the Hotel must be completed. The two-year period may be extended upon approval of the Minister.
What permits/licences must the Owner obtain for operation of the Hotel? Can these be held in an individual's name or must it be a corporate entity?	<ul style="list-style-type: none"> - Health Certificate (Public Health) from the Directorate of Public Health; - Traffic Site Approval from the General Directorate Of Traffic Licensing Affairs; - Fire Safety approval from the General Directorate of Civil Defence; - Police site suitability approval from the General Directorate Of Criminal Investigation; - Municipality Site Approval from the Municipality Affairs. 			
Must the permits/licences be obtained prior to opening of the Hotel?	Yes	Yes	Yes	Yes

Is there a mandatory requirement to register the Hotel Management Agreement (and ancillary agreements) in the Territory?	There is no mandatory requirement to register the Hotel Management Agreement in Bahrain. However, the Tourism Affairs may request to present the same upon renewing the Tourism Licence.	There is no mandatory requirement to register the Hotel Management Agreement in Egypt.	Legally speaking, there is no mandatory requirement to register the Hotel Management Agreement in Iraq. However, we recommend legalising the Hotel Management Agreement before the Notary Public to provide it the highest legal strength since the term of the agreement is for a long period.	The Hotel Management Agreement must be presented to the Ministry of Tourism and Antiques, but the Jordanian laws do not explicitly impose a requirement of registration.				
Can the Parties include an arbitration clause in the Hotel Management Agreement to settle disputes arising from the Agreement?	Yes, parties may agree to include an arbitration clause to settle disputes arising from the Hotel Management Agreement.	Yes, parties may agree to include an arbitration clause to settle disputes arising from the Hotel Management Agreement.	Yes, parties may agree to include an arbitration clause to settle disputes arising from the Hotel Management Agreement.	Yes, parties may agree to include an arbitration clause to settle disputes arising from the Hotel Management Agreement.	May the Hotel Management Agreement be subject to merger clearance under any competition and anti-trust legislation that may exist within the Territory?	No merger clearance under competition and anti-trust legislation may apply to the Hotel Management Agreement. In Bahrain, there is no existing competition law or similar legislation applying to all sectors.	No merger clearance under competition and anti-trust legislation may apply to the Hotel Management Agreement. In Bahrain, there is no existing competition law or similar legislation applying to all sectors.	No merger clearance is required before signing a Hotel Management Agreement. However, pursuant to Competition Law No. 33 of 2004, a transaction will be approved if it does not negatively affect competition or it has positive economic benefits that outweigh any negative effect on competition.
What arbitration institutes exist in the Territory?	<ul style="list-style-type: none"> The Bahrain Chamber of Dispute Resolution ("BCDR"), in association with the American Arbitration Association; The GCC Arbitration Centre. 	The Cairo Regional Centre for International Commercial Arbitration ("CRCICA")	Pursuant to the Iraqi Procedural Law No. 83/1969, arbitration in Iraq shall fall within the jurisdiction of the first instance court. This court has the authority to approve arbitral awards partially or entirely or to reject and return them to the arbitrators.	There are several institutes but they are not operative. Arbitration would be conducted pursuant to the Jordanian Arbitration Law unless agreed upon otherwise.				
Would a foreign arbitral award rendered in connection with the Hotel Management Agreement be recognised and enforced by the local courts of the Territory without consideration of the merits of the case, or do the local courts have the power to reopen the matter?	The result of this is that the enforcement of foreign awards should occur pursuant to the terms of the NY Convention.	Enforceability of an arbitral award must follow a certain process and the award must satisfy certain criteria. However, local courts do not reopen the matter, as a general rule.	Under certain conditions and in case of reciprocity, Iraqi courts shall give effect to foreign judgments as well as foreign arbitral awards pursuant to the provisions of the Execution of Foreign Judgment Act No.30/1928.	<ul style="list-style-type: none"> the arbitration tribunal competent to issue such award; the arbitration award being final, binding and conclusive as between the parties thereto and enforceable in the country where the award was issued; 				
Are there any restrictions on arbitration proceedings applying to government entities?	Bahrain has also recently issued Law No. 9 of 2015 promulgating the Arbitration Law adopting the UNCITRAL Model Law on International Commercial Arbitration (the "Arbitration Law"). The Arbitration Law provides specific grounds under which a foreign arbitration award may be refused.	Yes, if the government body enters into an agreement for operation of a public domain, the approval of the competent minister must be obtained to include an arbitration clause as part of the agreement.	Pursuant to the Iraqi Execution of Foreign Judgment Law No. 30, in order to execute a foreign award in Iraq, a claim must be filed with the relevant court, requesting recognition of the foreign award and issuance of a decision to enforce it.	<ul style="list-style-type: none"> any relevant notification or service being validly made; the award being obtained in a non-fraudulent manner; and the award not being contradictory to Jordanian Public Policy and Morals. 				
However, there are no restrictions regarding the roles and nationalities of the employees.	There are no restrictions on arbitration proceedings applying to government entities.	There are no restrictions on arbitration proceedings applying to government entities.	There are no restrictions on arbitration proceedings applying to government entities if the arbitration took place in Iraq or in one of the signatory countries of the Riyadh Arab Agreement for Judicial Cooperation. The entities of the signatory countries shall own 100% of the shares of the company to be qualified as a government entity in Iraq.	There are no restrictions on employment of foreign staff (ie, any roles reserved specifically for national employees), or a policy of not employing staff generally belong to a trade union within the Country?	Are there any restrictions on employment of foreign staff (ie, any roles reserved specifically for national employees), or a policy of not employing staff generally belong to a trade union within the Country?	Yes, there is a quota of nationals applicable to each activity undertaken by an entity subject to its number of employees (from 0% to 20%). This is known as the "localisation" of the private sector. However, trade unions for hotel staff exist in Bahrain.	The Iraqi labour law prohibits employers from employing any foreign staff, unless it is granted a work permit issued by the Ministry of Labour according to its regulations.	Yes, pursuant to the Jordanian Labour Law, the approval of the Minister of Labour must be obtained to employ foreign staff, given that the foreign staff member has skills and qualifications that are not available in Jordan. The matter is at the discretion of the Ministry of Labour and there is no guarantee that a foreign individual will obtain a work permit.
What work permits and visas are required for non-national employees?	A work permit and residency are required for non-national employees, except GCC nationals.	A work permit and residency for the foreign employee are required.	A work visa from the Immigration Department and a work permit from the Ministry of Labour and Social Security are required.	A work permit and a residency permit are required. Both must be renewed on a yearly basis.	No	No	No	No
However, the issuance of such licence is on hold since 2009. Hence, in practice, the inspection committee does not impose any penalties on hotels selling alcohol without any licence.	No; however, due to cultural customs and traditions, some hotels have female only swimming/leisure facilities.	Yes but specific registrations are only applicable in observance of public rules and behaviour, like separate toilets.	There are no specific registrations applicable to hotels but the Hotel Management Agreement shall comply with the Iraqi public order and morals.	There are no specific registrations applicable to hotels in Jordan.	Is it possible to obtain an alcohol licence for the sale and supply of alcohol at the Hotel? Who applies for this licence, and what is the authorising entity? Are there any restrictions on the grant of the licence?	Yes, hotels are able to sell alcohol by virtue of their commercial activity and do not require a separate licence. Hotels are not allowed to import alcohol; however, they may sell alcohol obtained from local distributors.	Yes, an alcohol licence may be obtained by Owner from the Ministry of Tourism under certain conditions. There are only a few restrictions on the sale of alcohol by hotels and people can generally buy alcohol from most of the hotel bars all over Egypt.	Yes, the Owner may apply for an alcohol licence before the Tourism Commission. There are usually no restrictions on the sale of alcohol by 4 & 5 star hotels, whereby such a licence would be granted.
Can Operator employees be seconded to the Owner's employment under a local employment contract in respect of providing services from the Hotel?	Yes, a secondment agreement may be entered into between the Operator and the Owner.	Yes, a secondment agreement may be entered into between the Operator and the Owner.	Yes, a secondment agreement may be entered into between the Operator and the Owner, providing that both parties are jointly and severally liable for enforcing the employees' rights and benefits under the Iraqi Labour Law.	Yes, a secondment agreement may be entered into between the Operator and the Owner. However, employees must be subject to the Jordanian Labour Law and be registered with the Social Security Department in Jordan.				

Guests are subject to:
- Government levy of 10% as stated under Ministerial Order 106 of 2015 amending Ministerial Order No. 4 of 1994 in relation to Hotel Service Charges;

Guests are subject to:

- Sales Tax in the amount of 16% applicable on all reservations;

Are guests subject to payment of any tax/service charge/tourism fee upon reservation of a room in the Hotel?

- a Hotel Services Fee of no more than 10% which is generally imposed on all services provided by hotels of all categories and levels.

Yes, guests are subject to a No tax/service charge/tourism fee are government tax and a service charge at the rate of 24.32% upon reservation of a room in a Hotel.

- Service charge in the amount of 10% to be charged on all invoices for services provided by hotels which are classified as 3 stars or above in accordance with the Regulations for Additional Taxes on the Sales and Services of hotels and restaurants no. 2 for the year 1988.

- The Service Charge is collected by the Hotel itself and thereafter, sales tax shall be remitted to the Income and Sales Tax Department.