

NEWSLETTER 1/2017 (February 2017)

With this newsletter we would like to inform you about recent legal developments in the United Arab Emirates (UAE), the Kingdom of Saudi Arabia (KSA) and Oman.

United Arab Emirates

I. Courts for Expats

The Chairman of the Abu Dhabi Courts, Sheikh Mansour bin Zayed, recently announced the establishment of courts for expatriates which will be competent for, inter alia, divorce, inheritance and custody claims. The parties can choose whether the claims will be ruled in accordance with UAE law or the law of their home country. In the latter case the parties will have to provide a copy of the applicable law attested by the respective embassy. The establishment of these new courts will not be applicable for Dubai as Dubai has its own judicial system which is independent from the federal court system. It remains to be seen when these courts will commence their work and how the factual implementation will work out.

II. New Standard Lease Agreements in Dubai

The Dubai Land Department in cooperation with Ejari has announced the introduction of a new standard lease agreement which will be mandatory from March 1, 2017 for all parties (landlord, tenant and real estate agents). The new lease agreement will consist of 8 articles – which will set out the rules of the tenancy in accordance with the applicable Dubai laws – and will be bilingual (English-Arabic). The agreement shall be available from March 1, 2017 onwards from the website of Ejari (www.ejari.ae).

III. Update – Dubai Health Insurance Law

The Dubai Health Insurance Law (Dubai Law No. 11 of 2013) obliges all employers located in the Emirate of Dubai to insure their employees with a local insurance company. The existence of the health insurance will be checked by the immigration department – which is connected via the Dubai Health Authority with the local insurance companies – when either applying for a new visa

or for a visa renewal. It has been announced earlier that the immigration department will review the existence of health insurances commencing from January 1, 2017. However, it seems that this has not yet been implemented in all cases. The Government of Dubai has now announced that employers will be fined with AED 500 per month of non-observance of the health insurance law starting from April 1, 2017. In addition, the respective companies will not be able to apply for new visas nor renewals until they provide the required health insurance policies.¹

IV. Amendment of the Memorandum and Articles of Associations of LLCs

We have informed in our newsletter from June 2016 that the period for the implementation of the changes in accordance with the new Commercial Companies Law – i.e. the amendment of the LLC's Memorandum and Articles of Association – has been extended until July 1, 2017.

In any case, we still recommend implementing the changes in a timely manner as a further extension of the period is not expected.

Kingdom of Saudi Arabia

Tax Law

The tax authority in KSA has announced the introduction of new taxes. Commencing from the second quarter of 2017 “harmful products” (e.g. soft drink) shall be tarified with a tax of 50% energy drinks and tobacco with a tax of 100%

Currently, all employers who employ more expats than Saudi nationals have to pay a levy of SR 200 per expat. This levy of SR 200 will now be increased. Employers who employ more Saudi/GCC nationals than expats will not be exempted from the levy but will be charged at a discounted rate. Furthermore, a new fee for every dependant of expatriate employees will be charged from July 2017.

¹ It remains unclear, how the Dubai Health Authority and/or the immigration department will consider cases where the employees still have a valid health insurance which has been applied for and paid for by the employees themselves and not by the employer.

The tax exemption for income of expatriate and Saudi workers is to remain in place.

Oman

I. New Rules for Part Time Employment

Ministerial Decision No. 14 of 2017 amends the rules for part time employment in the tourism, logistic/transport, mining and fishing sector and shall be applicable for the age group of 15 to 18 years.

In accordance with the new Ministerial Decision employment will be considered as part time if the working hours are not more than 4 hours a day and 25 hours a week. Part time work can only be executed by Omani nationals and only if receiving a minimum wage of OR 3 per hour. The employment contract for a part time employee has to explicitly state the working days, working hours, salary and the tasks. Companies are only allowed to employ 20% of its staff on a part time basis.

II. Tax Law

The Omani Tax Law has been amended by Royal Decree No. 9 of 2017 implementing certain changes to the tax rates.

The income tax will be increased from currently 12% to 15%. Furthermore, the tax exemption for income up to RO 300,000 will be abolished and new tax rate of 3% introduced. Lastly, mining companies, private schools, nurseries, clinics and universities will no longer be exempted from paying taxes.

This newsletter constitutes a simplified and shortened description of some legal developments and in no way replaces legal consultation. The team at SCHLÜTER GRAF will gladly support you in case of any questions.

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