



Dear Friends and Clients,

The VAT is on the doorstep. It shall be implemented like the European VAT System, not the US sales tax. Let's see how fraud prevention will be set up. In the early VAT years, millions of Euros (or DM, GBP, ATS) were going down the drain through fraudulent manipulations with the deductible input tax. Remember the gold coin scandal and many more!

Students can be trained on a 6 month work permit – a nice liberalisation and heartily welcomed!

United Arab Bank takes a 150 Mil. USD loan – no comment on that. But how shall we consultants proceed to recommend the right banks to our clients? Finding the right bank has been easy in the last decade. But since the 2008/09 crash, the restrictions implemented by the Central Bank have become tighter and tighter. To open a bank account for an offshore company without making a 6 digit deposit has become almost impossible nowadays. Some clients have moved to Mauritius, Seychelles' or Caribbean banks.

An efficient alternative is still the Singapore trust. In this structure, the trust will hold 100% of the holding company, the operational company (both can be offshore) will be held 100% by the holding. This structure allows very flexible business and tax advantages. Our Singapore partner firm has established the largest non-bank owned trust in the country. Maybe this information can be helpful for some of our readers.

And don't forget: Business goes on despite the heat and September will come soon, then all the creative business ideas saved up from Ramadan and summer should become apparent.

Yours,

Theodor Strohal

Threshold for VAT Registration in the UAE

The VAT Framework Agreement is expected to be finalised at the next meeting of the GCC Financial and Economic Cooperation Committee in October 2016.

The UAE will start implementing the VAT rate of five per cent from January 1, 2018. On June 15, 2016, the Undersecretary of the UAE Ministry of Finance, Younis Al Khoury, announced that companies in the UAE that report annual revenues over Dh3.75 million will be obliged to be registered under the GCC VAT system.

The requirement to be registered will arise in early 2018 during the first phase of the GCC VAT implementation. Once registered, companies will be required to account for VAT on an ongoing basis to the MoF.

Al Khoury confirmed that companies whose revenues fall between Dh1.87 million and Dh3.75 million will have the option to register for VAT during the first phase of the VAT implementation.

The system will be based on a destination principle, according to which VAT is charged at import and on local supplies of goods and services. "VAT is a tax on consumption. It is a transaction-based tax levied at each stage in the chain of production and distribution. VAT is charged on supplies and is deducted on purchases, except when exemptions apply," experts explained.

Let's see how the new tax authorities will handle the rather complicated structure and administration. Europe took several years until the system worked smoothly.

Students can now train in the private sector and get work permits

Saqr bin Ghobash Saeed Ghobash, Minister of Human Resources and Emiratisation, issued the decree on Wednesday 13 July 2016, granting students in training similar benefits and advantages as employees in the same positions, including overtime pay and holidays.

The primary aim is putting proper workplace planning in place for students, and guiding them on a clear career path, to achieve overall community development.

Types of permits:

- Students over 18 can be hired under a temporary work permit, to be employed for a period that does not exceed six months.
- Another temporary work permit option lets students over 18 to work fewer hours a day in the same position filled by counterparts, for a period that does not exceed one year.
- Juveniles aged 15-18 can work for a period that does not exceed one year.

The Permits can be requested from Tas'heel service centres, or through the ministry's smartphone apps. The Permit fees will be Dh500.

UAE is Germany's largest trading partner in the region with trade exchange worth \$15.5b in 2015

Germany and the UAE are trying to strengthen economic relations and pursue opportunities for the development of partnership between their business communities, according to a statement by the Ministry of Economy.

Mohammad Ahmad Bin Abdul Aziz Al Shehhi, Undersecretary of the Ministry of Economy for Economic Affairs, met Felix Neugart, CEO of the German Emirati Joint Council for Industry & Commerce (AHK) in Dubai.

According to Al Shehhi, the UAE has become Germany's largest trading partner in the Arab region, accounting for 25 per cent of the total volume of trade between Arab countries and Germany which stood at €52 billion (Dh215 billion) in 2015.

Mandatory camera surveillance

The Ras Al Khaimah law No. 3/2015 orders camera surveillance of shopping malls, government departments, hospitals, schools, mosques, shops, residential and commercial buildings and villas by mandatory installation of security surveillance systems (CCTV).

This order does also affect some businesses. Business owner in the industrial area of RAK FTZ as well as businesses located in the RAK FTZ warehouses are concerned. They have to install cameras in and around their business premises. Whereas, businesses located in the remaining buildings of RAK FTZ, like in the Business Centre, are not concerned.

Businesses located in warehouses of RAKIA are also obliged by this law. Whereas, for the remaining buildings owned by RAKIA, the Authority itself is responsible for a lawful and timely implementation of the camera surveillance order.

All non-free zone businesses are affected. The video recordings will only be handed over to the authorities in case of a crime.

FGB and NBAD boards recommend merger to create the largest bank in the Middle East and North Africa region

First Gulf Bank PJSC (FGB) and National Bank of Abu Dhabi PJSC (NBAD) announced that their boards of directors have voted unanimously to recommend a merger of the two Abu Dhabi-listed banks to shareholders. The combined bank would create a lender with \$175 billion in assets and a combined market capitalisation of nearly AED 106.9 billion.

The combined bank will not only be the largest bank in the Middle East and North Africa region, it will also be the leading financial institution in United Arab Emirates with a 26 percent share of outstanding loans, and will operate an international network of branches and offices spanning 19 countries.

FGB and NBAD will continue to operate independently until the merger becomes effective, which is expected in the first quarter of 2017.

Residents are starting to move into the upscale environs of Mohammad Bin Rashid City (MBR)

Dubai's latest "city" has opened its doors wide to residents and with expectations of many to come. MBR (Mohammad Bin Rashid) City is set to emerge as the next hot spot for the priciest living spaces in Dubai and located within easy reach of Downtown Dubai.

"MBR City projects have had one of the fastest turnarounds from their launch to the actual delivery," said Ranjeet Chavan, Partner at SPF Realty, which is exclusively handling the sales for a portfolio of developments launched by G&Co there. "This timespan has been averaging around two to three years, and what we have now are the first residents moving in for launches that were done in 2013."

MBR City will be attractive for buyers, not only because of prime residential options. One of the world's largest shopping malls from Meydan and a ski slope will be located in MBR City. Moreover the 14 million square metres and complexity with as many as 11 "districts" MBR City will offer many green spaces and water elements.

Interesting that the most expensive living spaces sold out the fastest. There must be quite a lot of money in circulation looking for investment. Where does all the money come from? (Suggestions welcomed!)

UAE's United Arab Bank signs \$150m 2-year loan

United Arab Bank (UAB), a United Arab Emirates-based lender, has secured a \$150 million loan of two years duration. Bahrain's Bank ABC, Germany's Commerzbank and UAE's Emirates NBD arranged the deal, which was closed at the end of June, according to three sources aware of the matter.

UAB began a marketing period for the loan in May, saying at the time that the cash would be used for general corporate purposes and prepayment of an existing syndicated facility. Until now, UAB has not responded to a request for comment.

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