



Dear Friends and Clients,

Is it true that the main reason for the obstacles to open a bank account in the UAE is due to the influence of the USA? Does the UAE Central bank receive "instructions" from our great (former: big) brother?

Maybe that is the reason: **"US debt exceeds 20 trillion for first time in history"**

The US Congress recently passed a law on the temporary increase of the national debt threshold. The new limit will allow public institutions to work only until December 8 while the Congress is working on the federal budget for 2018."

Any comments? Isn't this the country annoying us with their FATCA forms whenever opening a bank account wherever in the world? How dependent are we on the financial system created in both sides of the Atlantic?

Some countries are working on a solution: **BRICS countries to drop USD in the future**

BRICS countries have set sights on giving up the US dollar. The BRICS states seek to minimize the FX risks, and eventually abandon the use of the US dollar. According to Nikolai Tsekhomsky, VnesheEconombank's first deputy chairman, the expansion of lending practices in the national currencies of the BRICS countries (Brazil, Russia, India, China and South Africa) will allow these countries to reduce trade risks by stimulating business activity in their markets.

This is not a bad idea. The GCC countries were close to dropping the dollar peg nine years ago. That was the reason for an unexpected visit by Mr. George W. in January 2008 and – the Dollar peg has been saved!

Emirates – FlyDubai codeshare flight agreement: Hard to believe that Emirates shares bed with a discounter. But looking back at my 10 years gold membership, I must admit that Emirates has lost much of its glory. When have you been complimentary upgraded in the last 3 years? Rejecting a 2nd guest into the airport lounge. Now there's a 30 minute bus ride at DXB because no bridge gate is available and many more deteriorations. FlyDubai's business class costs hardly more than Emirates economy. The food and entertainment programs are as good as on Emirates and the lounge in terminal 2 is acceptable.

Finally the good news:

No 6 of the Guidance Notes for the Common Reporting Standard (CRS) United Arab Emirates

Reads:

UAE TAX RESIDENCY DEFINITIONS "Resident Person" in the UAE means: A. An Individual: a) Any UAE National b) An individual who is a resident in UAE with: i. a valid Emirates ID and ii. a valid Residency Visa. B. An Entity: a) An entity which is incorporated, registered, managed and controlled within the territory of the UAE.

If these Notes are followed by the banks no one holding an Emirates ID (and residence visa) will be subject to CRS. So please check with your bank!

Let's see what the winter brings, minus 50 in Russia, and a rebooting economy in the Middle East.

Take care and carpe diem!

Theodor Strohal

UAE economy to reboot after 2017

The economy of the UAE will start recovery in 2017 due to the development of the non-oil sector. It is expected to become one of the strongest Gulf economies in the near future, according to a forecast by the International Monetary Fund. The recovery and growth are only possible due to further diversification and the development of the non-oil sector: in spite of low energy prices, in 2015 the country's GDP was 3.8% against 3.1% in 2014.

Real Estate in the UAE and the effects in connection with VAT

If you are already a homeowner or tenants of a residential property, the good news is that VAT will not be imposed on this kind of property. However, as expected, the VAT will be payable on the sale and leasing of the commercial properties. The VAT, which will be payable on the sale price of commercial properties and on all rentals under commercial leases, will have an impact on the property and rental values, but only if the buyer and/or the tenant can register for VAT. So most likely, where the sale of commercial property and a subject of VAT, the "Dubai Land Department" transfer fees will be calculated on the property price added with the applicable VAT. As a result of that the transfer fees will "slightly" increase.

It is important for investors to remember that the obligation to add to the government for any property of the VAT. If the seller and/or landlord do not adequately identify the VAT to the buyer or the tenant of the commercial property, the costs of the VAT will have to be paid by the seller/landlord himself. That's why the seller has to ensure that the prices are exclusive of all VAT, and also that the landlord has to ensure that all reported leases are exclusive of VAT. If the respective contracts are not sufficiently clear, the liability remains with the seller/landlord, whose sales price/rents will then be reduced by 5%.

As a conclusion of the abovementioned points, if you are already thinking about buying a property in the UAE, you should start now. We will gladly assist you with the purchase and the procedure. Please do not hesitate to contact us for further questions.

Abu Dhabi Ports exploring further partnership with Chinese investors

Chinese companies are boosting investments in the Emirates. Right now the Abu Dhabi Port is in discussions with Chinese investors for further investments to the Khalifa Port Free Trade Zone. The Port operator manages a capital of USD 7 billion and is courting the Chinese after they signed a 50-year agreement in July with Chinese Jiangsu Provincial Overseas Cooperation and Investment Company. These contracts will bring an investment of AED 1,1 billion to the free zone.

Abu Dhabi Ports, which also operates Khalifa Industrial Zone Abu Dhabi, is expanding its operation in the UAE to get the economy away from oil. So far, China is the UAE's second largest trade partner after India. After signing a concession agreement with China's Cosco Shipping (the world's third-largest container shipper) in September 2016 to build and operate a USD 738 million shipping terminal, the facility will start to operate in the first half year of 2018. This means that the new facility will add 2.4 million twenty-foot equivalent units (TEUs) to the port's already existing capacity of 2.5 million TEUs.

The expansion is part of the ambitious plan of Khalifa Port to have the capacity to handle 15 million TEUs a year by 2030. So far the Abu Dhabi Ports' net profit has risen by 140% from 2015 as the free zone continued to benefit from an increase in volume at the ports it manages. According to Abu Dhabi Ports' chief executive "Jiangsu is the beginning" and they "are also looking at other opportunities with other provinces in China".

UAE Excise Tax:

Since 1st of October, the UAE has implemented an excise tax on select items. From now on, residents have to pay double the price for tobacco products and caffeinated drinks, while prices of sugar drinks has increased by 50%.

The tax affects specific "excise" goods that are produced in, imported into, or stockpiled in the Emirates, as well as excise goods released from a designated zone. This tax is a first step for the UAE on the way to VAT, which will start on the 1st of January 2018.

Implementation of the Common Reporting Standard (CRS) and its Residency Definitions

In December 2016 the Ministry of Finance of the UAE launched the "Guidance Notes" for the implementation of the "Common Reporting Standard" (CRS) for the UAE. The CRS is a system for the annual worldwide mutual automatic data exchanges of financial accounts and is inspired by the one introduced by the US. Because of an implied agreement with the US, most of countries (such as Germany or Austria) implemented the Foreign Account Tax Compliance Act (FACTA) for data exchange as well. In addition to general provisions and references to international agreements, it clearly defined for whom the reporting obligation is not applicable in the UAE, namely those accounts which are "residents for tax purposes in the UAE jurisdiction", i.e. their tax domicile is in the UAE.

According to the "Guidance Notes" for a "Resident Person in the UAE" the following applies:

- An Individual:
 - any UAE national;
 - an individual who is a resident in the UAE with:
 - a valid Emirates ID and
 - a valid Residency Visa.
- An Entity:
 - an entity which is incorporated, registered, managed and controlled within the territory of the UAE.

So, if you want to open a bank account in the UAE be aware of questions regarding your home country address. If you plan to relocate to your home country someday, the financial authorities could ask you unpleasant (personal) questions because of the CRS.

If you have further questions, please do not hesitate to contact us.

VAT: Decisions on service fees and administrative fines

The UAE Council of Ministers has adopted Cabinet Decision No. 39 of 2017 on Fees for Services provided by the Federal Tax Authority and Cabinet Resolution No. 40 of 2017 on Administrative Penalties for Violations of Tax Laws.

According to the Federal Tax Authority, the tax registration services and the issuance of an electronic tax registration certificate will be free of charge. However, an attested paper registration certificate will be charge with an AED 500 fee, while registration – and renewal – fees for tax agents have been set at AED 3,000 for three years. It is possible to get an accounting software provider for the registration and renewal fee, which will be charged at AED 10,000 for one year.

The Cabinets Resolution No. 40 describes the administrative penalties for violations of the tax laws in the UAE. It states that the fine must be no less than AED 500 and no more than triple the value of the tax on the transaction in question. But be aware, that the fine setting does not exempt the taxable person from paying the due tax in accordance with the tax procedures and the tax laws.

If you have further questions on the VAT please do not hesitate to contact us.

Another Merge in the UAE: The National Bank of Abu Dhabi and First Gulf Bank

On 1st of October 2016, the National Bank of Abu Dhabi (NBAD) and First Gulf Bank (FGB) announced that they have merged to become First Abu Dhabi Bank (FAB). The merge was legally completed on 1st of April this year.

FAB is UAE's largest bank and one of the largest Banks in the Middle East and North Africa with a total asset worth of over AED 670 billion. According to the CEO of FAB, the Bank has a "capital of AED 10.9 billion", a "shareholder's equity of AED 98 billion and a market capitalisation of around AED 111 billion". As a stronger and larger bank they want "to put their customers first through an expanded range of products, services and solutions, drive strong profitability and deliver significant value for shareholders".

The flydubai and Emirates Airline deal

On 2nd October, flydubai and Emirates Airline announced their co-share programme which includes integrated network collaboration with a co-ordinated scheduling. According to Emirates, “this move brings together two independently successful Dubai-based airlines, with the aim of harnessing their unique strengths to deliver even better customer offerings, commercial results, and operational efficiency at our busy airport hub”. This cooperation, which is not a merge, is financially a great move for both companies says the chief analyst of StrategicAero Research and adds, “with one chairman at the helm, the deeper assimilation across both airlines will drive down costs and allow them to better hedge against other external costs, such as fuel and ground services, for example.”

Furthermore the cooperation removes direct competition for both airlines and according to the chief analyst of StrategicAero Research is probably an, “attempt at trying to reverse Emirates’ first full-year profit decline for five years, when earnings plummet 82%”.

The challenge for flydubai will be if the airline is able to match Emirates’ level of comfort and luxury, if dealing with frequent user of the more expensive Emirates flights. Will the deal help Emirates take off and to climb new heights? Will flydubai rise from its current perception of a low-cost airline? This is something only the future will show us.

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