



Dear Friends and Clients,

This time we communicate rather severe news for the final days of the year:

Visa run, Taxes in the UAE, Swiss banking and corporate setups to be avoided, new Labour Laws, cyber crime and Christmas pictures.

Well - many things have changed. Shall we just bear the changes? Can't we do anything? Karma is the reflection of cause and effect.

Going into a new year with all the uncertainties in this world gives us the stale taste of being aware of our challenges and shortcomings.

Can we contribute to a better world? What is ethically responsible business? Are you ready to work for your country for two-thirds of your time? Is it fair – from a social and ethic perspective – to legally avoid taxes?

My answer is: Yes it is fair. And I do not have any scruples to advise our clients how to minimize their tax burden. I'll even admit there has not been even one case in my career that the inland revenue would not have tolerated and accepted what we have proposed to the client. Through our four offices and the very specialized advisors we employ, we are able to see the bigger picture and find solutions in almost all cases that save the client a respectable amount of money. As a matter of fact, we are working on such cases on a successful rate related to the saved amount which makes us cheaper than the inland revenue.

So I am wishing all of you a happy and prosperous New Year, and I hope it shall bring happiness and satisfaction.

Yours,

Theodor Strohal

Bye, bye visa run

On 15 December 2015 the European Parliament voted overwhelmingly to allow Emirati citizens visa-free access to Schengen states, with 537 out of 667 votes. With this landslide vote, all domestic procedures concerning the Schengen Visa Waiver have been completed.

On 6 May 2015, the EU and the United Arab Emirates signed an agreement to an exemption from the required visa for short, ceremonial stays in Brussels. The agreement was forwarded immediately after it was signed to the European Parliament, which must give its approval before it is finally set in stone. Now the agreement has been approved.

The signed agreement applies not only for UAE citizens travelling in the Schengen States of the European Union, but also for citizen from Austria, Belgium, the Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Iceland, Italy, Latvia, Liechtenstein, Lithuania, Luxembourg, Malta, The Netherlands, Norway, Poland, Portugal, Slovakia, Slovenia, Spain, Sweden and Switzerland as well as for Bulgaria, Croatia, Cyprus, Romania, the Vatican, Andorra, San Marino and Monaco traveling to the United Arab Emirates. Citizen from these countries can enter the UAE without a visa and are allowed to stay up to 90 days in a 180-day period.

Practical hints: Whoever wants to do business in the UAE should refrain from entering the country as a tourist, but should obtain a residence permit, either by getting employed, or setting up their own business. We offer support for these cases by providing efficient advice, and there are companies willing to employ newcomers on short term notice.

VAT and corporate tax in the UAE

The big question is not if, but rather when corporate tax and VAT will be implemented. After the recent fuel price deregulation reforms, Younis Haji Al Khouri, undersecretary for the UAE Ministry of Finance, revealed that the GCC states have agreed on key issues for implementing VAT in the region.

The International Monetary Fund (IMF), among other international bodies, has been advising the UAE and the rest of the GCC for introducing taxation among several options for the government to strengthen their revenue base in order to minimize dependence on the fluctuating global oil price. Even as the IMF maintains that the UAE economy is resilient to low oil prices and sluggish global growth thanks to its fiscal buffers and safe haven status, the agency is suggesting the government undertake additional reforms to boost its finances.

Primary among those suggestions are: imposing a value-added tax (VAT), imposing an excise duty on the sale of automobiles, as well as a corporate income tax. The rate of VAT as advised by the IMF is generally seen as at or around five percent as well as a 15 percent tax on cars and 10 percent to 20 percent as a corporate tax are currently in discussion.

When you have a look at the GCC regulations in the past, like the customs duty only to be paid once when entering the first GCC country, then we all can imagine how homogenous the VAT regulations will be. KSA (Saudi Arabia) usually charges customs duty again, even though it was already paid in the UAE. And the customs exemption between free zones has been violated by Dubai customs since years, levying customs duty when the goods leave Jebel Ali Free Zone and being forwarded to another free zone in the country. So let's see how the UAE will manage the implementation of VAT and not speak about the GCC just yet.

Swiss private bank Hottinger faces bankruptcy

The Swiss Financial Market Supervisory Authority (FINMA) has initiated bankruptcy proceedings against the Hottinger & Cie private bank for failing to meet the minimum capital requirement under regulatory law.

The Zurich-based bank, which was founded in 1786, has branches in Geneva, Basel, Sion and Brig and New York. It is believed to have around 50 employees, 1,500 clients and assets of CHF145 million (\$148 million).

Hottinger has been on FINMA's radar for some time as sustained losses and unresolved litigation pushed it towards unsustainable debt. Restructuring attempts through a planned recapitalisation and a search for a new buyer failed to materialise. Eventually, the risk of debt overload resulting from the costs of the liquidation resulted in FINMA initiating bankruptcy proceedings.

According to FINMA, privileged deposits (clients with assets of up to CHF100,000) can be fully refunded from the bank's available assets. The Swiss Banking Act provides that clients who deposit up to a maximum of CHF 100,000 are privileged in the 2nd class. Those deposits will be paid out immediately in case of bankruptcy. The bankruptcy liquidators are currently preparing those payments and will inform the bank clients about the details regarding the payment of secured deposits up to a maximum of CHF 100,000 and the handing out of the custody account assets as well as the further course of the bankruptcy procedure.

With the expected liquidation of Hottinger, the number of family-owned private banks in Switzerland stands at seven, compared with around 60 Swiss private banks operating during the Second World War.

If you want to get your money out of Switzerland, it is not as easy as you may think. If you own a legal entity, like a stock company, then all assets to be taken out and transferred to the shareholders are subject to a 30% withholding tax. Even when the Swiss company holds assets outside Switzerland, these assets have to be evaluated and the profits of daughter companies have to be taxed in Switzerland. Not to mention the agreements between Switzerland and Germany, Austria and other EU countries regarding the obligations of the Swiss authorities and banks to report to the tax authorities of the other countries.

We are, at the moment, quite busy advising our clients on how to dissolve their Swiss engagements and to avoid the high taxes in this country. I can confirm, in honesty, that the ways we found are legal, safe and very successful.

New Austrian Business Class

The Lufthansa subsidiary, Austrian Airlines, had stopped Vienna-Dubai services on September 13, 2015 due to overcapacity, but plans to launch weekly Boeing 767-300ER Vienna-Havana (Cuba) service, from October 25, 2016, as part of a long-haul leisure market strategy. Furthermore, the Austrian flagship carrier recently expanded services into North America with the launch of the Boeing 777 5X-weekly Vienna-Miami services on October 16. It has also added weekly services from Vienna to Colombo (Sri Lanka) and to Mauritius from October 29. Additionally, the Star Alliance member also plans to add daily Vienna-Shanghai/ Pudong 777-200ER services from April 4, 2016.

Austrian Airlines expects to have transported 1,269,000 passengers on long-haul routes in all of 2015 and currently operates six Boeing 767-300ERs and five 777-200ERs in its long-haul fleet.

The Airline also upgraded its services on short & medium-haul flights and provides higher baggage allowance and higher allowances for carry-on baggage as well as a fast lane at security check and access to the business class lounge. Also the on-board services have been upgraded, which provides passengers with a free choice of special meals on all Austrian business class flights and selected wines as well as a variety of newspapers and international magazines.

Well, giving up the Vienna–Dubai route will be hard to compensate. The Vienna–Tehran route is still flown on an A320 carrier which makes the business class an experience of ridiculousness. You are sitting on an eco chair and have the middle seat free! What a great advantage to pay more than double the eco price! We strongly recommend to avoid Austrian Airlines when you want to fly business class to Tehran.

Reem Mall will house the largest indoor snow-play park in the world

SkiDubai has been the only snow dome in the desert; now it seems Abu Dhabi is going to get its own too. Reem Mall, expected to open in 2018, will be home to the largest indoor snow-play park in the world. The snow-play park itself will be spread over an area of 125,000 square feet and offers exciting activities for the entire family such as sledging, zorbing and the luge.

Reem Mall on Reem Island is a \$1 billion project expected to open in 2018 with 450 stores including 85 food and beverage outlets. Reem Island, a residential and commercial zone, is expected to be home to up to 10,000 hotel rooms, 210,000 residents and thousands of office workers.

We are all really happy to read this. After the little snow in Europe in recent winters, we can have the world cup downhill races in either Dubai or Abu Dhabi.

Abu Dhabi's UPC announces master plan for Al Ain development

After refurbishing and modernizing the Al Ain Zoo (it's worth a visit) there are now intentions to increase the human population as well.

Abu Dhabi's Urban Planning Council (UPC) has announced the completion of the master plan for a new residential community in Al Ain. The Al Saad development, located between the two existing neighbourhoods of Ramlat Al Saad, will offer 306 new plots for UAE nationals when completed. It will increase the existing population of 2,200 residents to approximately 3,130.

Abu Dhabi General Services Company has been tasked with the detailed master planning, design and execution of the project. It is scheduled for completion in October 2018. Al Saad is one of 17 developments for *Plan Al Ain 2030*, a strategic framework for the development of approximately 31,100 square kilometres of land. The community is designed to be "safe, walkable, attractive and sustainable" with views of sand dunes to the north, a key feature, and will include two schools, three retail outlets, a clinic, mosques, a community centre and 14 parks.

Cybercrime – be careful with your Christmas pictures

The 2012 Federal Anti-Information Technology Crimes Law No. 5 says that breaching someone's privacy by copying, saving or publishing their photo or personal data by using an electronic device is an offence punishable by at least six months in prison and/or a fine of up to Dh500,000, even if the photo was taken in a public place.

Simply possessing an electronic device containing a photo taken without the subject's consent is an offence for which expatriates could be deported, a leading prosecutor said.

New light was thrown on the cybercrime law by the case of Jodi Magi, the Australian woman deported from Abu Dhabi in July 2015 after posting offensive remarks with a photo of her neighbour's car in a disabled parking space. She captured the picture without the consent of the car's owner, then published the pictures on the web and added insulting phrases. Each of these three actions is subject to prosecution under the 2012 Federal Anti-Information Technology Crimes Law No. 5 which punishes all violators with a fine, jail, and/or deportation.

So, celebrate Christmas and take your pictures of the festive moments with your family and friends, but be considerate of other people's privacy and reputation before publishing the pictures on any social media platform.

And as also cars fall under this protection, it is not limited to just humans! So please don't take pictures of a palace without knocking on the door first and ask the owner for permission. We wish you good luck!

New labour laws will kick in 1 January 2016

Three new decrees, which will be effective from 1 January 2016 on, will help promote the transition to a knowledge-based economy while meeting international labour standards, said Saqr Ghobash, the Minister of Labour.

Three new rules have been announced by the Ministry of Labour covering the new standard work contracts, conditions for terminating employees and labour permits. "They are in line with the UAE 2021 vision of creating a stable labour market and a productive workforce to promote a competitive knowledge-based economy that revolves around UAE citizens, including an emphasis on providing better protection of workers' rights," Saqr Ghobash said.

All employees across the country will be presented with a unified, standard employment offer that contains clear and enforceable terms and conditions of employment, prior to the worker's entry in the UAE. All contracts will need

to be signed by both the employer and the worker. The new contract, which is divided into 11 clauses, details the obligations and rights of both employer and employee. One clause stipulates that the duration of the limited term employment contract may not exceed two years. The contract's rules will still be effective during the notice period ahead of the contract's termination. The parties can agree on a notice period between one to three months.

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