



*Dear Friends and Clients,*

*May I first of all wish you a happy and prosperous New Year with all your wishes to come true. Expectations and attachments are the cause for suffering – so do not expect too much. Let it happen and improve the situation wherever you can.*

*May I draw your attention to the most important event in March, organized by the Austrian chamber of Commerce: Austria Connect Gulf 2018 will take place in The Palazzo Versace Hotel, Dubai on 18.March. To register please contact [AbuDhabi@advantageaustria.org](mailto:AbuDhabi@advantageaustria.org)*

*As I am teaching intellectual property law in Modul University this will also be the subject of the workshop I will be leading at the event.*

*VAT News: We are all very happy to finally know what "designated zones" are according to VAT regulations.*

*But we are less happy about the outcome of the clarification. If you are lucky and the free zone where you established your company got the quality stamp as designated zone you will still be subject to VAT, besides if you invoice to a recipient of good or services abroad or to a recipient of goods (but not of services) in another designated zone.*

*Arbitration is another important issue in this country. The local courts are quite restrictive in enforcing foreign arbitration awards. The statistics shows that awards from DIAC and DIFC-LCIA have twice the chance to be enforced than awards from foreign arbitration tribunals.*

*That's why we usually recommend to implement DIAC or DIFC-LCIA arbitration clauses in agreements with local parties.*

*It is similar with agreements on jurisdiction. Most European Clients want courts in their home country deciding on disputes with foreign parties. This only makes sense if the rulings of these courts are enforceable in the country of the counterpart.*

*On the other hand – if you agree with jurisdiction of the counterpart and you lose the trial the verdict from the local court may not be enforceable in your home country.*

*These and many other details, which in the first view don't look so important could be essential in the case of dispute*

*In this country it has been proven that the success quote by using contacts and lobbying is many times higher than going through litigation or arbitration.*

*I wish you a peaceful and stress-free start into the new year.*

*Yours  
Theodor Strohal*

## **Upcoming Events**

Dr. Strohal and Thomas Meier will be speakers on the subjects: "Latest updates on taxation in different jurisdiction – Optimizing Tax Duties by using multinational structures in Europe, Middle East and Far East" and "Asset Protection - Worldwide 'glasnost' and information exchange between countries, authorities and cyber-crime indicates a new area of asset protection", respectively, at the "WealthPro, RAK 2018" which will be held on 14<sup>th</sup> to 15<sup>th</sup> March at the Rixos Bab Al Bahr in Ras-Al-Khaimah.

Dr. Strohal will lead a workshop on intellectual property protection in UAE ("Innovation vs. Patent and Product Liability Laws in the GCC") at the Austria Connect Gulf 2018 which will be held on 18<sup>th</sup> March at the Palazzo Versace Hotel in Dubai.

## **"Good Conduct and Behaviour Certificate" to receive work visa**

Starting from February 2018, a main condition to receive a work visa will require a "Good Conduct and Behaviour Certificate".

The certificate which must be presented should be issued from the applicant's home country or his country of residency for the last five years. The "Coordination Committee to execute Cabinet Resolution No. (1/8) for 2017" explained "that this procedure is part of the UAE Government's efforts to create a more secure community and continue maintaining its leading role in this area, based on its belief in the importance of protecting the community, which will provide it with security and make the country one of the most peaceful in the world".

The Committee notes that "the certificate is a key requirement for those coming to the country for the purpose of work" while clarifying the resolution only applies to them and not to their dependent families. Also the certificate is not required from those coming to visit for tourism.

## **Developer Danube Properties sells homes worth of AED 820 million in 2017**

Since its first project in June 2014, the company has launched nine residential projects with a combined development value exceeding AED 2.84 billion. In 2017 Danube launched two new projects (Resortz and Bayz – together having 875 apartments which all sold out) and awarded five construction contracts with a combined value exceeding AED 392 million. The sales of Danube Properties in 2017 can be translated into an average sale of AED 3.1 million per working day.

## **UAE on track to become a global arbitration centre**

The ambition of the UAE to achieve recognition as an international arbitration centre has seen extensive development and increased confidence in recent years. The legislation is expected to shortly address those existing inadequacies so that the UAE may reach the status as a global arbitration centre.

Arbitration, particularly in the context of commercial disputes, is a forum wherein parties elect to forego litigation and instead appoint an impartial third party to hear their matter under dispute and reach a final and binding decision in respect thereof. Once the arbitrator or the arbitration panel has reached a decision on a matter, the force of the law may be applied by the courts of the relevant jurisdiction in order that the award is enforceable.

Furthermore, arbitration provides relative speed and a cost-effective mean of dispute resolution depending on the nature of the dispute. There has been a surge in demand for impartial arbitration forums that may be availed of in the case of dispute which deliver ease of access, uniformity in procedure as well as cost-effective means at reaching a resolution, internationally.

The UAE offers various alternatives to litigation with Dubai International Arbitration Centre (DIAC), DIFC London Court of International Arbitration (DIFC-LCIA) and the Abu Dhabi Commercial Conciliation and Arbitration Centre (ADCCAC), to name a few. These centres provide parties with various options regarding the language utilised and in case of the DIFC-LCIA common law principles being applicable. However, the enforcement of arbitral awards as well as the framework under which the arbitration is conducted is limited and therefore the advancement of such dispute resolution forums are hindered. Despite demand for a more modern structure within which it may operate, arbitration in the UAE remains governed by the UAE Federal Law No. 11 of 1992 ("the Civil Code") as amended. In 2006 the UAE ratified the United Nations Convention on the Recognition and Enforcement of Foreign Arbitral Awards (the New York Convention, 1958) the absence of a federal law outlining procedural aspects of arbitration and uniformity in application, the UAE arguably cannot compete with the likes of alternate emerging forums in their promotion of arbitration accessibility.

### **Dubai building AED 2.5 billion facility to produce electricity**

Dubai Municipality is constructing a waste-to-energy plant in cooperation with Dubai Electricity and Water Authority (DEWA) in order to convert 1.82 million tonnes of solid waste per year into 171 megawatts of electricity. The municipality officials expect to supply 120,000 households with electricity from the AED 2.5 billion waste recycling facility. The construction of the plant will begin within a few months and is expected to become operational before Expo 2020. The Project is in line with Dubai's strategy to provide 75 per cent of Dubai's total power output from clean energy sources in 2025.

### **FTA releases list of Designated Zones**

The FTA (Federal Tax Authority) has issued Cabinet Decision no. 59 of 2017 on Designated Zones ("Cabinet Decision") for the purposes of Federal Law no. 8 of 2017 on Value Added Tax ("VAT Law") in January.

In Article 50 of the VAT Law there are references to designated zones and the Executive Regulations to the VAT Law include requirements for designated zones, and refer to the Cabinet Decision which was not issued until January 2018.

The Cabinet has the authority to amend the list of designated zones. It is important to consider all rules for the designated zones which are stipulated in the Executive Regulations.

The transfer of goods between the designated zones shall not be subject to tax if the below mentioned conditions are fulfilled: The goods (or any part thereof) are not released and are not used in any way or altered during the transfer between the designated zones and the transfer is undertaken in accordance with the rules for customs suspension according to the GCC Common Customs Law.

The authorities may require a financial guarantee for the payment of the tax from the owner of the goods should the conditions for the movement of goods not be in accordance with the VAT LAW and Executive Regulations. The supply of goods made within a designated zone to a person to be consumed by him or a third party, then the place of supply shall be considered the state, and therefore will be subject to VAT. Supply of services within the designated zones shall be considered in the state, and therefore subject to VAT. As a result, any company offering its services in one of the designated zones below shall account for VAT, as any onshore company would.

<b>Emirate</b>	<b>Designated Zones</b>
Abu Dhabi	Free Trade Zone of Khalifa Port
	Abu Dhabi Airport Free Zone
	Khalifa Industrial Zone
Dubai	Jebel Ali Free Zone (North-South)
	Dubai Cars and Automotive Zone (DUCAMZ)
	Dubai Textile City
	Free Zone Area Al Quoz
	Free Zone Area Al Qusais
	Dubai Aviation City
	Dubai Airport Free Zone
Sharjah	Hamriyah Free Zone
	Sharjah Airport International Free Zone
Ajman	Ajman Free Zone
Umm Al Quwain	Free Trade Zone in Ahmed Bin Rashid Port
	Free Trade Zone on Shaikh Mohammad Bin Zayed Road
Ras Al Khaimah	RAK Free Trade Zone (RAKEZ)
	RAK Maritime City Free Zone
	RAK Airport Free Zone
Fujairah	Fujairah Free Zone
	FOIZ (Fujairah Oil Industry Zone)

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

**UAE banking to see robust credit growth**

According to Moody's Investors Service "the UAE banking system will see robust credit growth underpinned by strong capitalisation, stable funding and liquidity conditions". Moody's analyst Mik Kabeya expect "improving non-oil economic activity to increase real GDP growth to 3.2 per cent in 2018, following a forecast slowdown to 1.1 per cent in 2017 from 3 per cent in 2016". In his report Kabeya further describes that the "faster economic growth in 2018 will support the banking system's credit growth, and we forecast credit growth of around five per cent in 2018, after a forecast lower growth of around two per cent in 2017, from 5.8 per cent in 2016 and 8.0 per cent in 2015". Moody's expects profitability to remain strong, with a net income measuring around 1.5 -1.7 per cent of tangible banking assets over the next 12 to 18 months. Abdul Aziz Al Ghurair, chairman of the UAE Banks Federation states that "the whole economy, the government and the banking industry has accepted the oil price will be around \$50, so they have to live with that and is part of their planning process".

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