

Can Offshore Companies Own Properties in Dubai?

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Law No. 7 of 2006 Concerning Real Property Registration in the Emirate of Dubai ("Law No. 7") regulates foreign ownership in Dubai. Article 4 of Law No. 7 provides that foreign persons may, subject to the approval of the Ruler, be granted the following rights in certain areas:

- The right to acquire freehold ownership of real property without restrictions as to time; and
- The right to acquire a usufruct or leasehold right over real property for a period not exceeding 99 years.

The word "Person" is defined in Law No. 7 as a "natural or legal person". Since offshore companies are legal persons, from a strict legal point of view no restrictions on offshore companies owning real property in Dubai exist pursuant to Law No. 7.

In practice many offshore companies own properties in Dubai, but the Government has been concerned that these may be used as vehicles for money laundering considering that such companies do not have a physical address and it is not easy to track the identity of their shareholders and the source of their money. Some investors prefer to use offshore companies to avoid applying the Shari'a rules in relation to inheritance and to avoid paying the sale registration fee to the Land Department by instead transferring the shares of the offshore company abroad.

Dubai Government represented by the Land Department and as part of its policy in fighting money laundering issued a circular recently to prohibit offshore companies (except those incorporated in Jebel Ali Free Zone) from owning properties in Dubai. The force of this circular is non-retrospective and will apply solely to new registrations for property ownership at the Land Department from 1st January 2011.

Foreign companies and free zone companies incorporated in the UAE are not affected by the new circular as these companies are not considered to be offshore.

In our opinion investors' concerns about the implementation of Shari'a is due to lack of knowledge of the local Shari'a law since non-muslims can choose not to have Shari'a law apply to their estates by writing a Will or by all beneficiaries agreeing to apply the inheritance law of their own country.

Avoiding Land Department fees is no longer possible because the Land Department has started to record the names of the shareholders on the title deed and any change in shareholding will be treated as a sale of the property, incurring a 2% registration fee.

We set out below the circular issued by the Land Department.

Al Tamimi and Company are registered agents for the purposes of, and can assist clients with establishing, [offshore companies in the Jebel Ali Free Zone](#). Further, our Property Practice can provide all required assistance in registering clients' properties at the Dubai Land Department.

Guidelines for registering Offshore Companies in Dubai

The Land Department is pleased to issue the following guidelines for corporations, individuals, firms and

practitioners seeking to register property in the name of offshore companies:

- From January 2011, only those companies formally registered as offshore entities with Jebel Ali Free Zone Authority (JAFZA) alone, will be considered eligible to register their properties with the Land Department.
- The force of these guidelines is non-retrospective. The measures apply solely to new registrations after the approved date.
- Dubai real estate currently registered with the Land Department and held by companies established in other offshore jurisdictions is not affected by the provisions of these guidelines. However, any request made after January 1, 2011 by such entities to register additional real estate with the Department must accord with the requirement for JAFZA registration before it will be considered.
- In order to consider registering the real estate interests of an offshore entity the Department will require the following original documents from such entities:
- Jebel Ali Free Zone-issued Registration Certificate (please attach: Shareholders certificate and Memorandum of Association).
- Separate formal undertaking to notify the Land Department of any change share ownership of the entity.

These guidelines are effective from January 1, 2011.