

Regulation of Hotel Establishments and Holiday Homes: New Fees and Fines

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On 7 December 2014, the Executive Council of Dubai ("EC") passed Resolution Nos. 48 and 49 of 2014 (the "New Resolutions") introducing a new set of fees and fines covering, respectively, Hotel Establishments and Holiday Homes in Dubai.

The passing of the New Resolutions should come as no surprise with the need for Dubai to further strengthen its Hospitality sector in anticipation of Expo 2020. The New Resolutions fall within the same vision adopted earlier by Dubai, and which we have previously discussed in a paper entitled "Dubai's New Hotel Industry Initiatives" (See March 2014 Law Update).

Scope of new resolutions

The New Resolutions exclusively target Hotel Establishments and Holiday Homes. As per Resolution 48, a Hotel Establishment includes any hotel, resort, hotel apartments, motel, university accommodation, youth houses, economy hotel, floating hotel and any other constructions as determined by the Department of Tourism and Commerce Marketing (the "DTCM"). Pursuant to Resolution 49, a Holiday Home means any furnished property allocated to the conduct of rental service of holiday homes or the activity of renting the same with the purpose of subleasing it to guests in a regular and continuous manner. Such activity must be conducted in accordance with the conditions and standards approved by the DTCM.

Processing fees

From 31 December 2014, Hotel Establishments and Holiday Homes are required to pay fees upon applying for approvals, licenses, classification certificates and other formalities before the DTCM. Both New Resolutions are accompanied by a comprehensive list indicating for each type of application the relevant fee to be collected by the DTCM.

With respect to Hotel Establishments, Resolution 48 expressly states that the abovementioned fees shall be collected by the DTCM "without prejudice to any applicable fees of any other governmental entity". In other words, Hotel Establishments shall remain subject to the licensing requirements of the Department of Economic Development (the "DED") and as such, shall have to abide by the terms of Resolution No. 13 of 2011 issued on 9 June 2011 which sets out fees and penalties payable in connection with matters of general corporate nature, such as the issuance of commercial license, reservation of trade name and so on.

Fines and additional sanctions

The New Resolutions also provide for fines that are variable in accordance with the nature of the violation.

In relation to Hotel Establishments, these fines range from AED 500 for failure to notify the DTCM prior to commencing any fundamental repairs in the Hotel Establishment, to AED 50,000 for operating a Hotel Establishment prior to the DTCM issuing (a) the license to conduct activity, (b) the classification, or (c) the approval to receive guests.

As for Holiday Homes, the fines range from AED 200 for failure to satisfy the secondary classification requirements as determined by the DTCM, to AED 20,000 for operating a Holiday Home despite the issuance of a decision to close it by the DTCM.

The amount of a fine provided under the New Resolutions will be doubled in the event of recurrence of the same violation within one year from the date of the initial violation, provided that the fine shall not exceed AED 500,000 in respect of Hotel Establishments and AED 100,000 in respect of Holiday Homes.

Also, both New Resolutions allow the DTCM to take various regulatory measures and actions in addition to the imposition of fines.

Pursuant to Article 3 of Resolution 48, the DTC may take one or more of the following additional sanctions against the violating Hotel Establishment:

- Decrease the class of the Hotel Establishment to a lower class;
- Close the establishment or any of its facilities for a period not exceeding 6 months;
- Close any facility in the Hotel Establishment permanently;
- Close the whole of the Hotel Establishment permanently and cancel its license.

As for Holiday Homes, pursuant to Article 3 of Resolution 49, the DTCM may take any of the following additional sanctions:

- Issue a warning against the violating person;
- Suspend the conduct of activity for a period not exceeding 6 months;
- Cancel the Holiday Home's license.

Both new Resolutions are silent on the circumstances in which the DTCM may enforce these additional sanctions and such additional sanctions are currently at the discretion of the DTCM.

Conclusion

The New Resolutions mark a significant addition to the laws and regulations currently applied in the tourism sector of Dubai and reinforce the role of the DTCM as a steadfast regulator of the industry.

Should you have any questions in connection with this article or the legal issues it covers, please contact Tara Marlow (t.marlow@tamimi.com), Partner, Regional Head of Hospitality.