

Holiday Homes and Hotel Apartments in Dubai: A Comparative Study

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In this article, we will compare both concepts under the lens of Dubai law to highlight the differences, and provide the reader with a better understanding in regard to the licensing and other regulatory requirements for each concept.

Decree No. 41 of 2013 '[Regulating the Activity of Leasing out Holiday Homes in the Emirate of Dubai](#)' provides a definition for the term 'holiday homes'. Holiday homes are furnished real property units leased out by a licence holder regularly and on an ongoing basis for the purpose of further subletting them to guests. These guests are natural persons who intend on using the holiday homes for overnight accommodation.

Hotel apartments are also furnished real property units. However, and unlike holiday homes, hotel apartments are located within a hotel facility and as such they benefit from hotel-like amenities (e.g. bar, spa, gym, etc.). Such hotel apartments may be leased for relatively longer periods in return for a monthly or annual rent.

Below is a comparison table highlighting the major licensing and regulatory requirements governing each concept.

	Holiday Homes	Hotel Apartments
Main regulation	Decree No. 41 of 2013 ' <i>Regulating the Activity of Leasing out Holiday Homes in the Emirate of Dubai</i> '.	By-law No. 1 of 1998 ' <i>Concerning Licensing and Classification of Hotels, Guest Houses and Furnished Apartments</i> '.
Main licensing and regulatory bodies	<ul style="list-style-type: none">• Department of Economic Development ('DED')• Department of Tourism and Commerce Marketing ('DTCM')• DED<ul style="list-style-type: none">◦ DTCM	

Licence holder	<i>Must be a company incorporated at the DED and approved by the DTCM.</i>	<i>Must be a company incorporated at the DED and approved by the DTCM.</i>
Status of licence holder vis-à-vis the units	<i>The licence holder should be the manager of the units. The units can be located in different locations, owned by different owners and each unit must be separately classified as a holiday home under the Decree.</i>	<i>In order to obtain a hotel apartment licence, the licence holder should be the owner (or leaseholder) of the building in which the hotel apartments are located.</i>
Unit requirements	<i>A minimum of 20 units (villas or apartments (or a combination of them) is required.</i>	<i>The apartments must all be located in one building and classified as hotel apartments in accordance with the classification requirements of the DTCM.</i>
Classification of the units	<i>Units are classified as either 'Holiday Homes - Standard' or 'Holiday Homes - Deluxe'. There are differing standards attached to each classification.</i>	<i>The hotel apartments are classified as 'Standard', 'Deluxe' or 'Superior', depending on the quality and facilities of the building housing the hotel apartments, and the services to be provided, if any.</i>
Commencement of operation prior to classification	<i>The licence holder is allowed to commence its operation prior to the classification of the holiday homes.</i>	<i>Classification of the hotel apartments is subject to the classification of the entire building in which the hotel apartments are located and therefore the licence holder cannot commence its operations prior to such classification.</i>

<p>Services that may be provided by the licence holder</p>	<p>Services provided by the licence holder are generally limited to rental of the units to the guests, and provision of a contact telephone number for the guest in the event of any emergency, problem or breakdown of amenities within the unit.</p> <p>The holiday home operator will usually outsource facilities management to a third party facilities management company.</p> <p>The licence holder cannot provide services relating to facilities that are not included in the room. Therefore, any facilities that may be operated from a building in which holiday homes are located, would need to be separately licensed in respect of the activity being carried out, and operated under that licence.</p>	<p>In general, a hotel apartment is a 'hotel establishment' offering guests a complete self-contained sole occupancy unit consisting of studios and units with one or more bedrooms, with at least a living room, a kitchen with cooking facilities and a dining area. The hotel apartment may benefit from hotel-like amenities such as bar and lounge, staff, hotel operator service, reception, guest relations, concierge/tourist information, restaurant and room service.</p>
<p>Status of the licence holder vis-à-vis staff providing the services</p>	<p>The company will hold the licence and be the employer of the staff providing the holiday home rental services.</p>	<p>The company will hold the licence and be the employer of the staff providing the services to the hotel apartments.</p>

<p>Licensed activity</p>	<p><i>The licensed activity of the company as defined by the DED/DTCM, is as follows:</i></p> <ul style="list-style-type: none"> • Vacation Homes Rental • Activity Code: 551010 • Activity Group: Time sharing • Licence Type: Tourism • Activity Description: Includes offering owned or rented furnished accommodation for renting to vacationers on a daily, weekly, monthly or annual basis. It requires rental of the unit as a whole, and not partially as rooms or beds. 	<p><i>The licensed activity of the company as defined by the DED/DTCM, is as follows:</i></p> <ul style="list-style-type: none"> • Hotel Apartments Rental • Activity Code: 701006 • Activity Group: Tourism Activities • Licence Type: Tourism • Activity Description: Includes firms which furnish residential apartments with all requisites and means necessary for residential purposes. Such apartments are leased for relatively long periods in return for monthly or annual rent.
<p>Dubai tourism taxes and fees</p>	<p><i>The DTCM will impose a 10% Municipality Fee on all bookings once licensed operators are registered. Licensed operators will also be required to collect the new Dubai Tourism Dirham Fee of 10 AED for standard holiday homes and 15 AED for deluxe holiday homes per booked room night, additional to the Municipality Fee.</i></p>	<p><i>The DTCM will impose a 10% Municipality Fee on all bookings once licensed operators are registered. Licensed operators will also be required to collect the new Dubai Tourism Dirham Fee of 10 AED for standard hotel apartments, 15 AED for deluxe hotel apartment and AED 20 for luxury hotel apartments per booked room night, additional to the Municipality Fee.</i></p>

Operation after licensing	<p>The licence holder will enter into management agreements to manage holiday home units, by opening a portal account at the DTCM whereby the units will be registered and a reception/registration system for check-in and check-out will be implemented, together with calculation of the Dubai Tourism Dirham Fee to be collected from guests. The company will have to secure at least 20 units in order to apply for and obtain individual classification permits for each unit, (which cost approximately 750 AED per room). The company shall provide DTCM with an undertaking from the classified unit owner that the owner has entered into a management agreement with the company together with the owner's passport copy and the unit title deed.</p> <p>Once the unit is registered and the permit fees are paid, the permit for the unit will be issued.</p>	<p>Once classification is issued and the licence is obtained, the licence holder is expected to commence operation and receive guests in the hotel apartments.</p>
General requirements	<ul style="list-style-type: none"> • Holiday home rentals will be allowed on a daily, weekly and monthly basis. • Licensees will not be allowed to rent partial properties, i.e. split a property into separate rooms or beds. • Hotel apartments building shall provide all facilities, including, reception, room service, laundry, restaurants and bar, etc. 	

In addition, both types of units are subject to the below regulatory requirements:

- The licence holder will have to demonstrate experience in the hospitality sector.
- The DTCM will register, monitor and inspect holiday homes and hotel apartments to comply with set standards.
- Unlicensed operators will be fined and immediately closed down.
- Each licensed property will have to display an official certificate of registration by the DTCM within the property.
- Licensed properties will have to be properly and regularly maintained.
- Electricity and water must be provided to customers at no additional charge.
- Licensees will be required to participate in the electronic program of guest registration for hotel and tourism establishments.
- Licensees must provide data and statistics to the DTCM.
- Licensees will not be allowed to act as an intermediary, or middle man, between unlicensed operators and their customers.
- Licensees must collect taxes and fees as set out by the Dubai Municipality and the DTCM for each confirmed booking.
- Licensees will require insurance to the required specification of the DTCM for the duration of the licence term.

- The DTTCM will have powers to warn, suspend apply fines and cancel the licence of any operator that is in violation of their rules.

Conclusion

Holiday homes and hotel apartments are two concepts that are fundamentally different from each other and are designed to achieve diverging results. Most of all, each concept is governed by a different set of licensing and regulatory requirements which needs to be clearly understood by investors as a precondition to determining whether to venture in one concept or the other.