

Regulatory Update

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- Dubai International Financial Centre

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On 29 April 2016, Dubai's Department of Tourism and Commerce Marketing ('DTCM') announced that it has updated its regulations in respect of holiday homes. The new regulation now allows private home owners and tenants to apply for a holiday home license without the need to appoint an operator approved for this purpose by the DTCM. In relation to tenants however, the DTCM will require a no objection certificate from their landlord.

Before the new regulation came into effect, the rental and operation of holiday homes was an activity restricted under Decree concerning the Regulation of the Holiday Homes Rental Market in Dubai (No. 41 of 2013) to operators licensed by the DTCM, who must adhere to particular licensing requirements imposed by the DTCM, including but not limited to, the requirement of managing a portfolio of no less than 20 holiday homes. It is expected that, by allowing private home owners and authorised tenants to bypass the operator's detailed licensing requirements and to directly obtain a license in their own name for the purpose of leasing their properties as a holiday home, the overall offering of holiday homes in the Emirate will increase, which in its turn will help in improving the market competitiveness with regard to this particular sector.

The DTCM has also upgraded its official web portal to allow for holiday homes' applications to be submitted by home owners and authorised tenants online and, while payment of the license fees currently requires physical attendance of the applicant before the DTCM, it is expected that the DTCM will soon launch an e-commerce system to cater for the online payment of such fees.

It is important to note that the new regulation does not exempt, or even partially relieve, private home owners and authorised tenants from the requirements set out by the DTCM in relation to the property leased as a holiday home. Therefore, subject to classification of the holiday home as standard or deluxe, the requirements currently applicable vis-à-vis the property and related to quality standards, amenities, health and safety, insurance and other operational aspects must be observed at all times by the home owner or authorised tenant. The DTCM will regularly inspect holiday homes and it is expected private home owners and authorised tenants will, much like the licensed operators, be exposed to the same fees and fines set out in Resolution on Holiday Homes' Fees and Fines (No. 49 of 2015) in the event of failure to comply with the requirements of the DTCM. For more information regarding the fines, please refer to our article 'Regulation of Hotel Establishments and Holiday Homes: New Fees and Fines'.

The short term leasing of a property as a holiday home remains outside the scope of the Law Regulating Relationship Between Landlords and Tenants in the Emirate of Dubai (No. 26 of 2007 as amended by Law No. 33 of 2008). As such, the holiday home accommodation agreement between private home owners or authorised tenants on the one hand, and their guests on the other, cannot be registered on the Ejari system and the guests cannot avail themselves of the rights and remedies provided under such tenancy law (renewal of term, family visa, etc).

Finally, we highlight that the license granted by the DTCM to private home owners and authorised tenants allows them to only operate the specific property that is subject to their ownership or tenancy as the case may be. That license may not be extended to include their management of other properties as holiday

homes, such comprehensive management activity being restricted to licensed operators.