DIFC

CONSULTATION PAPER NO. 1 of 2014

January 2014

PROPOSED AMENDMENT TO THE DIFC REAL PROPERTY REGULATIONS

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Proposed Amendments to the DIFC Real Property Regulations

1. **Why are we issuing this paper?**

   This Consultation Paper seeks public comment on the DIFC Authority's ("DIFCA's") proposal to amend the DIFC Real Property Regulations (the "**Legislative Proposal**").

2. **Who should read this paper?**

   This Consultation Paper would be of interest to:

   (a) legal advisors;

   (b) property consultants;

   (c) property developers;

   (d) real estate agents and brokers;

   (e) investors, and property buyers and sellers;

   (f) banks and financial institutions; and

   (g) any other relevant stakeholders.

3. **How to provide comments**

   All comments should be provided to the person specified below:

   Roberta Calarese
   Chief Legal Officer
   Legal Affairs
   DIFC Authority
   Level 14, The Gate, P. O. Box 74777
   Dubai, UAE
   or e-mailed to: roberta.calarese@difc.ae

   You may choose to identify the organisation you represent in providing your comments. DIFCA reserves the right to publish, on its website or elsewhere, any comments you provide, unless you expressly request otherwise at the time of making comments.

4. **What happens next?**

   DIFCA is providing this Consultation Paper No. 1 of 2014 for public consultation.

   The deadline for providing comments on the Legislative Proposal is 22 February 2014.

   Once we receive your comments, we will consider if any further refinements are required to the Legislative Proposal. We will then proceed to adopt the changes to the DIFC Real Property Regulations.

Given that the Legislative Proposal is still a proposal, you should not act on it until it becomes effective. We will issue a notice on our website advising you when this happens.

5. **Legislative Proposal**

It is proposed to amend the Real Property Regulations to increase the freehold transfer fee from 3.5% to 6%.

The Legislative Proposal is attached at Annex A.

6. **Rationale**

The DIFC Authority's plan to increase the freehold transfer fee in DIFC comes amid reports that foreign governments or regulators in finance and trade centres such as Singapore and Hong Kong have recently increased their property fees to curb their overinflated markets.

In July 2013, the International Monetary Fund noted that listed property prices in Dubai soared by 35% over a one-year period from June 2012 to June 2013.

In Dubai, the Dubai Land Department has reacted accordingly and has doubled the property transfer fee from 2% to 4% of the value of the property being transferred.

In DIFC, it is believed that property prices have increased even more significantly over the past year due to the uniqueness of the DIFC jurisdiction in terms of its strategic location, size (only 105 acres), sound infrastructure and regulatory framework. Property prices in DIFC are expected to increase even further over the next five to ten years in view of the favourable economic climate.

A comparison has been made among various foreign jurisdictions to benchmark where DIFC stands in terms of the freehold transfer fee.

In Singapore, the freehold transfer fee payable by foreign buyers is 15%. It is to be noted that the Singapore's property market is easier to manage than DIFC, being given that 80% of the homes in Singapore can only be owned by a Singaporean national or resident, as compared to the DIFC's market which is completely open to foreign investment and is more volatile.

In Hong Kong, the government has introduced a 15% property fee on foreign buyers as part of a series of measures to curb prices.

As for other countries, a 6% transfer fee is imposed in France, 7.3% in India, while in England, it can vary from 4% to 15%.

It is therefore proposed to increase the freehold transfer fee in DIFC from 3.5% to 6% in order to address the IMF's concerns and in an endeavour to secure the long term stability of the DIFC property market.