

KNOWING DUBAI

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Group FZCO



"If the poet saw it, he would forget the words of his poems "
Sheick Al Maktoum

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Introduction to reading

The Emirate of Dubai and the U.A.E. in general, still represent for many people a distant land and with a dark side. In fact, those who have stopped or simply passed from Dubai, are fascinated by the uniqueness of the place and the many opportunities it offers, so that has become a common saying the statement: "To understand Dubai you must go and see it."

This document was created with the intention of telling the past, the present and the future of a land considered the new frontier of the world, where dreams can be realized, a haven of taxation, with the golden beaches and crystal clear sea, which today has only been realized 10% of the project in accordance with its "creator", Sheikh Mohammed Bin Rashid Al Maktoum.



Land of progress and records, economic and social liberalization, attracting investment by operators around the world, this is how Dubai is today the challenge with the most degrees world economic powers.

All the information given in the present study are updated in the first half of 2010.

United Arab Emirates

The United Arab Emirates (UAE) were formed in December 1971 on the initiative of the sheiks of six Emirates: Abu Dhabi, Ajman, Dubai, Fujairah, Sharjah and Umm al-Qaywayn, which was followed a few months after by the emirate of Ras al-Khaima.

The UAE are an Absolute Federal Monarchy, whose Absolute Head is the President of the Federation, Sheikh of Abu Dhabi, assisted by the Prime Minister that, as a rule, is the Sheikh of Dubai.

Actually, the Federation Council is only an advisory institution, the government of each Emirate having legislative power on most issues.

Bordered to the north and the west of the Persian Gulf, with Saudi Arabia to the south and east by Oman, the UAE enjoy a strategic position which allows easy and fast connections with the old and the Asian Continent and with the African one, and a perfect stopover for long distances to and from Australia.

In the late 50's and early 60's were discovered the first oil wells; the black gold, which today is the major source of income in the UAE (though 90% of the reserve are in Abu Dhabi) is the essential component of their GDP.

To promote the development of the domestic economy, the State has acted taking on large investments in public utility projects and liberalizing the real estate market.

The clever combination of these two factors has created the conditions for the growth of what might be described as the new frontier of the economy of the UAE.



At the same time, both private operators and under public control have created many new buildings that have laid the groundwork for the development of the Real Estate market which today, despite the fall of 2009, is the focus of interest of operators around the world, attracted by the particular and advantageous conditions undertaken by local government authorities.

From this point of view, the master, thanks to the laws that have been given, is Dubai that more than the other emirates has benefited from the positive effects of this market on the economy.

Urban development is closely linked to the tourism sector. Several factors are contributing to its growth: the reduction of hotel rates which led to a recovery in demand, followed by investments for the enlargement of airport facilities and new agreements between countries (especially between Dubai, Abu Dhabi and Italy) which point to strengthen and expand the number of routes and passengers transported (it is estimated that during 2010 it will reach 15 millions of travellers), and finally, several major sporting events have been promoted, including the Grand Prix Formula 1 Abu Dhabi Championship and World Short Course Swimming Championships in to be held next December.

This recovery, partially started, is also contributing to the rising value of properties situated in the tourist areas of the country such as the Marina and Palm Jumeirah.

Dubai Overview

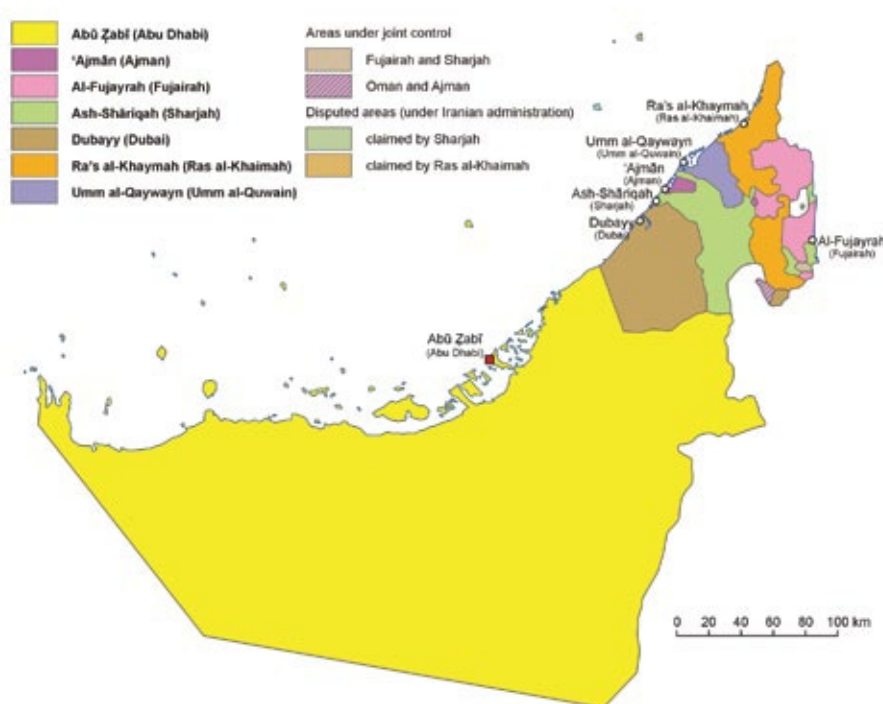
The modern and luxurious Dubai was created as an extension of the old city called Bastakia, once home to fishermen and pearl traders, today famous gold market and area of historical and cultural connotation.

Covering an area of 3.885 Km², about 4,7 % of the total (Abu Dhabi represents about 77%), Dubai is the most populous emirate of the UAE, with 1.836.000 inhabitants.

The population, composed of just 10% from autochthonous, turns out to be one among the youngest of the world stage: 27/28 years is the average age of residents and just over 1% are over 60.

The growth rate is among the highest in the world (7,5% in the last 12 months) as consisting of a massive migratory influx, coming mostly from Asian countries, to meet the massive demand for workers, especially in the construction industry.

During the first quarter of 2010, approximately 10.000 new applications for residence per month have been presented and it is expected that in 2020 the population will reach 5 million inhabitants. The quality of life in Dubai is decisively high, making it a "model place" for many people to emulate. Among the key factors include the excellent infrastructure facilities, lack of crime, clean environment, tolerance for cultural and religious diversity, a cosmopolitan lifestyle, a modern public administration, the availability of a wide range of goods consumables and services, mild winters and palm-fringed beaches. Moreover the investments in education, health and sustainable development are high.



Economic Development

More than any other emirate, Dubai has shown a strong propensity to trade making the most of its favourable geographical position, both in absolute terms than the old route to the Indies. Now it is considered “the commercial capital of the Middle East”.

In the first half of 2010 foreign trade had reached U.S. \$ 37 billion, with a gaudy +13% over the same period last year. The biggest trade partners turn out to be for exports: India, Switzerland and Saudi Arabia, and for re-exports: India, Iran and Iraq; while for the imports are: India, China and USA.

The development of foreign trade and the progressive increase in the influx of re-exports recorded in the last 15 years arise from having taken a predominant position in the whole Arab area, in the sorting of goods. With the development of this activity it has been seen the contextual birth of fringe activities (banks, insurance, transport, trade fairs, etc.).

In the last thirty years the economic system has produced a constant development with the financial performance of primary level.

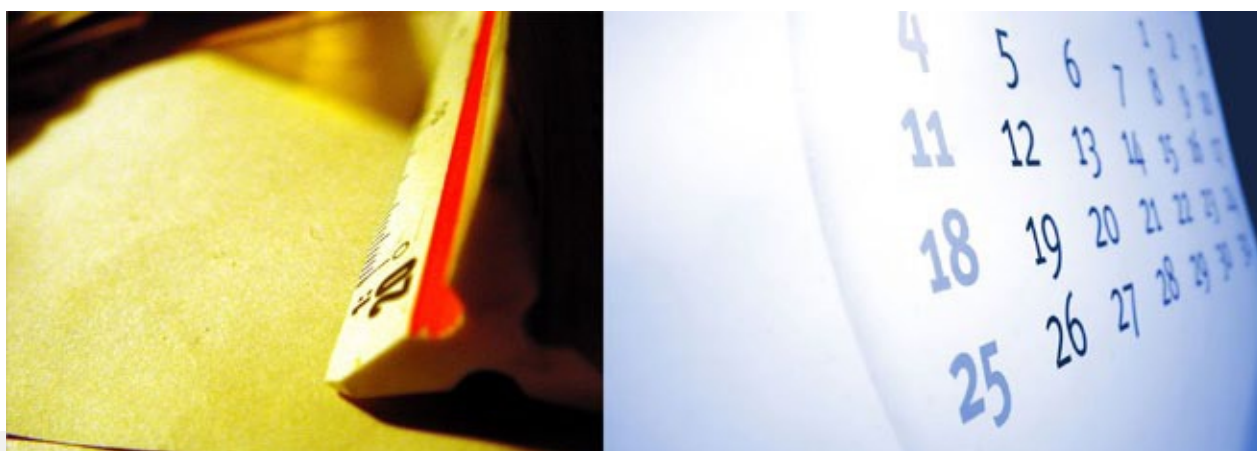
The GDP has registered a positive trend in the long run, after declining since 2009 and estimated at 82 billion U.S. dollars, for 2010 the forecast is very positive, estimates predict an annual growth of about 2.5 – 3%, a figure far higher than expected in the euro area.

Development plans and investments

Within a few years Dubai has become the most dynamic and innovative Emirate within the federation, as well as the one with the higher profile.

Despite the discovery last February of a new oil well, which undoubtedly will contribute to the growth of the Emirate, economic development is now firmly focused on the real estate, tourism and services.

The government of Al Maktoum has adopted the Strategic Plan 2015 which focuses on issues fundamental to the social and economic development, infrastructure and land management, security, justice and administration of excellence.



Dubai has set up a metro line, to date, is the longest automated rail system in the world. At present it consists of two lines (partly built and partly under construction) that extend for about 70 km; for its design and construction about U.S. \$ 3.4 billion of funds have been allocated.

Two additional lines are also planned, whose completion is expected in 2014.

Since its inauguration on September 9, 2009, there has been a shift of about 3.3 million monthly users and it is expected in late 2010 the total users will already be 35 million.

For the expansion of the urban road network were invested, in addition, about U.S. \$ 5 billion.

As the increase in airport infrastructure, the construction of the new Al Maktoum International Airport will require a total investment of U.S. \$ 8.1 billion. It will become the largest airport in the world, capable of handling a full load, with its six runways, 160 million passengers annually and 12 million tons of goods. Other U.S. \$ 4 billion has been invested to develop the third terminal of the international airport.

The development plan also includes the maritime industry which, thanks to the commercial port of Jabel Ali, the largest artificial harbour in the world, the most important of the Middle East and the 7th in the world for freight traffic, enables Dubai to be one of the most successful re-exporter countries of the entire Arab region.

Even more significant are the amounts used for the creation of so-called mega-structures that have made Dubai the world's most popular locations for the development of futuristic architectural designs.

They include:

Dubai Marina:

a jewel in the heart of the "New Dubai", is the largest marina in the world built artificially. The district has a streak of eleven kilometres long and is one of the most fascinating areas of Dubai which, when completed, will house over 200 high-rise buildings able to accommodate over 120,000 inhabitants



Burj Khalifa:

inaugurated January 4, 2010, is the tallest tower in the world with a height of 828 meters can be seen from 95 km away. For a total of 160 floor, 18 of which are reserved to the hotel and residences designed and furnished by the homonymous Armani designer, the project has seen pledging approximately 12,000 employees and a cost of U.S. \$ 1.5 billion, a figure which rises 20 billion if you include the construction of the complex environment, including the Dubai Mall (the largest mall in the world with its mq2 440,000, 1,200 stores, 16,000 parking spaces and the longest indoor ski slope in the world).



Burj Al Arab:

first and only 7-star hotel in the world, it is now considered an icon of Dubai. Nicknamed "the Sail" because of its unique structure, is located in the Jumeirah Beach, on a artificial island at about 280 meters offshore, linked by a bridge. At the Burj Al Arab the price of a suite can be up to U.S. \$ 12,000 per night and you can enjoy the most expensive drink in the world (about \$ 7,000 U.S.) but offers a unique environment through a submarine restaurant with glass walls, a terrace restaurant where you can enjoy views of the Gulf and spacious rooms where every detail is attended to the smallest detail. Completed in 2002, required an investment of about U.S. \$ 650 million.).



Palm Islands:

Three artificial islands called Palm Jumeirah, Palm Jabel Ali and Palm Deira, located off the coast of Dubai, which when the operation is completed, will increase to 520 km the beaches of the city. The work began in June of 2001, will conclude in 2015 with a total cost which was never made public (some unofficial estimates speak of about 40 billion U.S. dollars), on them will reside luxury hotels, villas and exclusive apartments, ports, water parks, restaurants, shopping malls, sports facilities and spa. Already completed the palm, Palm Jameirah, has earned the title of the eighth wonder of the world.



The World:

A group of three hundred man-made islands positioned to form the map of the world seen from above. After five years of work, in January 2008, was inaugurated and now it is proceeding with the construction of the various islands.



Dubailand:

Once completed, with an investment of about U.S. \$ 48 billion, will be the largest amusement park in the world, twice the Disneyland and Disney World combined. The project was presented in 2003 and it will see its completion between 2015 and 2018 and will be able to accommodate up to 200,000 visitors each day, for a total of 15 million per year. Within this structure also the Dubai Sports City will extend over an area of about 47 km² and it will be used to carry out many different sports. This structure could accommodate the 2020 Olympics which Dubai is a candidate.



Real Estate and its Regulation

The real estate investments market by foreign entities has its origins in 2006 when, with the aim to put investors in safety and lay the foundations for a solid and transparent market, was introduced the Law No 7 / 2006 which provides for the registration of title in a register (called the "Land Register") maintained and managed by the government Dubai Land Department (DLD). Once registered, the DLD will issue a "certificate of title" (title certificate) which is the only document that guarantees that right. Moreover for foreigners is expected the acquisition of full ownership of the buildings located in special areas designated by the Government, called "freehold property area."



This first regulatory sparked the fuse for the healthy development of this market, registering record numbers immediately.

But the boom has quickly shown the other side of the coin: there were some gaps in the system of market regulation, with particular reference to the purchase of properties "off-plan", like buildings not yet built or under construction. The government authority has not been watching and it is readily acted on multiple channels.

In 2007, by Decree No 14, the government gave birth to RERA (Real Estate Regulatory Agency, part of the DLD) whose job is to oversee the activities related to real estate brokering and real estate by giving a more precise regulation and carrying out a careful control of the operators, especially construction companies.

Next step was the enactment of Law No. 8 of 2007, referred to as "Law on Escrow Account".

This law is intended to provide financial protection to purchasers of property through taxation to all the manufacturers to obtain advance authorization from the DLD for sale off-plan and open a trust account dedicated to building project and operated by an authorized intermediary (escrow agent).

In this account merge together all the payments made by purchasers of units under construction and will remain bound until the property has not been completed, 5% of the total value is also retained for one year more from the date of completion of the works, to cover any hidden structural defects.

Finally in 2008, was promulgated the Law No 13, "Law on the pre-registration" with subsequent changes or additions, the fundamental innovation introduced is the establishment of a new and specific register" provisional "for properties not yet built or under construction where are recorded all contracts for these properties. Once construction is completed and issued the certificate of completion of the works, all contracts will be entered in the main register at the DLD.

Thanks to these regulations, the market has been cleaned up from all those construction companies who did not have adequate financial strength and thus undermined the proper conduct of business.

This is demonstrated by the fact that in December 2009, RERA has announced the official cancellation of the construction projects of 25 entrepreneurs.

According to a recent survey REISS (Real Estate Investor Sentiment Survey), Dubai is marked by institutional investors as the most competitive city in the Middle East and North Africa (MENA) for market transparency, availability of high quality buildings and an open market.

With reference to the same geographical area, Dubai has been named as one of the most lucrative places for the Real Estate sector and is expected it can locate itself at the first place as a destination for investment in 2010. In the first quarter of this year there was an increase over the previous quarter, 49% of the sale of property for residential use. Analyzing the index of consumer prices under the "Colliers International Q2 2010 House Price" in the second four months of 2010, average prices increased by 7% over the same period last year. Soaring more marked the price per square meter of apartments in Dubai Marina, which yet in 2009 had grown between 18 and 34%.

Even greater enthusiasm made the Government announcement which provides within 2012 the construction planes of other over 100 buildings in Dubai that will include another record: that of cities with the largest number of "super-skyscrapers" in the world. Not for nothing, many economists and industry experts have said that the crisis in the property market in Dubai is now water under the bridge.

Areas of economic freedom

In order to further promote the rise of the real estate sector, the Ministry of Economy of Dubai has set up numerous areas of economic freedom which are characterized by fiscal advantages.

These areas are real built-up urban areas, each with a specific economic purpose and the purpose of attracting foreign investment, objective which already today appears to be achieved given that about 90% of companies surveyed in the "TOP 100" of the magazine Fortune are working in Dubai.



Among the most innovative areas, there is the Dubai Silicon Oasis (DSO) which was established in 2004 and extended over 7.2 km². Dubai Silicon Oasis is wholly owned by the government, which wanted to establish an integrated community for the residence and work.

In Silicon Oasis, the only free zone with tax advantages for 50 years and where it can take up residence (the others free areas are totally target non-residential), it has made significant investments to raise the technological standards: the park is fully wired with optical fiber, has a combined system of fire alarm and irrigation, eight power plants with a capacity of 1600 megawatts as well as hospitals, shopping malls, swimming pools and tennis courts.

Inside there is also the Dubai Silicon Knowledge Centre, an area for academic education, where there are schools and universities, including the GEMS School and Rochester University of Technology that will contribute to the creation and development of a large base of talented and experienced in the technology sector, and that makes Dubai the first technology hub in the Middle East. In addition, investors and employees who choose to live in the area can take advantage of subsidized rents.

Among the fourteen other free tax areas existing, the most important are Internet City, the "Silicon Valley of the Persian Gulf, where the giants in the High Tech World have invested, Dubai Knowledge Village, an area for academic education, Jebel Ali Free Zone , center of industrial storage / distribution, assembly and production located near homonym airport. Many areas are still under development.

Features common to all the free zones are:

- No tax on income;
- Full right to repatriation of capital;
- No taxation on imports and exports;
- Investment incentives;
- Low operating costs;
- No tax on capital gains from disposals.

An unique opportunity which has led companies from more than 150 countries to move or start economic activities of various kinds.

Tourism

Dubai is the city of major infrastructure and skyscrapers, it is the metropolis of the records, the city of gold, the place where history and technology merge into one, where people of all races and religions live together in order and mutual respect. If we add a crystal clear sea, golden beaches and year-round sunshine, we understand why Dubai is also one of the most coveted luxury tourism destinations worldwide.



Much has been invested in this industry: just a decade ago, there were only 44 hotels in the emirate, today there are over 350, the fruit of the futuristic urban development and that of tourism services, which have also brought Dubai to be the capital MICE (Meetings, Incentive, Conference and Exhibition) of the entire Arab region.

Even for the tourism industry estimates for 2010 are positive: with the international agreements made between the national airline Emirates and several countries, most notably Italy, are expected this year about 15 million tourists.

Tax system

Dubai with the Decree of 1969 (Dubai Income Ordinance and Dubai Tax decree) has adopted a law concerning the taxation system but in fact it is not applied. The only areas of application fees are the oil & gas (up to 55%), banking and finance (up to 20%) and hotels (up to 15%).

In general there are no taxes charged on personal income, even by way of withholding tax. Companies who employ UAE nationals are obliged to pay a portion of wages which is paid to them in special pension funds.

The tax on corporate income tax is the only real present in the emirate.

Except for the Free Zones, where taxation is absent even for the legal persons, the rate structure currently in force is outlined below:

Taxable Income (AED) Rate (%)

Upto	1,000,000	.....	0
	1,000,000 - 2,000,000	.....	10
	2,000,000 - 3,000,000	.....	20
	3,000,000 - 4,000,000	.....	30
	4,000,000 - 5,000,000	.....	40
Over	5,000,000	.....	55

However, they are provided for forms of indirect taxation applied by the Municipality, by the immigration and so on. Applies, for example, a 5% tax on rent of offices, one on the residence of the manager that appears on the license, a tax of 10%-15% for data services from the hotels and restaurants, one on the market for renting of stalls in local markets and a registration fee for vehicles.

No wonder that Dubai, as all the Emirates, is included even with limitations, on the black list of such states to tax havens for the purposes of Italian law. Despite this, between the two countries is in effect a Convention against double taxation (Act No. 309 of August 28, 1997) which provides for exclusive taxation by a State.

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