

ADVANTAGE AUSTRIA
SPECIAL REPORT
ON ECONOMIC STIMULUS PACKAGES
IN ABU DHABI AND DUBAI

ADVANTAGE AUSTRIA Abu Dhabi
April 2020



An information of
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CONTENTS

1. Overview
2. General Economic Support Measures
3. Free Zone Support Measures
4. VAT & Customs Tax
5. Immigration & Employment
6. Additional References

1. Overview

The United Arab Emirates has announced a number of nationwide stimulus measures, along with city-specific measures taken by the two major hubs: Abu Dhabi and Dubai.

2. General Economic Support Measures (Abu Dhabi & Dubai)¹

The UAE Central Bank has taken the following actions based on the following announcements.

April 2020 announcements²:

- Allocating AED 256 bn for capital and liquidity steps, including AED 50 bn in capital-buffer relief, AED 50 bn for zero-cost funding support, AED 95 bn in liquidity-buffer relief and AED 61 bn to halve the cash reserves requirement
- Extending the duration of its support plan for retail and corporate customers until the end of 2020
- Allowing lenders to defer borrowers' payments on principal and interest until the end of 2020

March 2020 announcements²:

- Urged banks to consider loan forbearance
- AED 50 bn in zero interest loans for banks to support SMEs
- Reduced banks' voluntary capital buffers to free up AED 50 bn in capital
- Lower real estate LTV ratios
- Limits on bank fees for interest/credit cards

Business Continuity:

As of March 24: The UAE government has announced an additional economic stimulus package of AED 16 bn to support the national economy and ensure business continuity. These measures include the following:

- A renewable six-month suspension of work permit fees
- Reduction in labour and other charges to reduce the cost of doing business
- 6 month suspension of the collection of administrative fines by the Ministry of Human Resources and Emiratization
- Reduction of work permit fees for businesses with 1 - 6 registered workers
- Reduction of the fees of the Ministry of Economy
- Businesses can obtain a rebate equal to 50% of the bank guarantee they submitted for each employee

Abu Dhabi: The Abu Dhabi government announced a 16-point stimulus plan with fee exemptions, fine waivers, SME support, and a AED 1 bn market makers fund

Dubai: The Dubai government announced a AED 1.5 bn stimulus package in the form of targeted fee reductions for 3 months

¹ Abu Dhabi Media Office (2020), Dubai Media Office (2020)

² Bloomberg (2020)

3. Free Zones Support Measures³

UAE Free Zones play a prominent role in promoting sustainable economic growth, attracting investments and supporting UAE's vision to be the world's preferred investment destination. Their contributions to Dubai's GDP alone has reached 33 per cent. They provide a base for approximately 45,000 companies and provide an estimated of 390,000 jobs⁴.

Dubai:

Dubai Free Zones Council announced an economic stimulus to reduce business costs and enhance financial liquidity of companies operating in the free zones.

The stimulus package includes five key elements: postponement of rent payments by a period of 6 months;

- Postponement of rent payments by a period of six months
- Facilitating installments for payments
- Refunding security deposits and guarantees
- Cancellation of fines for both companies and individuals
- Permitting temporary contracts that allow the free movement of labour between companies operating in the free zones for the rest of the year. These advantages also benefit workers seeking better job opportunities, and those who have been granted unpaid leave by facilitating their re-employment in jobs in Dubai.

Abu Dhabi:

Abu Dhabi Global Market (ADGM), the International Financial Centre in Abu Dhabi has launched a set of financial and support measures to mitigate the adverse impact of the coronavirus (COVID-19) pandemic on registered entities operating in its financial free zone. The support measures include:

- 100% waiver on Commercial Licence renewal fees (with exception of SPVs and foundations licences) until 25 March 2021
- 100% waiver on Business Activity renewal fees until 25 March 2021
- 100% waiver on Data Protection renewal fees until 25 March 2021
- 100% waiver on new Temporary Work Permits issuance, renewal and late application fees until 25 March 2021
- 100% waiver on annual Funds fees until 31 December 2020
- 100% refund of annual Funds fees already paid by FSRA regulated entities for 2020
- 50% refund of Supervision fees already paid by FSRA regulated entities for 2020
- 50% waiver on any new FSRA Supervision fees to be collected until 31 December 2020
- Deferment of rental payments and service charges for office tenants at ADGM Square on Al Maryah Island for 2020

4. VAT and Customs Tax (Indirect support)⁵

The stimulus package released by the Dubai Government includes the following:

³ Dubai Media Office (2020), Abu Dhabi Global Markets (2020) Press Announcement

⁴ Gulf News (2020) - Dubai launches stimulus package to mitigate economic risks from COVID-19

⁵ Dubai Media Office (2020), Dubai Customs (2020)

- A refund of 20% of customs duties paid on imported goods that are sold locally, cancellation of bank guarantee required to clear goods
- A 90% reduction of customs clearance fees
- As of March 24: removal of bank/cash guarantee requirements to clear goods for clearing companies (i.e. customs brokers) and refund of the existing bank/cash guarantees for these companies
- Dubai Customs have also put audits on hold

5. Immigration and Employment⁶

Travel Restrictions:

- The government of Dubai has implemented a 24hr lockdown from Sunday, April 5, 2020. Only one member of a household will be allowed to leave the home for essential shopping – and they must wear a mask and gloves at all times. In addition, "extensive testing" will be rolled out in densely populated areas to identify cases of Covid-19
- Effective 25 March 2020, the General Directorate of Residency and Foreigners Affairs (GDRFA) has announced that they will temporarily suspend the physical stamping of Residence Permits into passports until further notice. Instead, an electronic email of the residence permit approval will be issued and provided to those affected by the change. This will enable employees to continue/ start work as per their e-approval
- In the instance where an individual must travel, e-approval is to be presented at the Immigration Office at the UAE Airports, where the immigration officials will place a physical stamp of the Residence Permit inside the passport. The ability to travel outside of the UAE is subject to change and at present, there are significant disruptions and flight cancellations
- As further measures to curb the spread of COVID-19, the Dubai Economy issued a statement announcing the closures of Government Transaction Centres starting 26 March until 9 April 2020, including Tasheel, AMER Centres, Tawjeeh Centres, Medical Test Centres and Emirates ID Authority and Emirates ID Biometric Centres
- In light of the nationwide closure of government transaction centres, the Ministry of Human Resources and Emiratisation (MOHRE) and the Federal Authority for Identity and Citizenship, have announced exemptions on medical test requirements for blue collar workers whose Work Permits/Residence Permits have expired, as of 25 March 2020
- In addition, as of Sunday 29 March, the exemption of a medical test requirement for Residence Permit renewals has now been extended to all individuals employed in the private sector

⁶ UAE Identity and Citizenship Authority - ICA (2020)

6. Additional References

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