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Dubai Land Department to reduce fees

Ijara refinance registration charge to go down from 2.25 per cent to 0.25 per cent.

By Anjana Kumar

Dubai Land Department is in the process of restructuring its fees structure, bringing down charges for some of its services, a senior department official said while speaking to Emirates Business.

The department will be slashing the fee it levies on properties registering for Ijara (Islamic) refinance from 2.25 per cent of the Ijara amount to 0.25 per cent, Mohammed Sultan Al Thani, Assistant Director-General of the Land Department, told this newspaper.



"[Earlier,] we were charging around 2.25 per cent of the Ijara amount to get the refinance registered. Now, it is only 0.25 per cent of the Ijara amount," Thani said. "As a procedure, this is not yet implemented," he said, but maintained that it was in the process of implementing this for new contracts.

Ijara refinance is undertaken when an investor seeks Islamic finance on a property that he or she already owns. Under Shariah guidelines, Ijara is dealt with as a lease, and the underlying property is deemed as sold to the purchaser once the finance amount is fully paid off.

Moreover, the Land Department has altered the structure for some of its other fees, such as the Ijara finance contract. "The [earlier] charge for Ijara was 2.25 per cent, split as 1.25 per cent payable to the Land Department by the buyer on the Ijara amount, and one per cent by the seller on the sales contract value.

"Now, it is one per cent each payable by the seller and the buyer on the sales contract value, and 0.25 per cent payable on the Ijara amount by the buyer," Thani explained. He said the new fees would be implemented with immediate effect for all new contracts registered with the Land Department.

Oqood fees down

In another step aimed at lowering the potential burden of payment for off-plan properties, Thani told this newspaper that developers would henceforth pay just Dh500 instead of the earlier proposed Dh5,000 to the Land Department for cancellation of an Oqood-registered property.

"There was an initial proposal to charge Dh5,000 for this cancellation, although it was never executed. However, now we will charge only Dh500 for the same," Thani said.

The fee is applicable to cases wherein off-plan properties are being consolidated by developers for their investors. "In the case of consolidation, when an investor's two properties are

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consolidated into one, one of the properties will have to be cancelled under the Oqood system," Thani said.

He added that this charge was levied in order to clear the registers and records of that particular property from the department's system. "There is a lot of consolidation happening at the moment and cancellation of the Oqood registration is done in order to clear the registers and records of that property from our system." Oqood is an online service for registration of contracts for all off-plan property transactions in Dubai and no registered property sale or transfer can take place unless it has been registered on the system.

New Rera forms

With respect to standardisation of various forms, Thani said that the Real Estate Regulatory Agency (Rera) is likely to soon come up with new forms for the real estate market in Dubai. "We are going step by step as the market matures and a lot of forms will come out from Rera."

Thani also cleared the confusion vis-à-vis complaints received by the department about sales transfer charges, which stand at two per cent – one per cent payable by the buyer and one per cent by the seller to the Land Department. "Buyers sometimes complain that when they go to a seller, they are asked to pay the entire two per cent by the seller," he said. "As per the law, the charges are one per cent from the seller and one per cent from the buyer.

"However, this depends on the sales contract signed between the seller and the buyer. If the buyer has signed a sales contract that mentions two per cent is payable by the buyer, he will have to adhere to it even if the law states otherwise," said Thani.

He added that before buyers complain to the Land Department on this matter, they need to check their sales contracts. "The sales contract really states the right of the buyer. If contracts are not clear, then buyers need to check with the Land Department or make it clear from their developers and check these issues with them.

"Based on various projects, developers tend to make different contracts. If there is no agreement, then the buyer can go back to one per cent and one per cent [each]," Thani explained. "Whenever a regulation comes up, it is not to shock the system but to regulate the system," he said, adding that the buyer could change the terms of the sales contract but that was between the buyer and the seller and depended on market conditions.