



Dubai International
Financial Centre

GUIDE TO LEASING IN THE DIFC



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1. INTRODUCTION

This Guide to the DIFC Leasing Law (“**Guide**”) has been prepared by the DIFC Registrar of Real Property (“**RORP**”) to guide and facilitate lessors and lessees on the procedures and requirements for entering into leases (“**Lease(s)**”) of properties (“**Premises**”) located within the Dubai International Financial Centre (“**DIFC**”). The laws that govern Leases in the DIFC are:

- The Real Property Law DIFC Law No. 10 of 2018 (the “**Real Property Law**”).
- The Leasing Law DIFC Law No. 1 of 2020 (“**Leasing Law**”) and Leasing Regulations (“**Leasing Regulations**”) which came into commencement on 14th January 2020.

The abovementioned laws and other relevant laws of the DIFC (“**DIFC Laws**”) are available at <https://www.difc.ae/business/laws-regulations>. In the event that there is any inconsistency between this Guide and the DIFC Laws, the DIFC Laws shall prevail.

The Guide may be amended from time to time by the RORP and does not constitute legal advice nor an exclusive reference to all requirements stated in the Leasing Law and Leasing Regulations, or any other laws. It is advisable to seek independent legal advice when negotiating Leases and entering into Leases.

The Leasing Law and Leasing Regulations apply to Leases in the DIFC, **except for**:

- Leases of Premises used primarily for serviced apartments or premises leased as part of a hotel in the DIFC; and
- Leases entered into by a mortgagee of the Premises pursuant to the terms of such mortgage.

Further information on specific procedures for registration of Leases within the DIFC can be found in the Client Handbook: https://www.difc.ae/files/5615/7943/1670/DIFC-RP-GL-01_Rev.04_RoRP_Client_Handbook.pdf.

The DIFC Courts has set up, within the Small Claims Tribunal, the DIFC Courts Small Claims Leasing Tribunal (“**SCLT**”) which has the power to hear and determine claims related to Leases (provided the amount of such claim does not exceed AED 1,000,000) and provide expedited relief in respect of such claims.

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2. GENERAL REQUIREMENTS OF LEASES IN THE DIFC

a. **What information should go in a Lease**

A Lease must be in writing and must include the following:

- the term of the Lease, i.e. start date and end date (the “**Lease Term**”);
- the rent payable by the lessee to the lessor;
- the dates when payment of the rent are due (if this is not specified then by default the rent is payable in quarterly installments during the Lease Term);
- the permitted use of the Premises;
- a description of the Premises accompanied by a plan of the Premises if available; and
- the identity of the lessor and lessee.

b. **Invalid lease terms**

Kindly note that parties to a Lease cannot “contract out” of all or any provisions of the Leasing Law and Leasing Regulations and any terms of a Lease that contravene or contradict with the Leasing Law and Leasing Regulations shall be invalid and unenforceable.

c. **Payment of fees, charges and taxes**

It is the responsibility of the lessee to pay all fees, charges and taxes related to the Premises, unless the parties agree otherwise in the Lease. The fees, charges and taxes that are the responsibility of the lessor are:

- lease registration fees;
- taxes, fees, charges, contributions, association and body corporate fees payable as a result of the lessor’s ownership of the Premises; and
- any other fees, charges or taxes attributable to a lessor by law.

d. **Disconnecting utility services**

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It is prohibited for a lessor to disconnect utility services to the Premises for any reason whatsoever. If a lessor does disconnect a utility service to the Premises, then the lessee may refer the incident to the police and/or file a case before the SCLT against the lessor.

e. **Transfer of the Premises to a new lessor**

A lessee can continue to occupy the Premises following the sale of those Premises and the buyer will be bound by the terms of the Lease entered into with the previous lessor for the duration of the Lease Term.

f. **Registration of Leases**

Registration of Leases with the RORP are required for all Leases with Lease Terms **exceeding 6 months**. Such Leases must be registered with the RORP within **20 calendar days** from the date of the parties entering into such Leases.

Information on specific procedures for registration of Leases within the DIFC, fees and penalties can be found in the Client Handbook.

3. BASIC OBLIGATIONS OF LESSEES

A Lessee must:

- a. not use the Premises for any illegal purposes;
- b. only use the Premises for the permitted use, as specified in the Lease, or as otherwise agreed in writing with the lessor and in accordance with DIFC Laws;
- c. not cause nuisance or interference to an occupier of any neighbouring premises; and
- d. pay the rent on the dates specified in the Lease.

4. SPECIFIC PROVISIONS RELATED TO RESIDENTIAL LEASES

This section deals with specific provisions in the Leasing Law which relate to Leases of residential Premises (“**Residential Lease(s)**”).

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The RORP has issued an advisory template of a residential lease which can be found on the DIFC website <https://www.difc.ae/business/operating/registrar-real-properties>. Any enhancements or additional terms to the advisory residential lease template must not contravene or contradict with any term of the Leasing Law.

a. **Costs for preparing the Residential Lease**

The lessor is responsible for the fees, costs or charges incurred by it in connection with preparing a Residential Lease.

b. **Payment of Security Deposits**

- A security deposit would only be payable by a lessee to a lessor if:
 - agreed by the parties and stipulated in the Residential Lease; and
 - the security deposit amount does not exceed **10% of the annual rent**.
- A lessor may request the lessee for an additional amount of the security deposit to reflect an increase in the rent on a new Residential Lease being entered into between the parties of the Premises.
- A lessee may request the lessor to refund a part of the security deposit to reflect a decrease in the rent on a new Residential Lease being entered into between the parties of the Premises.
- A security deposit may only be used to compensate a lessor at the expiry of a Residential Lease term for the following reasons:
 - non-payment of rent by the lessee;
 - damage to the Premises (excluding fair wear and tear) by the lessee; and
 - other damages resulting from the lessee's breach of the Residential Lease.
- A security deposit cannot be used towards payment of the rent during a Lease Term, unless this has been expressly agreed by the lessor and the lessee in the Residential Lease.
- The previous lessor's rights to the security deposit will automatically pass to the new lessor of the Premises once the sale of the Premises is registered

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with the RORP and it is between the lessor and the buyer to cater for this in their sale and purchase transaction.

c. **The Security Deposit Scheme**

- The lessor must pay in the security deposit paid by the lessee (or any increased amount as referred to above) to the RORP within **30 calendar days** from the date on which the security deposit is received by the lessor (the “**Security Deposit Scheme**”).

Please refer to the Client Handbook for further details with respect to the paying in of security deposits to the Security Deposit Scheme.

Note: the obligation to pay in the security deposit to the RORP will not apply to Residential Leases entered into prior to the date of commencement of the Leasing Law. In the event a new Residential Lease is entered into between the same parties for the same Premises following the date of commencement, the lessor will be required to pay in the security deposit (held by the lessor) to the RORP.

- When the lessor pays in the security deposit to the RORP, a lessor will provide written confirmation to the lessee that the security deposit was paid to the RORP.
- The RORP will hold all security deposit amounts paid into the Security Deposit Scheme in an escrow account for the duration of the term of a Residential Lease and subsequent Lease Terms of the same Premises. Any interest accrued with respect to such deposited sums shall form the administrative costs of running the scheme.
- A lessee can, at any time during or after the expiry of the Residential Lease, check with the RORP directly if the lessor paid in the security deposit to the RORP.
- If the RORP confirms to the lessee that the lessor has not paid in the security deposit to the RORP, then the lessee may make an application to the SCLT with respect to the lessor’s non-compliance at any time during or after the expiry of the term of a Residential Lease. *Please refer to the Rules of the Small Claims Tribunal of the DIFC Courts.*

d. **Condition Reports**

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For New Lease Terms

- When a security deposit has been paid to the lessor, a lessor may provide the lessee with 2 copies of a condition report evidencing the state of repair and general condition of the Premises in a form that is deemed appropriate by the lessor (i.e. a list and description or photographic schedule of condition). Both copies of the condition report must be signed by lessor and sent to the lessee before the lessee occupies the Premises.
- The lessee must **within 20 calendar days** of occupying the Premises, return the signed copy of the condition report to the lessor confirming that the lessee:
 - agrees with the condition report; or
 - disagrees with the condition report, stating the reasons for such disagreement.

For subsequent Lease Terms

- If the same parties enter into a new Residential Lease for the same Premises, then the lessor will need to produce a new or supplementary condition report (provided access to the Premises is provided by the lessee for this purpose). The lessee has **20 calendar days** starting from the date that the parties enter into the new Residential Lease to agree or disagree to the condition report.
- If a lessor fails to provide a new or updated condition report under a new Residential Lease, the original condition report provided by the lessor (together with all the unresolved disagreements originally listed by the lessee), will apply to the new Residential Lease, unless the lessee provides a new or updated notice setting out details of any additional fair wear and tear.
- If there is a disagreement between the parties regarding the contents of a condition report, then either party may refer the disagreement to be finally resolved by the independent expert agreed to in a Residential Lease. In the event that either party fail to refer a disagreement to an independent expert, the items of disagreement listed by a lessee may be used as evidence as to the state of repair and condition of the Premises in a future dispute between the parties.

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Notes:

- In the event that a lessee fails to return the condition report within the timescales stipulated above, the condition report provided by the lessor shall be deemed proof of the state of repair and condition of the Premises.
- In the event that a lessor does not provide a lessee with a condition report at the commencement of a Lease Term, the burden of proof will remain with the lessor in any subsequent legal proceedings regarding the state and condition of the Premises.

e. **Release of security deposits on expiry or termination of Residential Leases**

- To release the security deposit, a lessor and lessee will need to sign a release form and submit the same to the RORP, stating the amount of the security deposit to be refunded to the lessee. *A link to the Release Form can be found here:* <https://www.difc.ae/business/operating/registrar-real-properties>.
- If both parties do not agree on the amounts of the security deposit to be refunded to the lessee, then either party may notify the RORP that there is a dispute regarding the release of the security deposit and such dispute will be resolved:
 - by the SCLT, or
 - by subsequent agreement of the parties,

whichever is the earlier. A link to the Dispute Form can be found here: <https://www.difc.ae/business/operating/registrar-real-properties>.

- The RORP will only pay out an amount (in whole and in part) of security deposit with:
 - a signed release form; or
 - an order of the SCLT (“**Order**”).
- A lessee can apply to the SCLT to order the RORP to pay out an amount of security deposit to the lessee if the lessee is unable to obtain the lessor’s

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agreement on the release of the security deposit. The SCLT can only issue an Order for refund after the lessee has vacated the Premises.

- A lessor can apply to the SCLT to order the RORP to pay all or part of the security deposit to the lessor if the lessor is unable to obtain the lessee's agreement to make an application to the RORP for such refund for any of the reasons set out in section 4(b). If the lessor's claim relates to the state of repair and condition of the Premises, such application to the SCLT must be accompanied by a copy of the condition report (where one was provided by the lessor).

Refund of part of the Security Deposit during the term of a Residential Lease

A lessee may request refund of the reduced portion of the security deposit resulting from a decrease of rent, by submitting the relevant application to the RORP. *Please see here a link to the Refund of Part of the Security Deposit Form: <https://www.difc.ae/business/operating/registrar-real-properties>.*

Forfeiture of the security deposit

Any security deposit held by the RORP which remains unclaimed for a period of more than six (6) years after the termination or expiry of a Residential Lease shall be forfeited to the DIFC Authority.

f. Rent increases

A lessor must give a lessee written notice of a proposed rent increase at least **90 calendar days** before the expiry of a Residential Lease. Unless the Residential Lease states otherwise, a lessor must not increase the rent during the term of a Residential Lease.

g. Payment of utility services

The lessee is responsible to pay all charges in respect of the supply or use of utilities in the Premises, which includes electricity, gas, water, district cooling and sewerage or rubbish disposal, unless otherwise agreed in the Residential Lease.

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h. **Damage to the Premises and general cleanliness**

A lessee must take care to avoid damaging the Premises and any common areas, and to keep the Premises clean at all times. If a lessee becomes aware of damage to the Premises, then the lessee must as soon as practicable give notice to the lessor specifying the details of the damage. A lessee shall not be liable for any damages caused to Premises if:

- they constitute fair wear and tear;
- the lessee took reasonable care to avoid such damages; or
- the damages were caused by a failure on the part of the lessor of its obligations under the Leasing Law or the Residential Lease.

i. **Repair notices**

Repair notices sent by the lessor

A lessor may give a repair notice to a lessee if damage is caused to the Premises due to a lessee's failure to comply with its obligations under the Leasing Law or the Residential Lease. A repair notice from the lessor must be in writing and must state:

- the nature of the damage caused by the lessee;
- that the lessee is required to repair the damage (in a workmanlike manner, at the lessee's expense) **within 20 calendar days** (or such shorter period reasonably required by the urgency of the situation);
- the consequences of the lessee's non-compliance (please see below); and
- the lessee's right to dispute any part of a repair notice received from the lessor by registering a claim with the SCLT.

If a lessee fails to repair the damage referred to in a repair notice, then the lessor may repair the damage and send the lessee an invoice for the reasonable costs of repairs incurred by the lessor.

Lessee's right to dispute a repair notice

If a lessee disputes any part of a repair notice received from a lessor or the cost of repairs incurred by a lessor, the lessee can register a claim with the SCLT to resolve such dispute, within a period of **20 calendar days** from receiving the repair notice or invoice from the lessor.

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Note: if the lessee fails to dispute such repair notice or invoice within the prescribed time, then the SCLT will no longer hear the dispute and the lessee shall be obliged to comply with the repair notice or pay the lessor's invoice.

j. Installation of fixtures in the Premises

A lessee must not install any fixtures, or make any alteration, renovation or addition to the Premises without the lessor's consent. Before the end of the Residential Lease term, a lessee must (unless the lessor and the lessee agree otherwise):

- restore the Premises to its original condition before the alteration, renovation or addition; or
- pay the lessor an amount equal to the reasonable cost of restoring the Premises to such condition.

k. Condition of the Premises on the agreed occupation date

A lessor must ensure that the Premises are vacant and in a reasonably clean condition on the agreed occupation date.

l. Urgent Repairs carried out by the lessee

A lessee may carry out urgent repairs to the Premises if the lessee has taken all reasonable steps to request the lessor to carry out such repairs and the lessor has not carried out such repairs. A full list of urgent repairs are set out in the Leasing Law.

- If the lessee carries out urgent repairs, then the lessee must give the lessor written notice of the repairs carried out and the costs of repairs incurred **within 10 calendar days** of completion of the repairs. The lessor shall be liable to reimburse the lessee the reasonable cost of such repair work.

Note: this provision of the Leasing Law does not apply to fixtures, furniture or equipment brought onto the Premises by the lessee.

- The lessee can apply to the SCLT to order the lessor to carry out urgent repairs if:
 - the lessee is unable to meet the cost of such urgent repairs;
 - the lessor is refusing to carry out the urgent repairs; or

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- the lessor is refusing to pay the cost of such urgent repairs (in whole or in part).

m. **Non-Urgent Repairs**

The lessee can apply to the SCLT to order the lessor to carry out non-urgent repairs if the lessee has given the lessor written notice advising the lessor that such repairs are required and the lessor has not carried out the repairs **within 60 calendar days** from being notified by the lessee.

n. **Entry to the Premises by the lessor**

A lessor can enter the Premises (together with any necessary persons):

- at any time agreed with the lessee;
- at a reasonable time of the day and on giving the lessee at least **2 calendar days**' prior written notice, stating the reason the lessor wishes to enter the Premises. Such notice should be sent by courier or email at an address stated in the Residential Lease, or by delivering it personally to the lessee between the hours of 8 am and six 6 pm; or
- at any time in the case of an emergency and the lessee is not contactable.

o. **Conditions of the Lessor's entry**

Provided the notice requirements set out in section 4 (n) are complied with, a lessor can enter the Premises provided all necessary consents or approvals are obtained from the relevant authorities and:

- the lessor needs to show the Premises to a prospective lessee during the last **30 calendar days** of the term of a Residential Lease and the parties have not agreed to enter into a new Residential Lease;
- the lessor needs to show the Premises to a prospective purchaser;
- the lessor needs to carry out a statutory or contractual obligation;

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- the lessor has reasonable grounds to believe that the lessee has failed to comply with the lessee's statutory or contractual obligation; or
- the lessor needs to conduct an inspection of the Premises (a maximum of two inspections per year of the Lease Term).

p. **Damage caused during entry to the Premises**

A lessee may apply to the SCLT for compensation if the lessor, or a person accompanying the lessor, causes damage to the lessee's property or goods when exercising a right of entry to the Premises.

5. TERMINATION OF LEASES AND REPOSSESSION

a. **Termination of Residential Leases**

Unless the parties agree mutually in writing to terminate a Residential Lease, a lessor can terminate for the below reasons and only with an Order:

If a lessee:

- fails to pay rent on the agreed payment date and fails to pay the rent by the remedy period stipulated in the Residential Lease or where no remedy period is specified, the lessee fails to pay the rent within a period of **30 calendar days** from the due date;
- fails to remedy any other material obligations of the Residential Lease within **30 calendar days** of written notice from the lessor of such breach;
- abandons the Premises for a period of more than **3 months**;
- uses the Premises for an illegal purpose; or
- becomes insolvent (in case the lessee is a company).

Note: A Residential Lease can be terminated by a lessor without an Order in the event of death of a lessee, or the death of the shareholders in a corporate entity being the lessee.

A lessee can terminate a Residential Lease for the below reasons and only with

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an Order:

- If a lessor fails to remedy a material obligation under the Residential Lease within **30 calendar days** of written notice from the lessee; or
- the Premises are rendered unfit or unsafe for occupation.

b. Termination of other types of Leases

A lessor can terminate a Lease for the below reasons without the need of an Order:

If a lessee:

- fails to pay rent due under the Lease and the rent is more than **30 calendar days** overdue (whether or not a formal demand for payment has been made by lessor);
- fails to remedy a breach of the Lease within **30 calendar days** of written notice from the lessor of such breach;
- purchases the Premises and becomes the owner of the Premises; or
- abandons the Premises for a period of more than **1 month**.

Note: the 30 calendar day periods referred to above can be increased by expressly provision in the Lease, but such periods cannot be reduced.

A Lease can be terminated by either party if:

- both parties agree in writing to terminate the Lease before the expiry of its term;
- a party exercises its rights to terminate the Lease in accordance with the terms set out in the Lease; or
- the Premises have been destroyed.

Please refer to the Client Handbook for the specific procedure for registering a Lease termination with the RORP.

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c. Lessee property left behind at the expiry or termination of a Lease

- A lessor has a preferential claim over the proceeds received from the sale of any property sold by the lessor and such proceeds shall be applied towards any rental arrears.
- If the lessee is a company that has been declared insolvent, the lessor will need to apply to the SCLT for an Order permitting him to sell the lessee's property by a public bidding process, or on the open market. The proceeds of such sale shall be for the account of the liquidator, indicating any reasonable costs incurred by the lessor in selling the property, along with any rental arrears set off against the proceeds of such sale.

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6. Q&As

	Question	Answer
1.	Does the new Leasing Law apply to my Lease?	Please see section 1 of the Guide.
2.	Are the Leasing Law and Leasing Regulations applicable to Leases entered into before the commencement of this law?	Yes, except where provisions in the law that require compliance with time and notice periods that are incapable of being applied to current Leases.
3.	Can the lessor and lessee use the Ejari Tenancy Contract?	Yes, but you are invited to use the advisory template of the DIFC Residential Lease to which a link exists above in the Guide.
4.	Can the lessor and lessee make changes to the DIFC Residential Lease template?	Please see section 4 of the Guide.
5.	Does the Security Deposit Scheme apply to commercial leases?	No.
6.	Can any person (including the lessee) pay in the security deposit to the RORP on behalf of the lessor?	Yes.
7.	Does the Security Deposit Scheme apply to Residential Leases signed before the commencement of the Leasing Law?	Please see section 4 (c) of the Guide.
8.	Can the lessor pay in the security deposit to RORP if the lessor is not in the UAE?	Yes. Please refer to the Client Handbook for further information on this process.

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9.	What happens to the security deposit paid by a previous lessee once the Residential Lease is assigned to a new lessee?	Please see section 4 (e) of the Guide.
10.	Can the lessee receive all or part of the security deposit from the RORP in manager's cheque, instead of bank transfer?	No. Please refer to the Client Handbook for further information on this process.
11.	Do I have to register a sub-lease?	Yes. If you are a lessor under a sub-lease then the same provisions apply except for the form. Please refer to the Client Handbook for further information on this process.
12.	Can the lessor keep the security deposit if the lessee vacates the Premises before expiry the Residential Lease and does not give notice to the lessor?	Please see section 4 (b) of the Guide.
13.	Does the condition report need to be attached or incorporated into the Residential Lease to make it binding on the parties?	Please see section 4 (d) of the Guide.
14.	How long does it take for the RORP to refund the security deposit?	Within 10 working days provided the request for refund has been duly signed by both parties and the bank account/s specified in the Release Form are correct.
15.	What if lessor or the lessee do not have an active bank account in the UAE for receiving their respective amounts (if applicable) of the security deposit?	RORP can transfer the amount of the security deposit to a bank account outside of the UAE. All bank charges/fees will be borne by the beneficiary.
16.	Can a rental dispute between a lessor and a lessee be referred to the Rental Dispute Settlement Centre and the Dubai Courts?	No. Please see section 1 of the Guide.
17.	When should either party lodge the Dispute Form with RORP?	As soon as possible following the dispute.

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