

CLIENT ALERT

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## A New Dubai Law to Govern Contractors' Activities

On 8 July 2025, HH Sheikh Mohammed bin Rashid Al Maktoum, in his capacity as Ruler of Dubai, issued Law No. 7 of 2025 ("**Law No. 7**"). With limited exceptions, Law No. 7 governs the activities of real estate contractors in Dubai, including its free zones (such as the DIFC). It outlines several requirements and conditions for construction activities in Dubai aimed at enhancing the quality of real estate developments in the city. While Law No. 7 has already been published in the Dubai Government Official Gazette No. 726/59, it will only enter into force six months from now.

Law No. 7 is the first law to be issued in Dubai that specifically addresses the activities of real estate developers. In the past, Dubai issued municipal orders regarding such activities (*e.g.*, Domestic Order No. 3 of 1999), which were narrower in scope than Law No. 7. The new Law, therefore, represents a significant change in the Dubai real estate landscape. Because of this, Law No. 7 grants contractors in Dubai a one-year period to comply with its provisions, which may be extended by an additional year (Article 26). Notably, Law No. 7 exempts the following types of construction projects from its scope: projects related to airports and related facilities, and any other projects that may be excluded based on recommendations by a committee tasked with overseeing the Law's implementation (described further below) (Article 4(b)).

Curtis provides below a summary of the key provisions of Law No. 7, which may have a direct impact on real estate developers in Dubai.

First, Law No. 7 provides for the establishment of an omnibus registry of contractors authorized (through commercial licenses) to undertake real estate activities in Dubai. The registry categorizes contractors into several groups based on the nature of their activities. Law No. 7 prohibits a contractor from performing any activity in a superior category without a special authorization from the Dubai Municipality or other entities responsible for managing construction work in Dubai (the "**Supervising Entity**"). (*See* Articles 5(b), 14.) Additionally, Law No. 7 mandates that technicians hold a certificate authorizing them to conduct work in their respective fields and prohibits contractors from employing any technician without this certification (Articles 5(c) and 15(3)). Law No. 7 also prohibits employers (whether public or private entities) from contracting with a construction company that has not been authorized to undertake construction work in Dubai (Article 5(d)).

Second, Law No. 7 provides for the creation of an administrative committee to oversee its implementation. This committee is responsible for appointing the Supervising Entity that will manage the contractor's work, which could be the Dubai Municipality. This latter Entity is responsible for issuing the required authorizations for contractors to perform construction work in Dubai, ruling on applications to register new contractors, and

determining the conditions under which such registration may be temporarily or permanently suspended. The Supervising Entity is also responsible for deciding complaints filed against contractors and taking appropriate measures regarding any violations in accordance with Law No. 7 (Articles 7-9).

Finally, Law No. 7 prohibits contractors from undertaking projects that exceed their technical and workforce capabilities. It also requires contractors to immediately notify the Supervising Entity of any changes or modifications to the project and to supervise any subcontractors who may be retained to perform some of the required work. Contractors are further required to retain original contracts, records, drawings, and related documents for a period of not less than ten years from the date of the completion certificate or the end of the agreement. Importantly, Law No. 7 prohibits construction companies from also performing the engineering work, except in the case of turnkey projects (Articles 10(2), 15-19).

While Law No. 7 allows the main contractor to hire other companies to perform some of the work, it provides that the main contractor may only do so if the contract or the employer did not require it to perform all of the required work. Furthermore, Law No. 7 allows companies to form a consortium among themselves to undertake a project, where the project's nature requires the input of several companies, provided that all of the constituent companies have been authorized under Law No. 7 to undertake construction work in Dubai, and provided that one of those companies is appointed as a representative of the consortium (Articles 16-18).

Contractors should also be aware of the potential consequences of non-compliance. Law No. 7 sets out a range of penalties for breaching its provisions, including fines of up to AED 200,000, depending on the severity and recurrence of the violation. In addition, non-financial sanctions may apply, such as temporary suspensions, downgrading of classification, deregistration from the contractor registry, and revocation of the contractor's commercial license (Article 22).

It remains to be seen how successful contractors will be in ensuring their activities comply with Law No. 7 within the prescribed period, and how this new Law will impact the construction sector in Dubai. For now, the Law represents a significant development for companies undertaking construction work in Dubai and promises to have a direct impact on the quality and scope of construction projects in Dubai. Employers and contractors should monitor further developments under this Law to ensure adherence to its provisions.

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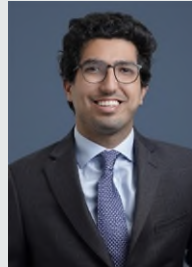
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