



<http://www.switzerland-family-office.com/relocation/relocation-to-dubai.html>

Relocation to Dubai (UAE)

Relocation to Dubai is in fashion. For quite some years the metropolis Dubai has been one of the most attractive jurisdictions (from a tax point of view) to relocate to. With its vibrant atmosphere, multi-cultural population, attractive business environment, and the best the world has to offer in luxury lifestyle, Dubai has positioned itself as one of the favourite cosmopolitan destinations to move to among wealthy families from all around the globe.

History of the United Arab Emirates, and Dubai in particular

Before the United Arab Emirates were officially formed in 1971, the Emirates were a protectorate of Great Britain for a period of approximately 150 years. Over that period the British agreed with the Emirati to protect them from attacks over land and sea, and in return the Emirati refrained from entering into relationships with other foreign nations.

At the end of the 1950s and the beginning of the 1960s, the Emirates went through a deep transition after they discovered large reserves of oil in the region, which made the Emirates very wealthy almost overnight, and enabled them to invest large sums in the local infrastructure and their population.

When, at the end of the 1960s, the British decided to withdraw from the Gulf region (ultimately ending their responsibilities to protect the region by the end of 1971), the ruling monarchs of Abu Dhabi and Dubai decided to form a union. The other Emirates were invited to join them and they drafted their own constitution.

On 2 December 1971 a federation of six emirates, comprising Abu Dhabi, Ajman, Dubai, Fujairah, Sharjah and Um Al-Quwain, was formed. It was named the United Arab Emirates (UAE), and Sheikh Zayed bin Sultan Al Nahyan, ruler of Abu Dhabi, became its first President. The seventh Emirate, Ras Al Khaimah, joined the Federation several months later.

Dubai

Dubai has developed over the last two centuries from a fishing town, primarily depending on fishing, pearling and the business of local merchants, to a cosmopolitan metropolis and the business hub and main port of the Middle East. Even before oil was found in Dubai, its ruling monarch at the time, Sheikh Saeed bin Maktoum Al Maktoum, invested heavily in infrastructure projects and focussed on creating an environment for (international) trade. Once oil was found in Dubai his strategy was continued and aggressively stepped up by his son, Sheikh Rashid bin Saeed Al Maktoum.

Over the last decades, tourism, entertainment and leisure have also become an important part of Dubai's economy, as have all types of real estate developments. All these developments have also triggered the relocation to Dubai of an increasing number of wealthy families.

UAE's / Dubai's government & economy

The Emirates are a federation and are governed by the Federal Supreme Council (FSC) and the Federal National Council (FNC):

- The FSC is the highest constitutional authority, and consists of the seven Emirs (the ruling monarchs) of the Emirates.
- The FNC is a consultative council that consists of 40 members that are partly elected by a select group of Emirati citizens and partly by the monarchs of the seven Emirates.

The Emir of Abu Dhabi is the President of the UAE and the Emir of Dubai is the vice-president and prime minister of the UAE. Although there is a Federal government and the Emirates form one country, all the seven Emirates are governed quite autonomously.

The capital and second-largest city in the UAE is Abu Dhabi, which is also the centre of the country's political, industrial and cultural activities. As for Dubai, it is the largest city of the Emirates and has been governed by the Al Maktoum family for almost two centuries.

A little bit less than ten million people are resident in the UAE. The resident population in Dubai is around 1.8 million, of which less than 20% are true Emirati. The remaining residents have moved to Dubai over the years from all over the world.

The judicial system of the Emirates is derived from civil law where sharia principles will apply for family and succession matters. The official currency of the Emirates is the UAE dirham (AED), which has been pegged to the US dollar since 1997 at a rate of AED 3.6725 to the dollar. The official language in the UAE is Arabic but English is the main language spoken. Although the Emirates definitely suffered some financial damage during the 2008 financial crisis, its government debt is very low compared to most other developed nations, primarily due to its income from oil.

The importance of oil

The oil industry remains the key economic pillar of the UAE, except for Dubai. Compared to the other six Emirates, Dubai does not have large reserves of oil. Therefore, for decades it has been (successfully) diversifying its economy. Enormous amounts have been invested in infrastructure, and real estate developments such as the Burj Khalifa, Palm Jumeirah and the Dubai Mall. International trade and a growing financial services industry are also key components of Dubai's economy.

It is not legally possible for foreign companies/individuals to establish a business in the UAE without partnering up with an Emirati (at least 51% of the shares should be owned by a UAE partner). Although these domestic regulations have safeguarded the interests of the domestic population, it has of course also slightly hindered foreign investment in the region. UAE's answer to this has been the establishment of numerous (>35) so-called 'free trade zones' within their jurisdiction. In those free trade zones, 100% foreign ownership of a company is allowed. The commercial activities of these companies within the UAE jurisdiction itself are, on the other hand, once again only possible if an Emirati partner is involved.

Taxation in Dubai and the UAE

- **Personal income tax:** Families who relocate to Dubai are able to enjoy a tax-exempt environment, as no personal income tax is levied in the United Arab Emirates. All types of personal income are tax-exempt, including salary, pension and investment income such as dividends, interest and capital gains generated by an investment portfolio or sale of a local business.
- **Wealth tax:** No wealth tax is levied in Dubai or any of the other Emirates. There is no yearly tax to be paid on real estate ownership either.
- **Inheritance and gift tax:** No inheritance and gift tax is levied in Dubai (nor in the other Emirates), either at the time of death or when executing or receiving a gift.
- **Stamp duty and VAT:** There is currently no value added tax (VAT) in the UAE. But the UAE government is working on a law to introduce VAT in the Emirates. When introduced, it is expected that VAT rates will be fairly low (around 5%) and basic needs such as medical care and food will be exempted. Customs duty does apply and is payable on any goods imported into the UAE.
- **Exit tax:** When residents of the UAE decide to relocate to another jurisdiction, there is no exit tax applicable.

Special tax treatment of foreigners relocating to Dubai

Foreigners who have relocated to Dubai fall under the same tax regime that is applicable to all the citizens of Dubai. Becoming a resident in the UAE does not entail specific reporting obligations or specific tax liabilities.

Benefits of living in Dubai (UAE)

Families that relocate to Dubai can enjoy a great climate and unique cosmopolitan lifestyle. Dubai is therefore the most popular Emirate when it comes to relocation to the UAE.

More than half of the year Dubai has temperatures of around 25°C during the day, but during the summer months it gets unpleasantly hot with average temperatures often exceeding 40°C. However, as it is always warm in the Emirates, all residential property as well as all places you visit are fully air-conditioned.

There are certain key advantages that make Dubai a potential choice to relocate to. The residential developments give prospective buyers a significant amount of choice with quiet and more cosmopolitan choices available. With, among others, the artificial island developments off the coast and the highest building in the world, some unique real estate projects are available in Dubai.

Education

As the infrastructure develops and more people choose to live in Dubai, a significant amount of investment has been made into education and a number of well-established schools have opened in Dubai, making it a great choice for families. Dubai also has the world's fastest-growing airport and airline with excellent global connections, making it easy to get there.

The fact that most wealthy families who wish to take up residency in the UAE need to combine it with establishing a free zone company is generally not seen as a problem, but an opportunity. Establishing a free trade zone company in Dubai, or one of the other Emirates, means in effect that one can trade completely tax-free, which is very attractive for a lot of international families with cross-border business activities.

While resident in the UAE, non-Muslim foreigners can opt for their own national law to govern their estates, and this will be recognised by the local courts. Non-Muslim foreigners who have moved to Dubai can register their wills with the Dubai International Financial Centre courts or with the local UAE courts to govern the succession of their movable and immovable assets. Those wills will then be recognised for succession planning purposes by the UAE. As there are also no fiscal restrictions with respect to restructuring the assets of the family once they are living in Dubai, the family wealth can also be structured with a variety of wealth planning solutions.

Local culture

Dubai's health care is improving, due among other things to the establishment of a health care free zone. Security for residents of the UAE is very high. In this respect it should be noted that foreigners who relocate to the UAE must understand and accept that it has an Arabian/Islamic culture and not a western one. Crime rates are very low, but some behaviour, which might be more or less accepted in the western world, such as drinking alcohol in public, are not tolerated and can be severely punished. Foreigners who are willing to accept the local customs and rules will find the UAE a very stable and secure jurisdiction to live in.

Visa and residency permits for the UAE

With the exception of citizens of Bahrain, Kuwait, Oman, Qatar and Saudi Arabia (which form, with the UAE, the Gulf Cooperation Council), everybody who visits the UAE needs to obtain a visa to enter the country. Citizens of Canada, the European Economic Area, Switzerland, the United States and a few other jurisdictions do not need to make advance visa arrangements but can obtain a 30-day visitor's visa, free of charge, on their arrival. This 30-day period can be extended by another 30 days at an additional charge.

Citizens of other jurisdictions must carefully check before travelling to the UAE whether they need to obtain a visa upfront, and which type of visa applies best to their situation. Nationals of other countries than those mentioned above cannot obtain their visa on arrival. If you intend to travel to Dubai to examine whether you want to relocate to the UAE, generally the hotel where you intend to stay can help you obtain a valid tourist visa.

Visitors who aim to stay for longer, but do not intend to apply for a residency permit in the UAE, should find out what other types of visa, other than the tourist visa, are available to them.

Becoming a resident of Dubai (UAE)

There are various ways of obtaining a residency permit in Dubai or one of the other United Arab Emirates. What all those ways have in common is that you need a local 'sponsor' to apply for a residency permit on your behalf. For wealthy individuals who have no intention of being employed in the UAE, there are two practical routes available for obtaining a residency permit in the UAE:

1. **Company route:** Registering a company in one of the free zones of the Emirates. The company acts as the owner's sponsor for residency (UAE investor visa), or
2. **Real estate route:** Purchasing real estate in the UAE (property residence visa).

Conditions to fulfil; the company route

There are over thirty-five so-called free trade zones in Dubai and the other Emirates. These free trade zones have been established by the UAE government to enable foreigners to fully own (100%) and operate a company out of the UAE without breaching domestic UAE legislation (see above).

Establishing a free trade zone company in the UAE

The first step towards obtaining a residency permit in the UAE is to obtain a free trade zone license and to actually establish a free trade zone company. This company will act as the sponsor for obtaining your UAE residency permit. Consideration needs to be given to which trade zone is the most suitable for you, as most trade zones have a focus on a particular type of industry or service. If you do not intend to become really active, establishing a company in one of the more general, less specialised free trade zones, offering you small (flexible) office space is probably a good option for you.

Although the requirements might be slightly different depending on the free trade zone of your choice, and whether you are setting it up alone or with a number of shareholders, the requirements for setting up a free trade zone company and obtaining the license for it (which must be renewed yearly) are generally the following:

1. Passport copy of the owner(s)
2. Business profile of the owner(s)
3. Passport copy of the manager (can be the same as the owner(s))
4. Reference letter from the bank of the person making the application
5. Board resolution
6. Completed free trade zone company application form
7. Deposit of share capital (depending on the legal form and free trade zone of your choice)
8. Bank letter confirming the opening of a local corporate account (depending on legal form)
9. Depending on the activity envisaged, a business plan or relevant diploma
10. The documents must be in English or Arabic and/or notarised by a UAE embassy
11. Additional documents might be requested by the authorities

Once you have become the owner of a free trade zone company, which is normally quite a streamlined process, you are eligible to apply for a residency permit in the UAE (valid for up to three years, to be renewed afterwards). Depending on the free trade zone of your choice and the actual activity of the company, a restricted number of permits can be applied for (for you and your family members).

Application for a residency permit

The conditions to fulfil to apply for a residency permit are:

1. Applicants must be of legal age (>18)
2. Applicants must be the owner of a UAE free trade zone company
3. The company (the sponsor) must file an application for a new residency; signed and stamped by the company
4. A recent passport-size photo with a white background must be provided
5. Your original passport must be provided (meaning you need to be present in Dubai for some time)
6. The original entry permit must be provided (tourist visa)
7. A medical check has to be undergone
8. Fingerprinting is necessary
9. A certificate of good conduct must be submitted
10. A copy of the free trade zone license must be submitted
11. A copy of the labour card (in connection with your free zone company) must be submitted
12. A copy of the free trade zone company name registration is needed
13. The documents must to be in English or Arabic and/or notarised by a UAE embassy
14. Additional documents might be requested

When the owner of the company has obtained the residency permit, he/she can in turn act as sponsor for his/her family members - spouse and underage children.

Once you own a company and hold a company-related residency permit, this cannot be converted to a property residency permit. Likewise, once you are in possession of an investor residency permit, another permit (for example a property residency permit for Dubai) is no longer necessary.

When you have obtained the residency permit for the UAE via the company route, you should of course still rent or acquire a property so that you can live in Dubai. Just holding a residency permit is not enough to actually become a resident in Dubai. In this regard, see also the chapter 'Leaving your home country and moving to Dubai'.

Conditions to fulfil; the real estate route (Dubai only)

The real estate route is only open to persons which do not work in the UAE and do not own (shares in) a local UAE or free trade zone company.

When you acquire real estate in Dubai you can apply for a real estate investor visa (property residency visa), which is valid for a maximum period of two years (to be renewed afterwards). The holder of this type of visa is allowed to live in Dubai, but not to work in the UAE. Note, however, that in the other Emirates of the UAE the rules are different; only a six-month multi-entry visa is issued, which does not qualify as an actual residency permit.

The main conditions that must be fulfilled with the Dubai Land Department to apply for the Dubai property residency visa are:

1. Real estate in Dubai with a minimum value of AED 1,000,000 must be acquired

2. The applicant must prove that s/he has a regular income of at least AED 10,000 per month. This can be any type of income, e.g. a foreign salary, pension or investment income
3. A passport copy needs to be submitted
4. A passport-size photograph needs to be submitted
5. Title deeds must be issued and provided (this must be in one person's name and only that person can apply for the property residence permit)
6. The property title deeds must show that the real estate is not mortgaged
7. The real estate must be completed and inhabitable
8. A property visa fee of AED 1,100 and an administration fee of AED 410 apply
9. A medical check must be undergone by the applicant
10. The applicant's criminal background check must be submitted
11. Fingerprinting
12. A copy of your health insurance coverage must be provided

Once the Dubai Land Department has approved your application it will issue an approval document. With this document the owner of the property can request a trading license from the Department of Economic Development. *It is in fact this trading license that enables the property owner to ultimately apply for the actual two-year residency visa.*

It should be noted that the application can only be filed for the actual owner of the property. Once the property residency permit for Dubai has been issued, its holder can sponsor family members.

Conclusion

As the real estate route is less straightforward than the company route, it is only available in Dubai and not in the rest of the Emirates, and as work and company owner-related residency permits take precedence over property residency visas, most families nowadays prefer to take the company route instead of the real estate route.

A UAE residency permit allows its holder to reside anywhere in the seven Emirates and authorises its holder to enter and exit the country an unlimited number of times. As a resident of the UAE, the individual is not required to spend a minimum amount of days per year in the UAE, other than visiting the UAE at least once every six months. If the holder of the permit violates this condition, he/she automatically loses the residency permit. It also needs to be noted that even when you fulfil all conditions above, your application for a UAE residency permit might still be rejected.

It is also possible to obtain a work permit in Dubai or one of the other Emirates of the UAE. That option is outside the scope of this article.

Citizenship in the United Arab Emirates

Obtaining citizenship in the United Arab Emirates as a foreigner is definitely not easy. The UAE do not offer a special citizenship program. A Dubai citizenship by investment or Dubai investor visa program does also not exist.

An individual who has been a permanent resident of the UAE for 30 years in total (20 of which after 1 January 1972), can apply for citizenship. An exception to this rule applies to Arab citizens of Oman, Bahrain and Qatar; they can apply after only three years. As well as being able to

sustain oneself, not having a criminal record and living in the UAE (for example in Dubai), another condition is that one must speak Arabic. This means in practice that citizenship is hardly ever granted to non-Arabs.

The UAE do not recognise dual citizenship.

Leaving your home country and moving to Dubai

Once you have relocated to Dubai and obtained a UAE residency permit, the UAE do not have a lot of residency restrictions in place. Under the local UAE rules and regulations the holder of a residency permit must remain at least one day of every six months in the UAE. If you fail to spend this one day there, your residency permit will become invalid and you will have to start the process all over again.

Dubai does not levy any tax and is therefore not really interested in your personal activity and whereabouts. Although this can sound appealing to some, it is important to actually live in the UAE once the residency permit has been granted.

A step that sometimes gets forgotten is that once you have decided to live in Dubai, you should also properly leave your former home country. Technically it is possible to be a resident in two, or even more, jurisdictions at the same time. From a taxation perspective your (former) home jurisdiction could very well ignore that you have 'moved' to Dubai if you are not spending most of your time there. This is all the more likely if you come from a jurisdiction where the UAE are 'blacklisted' by the tax authorities as a tax haven because no taxes are levied there. In such case your 'former' home country will continue to consider you as one of its tax residents, or will require you to provide additional proof of your actual relocation to Dubai.

So, although relocation to and obtaining residency in the UAE is in fact quite a straightforward and streamlined process, do not forget to take the necessary steps in your original home jurisdiction (exit planning). You should also bear in mind that some jurisdictions might not accept at all that you have relocated to Dubai, an issue you should clarify before starting the process.

All in all, one needs to be aware that relocation is very much about leaving one's country (the most important step) and actually less about taking up residency elsewhere.

Taking the step

Families who are considering moving to Dubai and obtaining a UAE residency permit are advised to seek the support of a (local) private bank, their multi-family office or a dedicated legal advisor to guide them through the process. If you would like to receive more information about the benefits and possibilities of international relocation, please contact us. We look forward to helping you.

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