

 **UAE Tax Planning: A Practitioner's Guide to Cross-Border Structuring**

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## Overview

The United Arab Emirates (UAE) has transformed from a zero-tax jurisdiction into an OECD-compliant regime while maintaining competitive tax rates. This evolution, marked by the introduction of value added tax (VAT) in 2018 and corporate income tax in 2023, coincided with the United Kingdom's (UK) abolition of its non-domiciled regime, effective 6 April 2025. Over 6,500 UK millionaires relocated to the UAE in 2024, representing significant wealth migration driven by tax policy divergence.

This Practice Note guides practitioners through Federal Decree-Law No. 47/2022 On the Taxation of Corporations and Businesses (as amended by Federal Decree-Law No. 60/2023 Amending Some Provisions of Federal Decree-Law No. 47/2022 on the Business and Corporate Taxation and subsequent legislation), Federal Decree-Law No. 8/2017 on Value Added Tax (as amended by Federal Decree-Law No. 18/2022, Federal Decree-Law No. 16/2024, and Cabinet Decision No. 100/2024 Amendments to the Executive Regulation of Federal Decree-Law No. 8/2017 on Value Added Tax), and the UAE's network of 140+ double taxation treaties for structuring compliant cross-border investments.

## Definitions

- *CIT*: Corporate Income Tax at 9% on taxable income exceeding AED 375,000.
- *DTAA*: Double Taxation Avoidance Agreement; UAE maintains over 140 bilateral treaties.
- *FIG relief*: Foreign Income and Gains relief under the UK's post-non-dom regime (from April 2025 onwards).
- *Free zone person*: Entity meeting article 18 of Federal Decree-Law No. 47/2022 conditions for 0% corporate tax on qualifying income as QFZP.
- *FTA*: Federal Tax Authority, UAE's primary tax regulator.
- *GAAR*: General Anti-Abuse Rule.
- *Golden visa*: UAE long-term residency permit (five - ten years) under Cabinet Decision No. 30/2020 Amending some provisions of Cabinet Decision No. 56/2018 on the regulation of the residence permits to investors, entrepreneurs and specialised talents and subsequent amendments; forms the foundation for tax residency under Cabinet Decision No. 85/2022 On the Determination of the Tax Domicile.
- *Non-dom*: UK non-domiciled tax status, abolished in April 2025.
- *QFZP*: Qualifying Free Zone Person eligible for 0% corporate tax under article 18 of Federal Decree-Law No. 47/2022, subject to strict substance and income conditions.
- *Transfer pricing*: Arm's length principle for all transactions implemented through Federal Decree-Law No. 47/2022, drawing on OECD guidelines; Cabinet Decision No. 44/2020 On the Regulation of the Reports Submitted by Multinational Companies addresses country-by-country reporting.
- *TRC*: Tax Residency Certificate issued by the FTA for DTAA benefits.
- *VAT*: Value added tax at 5% standard rate under Federal Decree-Law No. 8/2017 (as amended).

## Practical Guidance

### Global tax regime changes and UAE relocation

#### *Legislative context*

Several major jurisdictions have recently transitioned from territorial or remittance-based taxation systems to comprehensive residence-based worldwide taxation regimes. These reforms typically eliminate preferential treatment for foreign-sourced income and gains, replacing them with limited transitional relief periods (commonly three to four years) before full worldwide taxation applies. For wealth transfer taxes, many jurisdictions now extend their reach to global assets once individuals establish residence beyond specified thresholds (often ten years within a twenty-year period).

### Tax differential analysis

High-net-worth individuals and entrepreneurs relocating from high-tax jurisdictions to the UAE can achieve substantial savings over a ten-year period. Typical differentials include source jurisdictions charging marginal rates of:

- 40-50% on employment income;
- 30-40% on investment income;
- 20-30% on capital gains; and
- 40% on wealth transfers;

whereas the UAE charges 0% personal income tax (with 9% corporate tax applying only to operating company profits exceeding AED 375 000).

## Four-phase relocation framework

### Phase 1: UK exit (months 1 to 3)

- Establish non-residence in the departure jurisdiction according to applicable statutory residence tests. Requirements vary by jurisdiction but typically involve limiting physical presence to minimal days annually (often fewer than 16 - 30 days).
- Ensure full compliance with exit tax obligations and structure affairs to avoid temporary non-residence rules that may apply if absence is less than five years.

### Phase 2: UAE establishment (months 2 to 4)

- Obtain a golden visa through AED 2 million+ property investment or alternative routes.
- Secure ten-year visa under Cabinet Decision No. 85/2022, which provides three alternative tax residency conditions beyond the 183-day rule.

### Phase 3: Corporate structure (months 3 to 6)

- Establish DIFC holding company as investment manager.
- Obtain UAE Tax Residency Certificate (TRC) via EmaraTax portal.
- To claim benefits under applicable Double Taxation Avoidance Agreements, prove UAE residency (183+ days recommended), obtain TRC from the Federal Tax Authority (FTA), and submit documentation to relevant foreign tax authorities using prescribed forms.

### Phase 4: Legacy planning (months 6 to 12)

- Draft a DIFC will (Dubai Law No. 15/2017 On the Administration of Non-Muslims' Legacy and the Execution of Their Wills in the Emirate of Dubai) for UAE assets (and related laws/rules such as DIFC Law No. 2/2025 Concerning Dubai International Financial Centre Courts).
- Retain separate will for any immovable property in departure jurisdiction.
- Many jurisdictions maintain extended taxing rights over wealth transfers involving overseas assets for individuals who were recently resident (commonly ten+ years within a twenty-year period).
- Consider UAE family foundation for international asset protection.

## UAE-UK treaty protection

The UAE's network of 140+ bilateral treaties provide a framework for allocation of taxing rights:

Income type	Taxing rights	Treaty article	Outcome for UAE resident
Salary & carried interest	Residence state if services performed there or limited presence in source state	Article 15 of the <a href="#">US-Australia Double Tax Treaty</a> <sup>[1 p.10]</sup> (Dependent personal services, typical)	0% in UAE; employment component under standard provisions
Dividends	Recipient's residence state; source state withholding limited (typically 5-15%)	Article 10 of Federal Decree No. 243/2016 On the Ratification of the Convention Between the Government of the State and the Government of the United Kingdom of Great Britain and Northern Ireland for the Avoidance of Double Taxation and the Prevention of Tax Evasion with Respect to Taxes on Income and on Capital Gains	Reduced source withholding; 0% UAE tax
Capital gains	Residence state, except source state retains rights over immovable property	Article 13 of Federal Decree No. 243/2016 (capital gains, typical)	0% UAE tax; source state may retain rights over local real estate

### Critical pitfalls

- Temporary non-residence rules: Temporary non-residence rules: Many jurisdictions tax gains realised during absence if individual returns within specified period (commonly five years).
- Transfer of assets provisions: Anti-avoidance rules in many jurisdictions target offshore structures
- Extended residence concepts: Some jurisdictions maintain extended taxing rights for individuals who were long-term residents (often persisting two – three years post-departure).

## UAE corporate tax framework

### Rate structure

Federal Decree-Law No. 47/2022 establishes 9% tax on taxable income exceeding AED 375 000. Income up to this threshold is taxed at 0%, providing a per-entity exemption. FTA Public Clarification CTEC006 confirms the exemption applies on a per-legal-entity basis.

### Qualifying free zone persons (QFZP)

Article 18 of Federal Decree-Law No. 47/2022 permits free zone persons to qualify for 0% corporate tax on "qualifying income" provided they meet prescribed conditions:

- Maintain adequate substance in UAE relative to activities.
- Derive only qualifying income (or fall within de minimis non-qualifying income).
- Comply with transfer pricing documentation requirements.

De minimis threshold (CTEC009):

- QFZP status maintained if non-qualifying revenue does not exceed the lower of AED 5,000,000 or 5% of total revenue.
- Exceeding this threshold subjects all income to 9% tax.

Substance requirements:

- Physical office in the free zone with signage;
- qualified employees conducting core activities;
- adequate operating expenditure; and
- UAE-based decision-making with contemporaneous documentation.

### Transfer pricing compliance

Federal Decree-Law No. 47/2022 incorporates OECD transfer pricing principles requiring the arm's length standard for related-party transactions.

Red flag	FTA response	Penalty risk
Free zone 99% margins	Recharacterise to 15-30%	Up to 50% of understated tax
0% intra-group loans	Impute market interest (LIBOR + 2 – 5%)	Up to 50% plus penalties
Management fees without substance	Disallow deductions entirely	Up to 50% plus penalties

Compliant structure requirements:

- Local staff (minimum of three for substantial operations).
- Physical office with signage.
- UAE-based negotiations documented via CRM.
- Contemporaneous transfer pricing documentation.
- Margins at defensible levels (25-35% via comparables).

The documentation cost is approximately EUR 20 000, and the non-compliance cost is EUR 2-4 million in adjustments.

## OECD Pillar Two: Domestic Minimum Top-Up Tax

Federal Decree-Law No. 60/2023 and Cabinet Decision No. 142/2024 On the Imposition of Top-up Tax on Multinational Enterprises implements the UAE's Qualified Domestic Minimum Top-up Tax (DMTT) for multinational groups with consolidated revenues exceeding EUR 750 million.

Calculation: Where UAE effective tax rate falls below 15%, DMTT applies. For example, a DIFC QFZP entity with \$100M profit and 0% tax owes \$15M DMTT (15% × \$100M).

Mitigation strategies include:

- Substance-based income exclusions: 5% of payroll costs + 5% of tangible assets.
- Multi-jurisdiction optimisation across the GCC.
- Transitional safe harbours for qualifying entities.

It is important to note that this is irrelevant for entities under EUR 750 million consolidated revenue.

### Golden visa and tax residency

Genuine long-term residency forms the foundation for tax planning. While golden visa facilitates long-term stay, any valid UAE residence visa combined with physical presence criteria allows a TRC application.

Route	Investment	Duration	Best for
Real Estate	AED 2M+ property	5 – 10 years	Families, lifestyle migrants
Entrepreneur	AED 500K+ project	5 years	Start-up founders
Financial investor	AED 2M+ fund/deposit	10 years	Portfolio investors, family offices
Specialised talent	Sponsor nomination	10 years	C-suite, researchers

The tax residency protocol includes the following:

- Spend 200+ days in the UAE for year one (183 days minimum recommended).
- Gather evidence: ICP entry/exit report, Ejari tenancy contract, utility bills, UAE bank statements, transaction logs etc.
- Apply for TRC (FTA processes complete applications within approximately five business days).
- Submit the TRC to foreign financial institutions for treaty benefits.

### Civil law vs. common law analysis

The UAE’s civil law foundation (derived from Egyptian law, rooted in French Napoleonic Code) creates tensions with common law tax concepts:

Aspect	UAE approach	UK approach	Practical impact
Burden of proof	Taxpayer must prove income/expenses (Federal Decree-Law No. 28/2022 Concerning Tax Procedures)	Taxpayer must prove position	Documentation essential in both jurisdictions
Precedent	Federal Supreme Court judgments increasingly influential; a de facto precedent system is developing	Strict stare decisis binding lower courts	FTA public clarifications fill gaps; decisions carry significant weight
Anti-avoidance	General Anti-Abuse Rule (GAAR) under article 20 of Federal Decree-Law No. 47/2022 targets arrangements lacking a valid commercial purpose	GAAR (UK Finance Act 2013) uses "reasonable course of action" test	Both require commercial purpose beyond tax advantage
DIFC Exception	DIFC Courts follow English common law with binding precedent	Standard common law system	Predictable litigation outcomes for DIFC transactions
Statutory interpretation	Textualist; limited legislative history	Purposive; Pepper v Hart, 1992 allows Hansard references	UAE favours literal interpretation of codified law

The practical takeaway from this is that the UAE’s civil law tradition emphasises written evidence. Structure transactions with contemporaneous board minutes, business plans, and written contracts to support substance if the FTA challenges arise.

### Conclusion

UAE tax efficiency requires proper legal structuring, genuine substance, and contemporaneous documentation. Professional fees are minimal compared with potential savings of GBP 10 – 20 million+ over ten years. Practitioners should engage UK tax counsel and UAE corporate lawyers before client relocation.

The critical requirements include:

- Genuine commercial substance in all structures.
- Compliance with transfer pricing documentation.
- Evidence-based tax residency establishment.

- Professional cross-border tax advice.

UAE corporate tax legislation commenced in June 2023. Federal Supreme Court tax jurisprudence remains nascent. Practitioners should monitor FTA decisions, DIFC Court rulings on tax-related commercial disputes, and Federal Supreme Court developments as case law evolves.

It is also important not to forget that DIFC Court applies English common law precedent, providing predictable outcomes for DIFC-governed transactions.

## Related Content

### Legislation

#### UAE

- Federal Decree-Law No. 47/2022 On the Taxation of Corporations and Businesses
- Federal Decree-Law No. 60/2023 Amending Some Provisions of Federal Decree-Law No. 47/2022 on the Business and Corporate Taxation
- Cabinet Decision No. 142/2024 On the Imposition of Top-up Tax on Multinational Enterprises
- Federal Decree-Law No. 8/2017 on Value Added Tax
- Cabinet Decision No. 100/2024 Amendments to the Executive Regulation of Federal Decree-Law No. 8/2017 on Value Added Tax
- Federal Decree No. 243/2016 On the Ratification of the Convention Between the Government of the State and the Government of the United Kingdom of Great Britain and Northern Ireland for the Avoidance of Double Taxation and the Prevention of Tax Evasion with Respect to Taxes on Income and on Capital Gains
- DIFC Law No. 15/2021 on Wills and Probate
- Cabinet Decision No. 85/2022 On the Determination of the Tax Domicile
- Federal Decree-Law No. 28/2022 Concerning Tax Procedures
- Dubai Law No. 15/2017 On the Administration of Non-Muslims' Legacy and the Execution of Their Wills in the Emirate of Dubai

#### UK

- [UK Finance Act 2013](#)<sup>[2 p.10]</sup>

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**Biography**

Salah Al Blooshi is a Co-Founder and Managing Partner at SAT & Co. He brings over 20 years of litigation experience to the firm, including his previous role at one of the UAE's leading regional law firms.

Salah Al Blooshi is licensed to appear before courts in both the United Arab Emirates and Oman and is a registered member of the Bar Associations in both jurisdictions. His practice covers a broad range of areas, including commercial, real estate, maritime, family, and inheritance law. He is frequently engaged in complex, high-value disputes that involve regional legal frameworks and international enforcement. His proven ability to manage multi-jurisdictional cases makes him a trusted legal advisor to international businesses and regional clients alike.

Known for his methodical and results-oriented approach, Salah combines legal precision with practical insight. He regularly advises a diverse clientele, ranging from multinational corporations to regional conglomerates, and actively contributes to legal forums and professional publications throughout the Middle East.



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Her competence covers numerous legal fields including dispute resolution, employment and family law, real estate tenancy, corporate and commercial law, and arbitration.

## Notes

1. <sup>[p.4]</sup> <https://www.austlii.edu.au/cgi-bin/viewdoc/au/other/dfat/treaties/1983/16.html>
2. <sup>[p.7]</sup> <https://www.legislation.gov.uk/ukpga/2013/29/contents>