RELOCATION TO DUBAI

UAE in general and Dubai in particular, has become a place more and more people consider as a potential place to relocate.

Over the past years, UAE has increasingly emerged as a popular jurisdiction for relocation of High Net Worth Individuals (HNWIs), and a strong alternative to traditional jurisdictions including UK, Switzerland and Monaco.

With no taxes on individuals; straightforward administrative procedures and low processing costs, political stability, excellent accessibility, good health care, sound education system and sunny weather throughout the year, the UAE alternative is very attractive. Further, its position at the heart of the Middle East, its airline hub - one of the biggest and best - and its excellent infrastructure render UAE a very attractive option.

UAE's position has aslo been reinforced by the "Arab Spring", the ongoing tax back lash in other relocation hubs,for example, amended UK tax regimes pertaining to non-doms, signs of erosion of the lump-sum tax system in Switzerland and the decline of the PR (Permanent Resident) regime in Singapore as well as plans from various countries to "tighten the screw" on Europe's tax heavens.

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RESIDENCE PERMITS

Individuals other than UAE and GCC citizens must have a residence visa if they want to live in the UAE.

Obtaining a residence permit is the primary condition for being considered as resident in the UAE, hence a taxable person.

As a general rule, one has to have a sponsor in order to apply for a residence permit in the jurisdiction.

For many expatriates, the company that employs them will act as their sponsor and secure them residence visa. For those who do not come on an employment contract, there are two other ways for obtaining UAE residency:

- investment in real estate (property residence visa)
- set up of corporate structure to act as sponsor

Real Estate Investor / Property Residence Visa

UAE government in June 2011 introduced a new system extending the validity of the visa granted to real estate investors to up to 3 years.

The following rules and conditions govern the issuance of a real estate investor visa:

- the property is built and ready for accommodation
- the applicant proves ownership (title deed issued by the Land Registrar)
- the property is worth minimum AED 1 million (equivalent to US$300.000) with no mortgage
- the applicant's income is higher than AED 10.000 (US$3.000) monthly

Some other features:

1 only one sponsorship can be obtained for each property, irrespective of size. This does not restrict the main sponsor to act as sponsor for family members

2 when the property is sold, the main sponsorship as well as the sub-sponsorship connected to the property are discontinued

3 since the property must be held in personae, no indirect holding through a company is allowed, leaving no room for inheritance planning

In order to obtain a residence permit, a new real estate investor must follow the following steps:

- approach the Dubai Land Department with the title deed along with passport copy and passport size photo
- after payment of the fee, the Dubai Land Department will issue an approval certificate
- the owner has to approach the Department of Economic Development, which will then issue a trade license
- when the trade license is issued, the property owner can approach the Immigration section in the Land Department, which will issue a 2 year investor visa

In Dubai, Article 4 of Law No. 7 permits individuals of non-GCC countries ("Foreign Investors") and companies owned in full or in part by foreign investors to acquire, in certain areas of Dubai:

- absolute ownership of land without restrictions as to time, and
- usufruct or leasehold of land for a period not exceeding 99-years

In the past, any offshore company, wherever registered, was authorized to hold properties in Dubai. However, as of January 2011, the Dubai Land Department does not allow the registration of acquisition of properties in Dubai by foreign offshore (BVI, Cayman Islands, Bahamas etc) and local (RAKIA/RAK) companies.

This rule has only one exception: the companies registered in UAE's JAFZA (Jebel Ali Free Zone Authority).

There is a 4% fee levied by the Dubai Land Department for the registration of title to real estate. That fee, under current legislation, ought to be split equally between the buyer and the seller.

The fee applies to purchases of real estate by foreign Investors and locals alike.

In case of transfer of ownership from an individual name to a JAFZA company (whose shareholder is the same individual), it seems to be possible to reduce the cost of transfer to 0.125% from the standard 2% charge.

Developers of real estate may also operate their own system of fees payable in respect of purchases within their developments. There is no one system of fees operated by all developers.

Corporate structure

The other way to obtain residency is through a corporate structure.

As a general rule, one has to have a sponsor in order to apply for a residence permit in the jurisdiction. For foreigners, setting up a company is a practical way of obtaining sponsorship.

As far as the company is concerned, it must have physical presence in the UAE. In that regard, the most interesting and cost effective options are proposed by free zones situated in the northern Emirates. Usually, these options consist of "flexi desks" or "flexi offices".

KEY TAX FEATURES COMPARISON

	France	Germany	Switzerland	UAE	UK
COMPANIES					
Resident companies					
Corporate tax rates	33.3%	15%	8.5% + other	0%	20% / 24%
Tax base	worldwide	worldwide	worldwide	territorial	worldwide
Capital gains	part of business income	part of business income	part of business income	part of business income	part of business income
Non-resident companies					
Corporate tax rates	33.3%	15%	8.5% + other	0%	20% / 24%
Capital gains on sale of shares in resident companies	yes (if participation >25%)	95% exemption	yes (if participation <10%)	no	no
Final withholding tax rates:					
branch profits	25%	no	no	no	no
dividends	30%	25%	35%	0%	0%
interest	0%	25%	35%/3%/0%	0%	20%
royalties	33.3%	15%	no	0%	0%
fees	33.3%	no	no	no	no
Specific issues					
Participation relief (inbound/ outbound)	yes / yes	no / yes	yes / yes	no / no	no / no
Group treatment	yes	yes	no	no	yes
Anti avoidance	yes	yes	yes	no	yes
INDIVIDUALS					
Resident individuals					
Income tax rates	up to 41%	up to 45%	up to 11.5%	no	up to 45%
Capital gains	19%	25%	no	no	18% / 28%
Non-resident individuals					
Income tax rates	yes	up to 45%	up to 11.5%	no	yes
Capital gains on sale of shares in resident companies	yes (if participation >25%)	40% exemption	no	no	18%
Final withholding tax rates:					
employment income	up to 20%	yes	yes	no	up to 45%
dividends	19%/30%	25%	35%	0%	0%
interest	0%	25%	35%	0%	20%
royalties	33.3%	15%	0%	0%	0%
fee	33.3%/0%	no	no/5%	0%	0%
OTHER DIRECT TAXES					
Net wealth tax	yes	no	depends	no	no
Inheritance and gift tax	yes	yes	depends	no	yes
VAT	19.6%	19%	8%	no	20%

INHERITANCE ISSUES

Matters of inheritance in the UAE are governed by two laws:

- the Federal Law No. 5 of 1985 regarding the law of Civil Transactions in the UAE (the "Civil Code") (see Annex 6), and
- the Federal Law No. 28 of 2005 regarding UAE Personal Affairs Law (the "Personal Affairs Law")

Demise while living in UAE – Importance of Religion

When someone residing in the UAE passes away, his estate will be opened in the UAE.

As a general rule, inheritance issues for Muslim are dealt with in accordance with Sharia'h (a system of Islamic law based on the Quran), whereas for foreigners, the law of the deceased's home country applies.

Demise of a Muslim

In case of death of a Muslim, his inheritance and will, if any, will be respectively distributed and enforced in accordance with Sharia'h law.

According to Sharia'h law, only a Muslim can inherit from another Muslim. Therefore, in case a Muslim is married to a non-Muslim, it is crucial to have a will in place in order for the non-Muslim spouse to be entitled to up to 1/3 of the estate, which is the freely disposable portion according to Sharia'h law.

In the absence of a will, the non-Muslim partner will not receive any portion of the estate since he/she will not be considered an heir.

Demise of a non- Muslim

In case of death of a non Muslim, the court should apply the law of the deceased's home country. In practice, this rule is sometimes difficult to follow.

Therefore, it seems that the Courts will have the discretion as to whether the laws of the country to which the deceased belonged are adopted or if the Sharia'h law is applied.

In either case, it is essential that a valid will is available to the Courts because should the Court decide not to use the law of the country to which the deceased belonged but instead apply UAE Sharia'h law, then 1/3 of the estate will most probably be liquidated and distributed in accordance with the deceased will.

Scope

The Court of First Instance has jurisdiction to handle inheritance matters.

In theory, the Court's jurisdiction covers all assets of the deceased, regardless of their location and nature. In other words, it will cover the movable as well as the immovable assets located both in the UAE and abroad.

Practically speaking, however, Courts tend to restrict the probate procedure to assets located in the UAE.

UAE located properties

As stated earlier, the estates of Muslims should be governed by Sharia'h law, and of Non-Muslims by the law of their home country.

It is not clear, however, whether this rule applies to real estate located in the UAE since:

1. the Civil Code states a) that the law of the home country applies to matters of inheritance, and b) that where a will made by a foreigner involves the disposal of real estate in the UAE, then UAE law applies
2. the Personal Affairs Law, even if it confirms the fact that the laws of the home country apply to matters of inheritance for foreigners, makes no specific reference to real estate located in the UAE

Ultimately, it is up to the UAE Courts to decide which laws to apply on a case by case basis. If the Court decides to apply local law, or if the law of the deceased's home country states that local law applies to matters of inheritance, then the provisions of Sharia'h apply.

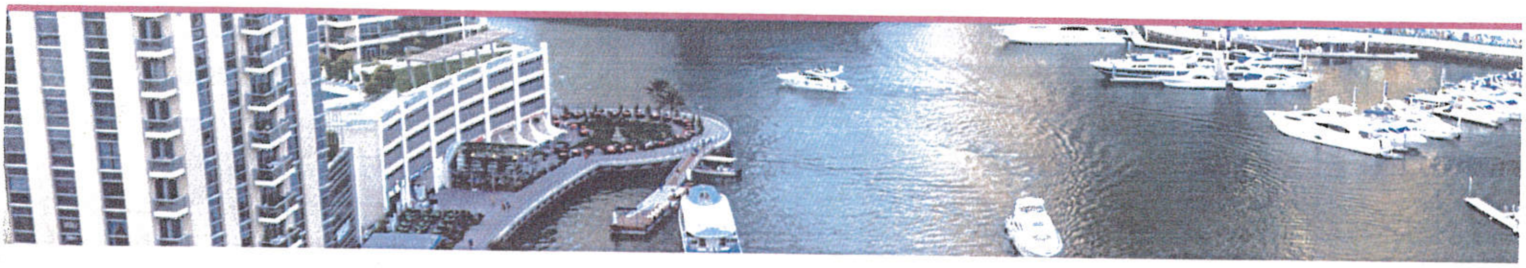
One way to avoid the application of UAE law to the disposal of property in UAE is to incorporate a free zone company as a purchase vehicle.

If the property is owned in the company's name, ownership of the property can be transferred via shares in the company.

Therefore, if a shareholder dies, it is only shares that are disposed of, and not the property.

This avoids the specific provision in the Civil Code that states matters of real estate must be dealt with in accordance with the UAE law, and means that the general provision allowing the laws of the home country to apply to general matters of inheritance are followed.

(Special thanks to Emirates NBD Bank)



HNWI COMPARISON (FIGURES IN USD)

	EUROPE **Belgium**	**Switzerland**
Main advantages	No minimum stay No minimum investment No capital gain and wealth tax Low inheritance and gift tax Free access to all Schengen States Comprehensive tax treaty network	No minimum stay No need to declare worldwide income and assets if annual lumpsum taxation [3] No Capital Gain Tax, except on sale of business property Free access to all Schengen States Comprehensive tax treaty network
Key conditions in practice	USD 130.000 investment Applicant to dispose of USD 600.000	Constitution of a company (and minimal investment in such company) or Lump-sum taxation
Quotas on number of issued Residence Permits	None	EU/EFTA Citizens: None All others: Yes for first time applicants
Mandatory interview	Yes	Yes
Presence of applicant during the application	Required for initial applications and collection of Residence Permit	Not required
Time frame of completion of procedure	4-6 weeks	EU/EFTA Citizens: 2-4 weeks All others: 2-4 months
Validity and renewal of residence permit	EU/EFTA Citizens: up to 5 years – renewable for up to 5 years. All others: Valid for 1 year – annual renewal until permanent Residence Permit is issued (3 years initial period)	EU Citizens: 5 years. After 5 years, a permanent Residence (Permit – valid for up to 10 years) can be applied for All others: Valid for 1 year – annual renewal until Permit can be applied for (10 years initial period)
Required legal presence "Day counting"	De legge: Not required In practice: 183 days is recommended	De legge: Not required In practice: recommendable not to spend more than 183 days in another jurisdiction
Costs of 1 bedroom flat (70 m²)	Rental: USD 12.000/year Purchase: USD 252.2000	Rental: USD 25.000/year Purchase: USD 630.000
Taxation	Annual tax filings: Mandatory Income Tax: Dividends, Interest and Royalties, max withholding tax of 25% Income subject to maxe tax rate of 50% to be increased with local surcharges (0-8%) Capital gains tax: None except for property transaction or transfer of shareholding (triggering 15% and 235% tax) Inheritance tax: 3 to 30% Gift tax: 0 to 3% Wealth/net worth Tax: None	Annual tax filings: Mandatory Income Tax: Levied on the Federal, Cantonal and municipal level [5] Capital gains tax: None except on sale of business property Inheritance, Gift and wealth/Net Worth tax: Levied at the cantonal and municipal level

	MIDDLE EAST	ASIA
Monaco	**UAE**	**Singapore**
No Income and capital gains No direct inheritance tax Free access to all Schengen States Comprehensive tax treaty network	No minimum stay Total exemption from income, wealth, gift and inheritance tax. Competitive costs of issuance and ongoing substantiation of residence permit Yearly sunny climate Accessibility Comprehensive tax treaty network	All foreign income is exempted even if remitted to Singapore No capital gain, wealth, inheritance nor gift tax Comprehensive tax treaty network
Real estate investment or Subscribe to tenancy agreement	Constitution of a company	Constitution of a company (sum USD 2,000,000 investment in a government approved fund) Applicant to produce 3-years audited financial statement of his/her company
None	None	None
EU Citizens: No Others: Yes	No	Yes
Not required for initial application. Required for collection of Residence Permit	Not required for initial application Required for visa processing and collection of Residence Permit	Required for interview Not required otherwise
EU/EFTA Citizens: 4-6 weeks All others: 3-4 months + 2 weeks from the date of interview	3-4 weeks	8 months
Residence Permit 1-3: Valid for 1 years and renewable yearly Residence Permit 4-6: Valid for 3 years and renewable for the same term Residence Permit 7 and beyond: valid for 10 years and renewable for the same term	Valid up to 3 years – renewable for up to 3 years	Valid up to 3 years – renewable for up to 5 years?
Required Monaco must be the main home to maintain tax residence status	De legge: Not required In practice: 1 day every 6 months and recommended not to spend more than 183 days in another jurisdiction	Required More than 183 days
Rental: USD 30.000/year Purchase: USD 2.695.000	Rental: USD 12.000/year Purchase: USD 300.000	Rental: USD 30.000/year Purchase: USD 1.100.000
Annual tax filings: Mandatory Income Tax: None (unless French citizen) Capital gains tax: None, except for French residents Gift, Inheritance tax: 0 To 16% on Monaco assets Wealth/Net worth tax: None	Annual tax filings: None Income Tax: None Capital gains tax: None Inheritance tax: None Gift tax: None Wealth/Net worth tax: None	Annual tax filings: Mandatory Income tax : 20% on income generated in Singapore: None on foreign income even if remitted to Singapore Capital gains tax: None Inheritance tax: None Gift tax: None Wealth/Net Worth tax: None

(Special thanks to M/Advocates of Law)

DUBAI: WHY RELOCATE

The UAE and more especially Dubai, is a favourite relocation country, mainly due to:

- exemption from income tax for individuals
- exemption from corporate tax for companies not active in finance and oil
- no quotas on number of issued residence permits
- no requirement to obtain a "fiscal quitus" from a foreign country
- no minimum requirement regarding time spent annually other than visiting the UAE minimum once every six months
- no requirement to effectively reside in the UAE
- presence of internationally recognized financial, legal and tax services providers
- primary hub and platform to access international business
- political stability and security
- superior accommodation standards and high standard of living
- good health care system

PLEASE FEEL FREE TO CONTACT US WITH ANY QUESTIONS OR QUERIES.

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