



TAX RESIDENCE IN DUBAI, UAE

Intro

A free trade zone (FTZ) entity in UAE offers many tax and business possibilities.

For a start, a FTZ company enjoys full exemption from income and corporate taxation, 100 percent foreign ownership, no exchange restrictions, free profit repatriation, all benefits accruing from UAE's nearly 80 double tax treaties etc.

A further possibility available to a FTZ is to issue residence permits and obtain tax residence certificates from the UAE authorities for its foreign owners and executives. A FTZ company, must have physical presence in the UAE and, in that respect, it must own or hire premises.

Furthermore, in some circumstances, the foreign owners and executives can apply to the Ministry of Finance to receive UAE tax residence certificates.

A UAE residence permit and a tax residence certificate can be useful to many foreign owners and executives of FTZs who wish to register tax residency in the UAE. It is worth noting, that banking institutions in UAE and many outside consider UAE tax residence certificates as sufficient proof of tax residency in the UAE. As in all cases, the advice of a competent tax lawyer must be sought.

Free Zones

Under UAE federal law, foreign businesses have three main entities to choose from in order to conduct business in the UAE: a local limited liability company ("LLC"), a free trade zone entity ("FTZ"), and an international business company ("IBC").

FTZ companies are owned 100 percent by foreigners. They also meet the growing necessity in international tax planning of having necessary substance. This is not possible to deliver from the traditional offshore jurisdictions (RAK) since they typically only offer an IBC regime.

The main advantages of setting up in one of the free zones in the UAE include:

- residence permits for the owners of the entity
- guarantee for 15-50 years against the future imposition of corporation tax.
- import of goods is duty free, provided the goods are not supplied to the local market
- streamlined procedures: all formalities are typically dealt with through the free zone authorities instead of the various government departments
- 100 percent foreign ownership is allowed

Tax residence

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

As a general rule, a foreign individual 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 for up to 3 years. Under the property residence visa, holders reside freely in the UAE but are not allowed to work.

The preferred way to obtain residency is through a corporate structure. For foreigners, setting up a FTZ company is a practical way of obtaining sponsorship. As far as the company is concerned, it must have physical presence in the UAE.

FZ options

An independent free zone authority governs each FTZ. The rules and regulations of each FTZ do not differ substantially, all being simple yet comprehensive. The UAE Companies Law is not applicable in the FTZs.

UAE has witnessed significant growth in the number of free trade zones. Each zone has a focus on a particular type of industry. Notably within Dubai: Jebel Ali free zone, Dubai Airport free zone (DAFZ), Dubai Technology and Media free zone, Dubai Multi Commodities Centre (DMCC), Dubai International Financial Centre (DIFC), Dubai Healthcare City, Dubai Maritime City, Dubai Aid Humanitarian City, Dubai Techno Park, Dubai Auto Parts City, Dubai Textile Village, Dubai Heavy Equipment and Trucks, Dubai Industrial City (DIC), Dubai Flower Centre, Dubai Logistics City, Dubai Silicon Oasis, Dubai Studio City, Dubai Carpet free zone and Dubai Outsource.

Economic substance

As world markets become increasingly intertwined, taxpayers will need to be ever more aware of cross-border considerations. This is especially important in the current environment, where focus on the disclosure, reporting, and taxation of foreign assets has sharpened. Rules are introduced continuously and the focus on anti-avoidance rules is building up.

Whilst domicile in the UAE may not be possible depending on the laws of the home country, certainly with a renewable residence visa that is issued to persons or associates of a FTZ, individuals may mitigate tax impact.

For more info please contact us!

TRUST 4 TRUST GROUP	
EMAIL:	INFO@TRUST4TRUST.COM
PH.:	+41 91 220 4710
FAX:	+41 91 220 4711