

Tax location Dubai (UAE)

ADVANTAGES AND DISADVANTAGES

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Author: Wolfram Voegele, Lawyer

You can reach the author at voegele@treuhand-liechtenstein.li

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The Emirate of Dubai in the United Arab Emirates (UAE) is widely regarded as a tax haven. Nevertheless, recent scandals surrounding tax evasion by influencers show that tax-motivated **arrangements in Dubai (UAE)** must be well planned and thought out in order to reap long-term benefits and avoid coming into conflict with the tax authorities at the investor's place of residence sooner or later. What are **the advantages and disadvantages of Dubai as a location**? And what **international arrangements** are available using a Dubai company?

1. COMPETITIVE TAXATION

Over the last few decades, Dubai (UAE) has developed into an attractive location for companies and business people. In addition to relatively **modern company law, the tax situation** in particular contributes to the attractiveness of Dubai (UAE) as a location.

Private individuals are not subject to **income tax** in the emirate. Income from rentals, dividends and interest also remains tax-free. Dubai (UAE) does not have a **capital gains tax**. While the EU is paving the way for a future European **wealth tax** with the [AMLA](#) (Anti-Money Laundering Authority) and plans for an [EU asset register](#) for assets worth €200,000 or more, there is currently no such tax in Dubai (UAE), nor is one foreseeable.

Entrepreneurs with a penchant for **real estate** are particularly privileged in Dubai (UAE). This is because both rental income and proceeds from the sale of real estate are tax-free for private individuals in Dubai (UAE).

The emirate is also ideal for **succession planning**. There is no **inheritance or gift tax** in Dubai (UAE). Foreigners can also draw up their wills at the Abu Dhabi Court. It is also possible **to set up a foundation** (e.g. a DIFC foundation).

Companies based in Dubai (UAE) benefit from an internationally competitive corporate tax rate of 9%. By comparison, the average corporate tax rate (including trade tax) in the EU is over 21%, as [recent data from the OECD](#) shows. In addition,

corporation tax in Dubai (UAE) only applies to annual profits above AED 375,000 (approx. £30,000). Combined with income tax exemption, this results in attractive tax structures. Furthermore, there is **no trade tax** in Dubai (UAE). Further tax advantages can be achieved by registering as a **Qualifying Free Zone Person** or through the **Small Business Relief** scheme for small businesses.

2. MODERN COMPANY LAW AND DIGITAL ADMINISTRATION

Both on the Dubai mainland and in the so-called free zones, entrepreneurs have a variety of company forms at their disposal. In particular, the **Free Zone Limited Liability Company (FZ-LLC)**, a limited liability company, is suitable in many cases. Liability is limited to the fixed share capital. The minimum capital requirement for an FZ-LLC can vary depending on the free zone, of which there are more than 20.

Each free zone is geared towards specific economic sectors and strives to create optimal infrastructural and legal conditions for these sectors. Since the **administration** in Dubai (UAE) is largely **digitised**, in many cases a company can be established in just 3–5 working days.

3. ENFORCEMENT PROTECTION

Creditors who wish to enforce a foreign judgment in Dubai (UAE), especially on the mainland, still face bureaucratic hurdles and legal uncertainty. This is because a foreign judgment must first be recognised by an enforcement judge in the UAE.

However, recognition in Dubai Mainland ("**On-Shore Dubai Courts**") is usually only possible if **reciprocity** is guaranteed, i.e. if foreign courts would also enforce a judgment from the UAE. Currently, there is no enforcement agreement between the UAE and the majority of countries (including Germany), which means that reciprocity is not guaranteed in these cases.

Creditors are therefore often forced to take legal action locally in Dubai (UAE). Although there is no obligation to engage a solicitor in Dubai, legal representation is usually necessary due to a lack of knowledge of the generally restrictive legal system. Access to justice in the free zones tends to be somewhat easier because the courts in the free zones work faster, in English and applying common law principles. Proceedings before the central Dubai Courts on the mainland, on the other hand, are often slow.

4. INTERNATIONAL ARRANGEMENTS

In cases where there is **no double taxation agreement** (DTA) (including Germany, for example), profits from Dubai (UAE) are subject to considerable tax burdens in the investor's country of residence. In order to actually benefit from the tax advantages in Dubai (UAE), the question of parallel national tax liability in the country of residence must therefore be clarified.

EXAMPLE: GERMANY

For individuals, (unlimited) **tax liability** is linked to their place of residence or habitual abode. In the case of unlimited tax liability, worldwide income is taxable in Germany (known as **the worldwide income principle**). In individual cases, questions of **residence management** are relevant here. When relocating your residence, implications for **exit taxation** must be taken into account. In the case of **corporations**, for example, **additional taxation** must be taken into account. According to this, income from a foreign corporation in a low-tax country can be attributed to the shareholders in Germany. The decisive factor here is whether the income is active (non-attributable) or passive (attributable) and whether **proof of substance** can be provided. For example, income from business activities in Dubai (such as rental income from real estate transactions) is subject to personal income tax if, for example, the person is resident in Germany for tax purposes.

SOLUTION

Such burdens can be resolved via third countries (e.g. Liechtenstein), which offer an advantageous legal situation with regard to both Dubai and Germany. With a [Liechtenstein foundation as a holding company](#) for an operational Dubai Free Zone Company (Dubai FZCO), the advantages of both jurisdictions can be combined. Founders can thus avoid subsequent **exit taxation** because the assets are held by the foundation. **Distributions of income** from the FZCO to the Liechtenstein foundation can be structured without tax liability, as Dubai does **not** levy **withholding tax** and in Liechtenstein, foundation assets, including income, are subject to very low taxation, for example within the framework of a [private asset structure \(PAS\)](#). The aforementioned **proof of substance** is also not required, as the rules on additional taxation do not apply. At the same time, the assets in the foundation benefit from [Liechtenstein's robust protection against enforcement](#).

5. CONCLUSION

In view of [rising government debt in the EU](#), the new **spending dynamics in the national EU budgets** and cost-intensive **geopolitical challenges** such as the war in Ukraine, an EU asset register as the basis for EU-wide government refinancing is no longer just a theoretical consideration in Brussels. The technical feasibility of an asset register was confirmed in an [EU feasibility study](#) as early as 2024. With the AMLA, the competent supervisory authority has already been established and has commenced work at its headquarters in Frankfurt. Against this fiscal backdrop, international arrangements in locations outside the EU, such as Dubai (UAE) or Liechtenstein, are becoming increasingly important for both [asset protection](#) and [tax optimisation](#).