

Guides

February 2025

# Relocating to the UAE: UK Tax Considerations for Individuals and Businesses

This guide provides essential UK tax considerations for individuals and businesses relocating to the UAE. It highlights key areas such as tax residency rules, corporate structuring, and strategies to mitigate UK tax exposure while ensuring compliance. Given the complexities of cross-border taxation, tailored advice from a UK tax adviser is recommended to navigate the transition smoothly and optimise tax efficiency.



## Introduction

With the UK government introducing significant tax changes, including increased exposure to Inheritance Tax (IHT), Income Tax (IT), and Capital Gains Tax (CGT), many individuals and business owners are exploring relocation to the UAE. The UAE offers a favourable tax regime with no personal income tax and a low corporate tax rate, making it an attractive destination for UK taxpayers seeking to mitigate their tax exposure.

However, careful planning is essential to ensure a smooth transition while managing UK tax obligations. This guide explores the key UK tax considerations when relocating to the UAE, including breaking UK tax residence, structuring business operations efficiently, and avoiding common tax pitfalls.



## Breaking UK Tax Residence

### 01

#### The Statutory Residence Test (SRT)

The UK uses the SRT to determine an individual's tax residence status. To become a non-UK tax resident, one must meet the criteria under the **Automatic Overseas Tests** or avoid UK tax residence through the **Sufficient Ties Test**.

##### KEY CONSIDERATIONS:

- ▶ **Time spent in the UK** - The number of days you can spend in the UK while maintaining non-resident status depends on your UK ties (e.g., family, accommodation, workdays).
  - ▶ **Work ties** - If you continue working in the UK, you must ensure that workdays do not exceed the SRT thresholds (typically no more than 30 workdays per tax year).
  - ▶ **Temporary Non-Residence Rules** - If you return to the UK within five tax years, income and gains realised while abroad may be taxed retrospectively.
- 

## Corporate Tax Considerations

### 02

#### Establishing a Business in the UAE

##### Corporate Residence Rules

A UK-incorporated company remains UK tax resident unless it is managed and controlled from the UAE. To ensure your UAE company is not deemed UK resident:

- ▶ Key strategic decisions must be made in the UAE.
- ▶ UK-resident directors should avoid influencing management decisions.
- ▶ Maintain distinct operational functions between UK and UAE entities.

##### Avoiding Dual Taxation and Permanent Establishment Risks

The UAE has introduced a **9% corporate tax** on profits exceeding AED 375,000. When structuring a UAE business alongside a UK company, you may wish to ensure:

- ▶ UAE operations do not create a **permanent establishment** in the UK.
- ▶ Intercompany transactions are conducted at **arm's length** to prevent transfer pricing issues.
- ▶ UAE entities do not derive UK-source income, which remains taxable in the UK.



### Tax Implications of Transferring an Existing Business

UK business owners planning to transfer operations to the UAE should be mindful of potential UK tax implications. These factors may trigger tax liabilities and warrant a detailed review to explore tax-efficient restructuring options.

- ▶ **Intellectual Property (IP) Transfers** - Selling UK-based IP to a UAE entity may trigger UK CGT. It may be more tax-efficient to license the IP instead.
- ▶ **Management Fees** - Charging fees from the UAE to a UK company must comply with transfer pricing regulations.

---

## UK Personal Tax Considerations After Relocation

### 03

#### Income Tax on UK Earnings

- ▶ UK-source income, such as rental income or director's fees, remains taxable in the UK.
- ▶ If you continue working for a UK company, any UK-based workdays are subject to UK income tax.

#### Capital Gains Tax (CGT) for Non-Residents

- ▶ Non-UK residents are not liable for CGT on disposals of most UK assets, except for **UK land and property**.
- ▶ If selling UK shares post-relocation, ensure CGT timing aligns with your non-resident status.

#### Inheritance Tax (IHT) Exposure

- ▶ The UK is shifting towards a residence-based IHT system from April 2025, potentially subjecting long-term UK residents to IHT on worldwide assets for up to 10 years post-departure.
- ▶ Establishing an excluded property trust before leaving the UK may provide IHT mitigation.



## UAE Tax Considerations and Compliance

### 04

While the UAE offers an attractive tax regime, understanding local rules is essential:

- ▶ **Corporate tax (9%)** applies to UAE entities exceeding AED 375,000 in profits.
- ▶ **Economic Substance Regulations (ESR)** require UAE businesses to demonstrate real economic activity.
- ▶ **Value-Added Tax (VAT)** - Businesses exceeding AED 375,000 in turnover must register for VAT.

WE STRONGLY RECOMMEND SEEKING LOCAL UAE TAX ADVICE BEFORE RELOCATING TO THE UAE OR RESTRUCTURING YOUR AFFAIRS, TO ENSURE COMPLIANCE WITH THE LOCAL UAE TAX REGULATIONS.

## Conclusion

Relocating to the UAE presents significant tax planning opportunities but requires careful structuring to avoid UK tax pitfalls. Effective planning should address:

- ▶ Residency rules and tax status.
- ▶ Business structuring to avoid UK tax entanglement.
- ▶ UK tax risks related to income, CGT, and IHT.

With tailored advice from Trident Tax, individuals and businesses can optimise their tax position and achieve long-term efficiency while remaining compliant in both jurisdictions.

If you are considering a move, we recommend seeking bespoke tax advice to ensure a smooth and compliant transition.



## Plan Your Move with Confidence – Expert UK Tax Guidance for UAE Relocation

At Trident Tax, we specialise in navigating the UK tax complexities of relocating to the UAE, ensuring a seamless transition for individuals, business owners, and investors.

Our expert team provides tailored advice on tax-efficient structuring, residency planning, and compliance, helping you minimise liabilities while protecting your wealth.

Whether you're breaking UK tax residence, restructuring a business, or optimising cross-border investments, Trident Tax offers strategic solutions to safeguard your financial future.



### Interested in learning more? Get in touch.



Alan Kennedy  
+44 (0)2079 522 921  
+44 (0)7900 678 541  
[akennedy@tridenttax.com](mailto:akennedy@tridenttax.com)



Scott Homewood  
+44 (0)2079 522 921  
+44 (0)7398 775 402  
[shomewood@tridenttax.com](mailto:shomewood@tridenttax.com)

TRIDENT TAX

Get in touch today to explore how we can support your financial goals.

+44 (0)207 952 2921  
[admin@tridenttax.com](mailto:admin@tridenttax.com)  
[www.tridenttax.com](http://www.tridenttax.com)

This guide is provided for informational purposes only and does not constitute financial or tax advice. It does not replace the need for professional tax advice specific to your circumstances in the UK, and the information is accurate as of the date of this publication.

Registered Office: 25 Bedford Square, London WC1B 3HH Trident Tax Limited is Registered in England No.6945474. VAT Number 977613869