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Why Dubai is attracting UK high net worth individuals and businesses

By Shahram Safai, Doneen Ennis, Shruti Baghel, Matthew Rosenberg

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Effective 6 April 2025, the United Kingdom (**UK**) is set to implement significant changes to its non-domiciled (**non-dom**) tax status, transitioning from a domicile-based to a residence-based taxation system. This will result in all UK residents being taxed on their worldwide income and gains, eliminating the previous remittance basis that allowed non-doms to pay UK tax only on income brought into the country.

This update and change to the UK non-dom rules shall have substantial tax implications for those who have previously relied on their non-dom status, especially those with significant foreign income or assets. Key changes being:

1. **Expansion of the Tax Base**: as noted above, the new rules will subject more foreign income and assets to UK taxation, especially for long-term residents. This will extend to inheritance tax on foreign assets.
2. **Reduction of Tax Benefits**: foreign income relief will be reduced, with reductions and limitations on the time period for claiming tax relief. Such changes will diminish tax optimisation opportunities for high-income individuals.
3. **Temporary Concessions**: whilst there will be a temporary repatriation facility offered with a reduced tax rate on remitted foreign income, this will be limited in time.
4. **Increased Administrative Burden**: overall the new system is set to require more meticulous management of tax obligations, leading to additional legal and accounting costs.

The UK's shift from a remittance-based tax system to one focused on tax residence years has raised concerns, particularly amongst high-net-worth individuals (**HNWIs**), making the UK less appealing to wealthy individuals, placing a higher burden on foreign nationals with significant wealth and assets, and prompting some to consider relocating to countries with more favourable tax regimes.

In 2024, nearly 1,000 HNWIs from the UK relocated to Dubai, contributing to a broader trend of wealthy individuals moving to the United Arab Emirates (**UAE**). A London-based investment migration consultancy predicted that a total of 6,700 millionaires would move to the UAE by the end of the year, with a significant portion coming from the UK.

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Shahram is a partner at Afridi & Angell. His practice consists of advising on tax, corporate law and real estate. He heads the firm's tax and real estate teams and has been highly sought after by boards and shareholders for strategic legal advice. Shahram is qualified as a solicitor in England and Wales and is a member of the California State Bar. He is also a registered professional engineer. Shahram is a past Chairman of the Canadian Business Council of Dubai and the Northern Emirates.

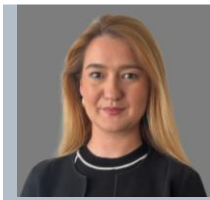
LEADING INDIVIDUAL
Legal500
EMEA
2024

Chambers
RANKED IN
Global
2025
Shahram Safai

Why the UAE?

Despite the introduction of corporate tax in the UAE in 2023, the UAE still offers a considerably more favourable tax environment for HNWIs and businesses compared to the UK. Key benefits include:

1. **Low or Zero Taxes for Individuals**
    - **Income Tax**: one of the biggest draws for HNWIs is that the UAE does not impose personal income tax, meaning that individuals, including business owners and executives, can retain more of their income. In the UK, the income tax rate can reach up to 45% for individuals earning over £125,140 annually.
    - **No Capital Gains Tax**: currently there is no capital gains tax in the UAE, which is particularly beneficial for those individuals involved in investment, real estate, or other ventures where they may sell assets and retain 100% of the profits.
    - **No Inheritance or Estate Tax**: the UAE's lack of inheritance tax means that wealth can be passed on to heirs without tax penalties, making it attractive for estate planning.
2. **Corporate Tax Incentives for Businesses**
    - **Corporate Tax Rate**: despite the UAE's introduction of a 9% corporate tax in 2023 (on profits above AED 375,000), the corporate tax rate in the UAE still remains one of the lowest in the world. For example, corporation tax in the UK is 25% (on profits above £250,000).
    - **Free Zones**: the UAE has over 30 free zones where businesses may operate with the benefit of profit repatriation, and tax exemptions for a set period.
    - **Double Taxation Treaties**: The UAE has over 100 treaties to avoid double taxation, simplifying compliance for global operations.
3. **Other Benefits**
    - **VAT Exemptions and Refunds**: in comparison to the UK's standard rate of 20%, the UAE has a low 5% VAT rate, with exemptions and the possibility of claiming refunds on expenses, making Dubai attractive for international trade.
    - **Residency Visa**: the UAE introduced Residence by Investment, which is aimed at providing long-term residence to foreign investors, entrepreneurs, and talented individuals who make significant investments in the country. Business owners, investors and entrepreneurs can obtain residency visas for up to 10 years making it easier to reside in the UAE.
    - **Competitive Setup Packages**: freezones offer affordable company setup packages, covering licensing, office space, and visa processing to streamline the process.
    - **Global positioning**: The UAE's global position makes it easy for HNWIs and businesses to have ease of access to global trade across Europe, Asia, Africa and the Americas.



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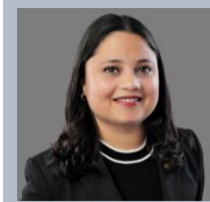
Doneen is a real estate associate based in Dubai. Her expertise encompasses a wide range of areas and she excels in skilfully navigating intricate corporate and property landscapes. Her notable experience includes advising on large real estate investment sales and purchases, conducting corporate real estate due diligence reports for a large international hotel group, and preparing high-level due diligence reports for financing matters related to real estate assets. Doneen is also part of the tax team, advising clients in relation to corporate tax matters within the UAE.



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Shruti's practice focuses on Direct and Indirect Tax, including Corporate Income Tax, Transfer Pricing, Value Added Tax and Goods and Services Tax. She is experienced in undertaking compliance (monthly and annual reports) and tax refund assignments for Clients from varied sectors, including, Manufacturing, Real Estate, Automobile, FMCG, and Information Technology.

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Matthew has over four years of experience in cross-border and domestic corporate transactions in various practice areas including mergers and acquisitions, capital markets, private equity and general corporate advisory matters.

All of these factors contribute to the UAE's growing appeal to UK HNWIs and businesses looking to reduce their tax burden, and utilise and benefit from tax advantages supporting growth and profitability. ■

Afridi & Angell

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