PINNACLE GUIDE 08

Tax Strategy: UK to UAE

The framework for structuring the move properly.

UK DOMICILE · UAE RESIDENCY · ASSET STRUCTURE

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Moving to the UAE for tax reasons works. It also fails — often spectacularly — for the people who do it without understanding the difference between residence and domicile, or who assume that buying a UAE apartment and spending winters in Dubai is sufficient to exit the UK tax system. It is not. This guide is an honest account of what works, what doesn't, and what the process actually requires.

Residence vs Domicile — The Critical Distinction

01

The UK tax system operates on two different principles for different taxes. **Residence** determines liability for income tax and capital gains tax in most circumstances. **Domicile** determines liability for inheritance tax — and it is much harder to change than residence.

UK tax residence. The UK Statutory Residence Test (SRT) introduced in Finance Act 2013 determines tax residence through a combination of day counts and connecting factors. A UK citizen who spends fewer than 16 days in the UK in a tax year is automatically non-resident. Between 16 and 182 days, the outcome depends on connecting factors: whether you have a UK home, whether you work in the UK, whether your spouse or children are UK resident. The SRT is detailed and fact-specific — applying it to any individual position requires professional advice.

UK domicile. Domicile is a common law concept — your permanent home jurisdiction, where you intend to live indefinitely. A UK domiciled person who moves to the UAE remains UK domiciled for inheritance tax purposes unless they take active, documented steps to acquire a UAE domicile of choice: establishing a genuine permanent home in the UAE, severing UK ties, evidencing the intention never to return to the UK as a permanent home. This is a process measured in years and documented by legal evidence, not declared by simply obtaining a UAE residency permit.

What You Stop Paying — and When

02

A UK national who becomes UAE resident (under the SRT) and is not also UK resident in the same tax year generally stops paying UK income tax on non-UK source income. UAE employment income, UAE business income, UAE rental income and investment income from non-UK sources all move outside the UK's taxing jurisdiction from the point of non-residence.

UK source income remains taxable in the UK. Even a full non-resident still pays UK tax on: rental income from UK property, UK employment income, UK pension income (though the treaty may affect this), UK interest above the treaty threshold. The UK-UAE double tax treaty limits double taxation, but the UK retains source-jurisdiction rights on UK-source income regardless of residence status.

Capital gains on UK property. Since April 2015 (for residential) and April 2019 (for all UK property), non-residents pay UK CGT on disposals of UK property. There is no treaty exemption. A UAE resident selling a UK property pays UK CGT. This is a significant planning consideration — the timing of UK property disposals relative to residence status has tax implications that need professional modelling.

16	**0%**	**40%**
DAYS IN UK: AUTOMATIC NON-RESIDENCE THRESH	UAE TAX ON NON-UK SOURCE INCOME FOR UAE R	UK IHT RATE ABOVE NIL-RATE BAND — APPLIES ON UK DOMICILE

The Asset Structure Question

03

The most common question from UK professionals making this move is: what do I do with my existing assets? The answer depends on the asset class, the amount, the timing of the move, and the long-term plan. This is a summary framework — not a substitute for advice.

UK property (buy-to-let). Options: sell before departure (crystallising CGT as a UK resident, often at 24% — which may be preferable to future rates), continue to hold (ongoing UK income tax on rental income as a non-resident, UK CGT on eventual sale as a non-resident), or transfer to a holding structure (complex, specialist advice required). Many clients sell UK investment property in the transition period and redeploy into UAE real estate.

UK pension (defined contribution). UK pension funds can typically remain invested in the UK through a SIPP or employer scheme while you are non-resident. Pension income paid to a UAE resident may have reduced UK tax under the treaty. Pension transfer to a QROPS (Qualifying Recognised Overseas Pension Scheme) is an option for some but carries specialist risks and costs. Obtain specialist pension advice before making any transfer.

UK equities / investment portfolio. UK-listed equities held by a non-resident are subject to UK CGT on disposal only if the holder was UK resident in at least 4 of the 7 previous tax years and returns to the UK within 5 years (the temporary non-residence rules). If you intend to remain non-resident permanently, UK equities can generally be sold without UK CGT after the 5-year safe harbour period.

UAE property (new acquisition). UAE property generates: 0% tax on rental income as a UAE resident, 0% CGT on disposal, 0% IHT (subject to domicile considerations on the UK side). Over a 10-15 year horizon, a UAE property portfolio compounds at the full pre-tax rate — every dirham of rental income and capital gain is retained rather than shared with a tax authority.

The Transition Period

04

The year of departure is the most complex tax year for a UK professional making this move. The UK tax year runs April to April. The UAE financial year runs January to December. A move in, say, October creates a split year — the rules for split-year treatment under the SRT determine which income from that year is taxed in the UK and which is not.

Timing the departure relative to the UK tax year, the realisation of capital gains on UK assets, and the structure of any UK business exit (share sale, earn-out, asset transfer) are all planning opportunities in the transition period. Done well, the transition year can significantly reduce the total UK tax liability on exit. Done carelessly, it can trigger large unexpected tax bills that offset years of subsequent UAE tax savings.

> *"The difference between a well-planned and a poorly-planned UK-UAE tax transition is not marginal. On an asset base of £1M+, it can be six figures. The planning cost — a few thousand pounds of specialist legal and tax advice — is one of the highest-return expenditures available to a UK professional in this position."*

MY POSITION

The UK-to-UAE tax move works. I have advised dozens of clients through the property element of it, and worked alongside the tax and legal advisers who handle the domicile, residence and asset structure questions. The people who do this properly — with specialist advice, a clear timeline, and a UAE property anchor — make the transition cleanly. The people who do it without understanding the distinction between residence and domicile, or who assume that spending more time in Dubai automatically solves the problem, often find that the UK tax system has been patient. The property piece is where I help. Everything else — domicile, SRT, treaty positions — requires qualified legal and tax counsel.

UK Statutory Residence Test: Finance Act 2013. HMRC Residence, Domicile and Remittance Basis guidance (RDR1). UK-UAE Double Tax Agreement. Not legal or tax advice — seek specialist professional counsel.