

## DUBAI PROPERTY TAX OVERVIEW FOR NON-RESIDENTS:

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### NON-RESIDENT

Owners of rental property in Dubai, who are non-resident there are not liable to tax on the earnings of that property when held as an individual but may be subject to corporation tax if held through a company. An Individual is considered non-resident in Dubai if s/he does not spend 183 days or more in any tax year (calendar year) in Dubai, does not have their primary residence or does not have a permanent establishment in Dubai.

In Dubai, a non-resident can purchase land and property. A foreigner may buy a property in his/her own name or through a company. In May 2002, the crown prince of Dubai made a commitment to allow foreign nationals to own a property within the emirate. Despite, this verbal commitment, it has not been documented in written laws so we would recommend that full and proper legal advice be sought prior to acquiring any property in this region. Assessment fees charged by local financiers are typically significantly more than what would be charged to a resident.

### **Taxes payable when purchasing a property are as follows:**

**Transfer fees** are payable based on the selling price and are levied as follows – 1% payable by the vendor and 1% payable by the purchaser. Other fees are payable depending on the nature of the transaction e.g. Setting up of a lease, registering a mortgage, dividing the property.

**VAT:** Currently there is no VAT system in place and as a result property transactions in Dubai are free of VAT. It must be noted however that the IMF have been suggesting that the United Arab Emirates engage this form of indirect taxation. A decision to implement such a system could affect property transactions in the future.

### **Ongoing taxes payable in Dubai on property are as follows:**

**Income Tax Plain and simple** – there is no income tax chargeable on any source of income including employment income and rental income. Therefore, normal rules one would be looking at: Gross Earnings, deductions, thresholds, residence and tax credits do not apply. There are no tax administration offices, no tax returns and no tax rate.

**Corporate Income Tax** - There is no federal tax in UAE for general business. However with respect to Dubai only, The Dubai Income Tax Ordinance 1969, an organization carrying on a trade or business (includes services) is subject to tax on a tax scale of 0% top 50% depending on the income level. The rate not only depends upon the level of profit, but also the nature of the business especially those businesses that are set up in the "Free Zones".

**Local Property taxes** - Most Emirates impose Municipality Tax on annual rental payments. These are similar to rates as we know them, it is the tenants' obligation to pay the tax, and however, the tenants' employer will typically pay the tax on behalf of the employee. The rates are currently 5% on residential rent and 10% on commercial rent. The landlord has nothing to pay here therefore. These can be payable annually in advance. Annual Community and Waste Collection Taxes: 10AED to 20AED per square foot per year, depending on location.

**Other applicable taxes are as follows:**

**Capital Gains Tax (CGT)** is not imposed on individuals in the UAE.

**Inheritance Tax** is not imposed on individuals in the UAE, however there are filing fees that will be incurred when re-registering the property in the name of the beneficiary. It is worth noting however that the making of a will in this jurisdiction is extremely important as in the absence of one, the estate will be divided in accordance with Islamic Law and not necessarily the laws of your home country. We would recommend that legal advice be sought in drafting such documents.