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OWNERSHIP STRUCTURES FOR REAL ESTATE IN THE U.A.E.

www.mattsiddell.com



GUIDE TO OWNERSHIP STRUCTURES IN THE U.A.E.

When it comes to owning real estate in the U.A.E. there are multiple options available to investors, and each comes with different costs, tax implications, and legal considerations.

This is a summary of the options available to investors:

1. Personal Name

This is the most common option for individual buyers:

- Mortgages and residency visas are available to owners.
- Avoids expensive fees and holding costs.
- Rental income in the UAE is tax-free for individuals.

2. UAE Companies (e.g. Free Zone or Mainland)

Free-zone companies can own Dubai property in designated areas and subject to DLD/area rules.

Companies pay 9% corporation tax on profits over AED 375,000 but free-zone entities may have reduced/exempt treatment for qualifying income; rules continue to evolve.

Companies offer asset protection and flexibility for shared ownership which is useful for families and joint ownership.

Rental income stays within the U.A.E. and investors can avoid tax in their home country.

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3. Domestic Company (e.g. UK limited company)

Investors use capital in an existing company to invest in the U.A.E.

The company cannot register title directly in Dubai and must invest via a local subsidiary like a Jebel Ali Free Zone (JAFZA) company.

Using a domestic company allows investors to:

- Use existing capital – e.g. equity from other real estate that's been sold
- Deduct interest costs in the UK
- Avoid expensive personal income tax
- Potential inheritance tax planning benefits

Companies outside the U.A.E. cannot register title directly in Dubai—so the domestic company must invest via its own onshore company in the UAE.

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4. Offshore Company (e.g. BVI, Cayman, or JAFZA Offshore)

Only a JAFZA Offshore Company is approved by the Dubai Land Department (DLD) to hold title to property on behalf of the parent company or trust/foundation, which might be a BVI company for example.

Offers privacy, tax efficiency, asset protection, and estate planning.

Limited mortgages available.

Popular with UHNWIs that are already using multi-jurisdictional structures and investors that need to plan their succession.

5. Foundations or Trusts

These are used for wealth preservation, tax structuring and inheritance planning. Matt has extensive experience of working with trusts and foundations and many of his client utilise such vehicles.

DIFC Foundations can own Dubai real estate directly but usually trusts and foundations must be layered with a JAFZA company or a U.A.E. entity to register title and hold property in the U.A.E..

They are complex to set up with annual costs that can be expensive so a critical mass is required, but they allow investors and their families to:

- Protect their assets
- Legally avoid large amounts of tax
- Manage international investments
- Avoid probate and inheritance taxes

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Ownership Option	Pros	Cons
Personal name	Low costs and most common option. Lots of mortgages available. UAE Visas also available.	Does not avoid probate.
UAE onshore company	Visas available. Allows the investor to borrow beyond age 70.	Less options available for mortgages.
Jebel Ali Free Zone Company (JAFZA)	Used by companies outside the UAE to hold title.	Annual cost.
Domestic company e.g. UK investor using a UK company	Allows investor to use cash in a business rather than taking the cash out and paying tax.	Cannot hold title directly. Less options available for mortgages. Annual costs including accountants' fees.
Offshore companies	Privacy, tax efficiency, estate planning for UHNWI.	Annual costs and fees for directors and company administration.
Foundations & Trusts	Typically own and sit above the offshore companies that actually hold the property.	More annual costs and fees for Trustees and trust administration.
DIFC Foundation	Can own title in designated areas; strong succession tool	Annual governance costs.

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The following table illustrates the entities required for each option and shows how the annual fees can escalate and why increasing critical mass is required to make each option worthwhile and ultimately useful for the investor.

Ownership Option	Annual Fees	UAE entity required e.g. JAFZA	Additional Company	Trust / Foundation	The owner / ultimate beneficial owner
Personal name	None				Directly
UAE company	Low	Required			Indirectly
Overseas company	Moderate	Required	Required		Indirectly
Offshore company (BVI etc)	High	Required	Required	Probably	Indirectly
Trusts & Foundations	Highest	Required	Required	Required	Ultimately

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Key Clarification:

Companies outside the UAE cannot directly own property in Dubai and must form and own a UAE-based vehicle e.g. the JAFZA Offshore company in order to register title. This is a common misunderstanding. Title deeds in Dubai are only issued to:

- Individuals
- UAE companies
- JAFZA Offshore companies
- Trusts or foundations established in compliant jurisdictions

