Why relocating across borders can create unexpected tax and succession complications

By: Sheetal Soni, Founder Partner, MICS International

A business owner moves out of the UAE for a few months. His company remains registered in Dubai, his employees continue working there, and business carries on as usual. From abroad, he continues to manage his investments, authorise transactions and make important business decisions.

But what if some of those decisions change where his company could be taxed? And what if the same relocation also affects how his personal investments and family wealth are treated?

What appears to be a temporary personal move could have implications extending far beyond the individual, particularly for internationally mobile entrepreneurs, investors and families with interests across multiple countries.

When business decisions cross borders

A company does not necessarily move with its owner. But some of its tax risks might.

A company may be incorporated in the UAE, but tax authorities in another jurisdiction may examine where its key strategic and commercial decisions are actually made, particularly where owners or senior executives regularly exercise management functions from abroad.

The Place of Effective Management (POEM) of a company may be considered to be located in another country, even if the company is registered in the UAE. This could expose the company to competing corporate tax residency claims, potentially resulting in additional tax and compliance obligations.

Separately, a Permanent Establishment (PE) may arise from activities carried out by employees or senior executives working in another country, depending on the nature, duration and circumstances of those activities. Unlike POEM, a PE may create a taxable presence in another jurisdiction without necessarily changing the company's tax residency.

The distinction matters. Where a company is incorporated, where it is effectively managed and where its business activities are carried out may not always be the same.

Maintaining appropriate corporate governance arrangements, documenting board decisions and ensuring that management functions are performed consistently with the intended business structure can help mitigate potential tax and regulatory risks.

Personal tax residency needs equal attention

While the business may continue operating from the UAE, the owner's personal tax position may change simply because of where they spend their time.

Different countries apply different rules to determine an individual's tax residency. These may consider physical presence, the location of family members, the availability of accommodation and where an individual's personal or economic interests are centred.

In some circumstances, an individual may even be considered tax resident in more than one jurisdiction, requiring an assessment of the applicable double taxation treaty.

The consequences can extend beyond paying tax on income earned in the new country. A change in tax residency may affect access to treaty benefits, trigger foreign asset reporting requirements or expose overseas income and investments to taxation. Certain jurisdictions may also impose tax consequences based on the market value of assets when an individual becomes or ceases to be tax resident.

For an entrepreneur with business interests, investment portfolios and financial accounts across countries, these consequences can be significant.

The important question is not simply how long someone intends to stay abroad, but how that stay is treated under the tax rules of the countries involved.

The succession question cannot be ignored

A family may have spent years establishing wealth-holding structures, preparing wills and planning how assets will pass to the next generation. A change in the residence of one or more family members may require parts of that planning to be revisited.

The assets may not have moved. But the circumstances governing their ownership, taxation and eventual transfer may have changed.

For entrepreneurs holding real estate, business interests or investments across multiple jurisdictions, the location of these assets and their legal ownership structures are important considerations. Wills prepared in one jurisdiction may not adequately cover assets located in another, while local inheritance laws may influence how those assets are distributed.

Depending on the jurisdictions involved, relocation may also expose family wealth to inheritance or estate taxes. In some countries, the residence or domicile of an individual, or the location of an asset, can significantly affect its treatment on death.

Families relocating overseas should therefore revisit their existing wills, ownership arrangements and asset-holding structures. Trusts, companies and foundations may also need to be reassessed, taking into account the residency of family members, the location of assets and the mechanisms used to manage and transfer wealth.

The objective is not necessarily to restructure everything whenever a family relocates. It is to ensure that arrangements designed under one set of circumstances remain effective when those circumstances change.

Keeping business and family arrangements in place

Relocation can also affect the practical arrangements that support a business owner's professional and personal life.

Depending on visa categories and residency requirements, a move abroad may affect the residency status of investors, employees or dependent family members. Banking relationships, investment accounts and financial arrangements may also require review, particularly where the business owner, the company and its assets are spread across several jurisdictions.

For instance, a change in personal tax residency may lead financial institutions to request updated tax declarations, residency information or other supporting documentation. Existing banking and investment arrangements may need to be reassessed in light of the owner's new circumstances.

These matters are often considered administrative, but they can have wider consequences for business continuity, access to financial services and the management of family wealth.

The country in which a person lives, the country in which a company is incorporated and the countries in which family assets are held may all be different. The challenge is ensuring that the arrangements connecting them continue to work.

Planning before the move

Cross-border relocation should ideally be assessed before the business owner and their family move, rather than after tax or legal complications emerge.

From a business perspective, this means understanding the tax and regulatory requirements of the countries involved, reviewing where strategic decisions will be made, assessing potential corporate tax exposure and maintaining appropriate governance records.

At an individual level, it means evaluating the implications of becoming tax resident in another jurisdiction, including the treatment of overseas investments, potential exit taxes, reporting obligations and the availability of treaty benefits.

For families, it means revisiting how assets are owned, managed and intended to be transferred to the next generation. A wealth-holding structure that works well today may need to be reconsidered when family residency, business management or ownership circumstances change.

None of this means that every international move will create additional tax liabilities or require a restructuring of family wealth. The outcome depends on the jurisdictions involved, the nature of the activities undertaken and the arrangements already in place.

But it does mean that relocation should not be viewed as an isolated personal decision when business interests and family wealth extend across borders.

Relocation changes where a person lives. It should not inadvertently change where a business is taxed, how family wealth is protected or how assets pass to the next generation.

The time to examine these questions is before the move, not after its consequences become apparent.