The United Arab Emirates

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Four regulators and three jurisdictions

The Emirates present a complexity that clients underestimate. There are four regulators and three legal regimes. At federal level the Securities and Commodities Authority (SCA) regulates virtual-asset activities onshore under Cabinet Decision No. 111 of 2022. The Central Bank of the UAE regulates payment tokens under its Payment Token Services Regulation of 2024, which permits only dirham-denominated payment tokens for payments within the Emirates and confines foreign-currency stablecoins to the purchase of virtual assets. In Dubai, outside the financial free zones, the Virtual Assets Regulatory Authority (VARA), established by Dubai Law No. 4 of 2022, licenses eight categories of activity under its Virtual Assets and Related Activities Regulations 2023 and detailed rulebooks. The categories are advisory, broker-dealer, custody, exchange, lending and borrowing, management and investment, transfer and settlement, and issuance. In the Dubai International Financial Centre the Dubai Financial Services Authority runs a crypto-token regime, supplemented since 2024 by a DIFC Digital Assets Law that characterises digital assets as property. In Abu Dhabi Global Market the Financial

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Services Regulatory Authority has operated the oldest comprehensive framework in the region since June 2018 and in 2023 enacted the DLT Foundations Regulations, a vehicle designed for protocol governance and DAOs.[1]

The result is that a founder who says "we will go to Dubai" has to choose between VARA, the DFSA and the FSRA before anything else. VARA offers the widest menu and the most retail-friendly regime, with the proviso that a VARA licence covers Dubai onshore and requires SCA registration for business elsewhere in the Emirates. The DFSA and FSRA offer common-law free zones with English-language courts, institutional reputations and conservative perimeters. The FSRA's DLT Foundation is the only vehicle in the region that competes directly with the Zug foundation and the Singapore company limited by guarantee for protocol treasuries, and several protocols have moved governance entities to Abu Dhabi since 2024.

Tax, substance and banking

The Emirates levy no personal income tax and no capital gains tax on individuals. Since 1 June 2023 a federal corporate tax of 9 per cent applies to business profits above AED 375,000, with a 0 per cent rate for qualifying free-zone persons on qualifying income, subject to substance and de minimis conditions. Crypto trading by individuals is untaxed. Companies in the free zones can qualify for the 0 per cent rate for many digital-asset activities but not for all, because the qualifying-income rules exclude income from transactions with onshore Emirates customers. Value added tax at 5 per cent applies, with an exemption for the transfer and conversion of virtual assets introduced retrospectively in 2024.[2] The Emirates adopted CARF with first exchanges planned for 2028.

The two practical constraints are substance and banking. The 0 per cent free-zone rate requires adequate substance in the free zone, which means staff, premises and decision-making there. The Emirates' removal from the FATF grey list in February 2024 came with supervisory expectations that firms now feel in licensing and in bank onboarding. Banks in the Emirates open accounts for licensed virtual-asset firms slowly and close them quickly, so most VARA licensees bank partly abroad.

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Clients who move from Zug or Singapore to Dubai for tax reasons alone discover that the saving is smaller than expected once substance, housing and the cost of a licensed structure are counted. They also discover that the regulators expect to see them in the office.

What a Swiss or Singapore client should expect

The Emirates are a serious option for three kinds of client. The first is the retail-facing exchange that wants a licence faster than MAS will grant one. The second is the protocol that wants a DLT Foundation with the FSRA's blessing. The third is the individual trader who wants zero tax and is prepared to live there. For a Swiss or Singapore institution the Emirates are a market to serve through a local partner or a licensed branch, with the warning that VARA's marketing rules treat any promotion directed at Dubai residents as regulated activity. The author has advised clients who moved to Dubai and clients who moved back. The ones who stayed had a reason beyond tax.

Notes

1. Cabinet Decision No. 111 of 2022 on the Regulation of Virtual Assets and their Service Providers. Central Bank of the UAE, Payment Token Services Regulation, Circular No. 2/2024, June 2024. Dubai Law No. 4 of 2022 Regulating Virtual Assets in the Emirate of Dubai. VARA, Virtual Assets and Related Activities Regulations 2023, 7 February 2023, and Rulebooks. DIFC Law No. 2 of 2024 (Digital Assets Law). ADGM, DLT Foundations Regulations 2023. ↩
2. Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses, Arts. 3 and 18. Cabinet Decision No. 100 of 2023 on qualifying income. Cabinet Decision No. 100 of 2024 amending the Executive Regulation of the VAT law (virtual-asset exemption with effect from 1 January 2018). ↩

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