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Key considerations for Middle Eastern
High-Net-Worth Individuals (HNWIs)
and Family Offices

Resilience Redefined

مئة عام
Years in the Middle East

Periods of regional geopolitical uncertainty may prompt high-net-worth individuals, family principals and their advisors to temporarily relocate from the Middle East. In recent weeks, some departures have occurred rapidly with limited planning.

Whether the relocation is precautionary, temporary, or for an extended period, the tax, legal and immigration consequences can be significant and are often overlooked in the immediate response.

Importantly, the implications extend beyond the family principals themselves. Where family office executives, investment managers, CFOs or other key personnel also relocate, the impact may extend to:

- the structures they manage.
- the entities they control.
- the jurisdictions in which those entities operate.

In periods of geopolitical uncertainty, temporary relocation from the Middle East can lead to unintended tax, legal, and regulatory consequences for individuals, family offices, and their underlying structures. These risks primarily arise from factors such as physical presence, decision-making locations, and the duration of arrangements.

To manage these risks, companies, family offices, and individuals should:



Identify potential tax and corporate risks, including permanent establishment issues, based on where they plan to reside in the coming weeks and months and where decisions will be executed.



Understand the tax rules and regulatory requirements of the jurisdictions in which they may temporarily reside, and how these rules apply to their specific circumstances.



Below are several key areas that require careful consideration.



Onshore & offshore structures

In most cases, the temporary absence of beneficial owners from the Middle East should not impact the validity of onshore or offshore structures. However, risks may arise where management and strategic decision-making occur outside the Middle Eastern operating country.

Tax authorities generally assess the Place of Effective Management (POEM) based on where key management and commercial decisions are made and exercised, rather than simply where an entity is incorporated.

Where decisions begin to be taken abroad, even informally via email or calls, there is a risk that the entity could be considered tax resident in another jurisdiction.



Personal Income Tax

Time spent outside the Middle East can trigger tax residency in other jurisdictions, particularly where tax residence rules are highly complex. Some countries may consider an individual tax resident based on factors such as:

- Time spent physically present.
- Location of spouse or children.
- Availability of accommodation.
- The individual's center of economic or personal interests.

Downstream impacts of tax residency changes:

- Loss of domestic tax residency in Middle Eastern countries may also affect access to double tax treaty benefits, while managing digital assets from abroad may create additional tax and reporting obligations.
- Some jurisdictions apply deemed disposal rules on arrival. This means an individual may be treated as having acquired assets at market value on the date they become tax resident, with any subsequent gains taxable in that jurisdiction.
- Prolonged presence may increase exposure to inheritance tax.
- Middle Eastern tax authorities may, at their discretion, issue a Tax Residency Certificate (TRC) in certain circumstances where standard criteria are not fully met.




Immigration & Residency Considerations

Residency permits across the Middle East are generally subject to absence limits and sponsorship conditions. In many cases:

- Employment-linked residency permits may lapse after extended periods outside the country (often around 180 days, depending on jurisdiction).
- Dependent visas may be affected if the sponsor's visa is canceled.
- Free zone or investor-based permits may also be impacted by prolonged absence.

While long-term or investor residency programs (e.g. "Golden Visa or Premium Residency"-type regimes in certain jurisdictions) provide greater flexibility, absence allowances are not necessarily unlimited.

- Some Middle Eastern countries do not automatically cancel long-term residency permits after extended absences.
- Authorities have, in certain circumstances, supported the return of residents facing difficulties re-entering the region.



Action

- Ensure strategic decision-making is formally documented in the Middle Eastern operating country.
- Maintain Middle Eastern-based board meetings and governance records.
- Avoid making substantive decisions from abroad.
- Consider adjustments to executive management to ensure the Place of Effective Management (POEM) remains within the Middle Eastern operating country.
- Maintain detailed travel and presence records.
- Seek advice if spending more than short periods (e.g. 30+ days) in another jurisdiction.
- Consider pre-arrival planning before establishing tax residence elsewhere.
- Monitor absence periods carefully.
- Return to the Middle East within relevant time limits where possible.
- Seek immigration advice where extended absence is anticipated.

Below are several key areas that require careful consideration.



Permanent Establishment (PE) risks

Remote working from another jurisdiction can create Permanent Establishment (PE) exposure for Middle Eastern entities. This risk may arise where individuals abroad:

- Manage or control company activities.
- Negotiate or sign contracts.
- Make strategic business decisions.

If a PE is created, the foreign jurisdiction may seek to tax part of the entity's profits. In addition, PE exposure may trigger:

- Local payroll or employment tax obligations.
- Corporate tax registration and filings in the host jurisdiction.
- Additional regulatory or reporting requirements.

During COVID-19, tax authorities issued temporary guidance relaxing PE rules for employees working abroad due to travel restrictions. No equivalent relief has been issued in the current context, and individuals and family offices should not assume similar leniency will apply.



Additional risks

Extended absence from the Middle East may create a number of secondary issues. These may include:

- Banking and KYC complications where residency status changes.
- Issues with existing loans or mortgages if visas lapse.
- Limitations on investment manager exemptions for family portfolios.
- Exposure to forced heirship rules in civil law jurisdictions such as France, Germany, and others, where local succession laws can apply to worldwide or locally situated assets.
- Where travel takes individuals through or into jurisdictions subject to sanctions regimes, there is a risk of inadvertent sanctions exposure. Financial institutions are required to act on such connections immediately and may freeze accounts or terminate relationships without prior notice.
- In some cases, local succession laws may apply to worldwide or locally situated assets where structures have not been properly implemented.
- Entities owned by owners from other countries in the region may find treaty relief is impacted if the owners / holding company residency changes due to relocation.



Action

- Brief family members, executives and staff on the risks of working abroad.
- Brief all executives and staff on the risks associated with working from abroad, including specific actions that may create a PE exposure.
- Avoid contract negotiation or execution outside the Middle East.
- Review authority structures for key personnel.
- Review overall family structures and investment holdings.
- Assess exposure to foreign tax, succession and reporting rules.
- Conduct periodic reviews of communications and governance to identify PE or POEM risks.



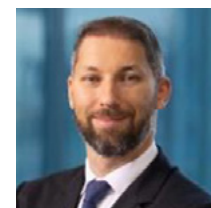
While relocation during periods of geopolitical uncertainty may be precautionary or temporary, the tax and legal consequences can arise quickly and unintentionally. Advance planning and careful monitoring can significantly reduce these risks.

If you would like to discuss how these considerations may apply to your personal circumstances or family structures, please contact us.

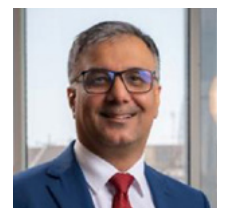
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