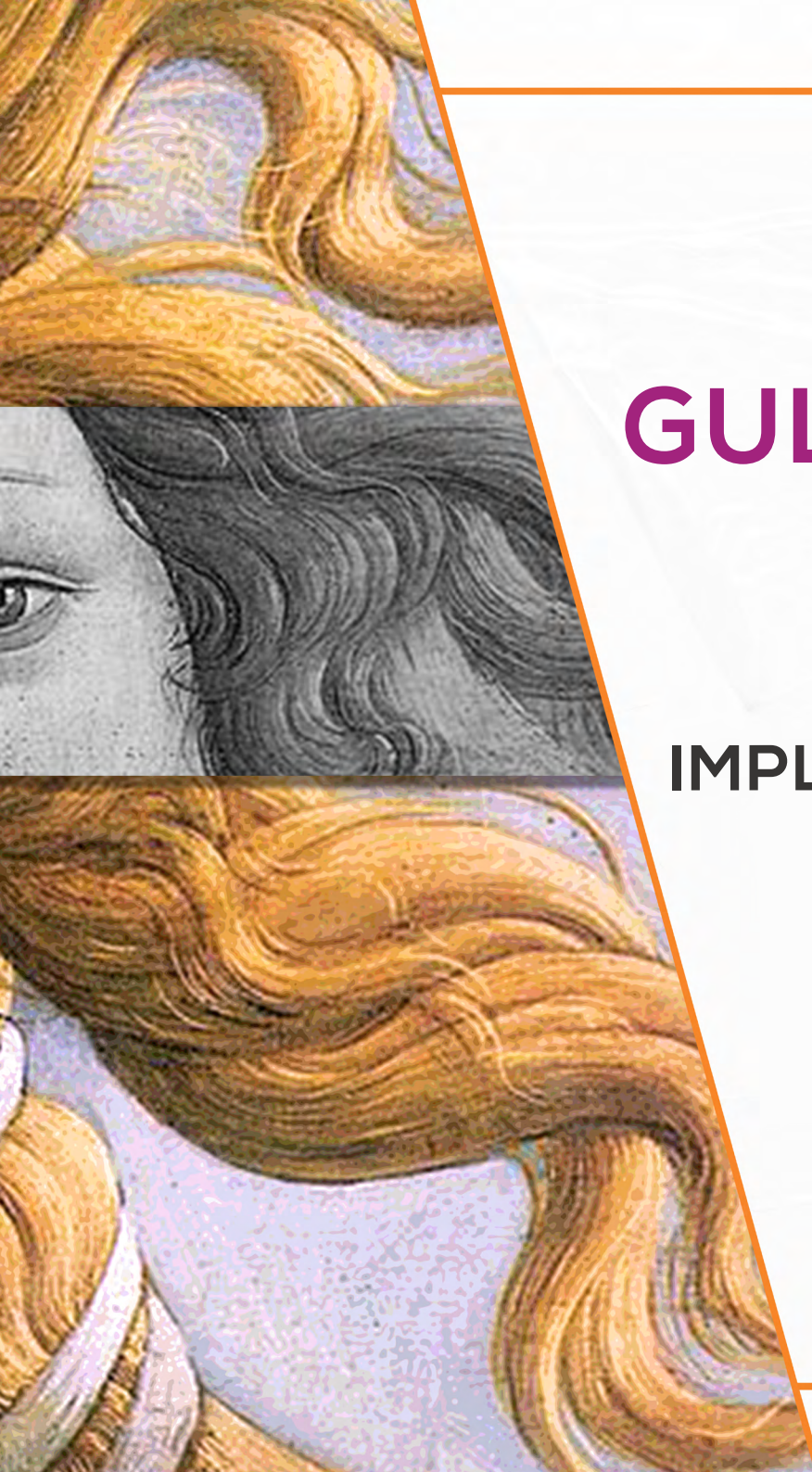




OPINION

GULF ART INVESTMENT – QUO VADIS?

**LEGAL STRUCTURING & TAX
IMPLICATIONS FOR ART COLLECTORS
AND INSTITUTIONS IN THE UAE**

INSIGHTS FROM THE GULF ART INVESTMENTS ROUNDTABLE

HOSTED BY M/HQ ON 25TH FEBRUARY 2025



Gulf Art Investments Roundtable
February 2025, DMCC

UAE-BASED HNWI

are increasingly interested in art collecting and trading. Although there is growing awareness, particularly among the next gen, of the importance of wealth preservation and intergenerational wealth creation, **art collectors and traders often lack the necessary knowledge and experience on the legal and tax implications of owning an art collection.**

With a maturing art ecosystem and evolving legal and tax frameworks, collectors and professionals must proactively structure their art holdings to mitigate tax exposure and enhance asset protection.

"Collectors and professionals must proactively structure their art holdings to mitigate tax exposure and enhance asset protection."

A MARKET IN FULL EVOLUTION

The art ecosystem in the UAE and the Gulf region is in full-growth mode.

Abu Dhabi, through the construction of its "museums' island" and the commissioning of artworks for the city, is evolving into a cultural hub and future destination, **bolstered by strong government support for the arts**. Sharjah, with its art biennial and institutions, actively promotes and supports the arts.

"Art Dubai" has been operating since 2013 and has increased in significance annually. The fair places Dubai on the global art market stage, offering exposure to Middle-Eastern artists and galleries, UAE-based collectors, and the dynamic local art scene. Meanwhile, the art scene in other parts of the Emirate is largely driven by **private initiatives**, such as Alserkal Avenue.

"The art ecosystem in the UAE and in the Gulf region is in full-growth mode."



to carry a home; to carry a history; to carry a truth;
and; to carry equatorial heat; to carry resistance;
ary of redacted documents; to carry rupture
[the beginnings]; to carry change; to carry s
to carry land; to carry the language of the i
ry new formations; to carry the embrace of;
carry sisterhood and communal connection;
s of a morning without fear



LEGAL FRAMEWORK SURROUNDING THE ART MARKET

A law regulating and empowering the Arts Sector in the UAE [Federal Decree by Law No (29) of 2024] has recently been introduced. Its executive regulation shall be published in Q2 2025.

This Decree targets non-for-profit art institutions, offering them a simplified licensing procedure and additional regulations. It introduces a new legal entity: the “*non-for-profit art institution*,” a positive step. **However, its applicability remains unclear, and its practical impact so far is non-significant.**

The roundtable’s panel collegially supports the **inclusion of UAE private foundations as a legal entity under the purview of the Decree**, to facilitate the structuring, protection and preservation of art portfolios. Such inclusion is logical, for a non-for-profit private foundation shares the same objectives

as an art institution; it should thus be considered a “*quasi art institution*”, eligible for the provisions of the Decree by law.

To support the development of the UAE’s art market, **tax-based incentives are essential**. Recommendations include allowing corporate income tax **deductions** for qualifying investments in UAE-based art initiatives, like it is the case in France; mandate Cultural Investment, e.g., x% turnover for companies above a size threshold; **tax holidays** for art galleries and **explicitly exempting art imports from VAT and customs** where artworks are temporarily imported for public exhibitions purposes, stored in Designated or Freeport zones, or brought in by new residents.

"To support the development of the UAE's art market, tax-based incentives are essential."





The current system of allowing temporary art imports for six months to benefit from VAT and Customs tax relief, despite being renewable, is uncompetitive globally, where the standard across most mature art markets is two years. The requirement to return artworks to the UAE customs warehouse every six months for renewal poses risks related to handling and logistics, and involves a time-consuming administrative process. To enhance the UAE art scene, this 'first import duration should be extended to at least two years, or ideally made unlimited. This will allow art professionals to import more international artworks to the UAE and to work peacefully.

Further, **specific clarifications and interpretive guidance from the Federal Tax Authority** is recommended to ensure clarity on the **tax treatment of individuals who occasionally sell artworks**, particularly in relation to the **definition of “Business Activity” under UAE Corporate Tax law, the threshold for what is regarded as “occasional”** and when such activity may trigger tax obligations in the hands of private collectors.

"To enhance the UAE art scene, the first import duration should be extended [...] or ideally made unlimited—to allow art professionals to work peacefully and bring in more international artworks."

APPROPRIATE LEGAL STRUCTURE FOR ART COLLECTIONS & TAX IMPLICATIONS

The optimal tool to hold art collection depends on the owner's goals, e.g. use of the collection, estate planning etc.

The most suitable locally-available tool for private collectors to hold, protect and preserve art collection are *private foundations*. The collector can be appointed as founder and (one of the) council member(s) of the private foundation, thereby having control over its collection, and also be appointed as a beneficiary, thereby using this legal structure as a tool for estate planning.

If specific criteria are satisfied, the foundation may qualify for 'tax transparency'. In such cases and given the minimal corporate/business tax exposure to individuals in the UAE, any proceeds generated from the art collection would typically **not be subject to tax** in the UAE.

A key observation from the roundtable's panel is that the art collectors who hold art in their own names and do **not** conduct any commercial activity with their art collection are not taxed [i.e. corporate tax and VAT] when the sale of art is only **occasional** and not regular or recurring. However, holding an art portfolio in a personal capacity is not advisable from an asset protection and succession planning perspective, as addressed above. **The FTA has yet to formally clarify the threshold for what is considered "occasional".**

**Tax implications and available exemptions
at a glance:**

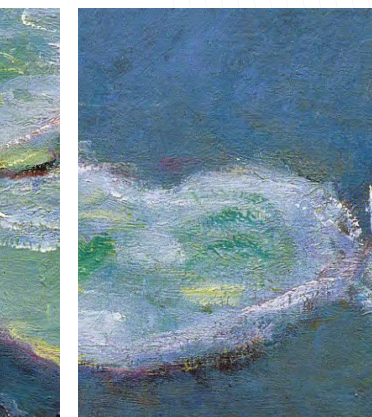
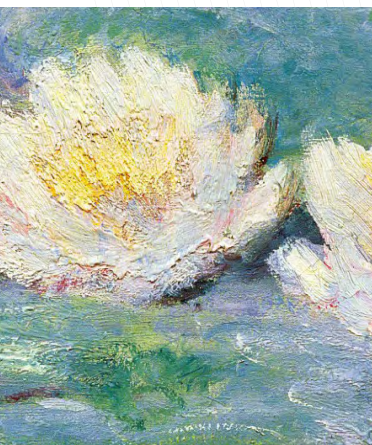
CATEGORY	TAX IMPLICATIONS	AVAILABLE EXEMPTIONS
Corporate Tax (CT)	• Individuals earning > AED 1M/year from commercial art sales taxed at 9% • Mainland companies: 9% CT on net profits over AED 375K • Free Zone companies: 0% CT (B2B only); else 9% on net profits over AED 375K • Listed Public Benefit Entities must register but are exempt from CT	• Occasional sales are not subject to CT but must be clarified with FTA • 0% CT for Qualifying Free Zone Persons selling B2B • Exemption for Public Benefit Entities registered with FTA
Value-Added Tax (VAT)	• 5% VAT applies to artwork sales • VAT registration is mandatory • Registered businesses must file returns	• VAT exemption for exports • VAT exemption for sales in Designated Zones (if conditions met)
Import Taxes	• 5% Customs Duty + 5% Import VAT = 10% total import tax on artwork	• Exemption for expats importing artwork as personal belongings • Makasa: No extra duty on GCC imports • Exemption for temporary import (6-month re-export rule) for exhibitions/fairs

SOLUTION FOR ART STORAGE

The roundtable observed that a new free-port facility is set to open soon in Dubai. Situated at Dubai South Freezone, such facility provides the option of artworks storage in two distinct locations within two separate zones, to wit: in a designated zone; and on the tarmac of the airport's jet tarmac area, within an airfield zone.

The unique feature of the latter zone is that it falls outside the jurisdiction of any customs authority, offering artwork owners a high degree of flexibility. **Artworks entering both zones are not subject to VAT or Customs Tax.** Both facilities boast advanced security measures and utilize top-notch technology to ensure the secure storage of fine arts.

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TAX POLICY & RECOMMENDATIONS

In order for the UAE to promote compliance, support its cultural ambition, and remain competitive/increase its attractiveness, the roundtable recommends:

01

Recognizing Private Foundations under the Art Decree as “quasi-art institutions” for access to tax incentives

02

Exempt Art Imports from VAT and Customs where artworks are brought by Foundations; brought temporarily for exhibitions; stored in Designated Free zones; or owned by non-residents or new expats

03

Increasing of temporary import timeframe from 6 months to at least 2 years to enable the Art professionals to import more frequently

04

Introducing Tax Deductions for corporate investments in regional art initiatives

05

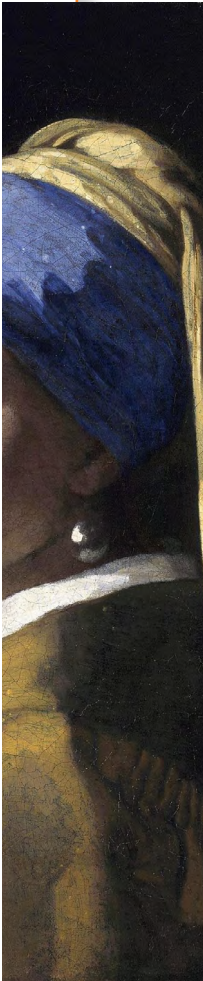
Create a Tax Holiday Regime for newly established galleries

06

Mandate Cultural Investment, e.g., x% turnover for companies above a size threshold

KEY TAKEAWAYS

- 01** | Many art collectors and professionals in the UAE lack knowledge on the available structuring options for their art collections to ensure compliance with optimal tax and legal requirements
- 02** | Although the art market is growing in the UAE and the region, Dubai could enhance support for its contemporary art scene and market, by creating a museum dedicated to contemporary art and providing more support to the arts
- 03** | The new federal Decree regulating and empowering the Arts Sector in the UAE should recognize private foundations as a "quasi art institutions" and thus eligible for incentives designated for art institutions. The move would boost UAE's attractiveness as an Art hub, but also increase the use of domestic UAE foundations by the market
- 04** | To be effective, the new Federal Law should introduce incentives for art professionals and collectors, such as exempting art imports in the UAE from VAT and customs duties, extent the timeframe to 2 years for relaxation of VAT and Customs Duty on temporary imports for exhibitions purposes, offering tax deductions on art investments by private companies meeting certain conditions, requiring investment in local art by UAE-based companies when reaching a certain turnover threshold, and tax holiday for art galleries
- 05** | Art collectors and professionals in the UAE should carefully consider structuring their art estate to optimize tax and estate planning
- 06** | An innovative free-port facility is set to open in the UAE, offering airside and landside storage options specifically designed for fine arts and luxury assets



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We have extensive experience advising on a broad range of wealth structuring and legacy planning issues. We particularly assist in establishing and servicing **Single- and Multi- Family offices, Family- and Group- Holdings, Foundations** and other asset consolidation/ protection and intergenerational wealth management structures.

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