Strategic Considerations When Structuring a UAE–Kenya Cross-Border Business

As trade and investment between the UAE and East Africa continue to grow, many businesses are adopting a holding company structure with the parent company established in the UAE and the operating subsidiary incorporated in Kenya. This structure offers strategic advantages, including access to international capital, regional expansion opportunities, and a stable legal and commercial environment. However, its success depends on careful legal, tax, and regulatory planning across both jurisdictions.

One of the principal advantages of structuring cross-border investments between the UAE and Kenya is the supportive treaty framework established between the two jurisdictions. In particular, the **Convention for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income** between the Government of the United Arab Emirates and the Government of the Republic of Kenya, which entered into force on **22 February 2017**, provides a mechanism to mitigate double taxation of cross-border income and enhance tax certainty for investors. The treaty facilitates the efficient structuring of dividends, interest, royalties, and other cross-border payments, subject to its provisions and the domestic tax laws of both jurisdictions. Complementing the tax treaty is the **Agreement between the Government of the Republic of Kenya and the Government of the United Arab Emirates on the Promotion and Protection of Investments**, which seeks to encourage and protect cross-border investments by providing safeguards against unlawful expropriation, ensuring fair and equitable treatment of investors, guaranteeing the free transfer of investment-related funds, and providing access to international dispute resolution mechanisms. Together, these bilateral agreements create a more predictable and investor-friendly framework for UAE-based holding companies investing into Kenya, thereby strengthening investor confidence and supporting long-term commercial expansion. Businesses should nevertheless ensure that their investment structures are commercially substantiated and comply with applicable treaty requirements, beneficial ownership standards, transfer pricing regulations, and the tax and regulatory laws of both jurisdictions in order to maximise the available legal and tax protections.

From our experience advising clients on UAE–Kenya investments, the starting point is selecting the appropriate UAE holding vehicle—whether onshore, in a financial free zone such as ADGM or DIFC, or in another UAE free zone—based on the nature of the business, governance requirements, investor profile, and long-term expansion strategy. The Kenyan subsidiary should be structured to meet local licensing, employment, tax, and sector-specific regulatory requirements while remaining operationally aligned with the UAE parent.

A key consideration is establishing clear corporate governance between the parent and subsidiary. This includes defining decision-making authority, shareholder rights, board composition, delegated management powers, reporting obligations, and approval thresholds for significant business decisions. Well-defined governance promotes transparency, accountability, and effective oversight across jurisdictions.

Tax planning is equally important. Businesses should assess the implications of UAE Corporate Tax, Kenyan corporate income tax, VAT, withholding tax on cross-border payments, transfer pricing rules, and the application of any double taxation agreements. Intra-group arrangements—including management services, intellectual property licensing, financing, and cost-sharing—should be properly documented and priced on an arm's-length basis to satisfy the tax authorities in both jurisdictions.

Where intellectual property, technology, or proprietary know-how is owned by the UAE parent, the legal framework should clearly regulate licensing arrangements, ownership of newly developed IP, royalty payments, and protection of confidential information. Similarly, intercompany agreements should govern management services, shared resources, funding arrangements, and operational support to ensure legal and commercial certainty.

Regulatory compliance should be considered from the outset. The UAE parent and Kenyan subsidiary must comply with their respective corporate governance, anti-money laundering (AML/CFT), sanctions, data protection, employment, foreign investment, and sector-specific regulatory requirements. Businesses should also consider exchange control rules, repatriation of profits, dividend distributions, and banking arrangements to facilitate efficient movement of funds between jurisdictions.

Finally, the structure should be designed with future growth in mind. Whether the objective is regional expansion, attracting investors, establishing additional subsidiaries, or planning an eventual sale or restructuring, a well-designed cross-border structure should provide flexibility while protecting shareholder interests and ensuring ongoing regulatory compliance.

Key Findings: A successful UAE–Kenya business structure is more than a corporate chart—it is a carefully integrated legal, tax, and governance framework. Investing in appropriate holding structures, robust intercompany agreements, effective governance, and cross-border compliance from the outset will minimise legal and tax risks, improve operational efficiency, and position the business for sustainable regional growth.