

UAE Tax Residency Rules -Important Consideration for Individuals

Tax Alert

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Tax Alert - UAE Tax Residency Rules

In the framework of the constant efforts deployed by the United Arab Emirate (UAE) towards tax transparency and international tax cooperation, the Ministry of Finance (MoF) has issued a set of Cabinet Decisions aiming at harmonizing and clarifying the rules applicable to tax residency. This Tax Alert is summarizing key takeaways of Cabinet Decision No. 85 (effective 1st March 2023) and Ministerial Decision No. 27 (issued 22nd February 2023) relevant for individuals.





I. UAE Tax residency criteria for individuals

The table below is based on the above-mentioned Cabinet Decisions and should help to determine a tax residency status of an individual.

An individual will be treated as a UAE tax resident if any of the following conditions is met:

Each condition is explained in detail:

Usual or primary **place of residence**, and the centre of his financial and personal interests are in the UAE.

The individual has been physically present in the UAE for a period of 183 <u>calendar</u> days or more during the relevant 12 consecutive <u>calendar</u> month period.

The individual has been physically present in the UAE for 90 days or more, during a period of 12 consecutive months, and holds the nationality of the UAE holds a valid UAE residence permit, or holds the nationality of any of the member states of the Gulf Cooperation Council (GCC), and fulfils any of the following conditions:

- Has a permanent place of residence in the UAE;
- Undertakes an employment or conducts business in the UAE.

Place of residence is the place where person spends most of his time compared to other jurisdictions.

The centre of financial and personal interest is where personal and economic interests are the closest or of the greatest significance.

The days on which the natural person has been physically present in the UAE do not need to be consecutive.

'Permanent place of residence' can be a furnished house, apartment, room or any other form of dwelling, made continuously available to an individual which is either owned or rented where an individual has the continuous right of occupation.

Undertaking 'employment' means having a contract with an incorporated or recognized entity in the UAE, whereby the individual renders services to the entity in the UAE for remuneration and under the administration and supervision of such UAE entity. The nature of this employment can be limited or unlimited and on a full-time or part-time.



3

II. Important Considerations

- To obtain a tax residence certificate ('TRC') from the UAE Federal Tax Authority ('FTA') those individuals who are meeting relevant conditions should submit their TRC applications online on the Federal Tax Authority portal. The set of documents that are required to be submitted for the TRC application are:
 - o Passport
 - o Emirates ID (Optional)
 - Entry and exit report from Federal Authority of Identity and Citizenship or a local competent Government entity

For an Individual who spent more than 183 days/ less than 183 days, but equal & more than 90 days in the UAE:

- Salary certificate / proof of carrying on a business in the UAE.
- Proof of permanent place of residence (title deed, EJAIR, utility bills etc.)

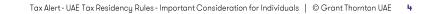
For an Individual who spent less than 90 days in the UAE:

- Proof of financial and personal interests (see below)
- Proof of permanent place of residence

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- For instance, in determining whether the centre of financial interest is in the UAE, the FTA will assess a combination of factors, such as occupation of the individual, familial and social relations, cultural or other activities, place of business, place from which the property of the natural person is administered etc. Thus, we may expect a variety of documents to be requested by the FTA to prove that such condition is met.
- In case an individual has spent time in the UAE due to exceptional circumstances (an event or situation beyond the individual's control, such as war, etc.), such days should be disregarded in determining whether such an individual has met the condition of spending 183 or 90 days in the UAE.



Food for Thought

- As of today, the UAE does not levy personal income tax on the income of natural persons, thus even when an individual is recognised as a UAE tax resident, such an individual should not be subject to personal income tax. However, it should be noted that the UAE Corporate Tax Law levies corporate income tax on individuals if they conduct certain types of business activity in the UAE.
- Tax residency rules are important for many individuals who come to UAE for employment, business, or other purposes since they could be still taxed in their home country on income received in the UAE. However, such rules should be read in conjunction with the applicable international tax treaties and provisions of the domestic tax laws and regulations.



How can we help you?

Identification of tax residency status of individuals	Obtaining tax residency certificates in the UAE	Assessing the applicability of UAE Corporate Tax to individuals
Calculation of UAE Corporate Tax liability of individuals	Assessing permanent establishment risks	Analysis of double tax treaty benefits



Contact our Tax team

For more details regarding this Tax Alert or other Tax issues, reach out to our team of experts on the latest Tax developments within the UAE and the Middle East region.

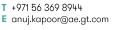


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