



The United Arab Emirates – New Tax Residency Criteria

The UAE government has proposed guidelines to determine tax residency for “natural and legal persons” in the country. The resolution will become effective from 1 st March 2023.

Prior to the resolution, there was no statutory definition of UAE tax residency. It broadens the criteria of UAE tax residency, for natural persons, which was previously limited to a strict 183-day physical presence requirement. This introduction reflects the UAE's continued measures to "adapt to the increasingly globalised economy and in line with the evolving tax landscape in the UAE." The official name of the legislation is Cabinet Resolution No. (85) of 2022.

Criteria

Under the Resolution, a legal person (entity or establishment) is a tax resident in the

UAE if the entity:

1. Was established, formed, or registered in accordance with the UAE laws, except for branches of foreign legal persons; or
2. Is treated as a tax resident under the applicable UAE tax law. The imminent Federal corporate income tax legislation should feature further details on this condition.

Natural persons (individuals) are tax resident in the UAE if:

1. The individual's usual or principal place of residence is in the UAE and the centre of their financial and personal interests are in the UAE, or other conditions prescribed by the minister; or
2. The individual has been physically present in the UAE for a period of 183 days or more in a 12-month period; or
3. The individual has been physically present in the UAE for a period of 90 days or more over a 12-month period and is a UAE citizen, UAE resident, or GCC national who either has a permanent place of residence in the UAE; or carries out a job or business in the UAE.

"With the existing Double Taxation Agreements (DTA) that the UAE has with many countries, along with more forecasted to be agreed upon, this legislation is a logical step to provide both companies and natural persons with a clearer position when determining tax residency in-line with global standards."

For more information
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