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TRC -Tax Residency Certificate Guide

UNDERSTANDING UAE TAX RESIDENCE CERTIFICATE

A UAE Tax Residence Certificate (TRC), also known as a Tax Domicile Certificate, is an official document issued by the Federal Tax Authority (FTA) of the United Arab Emirates. It serves as legal proof that an individual or a company is a tax resident of the UAE for a specific period.

The primary purpose of a TRC is to allow individuals and businesses to benefit from the UAE's extensive network of **Double Taxation Avoidance Agreements (DTAAs)** with other countries. By presenting a TRC to foreign tax authorities, the holder can avoid paying tax on the same income in both the UAE and the other country, thus preventing double taxation and ensuring compliance with international tax regulations.

ELIGIBILITY FOR A TAX RESIDENCE CERTIFICATE

LEGAL PERSON:

A juridical person shall be considered a Tax Resident in the State in either of the following cases:

A juridical person, such as a company or a foundation, is recognized as a tax resident of the UAE if it meets one of two primary legal conditions.

1. **Incorporation in the UAE:** An entity is considered a tax resident if it was legally incorporated, formed, or recognized under the laws of the United Arab Emirates. This applies to entities established in the UAE mainland or in one of its free zones. It is important to note, however, that a branch of a foreign company registered in the UAE is not included in this definition.
2. **Tax Residency under UAE Law:** An entity can also be a tax resident if it is defined as such under the applicable tax laws in force in the UAE. This typically refers to a foreign company that is effectively managed and controlled from the UAE. In this case, the key management and strategic decisions for the company are made within the UAE, establishing it as a tax resident even if it was not incorporated here.

Key Criteria Breakdown

To be considered a tax resident for a particular financial year, a legal person must meet the following criteria to apply for a Tax Residency Certificate (TRC):

- **Established in the UAE:** The company must have a valid trade license and be incorporated and recognized by the relevant authorities in the UAE.
- **Operational for at least one year:** Generally, the company must have been in existence for at least one year at the time of applying for the TRC.
- **Physical presence and substance:** The entity must have a physical office space and demonstrate genuine economic activity in the country. This includes having a valid tenancy contract (Ejari) for the office, a proper business setup, and a legitimate operational presence.
- **Managed and controlled in the UAE:** This is a crucial aspect for foreign companies seeking a TRC. The company's management team and key decision-makers must be based in the UAE. This is often evidenced by the presence of a UAE-based board of directors or senior management.
- **No offshore companies:** It's important to note that **offshore companies**, which are typically registered in free zones for asset protection or specific non-resident activities, are generally not eligible to obtain a TRC as they do not meet the substance requirements.

NATURAL PERSON:

There are three main ways for an individual to qualify as a tax resident, and a single applicant only needs to meet **one** of these conditions.

Condition 1: The 'Centre of Interests' Test

This is a qualitative test that looks at the overall picture of your life. You are a tax resident if the UAE is the central hub for your personal life and finances. This means:

- **Primary Place of Residence:** This is where you spend most of your time and have your main home. This can be a rented apartment, a villa you own, or even a home you stay in regularly.
- **Centre of Financial and Personal Interests:** This means your main bank accounts, investments, family, and social life are primarily based in the UAE. It's about showing that your life is genuinely centered here, not just that you visit for a short period.

You can meet this condition without staying for a specific number of days, but you must be able to prove that the UAE is the core of your existence.

Condition 2: The 183-Day Rule

This is the most straightforward condition. You automatically qualify as a tax resident if you have been physically present in the UAE for **183 days or more** within any continuous 12-month period.

- **How it works:** Simply put, if your total time in the UAE adds up to at least 183 days over a consecutive 12-month span, you meet this condition. The 12-month period does not have to be a calendar year.

Condition 3: The 90-Day Rule

This is a more flexible option designed for specific individuals. You can qualify with less physical presence if you meet all of the following criteria:

- **Physical Presence:** You must have been in the UAE for **90 days or more** within a continuous 12-month period.
- **Valid Status:** You must be a UAE national, hold a valid UAE Residence Permit, or be a national of a Gulf Cooperation Council (GCC) member state.
- **Proof of Connection:** You must also meet **at least one** of these two sub-conditions:
    - **Permanent Place of Residence:** You have a place of residence that is officially yours, such as a rented apartment with an active EJARI contract or a property you own.
    - **Employment or Business:** You work in the UAE or have a business that you actively run in the country

COMPUTING 183 AND 90 DAY'S + TEST

183-DAYS + TEST:

A natural person (an individual) is considered a UAE Tax Resident if they are physically present in the UAE for **183 days or more** within any continuous 12-month period.

- **It's a "Physical Presence" Test:** The only thing that matters is the total number of days you are physically within the borders of the UAE. What you do during those days (work, vacation, etc.) is not relevant.
- **It Doesn't Have to Be a Calendar Year:** The 12-month period can start on any day of the year. For example, it could be from June 1, 2024, to May 31, 2025.
- **The Days Don't Need to Be Consecutive:** You can enter and leave the country multiple times. All the days are added up to reach the 183-day total.

How to Count the Days

The rule for counting days is very generous and works in your favor.

- **Partial Days Count as Full Days:** Any part of a day you spend in the UAE counts as a full day. This includes the days you travel into and out of the country.
- **No Deductions for Short Absence:** If you leave and return, the days spent outside the UAE are simply not counted; they don't subtract from your total.
- **Exceptional Circumstances:** In rare cases, if you were in the UAE due to unavoidable circumstances (like a medical emergency or a flight cancellation), those days might be disregarded. You would need to check the specific legal guidelines for this.

Example: determining Sara's Tax Residency for the Financial Year

let's consider an individual named **Sarah**, who is a freelance consultant from outside the UAE. Her clients are global, and she travels frequently. She wants to establish UAE tax residency for the year 2026 to benefit from DTAAs.

Sarah's Travel in a 12-Month Period (September 1, 2025 - August 31, 2026):

- **Trip 1:** She arrives on September 5, 2025, and leaves on October 30, 2025.
  - **Days in UAE:** 56 days (including arrival and departure days).
- **Trip 2:** She arrives back on November 25, 2025, and leaves on December 30, 2025.

  - **Days in UAE:** 36 days.
- **Trip 3:** She arrives on February 10, 2026, and leaves on March 20, 2026.
  - **Days in UAE:** 39 days.
- **Trip 4:** She arrives on May 5, 2026, and leaves on June 15, 2026.
  - **Days in UAE:** 42 days.
- **Trip 5:** She arrives on July 20, 2026, and leaves on August 10, 2026.
  - **Days in UAE:** 22 days.

Calculation:

- **Total Days =** 56 + 36 + 39 + 42 + 22 = **195 days**

Analysis: Even though Sarah's days in the UAE were not consecutive and spread across two calendar years (2025 and 2026), her total physical presence in the continuous 12-month period from September 1, 2025, to August 31, 2026, is 195 days.

Since **195 days is greater than 183 days**, Sarah **qualifies as a UAE Tax Resident** for that specific 12-month period. She can use this information to apply for a TRC and claim the benefits of a DTAA, despite her non-consecutive travel schedule. The key to her eligibility is the total physical presence within the defined 12-month window.

90 + DAYS TEST

You can be considered a UAE Tax Resident by meeting the following three conditions:

1. **Physical Presence:** You were in the UAE for **at least 90 days** in a continuous 12-month period.
2. **Valid Status:** You have a legal right to live in the UAE. This means you are a **UAE or GCC national**, or you hold a **valid UAE Residence Permit**.
3. **Proof of Connection:** You must also have **either** a "Permanent Place of Residence" or an active employment/business in the UAE.

This rule is for those who do not meet the 183-day physical presence requirement but still have significant ties to the UAE.

How to Count the Days

The method for counting days is the same as the 183-day rule. Any part of a day you are in the UAE counts as a full day. The days do not need to be consecutive, and the 12-month period can start on any date.

What is a "Permanent Place of Residence"?

A Permanent Place of Residence is a place that is **continuously available** to you for use as a dwelling. It does not have to be a property you own; it can be a rented house, apartment, or even a furnished room, as long as you have a right of occupation and it's available to you on a regular basis.

What doesn't count: A place will **not** be considered a Permanent Place of Residence if you only occupy it occasionally or for a short, temporary stay, such as a hotel room for a business trip or a short holiday. It must show a degree of permanency and stability.

What is Considered "Employment"?

To be considered as having "Employment" in the UAE, you must be in a formal work relationship with a company in the country. This includes:

- **Formal Contract:** You have a contract with an employer that is legally registered or recognized in the UAE.
- **Under Supervision:** You work for this employer under their direct administration or supervision in exchange for a salary or other form of payment.
- **Primary Income Source:** Most, if not all, of the income you earn for work performed in the UAE comes from this single employer.
- **Not Voluntary:** The role cannot be a volunteer position; it must be a paid engagement.

Important Note: The nature of the employment contract (full-time, part-time, limited, or unlimited) does not matter, as long as the other conditions are met.

What is Considered a "Business"?

A "Business" is defined very broadly and includes a wide range of activities that you conduct regularly and independently. It is any ongoing commercial or professional activity.

- **Regular and Independent:** The key is that the activity is not temporary or occasional and that you operate on your own or with your own business.
- **Broad Scope:** Business includes any industrial, commercial, agricultural, or service-related activity. It also includes the use of tangible or intangible properties (e.g., intellectual property).
- **Examples of "Business":**
    - **Vocational:** A skilled trade or craft (e.g., a craftsman or mechanic).
    - **Professional:** Providing professional services to clients (e.g., an accountant, consultant, lawyer, architect, or doctor).

Example 1: 90+ Days Physical Presence and Business

Let's consider **David**, an American citizen and a successful online marketing consultant. He travels frequently for his global clients. David wants to obtain a UAE TRC.

- **His Situation:** During the 12-month period of 2024, David was physically present in the UAE for a total of **110 days**. He holds a **valid UAE Residence Permit** through a Free Zone Company he established, **"Global Marketers FZE."** David actively runs his business from the UAE, providing consulting services to his international clients. The profits from his work are channeled through his company's local bank account. He stays in a furnished apartment in Dubai under a continuous one-year lease, but he is not the legal tenant.

Analysis of David's Eligibility:

David should be considered a UAE Tax Resident because he successfully meets all three conditions of the 90-day rule:

1. **Physical Presence:** He was present for **110 days**, which is more than the minimum 90-day requirement.
2. **Valid Status:** He holds a **valid UAE Residence Permit**, giving him the legal right to reside in the country.
3. **Proof of Connection:** He meets this condition by actively running a **Business** in the UAE through his Free Zone company, Global Marketers FZE. The fact that he uses a local bank account and provides services from the country further strengthens his case. His place of residence, even if not officially under his name, still supports his claim.

Example 2: 90+ Days Physical Presence and No Connection

Now, let's consider **Lana**, a business development manager from Singapore who frequently visits the UAE to meet with clients. She stays at a hotel for her business trips.

- **Her Situation:** Throughout 2024, Lana spent a total of **120 days** in the UAE. She entered the country multiple times on business visas, none of which were valid for long-term residency. Her visits were specifically for client meetings and to attend trade shows. She stayed in various hotels and serviced apartments that she booked online before each trip. She did not set up a company in the UAE or have a formal employment contract with a UAE-based entity.

Analysis of Lana's Eligibility:

Lana should **not** be considered a UAE Tax Resident, even though she meets the 90-day physical presence requirement. She fails to meet the other two conditions:

1. **Valid Status:** She **does not have a legal right to reside** in the UAE. Her business visas are temporary and do not provide the permanent residency status required by the law.
2. **Proof of Connection:** She **does not have a Permanent Place of Residence** in the UAE, as her hotel stays are considered temporary and not continuously available to her. She also does not have an active employment or a registered business in the country.

DOCUMENTS REQUIRED

NATURAL PERSON:

1. Personal and Residency Documents

These documents prove your legal identity and your right to live in the UAE.

- **Passport:** A clear copy of your valid passport is required for identification.
- **UAE Residence Visa:** A copy of your current, valid residence visa to show your legal status as a resident.
- **Emirates ID:** A copy of your Emirates ID, which confirms your identity and residency.
- **Lease or Property Ownership Proof:** A certified copy of your residential lease agreement (**EJARI** for Dubai), tenancy contract, or a title deed if you own property. This document is crucial as it proves your official place of residence.

2. Financial and Employment Documents

This category of documents validates your financial ties and source of income within the UAE.

- **Bank Statements:** You'll need validated bank statements from a local UAE bank, typically covering the last **6 months** within the financial year for which you are applying. These statements confirm your financial activity in the country.
- **Proof of Income:** You must provide a document that verifies your source of income. This could be a **salary certificate** from your employer or a copy of your **trade license** if you are a business owner.

3. Proof of Physical Presence

This is a critical document that validates your physical stay in the UAE, which is a key criterion for tax residency.

- **Entry and Exit Report:** You will need an official report from the Federal Authority for Identity and Citizenship (ICP) or the General Directorate of Residency and Foreigners Affairs (GDRFA). This report lists your entries and exits and is used to calculate the number of days you have been in the country. The report is used to confirm that you have met the minimum **90 0r 180-day** residency requirement for a TRC application.

4. Supporting Tax Forms (If Applicable)

- **Foreign Tax Form:** If the country where you will submit the TRC has a specific tax form that requires the FTA's signature and stamp, you must provide this form. You are responsible for filling out and signing the sections that relate to your personal details. The form can be sent to the FTA via courier for attestation.

LEGAL PERSON:

1. **Commercial Documents:**

- **Trade License and Shareholder/Director Attachment:** These prove the company's legal existence and identify its owners and management.
- **Establishment Contract or Memorandum of Association (MoA):** This document outlines the company's structure, purpose, and the rights of its shareholders. It's crucial for showing the legal foundation of the business.

2. **Financial and Operational Documents:**

- **Certified Audited Financial Accounts:** These show the company's financial health and are a key piece of evidence for genuine business activity. The report must be from an accredited audit firm and cover the year for which the TRC is requested.
- **6-Month Bank Statements:** Validated bank statements from a local UAE bank confirm the company's active financial transactions and operational cash flow.
- **Certified Lease Agreement:** This document proves the company has a physical office space and a legitimate business address, which is vital for meeting the economic substance requirements. Shared offices or "flexi-desks" are typically not accepted.

3. **Identity Documents for Management:**

- **Passports, Emirates IDs, and Residence Permits:** Copies of these documents for the company's owners, partners, and directors are required to verify the identity and residency status of the key individuals responsible for the company's management and control.

4. **International Tax Forms:**

- **Tax Forms from Other Countries:** If the TRC is needed for a specific foreign country, you must provide any tax forms required by that country's tax authority.

If the form requires an official signature and stamp from the FTA, you'll need to send the original document to them.

WHAT IS THE PROCESS FOR OBTAINING A UAE TRC FROM THE FTA?

Step 1: Confirm Eligibility and Prepare

Before you even start the online application, you must first ensure you meet the legal requirements to be considered a UAE tax resident. This includes:

- **Physical Presence:** Spending 90 or more days in the UAE within a 12-month period.
- **Valid Status:** Holding a valid UAE residence permit, being a UAE or GCC national, and having a source of income or a permanent place of residence in the country.

Step 2: Gather Required Documents

Next, collect all the necessary paperwork. This is a crucial step as the FTA will verify all documents. The documents include:

- **Passport, Emirates ID, and valid UAE visa.**
- A certified copy of your **lease agreement** (e.g., an EJARI contract).
- An **entry and exit report** from the Federal Authority for Identity and Citizenship (ICP).
- Proof for source of Income – Trade license/ Salary Certificate
- A six-month **bank statement** from a local UAE bank.
- Any specific **tax forms** from the country where the TRC will be used.

Step 3: Online Application & Fee Payment

Once you have all the documents, you can apply for the TRC.

- **Access the Portal:** Apply through the FTA's online **EmaraTax portal** using your account.
- **Pay Fees:** You must pay the submission fees to initiate the process.

Step 4: Application Review & Response

The FTA will review your application and the documents you have submitted.

- **Response Time:** The FTA typically responds within **10 business days**.
- **Request for Information:** If additional information is needed, you have **30 business days** to respond.
- **Approval or Rejection:** The FTA will either approve or reject your application.

Step 5: Certificate Issuance & Hard Copy Request

- **Issuance:** If your application is approved, the FTA issues an **electronic TRC**.
- **Hard Copy:** You can request a hard copy for an additional fee. Hard copy requests are processed within **5 business days** and are delivered to a UAE address.

Step 6: Validity and Withdrawal

The certificate is valid only for the period you specified in your application. The FTA can **withdraw the certificate** if they discover that the information you provided was incorrect or if you no longer qualify as a tax resident.

FEES FOR OBTAINING A UAE TRC

The fees associated with acquiring a UAE Tax Residency Certificate (TRC) are typically divided into two main components: a submission fee and a processing fee. The total cost is determined by your registration status with the Federal Tax Authority (FTA).

Core Fees

The fees are based on whether the applicant is a tax-registered person or a non-tax-registered person.

- **Submission Fee:** A flat fee of **AED 50** is paid by all applicants to submit the application.
- **Processing Fee:** This fee is charged upon the approval of your application.
    - **For Individuals:**
        - If tax-registered: **AED 500**
        - If not tax-registered: **AED 1,000**
    - **For Companies:**
        - If tax-registered: **AED 500**
        - If not tax-registered: **AED 1,750**

Kindly note that a reduction of the fee for the Tax Residency Certificate shall only be available to Corporate Tax Registrants applying using their Corporate Tax TRN. A VAT TRN can be used but shall only support the completion of application, where Corporate Tax TRN is not available. A VAT TRN shall not grant a fee reduction.

Additional Costs

There are a few other charges that may apply, depending on your needs.

- **Hard Copy Certificate:** If you require a physical copy of your TRC, an additional fee of **AED 250** is applicable. This fee often includes the delivery service within the UAE.
- **Other Services:** Separate fees may apply for other related tax certificates, such as a Commercial Activities Certificate.

UNDERSTANDING UAE TAX RESIDENCY CERTIFICATES (TRC): TREATY VS DOMESTIC PURPOSE

This note provides a detailed overview of the two types of Tax Residency Certificates (TRCs) available in the UAE—for Treaty purposes and for Domestic purposes—and explains their distinct objectives, uses, and importance.

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1. TRC for Treaty Purposes

A TRC for Treaty Purposes is a specialized certificate designed to activate the benefits of a **Double Taxation Avoidance Agreement (DTAA)**.

Objective: The primary goal of this certificate is to prevent a company or an individual from paying tax on the same income in two different countries. The UAE has signed DTAAs with over 140 nations to promote international trade and investment. The TRC for a treaty is the official key that unlocks these agreements.

Who Needs It?

- **Companies:** A UAE-based company that receives income from a country with a DTAA (e.g., dividends, royalties, or interest from a subsidiary in India or the UK).
- **Individuals:** A UAE resident who earns a salary, pension, or business income from a DTAA country.

How it Works (The Benefit): When a UAE resident receives income from a DTAA country, that income might be subject to withholding tax at the source (the foreign country). By providing the TRC for a specific treaty, the individual or company can:

- **Claim a reduced withholding tax rate**, as specified in the DTAA (e.g., a 10% rate instead of a 20% domestic rate).
- **Receive a tax credit** in the UAE for the tax already paid in the foreign country, ensuring no additional tax is due on that income in the UAE.

The Key Difference: This certificate explicitly states that it is being issued for the purpose of a particular DTAA, for example, "for the purposes of the DTAA between the United Arab Emirates and the Kingdom of Saudi Arabia."

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2. TRC for Domestic Purposes

A TRC for Domestic Purposes is a general certificate that confirms your tax residency in the UAE without reference to any international treaties.

Objective: The objective is to provide an official government document that verifies an individual or company's tax residency status for all other purposes. It is a general-purpose certification of residency.

Who Needs It?

- **Foreign Bank Accounts:** Banks and financial institutions outside the UAE often require proof of tax residency for compliance with international reporting standards like the **Common Reporting Standard (CRS)**. This is a global framework for the automatic exchange of financial account information.
- **Investment & Due Diligence:** Individuals or companies making investments or engaging in business in a country that does **not** have a DTAA with the UAE. While it won't provide specific tax treaty benefits, it can serve as a valuable document for legal or financial due diligence.
- **General Legal Purposes:** Any situation where a foreign entity or government agency requires official proof of your tax residency for administrative or legal reasons.

How it Works (The Benefit): The domestic TRC is primarily a compliance tool. Its benefit is not in reducing tax but in satisfying foreign regulations and providing a clear, official record of your residency for global financial and legal purposes. It is often a key document for demonstrating that you are not a tax resident of another country, which can be critical for avoiding reporting obligations in your home country.

The Key Difference: This certificate does not mention any specific DTAA. It is a simple, straightforward certification of your tax residency within the framework of UAE domestic law.

COMMERCIAL ACTIVITIES CERTIFICATE

This note provides a detailed overview of the UAE Commercial Activities Certificate, explaining its specific purpose, who should apply for it, and how it differs from a Tax Residency Certificate (TRC).

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1. What is a Commercial Activities Certificate?

A Commercial Activities Certificate is an official document issued by the Federal Tax Authority (FTA) that certifies a company is engaged in **real, active commercial operations** within the UAE. It serves as formal proof of a company's business substance and legitimacy.

Key Difference from a TRC:

- **TRC:** Confirms a company's tax residency to benefit from DTAAs and avoid double taxation on income.
- **Commercial Activities Certificate:** Confirms a company's active business operations, primarily for **VAT and commercial purposes**.

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2. Who Should Apply for It?

This certificate is primarily intended for UAE-based companies, especially those operating in Free Zones, that have significant business dealings in countries with a VAT system.

- **Companies with Foreign Transactions:** Businesses that regularly purchase goods, use services, or conduct business in countries that charge a Value Added Tax (VAT) on those transactions.
- **Businesses Requiring Proof of Substance:** Companies that need to demonstrate to foreign tax authorities, business partners, or banks that they are not just a legal entity but a genuinely active business with commercial operations in the UAE.

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3. The Objective and Benefits

The main objective of the Commercial Activities Certificate is to enable a company to access a specific set of tax benefits and ensure compliance in international business.

- **VAT Refunds from Foreign Countries:** The primary benefit is the ability to claim a refund of VAT paid on goods and services purchased abroad. Without this certificate, it can be difficult or impossible for a UAE company to prove its eligibility to foreign tax authorities and reclaim the VAT.

- **Avoiding International Tax Issues:** The certificate helps a company avoid being classified as a "shell company" by foreign tax authorities. This is a critical aspect of international tax compliance and can prevent disputes over a company's tax status.
- **Due Diligence and Trust:** It serves as a valuable due diligence document for foreign banks and business partners, providing an official, government-issued confirmation of the company's active commercial status.

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