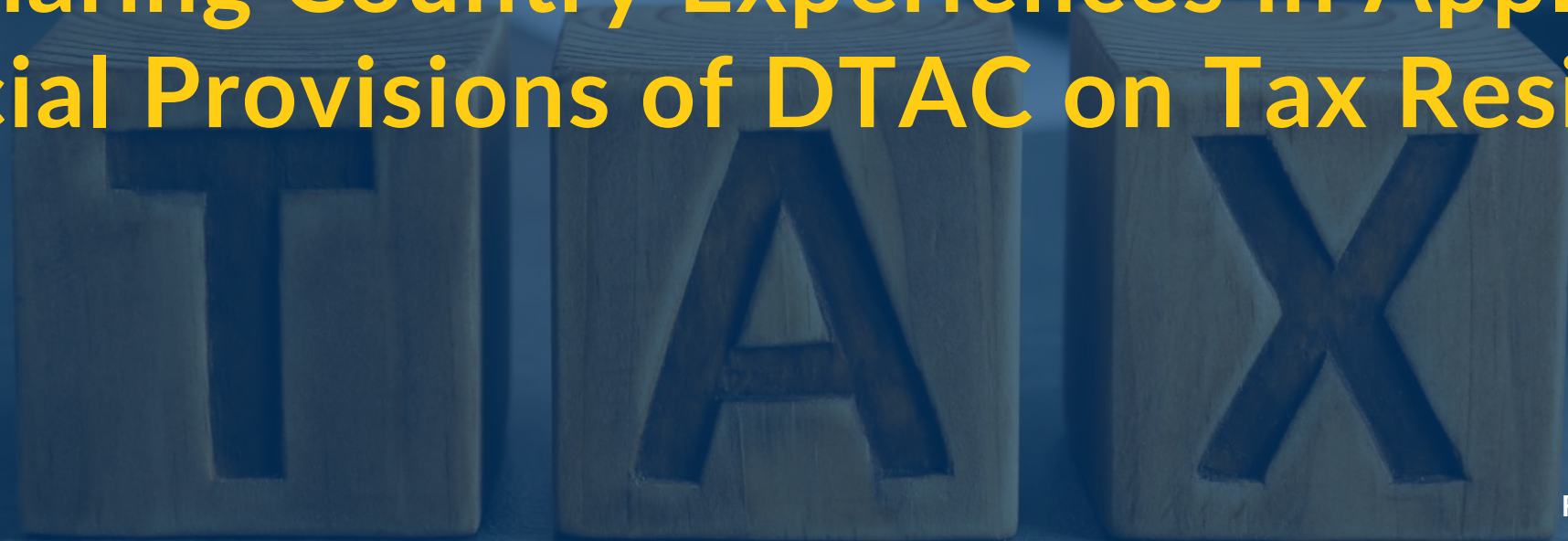




**Practical Application of Double Taxation Avoidance
Conventions: Tax Residency Issues**

Group Discussion 1

**Sharing Country Experiences in Applying
Special Provisions of DTAC on Tax Residence**



Feedback from Group 2

1. How is tax residence generally determined in your country, and what are the main challenges encountered in applying these rules?

General Rules and Criteria

› Residency Determination Criteria

Residency for individuals often relies on the 183-day rule, permanent home, and centre of vital interests.

› Corporate Residency Challenges

Company residency depends on incorporation or effective management location, complicated by 'letterbox' companies.

› Interpretation and Application Issues

Differences in personal versus economic ties and OECD guidance create inconsistencies in tax residency interpretation.

› Administrative and Procedural Challenges

Tight deadlines and difficulty obtaining accurate foreign information increase administrative burdens on tax authorities.



Feedback from Group 2

1. How is tax residence generally determined in your country, and what are the main challenges encountered in applying these rules?

Challenges in Application

› Verifying Company Substance

Determining actual operational presence is complex when companies have only correspondence addresses.

› Dual Residence Complexity

Dual residence scenarios require detailed analysis of family location, property, and habitual abode.

› Taxpayer Misunderstandings

Many taxpayers incorrectly believe that holding a passport automatically grants tax residency.

› Cross-Border Information Exchange

Data sharing delays occur due to formal procedures and privacy regulations like GDPR.



Application Processes

› Varied Application Methods

Tax residence applications differ widely, ranging from manual redistribution to fully online portals, depending on the country.

› Technology Usage Differences

Some countries use digital systems for faster processing, while others rely on manual verification, causing delays.

› Challenges of Non-Harmonisation

Lack of harmonised processes creates difficulties for taxpayers and authorities managing cross-border tax residency issues.

Feedback from Group 2

2. What procedures or documentation are used to establish and certify tax residence?



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Required Documentation and Verification

› Primary and Supporting Documents

Tax residence certificates are supplemented by proof of home, family ties, contracts, and business records.

› Verification Challenges

Digital certificates can be altered and many countries lack real-time validation systems, complicating legitimacy checks.

› Privacy and Compliance Issues

Privacy laws like GDPR limit data sharing, requiring secure platforms and standardized certificate formats.

› Enhanced Authentication Measures

Use of QR codes and unique identifiers improves trust and efficiency in cross-border tax residence validation.



Feedback from Group 2

3. What good practices has your administration adopted to ensure consistency and efficiency in cross-border tax residence cases?

Digitalisation and Automation

› Digital Portals and Centralised Data

Secure portal and electronic file system centralise taxpayer data to enhance certificate application efficiency.

› Rapid Certificate Issuance

E-applications enable faster tax residence certificate issuance, reducing processing time significantly.

› Online Access and Verification

Online access to tax residence certificates simplifies verification for individuals and authorities.

› Automation and Manual Review Balance

Automation handles routine tax cases, while manual review focuses on complex scenarios for efficient resource use.



Cross-Border Cooperation and Risk Management

Feedback from Group 2

3. What good practices has your administration adopted to ensure consistency and efficiency in cross-border tax residence cases?

› Formal Information Exchange

Cross-border cooperation relies on formal channels ensuring compliance with privacy laws, but can cause delays exceeding one month.

› Shared Verification Database

A European shared database for TRC verification could streamline access to standardised tax residency information securely.

› Risk Categorisation System

The green-light system categorises cases by verification status to enhance transparency and prioritise resources.

Risk Management Practices

- › On-site VAT checks and desk-based assessments help detect fraud, supported by taxpayer guidance and educational initiatives.

