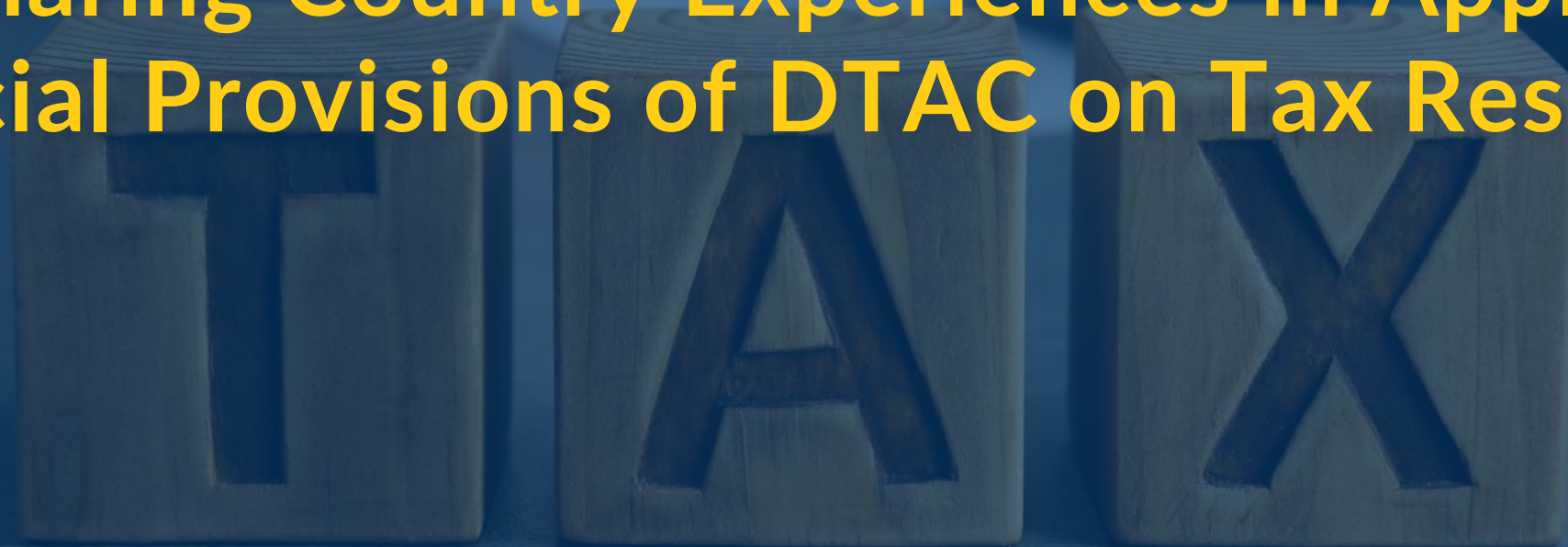




# Practical Application of Double Taxation Avoidance Conventions: Tax Residency Issues

## Group Discussion 1

### Sharing Country Experiences in Applying Special Provisions of DTAC on Tax Residency



## Feedback from Group 1

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

# Tax Residence Determination

## › Objective Criteria – 183-Day Rule

Most countries use the 183-day rule to determine tax residence by counting days spent within the country in a tax year.

## › Subjective Criteria for Residence

Subjective factors include one's permanent home, the centre of vital interests, and social or economic ties that influence tax residency.

## › Challenges and Opportunities

Tax authorities face challenges with DTAC tie-breaker rules, deemed residence, Schengen area, and poor documentation.



## Feedback from Group 1

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

# Challenges in Applying Rules

## › Incomplete Applications

Incomplete or inaccurate applications cause delays and require extensive manual review and follow-up.

## › DTAC Tie-Breaker Complexity

Interpreting DTAC tie-breaker rules is complex, especially in cases involving dual residence.

## › Verification Challenges

Lack of border data in Schengen requires alternative evidence, like passport stamps and insurance records.

## › Assessing Vital Interests

Verifying the centre of vital interests demands a subjective assessment of family, work, and social ties.



## Feedback from Group 1

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

# Establishing and Certifying Tax Residence

## › Tax Residence Procedures

Tax residence requires formal applications and supporting documents, varying by country, such as Croatia and Poland.

## › Digitalisation and Automation

Poland is moving towards digital tax certificate issuance, integrating automation and real-time verification systems.

## › Supporting Documentation

Key evidence includes passport stamps, employment contracts, bank details, rental agreements, and social ties.

## › Technical and Compliance Challenges

Limitations like QR code expiry and certificate revocation challenges affect compliance and real-time verification.



## Feedback from Group 1

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

# Verification and Validity

## › Digital Verification Practices

Electronic certificates using QR codes and unique IDs are used to ensure authentic verification of tax-related status.

## Validity Constraints

- › QR-based certificates typically have short validity periods, while paper certificates remain valid longer but lack digital convenience.

## Automation Efforts

- › Efforts are underway to automate certificate issuance and align processes with broader regulatory frameworks to enable real-time verification, despite legal restrictions on revocation mechanisms.

## Need for Harmonisation

- › Cross-border tax compliance needs harmonised standards, longer digital validity, and a strong IT infrastructure.



## Feedback from Group 1

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

# Digitalisation and Automation



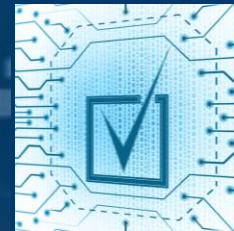
## E-Tax Portals

An online tax portal enables users to request certificates digitally, incorporating QR codes to ensure secure verification.



## Automation in Certificate Processing

Plans are in place to automate the acceptance and issuance of certificates in order to reduce administrative workload and accelerate processing.



## Integration with Regulatory Standards

Alignment with broader regulatory directives supports real-time verification and ensures compliance across participating jurisdictions.



# Guidance and Cooperation

## › Clear Taxpayer Guidance

Manuals could help taxpayers self-assess residence status, reducing routine inquiries and focusing resources on high-risk cases.

## › International Certificate Sharing

Promoting the sharing of tax residence certificate samples to prevent fraud and help taxpayers obtain accurate documentation.

## › Centralised European Portal

A proposed portal would standardise and streamline verification of tax residence certificates across Europe, enhancing transparency.

## › Collaboration and Compliance

Cooperation and proactive communication improve tax compliance and simplify administrative processes across countries.

## Feedback from Group 1

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

