



STROHAL LEGAL GROUP



Significant changes to the Double Taxation Agreement between Austria and the UAE

Austrian residents will have to pay Austrian tax on UAE income

August 2021

1. Background

The Austrian Finance Minister Gernot Blümel and his UAE counterpart signed a protocol (the "**Protocol**") amending several key provisions of the double taxation agreement between Austria and the UAE (the "**DTA**"). Mr. Blümel stated that *"changes to the treaty will prevent income from the UAE either not being taxed at all or being taxed at a lower rate than Austrian businesses with domestic income"*.

The new provisions will apply to income received after 31 December of the calendar year in which the Protocol is ratified by both parties. This means that if the Protocol will be ratified before end of this year it will be **effective as of 1 January 2022**.

2. Key changes to the DTA

Although it is yet to be seen how long the ratification process will ultimately take, it is eminent that the Protocol will impact many Austrian businesses, employees, and residents in the UAE.

Article 10 of the DTA, which regulates the taxation of dividends, will be amended. According to the Protocol the state of residence of the dividends paying company may impose a withholding tax of up to 10% of the dividends paid to the beneficial residing in the other state.

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Certain state entities are excluded from this new rule as well as a corporation (not partnership) holding at least 10% of the share capital in the dividends paying company.

Furthermore, Article 24 of the DTA will be changed. So far, tax residents of Austria had to pay no taxes in Austria for income which was solely taxable in the UAE. For example, the UAE income of an Austrian employee of a UAE company was exempted from Austrian taxation (even if such employee was still a tax resident in Austria). This is about to change. Under the new provision, Austrian tax residents are "*allowed to deduct*" their UAE tax from the Austrian tax. However, as there is no corporate or income tax in the UAE this means 0% deduction and full taxation in Austria.

Under the new Art 24 Austria will be allowed to tax UAE income if you are still considered a tax resident in Austria

3. Outlook

The new changes will potentially be effective as of 1 January 2022 and are relevant for all income specified in all articles of the DTA, like businesses, self-employment, wages, pension etc. As the matter is complex and time is short you should assess as soon as possible whether the announced changes affect you or your business.

New changes will potentially be effective as of 1 January 2022

Our experts at Strohal Legal Group have decades of experience in international tax law and are happy to assist you on the implications, next steps, and potential legal solutions.



CONTACT DETAILS

SLG is an international law firm operating in the UAE, Singapore, Myanmar, and Thailand.

Please reach out to us for further information on the new double taxation agreement.



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