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Corporate tax residence

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In short: A company's tax residence decides which country taxes its worldwide profits and which tax treaties it can use. Countries use two main tests: where the company is incorporated, and where it is managed and controlled. A company can be resident in two countries at once; treaties then decide which one wins.

Tax residence is separate from where a company is registered. A company incorporated in one country but run from another may be tax resident in the second country, or in both.

The two main tests

- **Incorporation test:** a company is resident where it was incorporated or registered.
- **Management test:** a company is resident where its central management and control, or place of effective management, is exercised: usually where the board meets and key strategic decisions are taken.

Many countries apply both, so a company can be resident under either test.

Examples from this wiki

- **Ireland:** a company incorporated in Ireland on or after 1 January 2015 is Irish tax resident, unless a treaty makes it resident elsewhere.
- **Cyprus:** residence depends on management and control being exercised in Cyprus, so a Cyprus company run entirely from abroad may not be Cyprus resident.
- **Estonia and Georgia:** companies founded remotely are common, but if the founder runs the company from another country, that country may treat it as resident there.

Dual residence and treaties

If two treaty countries both treat a company as resident, the treaty's "tie-breaker" decides. Older treaties use the **place of effective management**. The 2017 OECD Model, and treaties changed by the MLI where both countries opted in, instead require the two tax authorities to agree, taking into account where the company is managed, where it is incorporated and other factors. Until they agree, treaty benefits may be limited.

Keeping residence where you intend

- Hold board meetings, and take real strategic decisions, in the country of residence.
- Appoint directors who live there and genuinely take part in decisions.
- Keep minutes, contracts and bank mandates consistent with where decisions are made.
- Be careful when founders or directors move abroad.

Frequently asked questions

Can my company be resident in a country where it is not registered?

Yes. If it is managed and controlled from there, many countries treat it as tax resident, even without any registration.

Why does tax residence matter for treaties?

Only residents of a treaty country can use that treaty, and you prove residence with a certificate from the tax authority.

References

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