



Clarification on Nationality vs. Tax Residency under the Common Reporting Standard (CRS)



This circular provides additional guidance on the distinction between nationality and tax residency in the context of the Common Reporting Standard (CRS). It outlines the specific reporting obligations for Reporting Financial Institutions (RFIs) in the Kingdom of Saudi Arabia (KSA) and directs users to jurisdiction-specific tax residency rules. Understanding these concepts is essential for ensuring accurate CRS compliance.

In accordance with the guidelines set by the Organization for Economic Co-operation and Development (OECD), account holders in KSA must disclose all jurisdictions where they are tax residents, irrespective of their nationality.

KSA has adopted the CRS framework, which mandates RFIs to perform due diligence and report relevant financial account information to support global tax transparency.



1. CRS Reporting Requirements in Saudi Arabia

Under the CRS regulations, RFIs in KSA are required to determine and report accounts that are classified as reportable accounts based on tax residency, not nationality.

Tax Residency

Tax residency refers to the country or countries where an individual or entity is liable to pay taxes by reason of domicile, residence, management or a criterion similar in nature.

An individual is considered a tax resident in KSA if they meet either of the following conditions:

- They have a permanent place of residence in KSA and stay for at least 30 days during the tax year.
- They reside in KSA for 183 days or more during the tax year.

A company is considered a tax resident in KSA if it meets either of the following conditions:

- it is incorporated under the Companies Law in KSA.
- Its central management is located in KSA.



Nationality

Nationality refers to the legal relationship between an individual and a country, typically established through birth or naturalization. Nationality indicates citizenship but does not determine tax obligations.

Example:

Faisal is a Saudi national and tax resident in Germany and UK. Faisal has a bank account with one of the German banks and another account with a UK Bank. Recently, Faisal opened a bank account in Switzerland and another bank account in Saudi Arabia, declaring that he is a Saudi national and a tax resident in Germany and UK. The Common Reporting Standard (CRS) requires reporting based on tax residency. In Faisal's case, below are the different CRS reports that will be exchanged by the respective Competent Authorities:

- The Swiss Competent Authority will report Faisal's account to Germany and UK.
- The Saudi Competent Authority will report Faisal's account to Germany and UK.
- The UK Competent Authority will report Faisal's account to Germany.
- The German Competent Authority will report Faisal's account to UK.

2. Reference for Jurisdiction-Specific Tax Residency Rules

For detailed information on tax residency rules applicable in jurisdictions participating in the CRS, please refer to the OECD's AEOI Tax Residency Portal: <https://www.oecd.org/en/networks/global-forum-tax-transparency/resources/aeoi-implementation-portal/tax-residency.html>



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