The 10 Commandments for Individuals to Avoid Double Taxation

Disclaimer: These commandments are for informational guidance only, not for legal advise.

I. KNOW THY RESIDENCE RULES

- Thou shalt fully understand the national tax residency laws of every country where you have a significant presence (e.g., spending time, owning a home, having economic ties).
- Being a tax resident in two countries is common, but it is the first step toward double taxation.
- **Request advise from Simplex Tax.**

II. EMPLOY THE DOUBLE TAX TREATY (DTT)

- Thou shalt identify and rigorously apply the relevant Double Tax Treaty (DTT) between the countries involved.
- The DTT is your primary shield, overriding national law for dual residents.
- The DDT is a synonym to *“double taxation problems solving”*.

III. DETERMINE THE TIE-BREAKER

- Thou shalt follow the DTT's "Tie-Breaker Rules" in strict order to determine a single treaty-residence country.
- These rules typically check, in sequence:
  - Where you have a permanent home available.
  - Where your centre of vital interests (personal and economic ties) is closer.
  - Where you have a habitual abode.
  - Your nationality (if all else fails).

IV. MAINTAIN A SINGLE "CENTRE OF VITAL INTERESTS"

- Thou shalt demonstrably concentrate thy personal and economic ties—family, social life, primary bank accounts, primary business management—in the single country you intend to be your treaty residence. **This is a critical factor in the tie-breaker test.**

V. METICULOUSLY TRACK THY DAYS

- Thou shalt demonstrably concentrate thy personal and economic ties—family, social life, primary bank accounts, primary business management—in the single country you intend to be your treaty residence. **This is a critical factor in the tie-breaker test.**

VI. CLAIM THE FOREIGN TAX CREDIT (FTC)

- **Thou shalt claim the Foreign Tax Credit (FTC) in thy primary country of residence.** This mechanism allows you to reduce your domestic tax bill dollar-for-dollar (up to a limit) for income tax already paid to the foreign country on the same income.

VII. UTILIZE THE EXEMPTION METHOD

- **Thou shalt, where the DTT or national law allows, apply the "Exemption Method."**
- For certain types of income, this method dictates that your country of residence will simply exempt the foreign income from taxation altogether, provided it was properly taxed in the source country.

VIII. STRUCTURE THY INCOME SOURCE

- **Thou shalt review the DTT to determine the 'Source' of each income stream (e.g., salary, dividends, rent, capital gains) and structure your affairs so that income is taxed where the treaty grants the primary taxing right.**

IX. SEEK PROFESSIONAL COUNSEL ANNUALLY

- **Thou shalt not attempt to navigate international tax law alone.**
- Seek advice from a qualified international tax advisor before making any significant residential, employment, or investment changes, and review your status annually.

X. FILE COMPLETELY AND TIMELY

- **Thou shalt file complete and timely tax returns and residency claims in all relevant jurisdictions, including the non-residence returns where applicable, to declare your worldwide income and formally claim treaty benefits or foreign tax relief.**