# India–UAE cross-border tax: residency, DTAA and business setup.

The UAE hosts the world's largest Indian diaspora and levies no personal income tax — so your entire tax outcome turns on the India side. Residency day-counts, the deemed-residency rule written for Gulf NRIs, treaty claims on Indian income, and the 9% corporate-tax reality behind a UAE company.

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## The corridor in one paragraph

Money flows both ways: salaries and business profits earned tax-free in the UAE funding property, deposits and investments in India; and increasingly, Indian founders and family offices opening UAE entities for global business. Neither direction is complicated — but each has exactly one trap that catches people repeatedly. Going out, it's **residency status**. Coming back in, it's **round-tripping and substance**.

## Residency: where every UAE case starts

Because the UAE doesn't tax your salary, your entire tax outcome turns on staying non-resident in India. The mechanics: **182 days** in India makes you resident; for visiting NRIs with Indian-sourced income above ₹15 lakh, the limit tightens to **120 days** (with a 365-day look-back). And the rule written for this corridor — **deemed residency** — catches Indian citizens with Indian income above ₹15 lakh who are "not liable to tax" anywhere. Deemed residents land as RNOR, not full residents, so foreign salary generally stays out — but you inherit filing obligations you didn't expect. Long India trips, family events and the Diwali-to-wedding-season weeks add up faster than expected — count them. Run your facts through the residential-status checker annually, not once.

## Your Indian income: what the treaty actually does

Your NRE and FCNR deposit interest is already exempt under Indian law while you're a non-resident under FEMA — no treaty needed. Where the DTAA makes a real difference is **NRO interest (treaty ceiling 12.5% against the 30%-plus-cess domestic rate)**, dividends (10%), and royalties or technical fees (10%). Claiming those rates needs a **UAE Tax Residency Certificate, electronic Form 10F and your PAN**, handed to the payer before payment. The UAE issues TRCs under its domestic residency rules despite having no income tax — get one each year; it is also your shield on deemed residency. Check any rate on the DTAA rate checker.

Capital gains on Indian shares and property are, in practice, planned on Indian domestic rates — the treaty's gains article has moved through protocol and MLI changes and needs case-by-case reading before anyone relies on it. The NRI capital-gains calculator covers the domestic position; property sellers should read the Form 13 guide before signing.

## Setting up in the UAE from India

An Indian resident or company investing into a UAE entity is in **FEMA ODI territory**: the Overseas Investment Rules, form FC filings through your AD bank, and annual performance reporting. Three structural points dominate:

- **Free zone vs mainland.** A Qualifying Free Zone Person can hold a 0% rate on qualifying income under the UAE's corporate-tax regime; mainland business is taxed at 9%. The qualifying conditions — substance, audited accounts, activity lists — are real and reviewed annually.
- **Substance, or POEM applies.** A UAE company managed in fact from Gurugram is an Indian tax resident under POEM. Board meetings, decision-makers and operations need to actually sit in the UAE.
- **Round-tripping.** A UAE holdco whose main asset is an investment back into India draws FEMA's round-trip restrictions and GAAR attention. If the goal is an offshore-flavoured holding for Indian assets, compare GIFT City first — it exists for exactly this.

## Coming home: the RNOR window

UAE returnees typically get two to three **RNOR** years in which foreign income stays outside Indian tax — the window to restructure deposits (FCNR runs to maturity tax-free), realise offshore gains and re-organise holdings before full residency. The RNOR note walks the sequence, including the FEMA account changes that trigger on return day, not on tax-residency day.

## Estate planning across the corridor

Indian succession law follows the person and the asset; the UAE historically applied Sharia principles to local assets. For UAE-resident Indians with meaningful UAE assets, a **DIFC or ADGM will** covering UAE assets, alongside an Indian will for Indian assets, is the standard two-document answer. India currently levies no inheritance tax; the UAE none either — the planning issue is administration and applicable law, not tax.

## Common questions

### Is my Dubai or Abu Dhabi salary taxable in India?

Not while you are a non-resident under Indian law — UAE employment income earned and received outside India stays outside the Indian net. The risk is status, not source: crossing the Indian day-count thresholds, or being caught by deemed residency, pulls you back in. Count days every year and keep evidence.

### What is deemed residency and does it catch Gulf NRIs?

An Indian citizen with Indian-sourced income above ₹15 lakh who is not liable to tax in any other country can be deemed an Indian resident. It was aimed squarely at Gulf-based Indians, since the UAE levies no personal income tax. Deemed residents are classified RNOR, so foreign salary generally stays out — but the classification brings filing obligations and scrutiny. A UAE Tax Residency Certificate materially strengthens your position.

### Can I get a UAE Tax Residency Certificate with no income tax there?

Yes. The UAE issues TRCs under its domestic residency rules (183-day, and shorter-stay tests with a permanent home) and for treaty purposes. For any DTAA claim in India — the 12.5% treaty rate on NRO interest instead of 30%, for instance — the TRC plus electronic Form 10F is the required paperwork.

### Will the UAE's 9% corporate tax hit my free-zone company?

The headline rate is 9%, but a Qualifying Free Zone Person can remain at 0% on qualifying income — subject to substance, audited accounts and the qualifying-activity conditions. Mainland-sourced income is generally taxed. The regime is young and positions need annual review.

### Is money I send home to family taxed in India?

A remittance is not income, and gifts to specified relatives (spouse, parents, siblings, children) are exempt in their hands regardless of amount. Gifts to non-relatives above ₹50,000 a year are taxable for the recipient. Document large transfers — the AIS will show them.

*This guide is general information as of FY 2025-26, not tax or legal advice — day-count rules, the UAE corporate-tax regime and treaty positions all evolve. Speak with the Cross-Border Tax practice about your facts.*

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