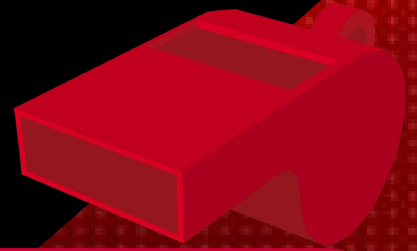


E-INVOICING ALERT

August 12, 2025



Data: residency vs. sovereignty

What UAE taxpayers should know when it comes to eInvoicing

Executive summary

RESIDENCY

Tells you where your data lives.

SOVEREIGNTY

Tells you who can legally and operationally control it.

In practice, jurisdiction can trump geography; foreign laws may still apply to your data even if it's stored in a UAE-based data centre. With the UAE's mandatory eInvoicing programme launching in 2026, choosing an Accredited Service Provider (ASP) whose cloud model aligns with your industry, IT, and regulatory posture is a critical risk-management decision.

1. Location vs. control

In the UAE's rapidly digitising economy, we meticulously plan business strategies, but a critical question often remains: Where does our data live, and who controls it? The answer requires understanding two distinct concepts.

DATA RESIDENCY

Is the data hosted in the UAE?

Data residency refers to the physical, geographic location where your data is stored and processed—in this case, within data centres on UAE soil. Residency is a good first step. It can help reduce data transfer latency and satisfy baseline expectations from regulators. By itself, however, it doesn't guarantee which laws or which operators control the environment.

DATA SOVEREIGNTY

Who has ultimate authority?

Data sovereignty is a more powerful and comprehensive concept. It's about the legal jurisdiction and operational control over not just your data, but the entire platform it lives on. This includes:

1. The platform's control plane (the "master keyboard" for the infrastructure)
2. Administrative access and support workflows
3. Encryption keys and key management systems
4. System logs and operational telemetry

True sovereignty ensures these critical levers are kept within the UAE and managed by a local operator, contractually and technically limiting foreign reach.

Takeaway

Hosting data in the UAE is necessary, but not always sufficient. Recent statements by major global cloud providers confirm that lawful access requests under foreign statutes (like the U.S. CLOUD Act) can still apply to data they manage, depending on their corporate structure. (Further reading: Microsoft data in the EU). You must understand the governance of the cloud, not just the GPS coordinates of the server rack.



WHY THIS MATTERS NOW

This distinction is moving from a theoretical to a practical one for three reasons:

- The UAE has enacted a robust federal data protection regime (PDPL) and maintains strict sector-specific rules (e.g., in financial services). The PDPL permits controlled cross-border data transfers only when adequate safeguards are in place. This means you must know precisely where your data flows and who can access it. ([Further reading: PPDL](#))
- The Ministry of Finance's upcoming eInvoicing mandate will be a watershed moment for data governance. Based on the OpenPeppol five-corner model, it will route all B2B and B2G invoices through Accredited Service Providers (ASPs) who validate, exchange, and report tax-relevant data to the Federal Tax Authority (FTA). With the first go-live planned for 2026, the choice of your ASP is imminent.
- An ASP's choice of cloud platform directly impacts your risk profile. The nationality of the cloud operator and the legal jurisdiction they fall under are what truly determine access paths during support incidents or official investigations—far more than the physical location of the server.

2. Why software can't "just move" between clouds

A common misconception is that if a cloud environment becomes problematic, you can simply migrate your software. In reality, modern applications are deeply anchored to their underlying platforms due to two powerful forces: data gravity and operational dependency.

- As you concentrate more invoice, tax, and payment data in one place, the applications, analytics, and reporting tools that use it become "stuck" to that data store. Moving petabytes of critical information is slow, risky, and can incur significant data egress charges.

- Modern software is not a single program; it's an ecosystem of interconnected services. Each cloud provider's database, identity management (IAM), serverless functions, and networking tools are proprietary. Re-platforming means re-wiring your entire application's security controls, data pipelines, and operational runbooks; it is not a simple "lift-and-shift."
- Critical processes like audit trails, encryption key custody, and the chain of evidence for tax audits are tightly bound to the original platform's controls. Recreating these with the same level of integrity on a new platform is a major design and validation project.

While technologies like containers (Kubernetes) and open standards can help reduce friction, some degree of lock-in is inevitable in any real-world system. Your initial choice of vendor and their underlying cloud is a significant long-term commitment.

3. What "good" looks like in a UAE ASP

Your due diligence must confirm how each prospective Accredited Service Provider's hosting model supports compliance and your internal risk policies. Use this checklist to strengthen your RFP and selection process.

A buyer checklist when talking to eInvoice ASPs

- ☒ **Residency scope**
Where are primary storage, backups, search indexes, and logs stored? Is all processing, including for telemetry and analytics, performed within the UAE? Ask for evidence.
- ☒ **Sovereignty levers**
Who operates the control plane? Where are their administrative and support personnel located? Can the provider technically and contractually prevent foreign-law access without a UAE court order?



☑ **Key management**

Do they offer customer-managed keys (CMK/HSM)? What is the model for key custodianship? Is it provably under UAE jurisdiction?

☑ **OpenPeppol alignment**

What is their official conformance status for the UAE PINT standard? Request evidence of interoperability testing and their MoF accreditation status and timeline.

☑ **Security & auditability**

Are audit logs immutable? What are the retention policies for tax audit purposes? Ask to review their incident response playbooks.

☑ **Portability & exit**

What is the data export format and SLA? Is there a documented and tested cloud exit plan? Are egress costs clearly defined?

☑ **Continuity**

What are the guaranteed Recovery Point Objectives (RPO) and Recovery Time Objectives (RTO) for eInvoice flows? Where is the disaster recovery site located (and is it also within the UAE)?

☑ **Vendor neutrality**

To what extent does the solution rely on unique hyperscaler services versus portable, open-source components?

4. Making the right choice for your transactional data

When selecting your UAE eInvoicing ASP, you face a strategic choice. You must assess whether a global public cloud region is sufficiently aligned with your IT, industry, and regulatory requirements, or whether a sovereign operating model, with an in-jurisdiction control plane, key custody, and local operator, better fits your risk profile.

Either way, make residency and sovereignty explicit requirements in your evaluation. This is sensitive, transactional tax data that triggers long-term retention, audit, and lawful-access considerations. The time to ask these questions is now, before you are locked into a platform that doesn't meet your future needs.

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