



Updates on UAE Related Party Transactions and Connected Person Schedules

Tax Alert

November 2024

On the 11 November 2024, the Federal Tax Authority (FTA) released a Corporate Tax guide, introducing new guidance for Taxpayers to prepare and submit the Corporate Tax return. In Section 16, schedules are introduced for Related Party Transactions and Connected Persons.

The guide outlines clear thresholds for reporting transactions involving Related Parties and Connected Persons:

- **Related Party Transaction Schedule: Taxpayers must disclose these transactions if:**

- The aggregate value of all transactions with all Related Parties recorded in the financial statements (or at market value) **exceeds AED 40 million.**
- Once the above threshold is exceeded, the transactions with related parties are to be disclosed in the various categories of transactions (Goods, services, Intellectual Property, Interest, Assets, Liabilities, Others), if the aggregate value of transaction per category **exceeds AED 4 million.**

- **Connected Persons Schedule: Disclosure is required if:**

- The aggregate payment or benefit to a single Connected Person (including their Related Parties) **exceeds AED 500,000.**

It is noteworthy that dividends declared between Related Parties are explicitly excluded from these thresholds.





Key Takeaways

- Failure to comply with these reporting obligations may lead to increased scrutiny and significant penalties. We recommend Taxpayers to proactively review their current financial records and maintain proper Transfer Pricing documentation to substantiate the arm's length nature of transactions.
- For the threshold of aggregate value of all transactions with all Related Parties, it is important for the Taxpayers to ensure the accurate reporting of all the transactions in the Financial Statements in line with a Market Value. Therefore, a proper TP analysis and documentation should be prepared in advance to prevent the risk of tax liabilities understatement along with the penalties and potential tax disputes.
- Further, it has been clarified that any transfer pricing adjustment that decreases the Taxable Income (i.e. downward adjustment) will be allowed only upon a successful application to the FTA. Therefore, in the event of an upward adjustment in one Taxpayer, the counterparty Taxpayer can claim the offsetting downward adjustment only upon successful application to the FTA.

Contact our Tax team

For more details regarding this Tax alert or other Tax issues, reach out to our team of experts on the latest Tax developments within the UAE and the Middle East region.



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