



## **Transfer Pricing Update**

### Materiality Thresholds for Related Party Transaction Disclosure

#### **Contact Us**

+971 4 243 5666  
info@ae.Andersen.com

#### **UAE Office Locations**

402 Arenco Tower, Dubai Media City, Dubai  
103 Sama Tower, Electra Street, Madinat Zayed, Abu Dhabi

## Materiality Thresholds for Related Party Transaction Disclosure

The Federal Tax Authority (FTA) issued a Corporate Tax Guide on Tax Returns, providing key Transfer Pricing guidance, particularly for the disclosure requirements of high-value transactions with related parties and connected persons in the Related Party and Connected Persons Schedules of the tax return (also known as the TP Disclosure Form).

Notable clarifications in the guide include:

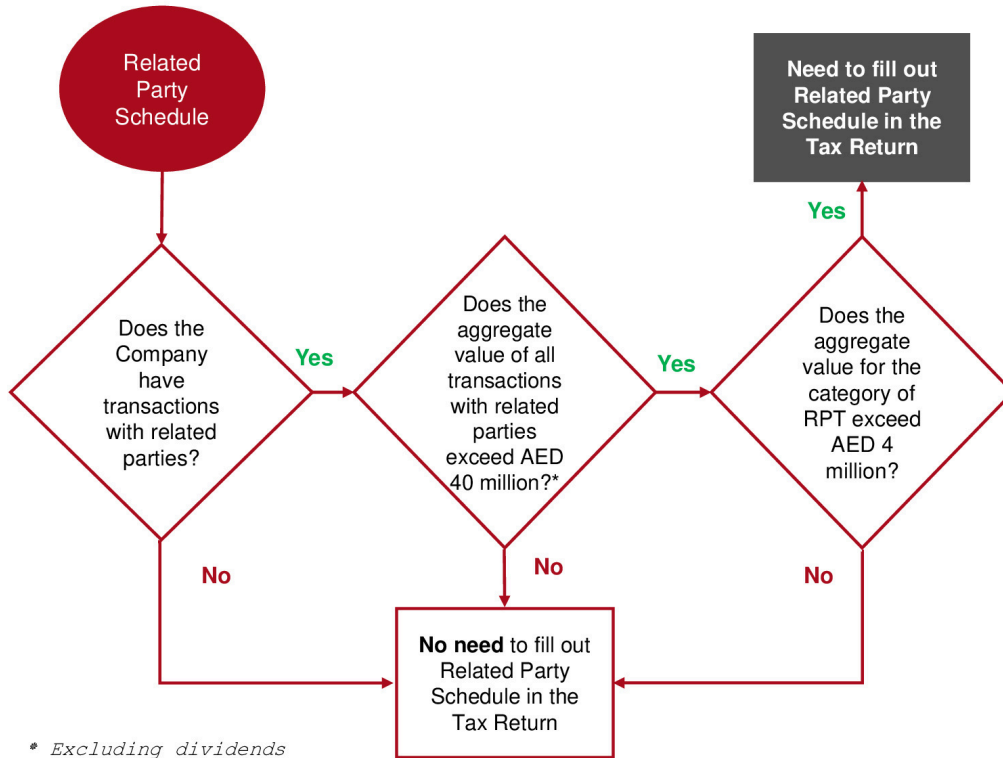
### 1. Materiality Thresholds

#### a) Related Party Schedule

- **Primary Threshold:** The Related Party Schedule applies when the total value of all transactions with related parties exceeds **AED 40 million**.
- **Secondary Threshold:** Only those related party transactions need to be disclosed, where the aggregate transaction value per transaction category (e.g., Goods, Services, Intellectual Property, Interest, Assets, Liabilities, Other) exceeds **AED 4 million**.

Both primary and secondary thresholds must be met to trigger these disclosure requirements.

The thresholds mentioned above are illustrated in the flow chart below:

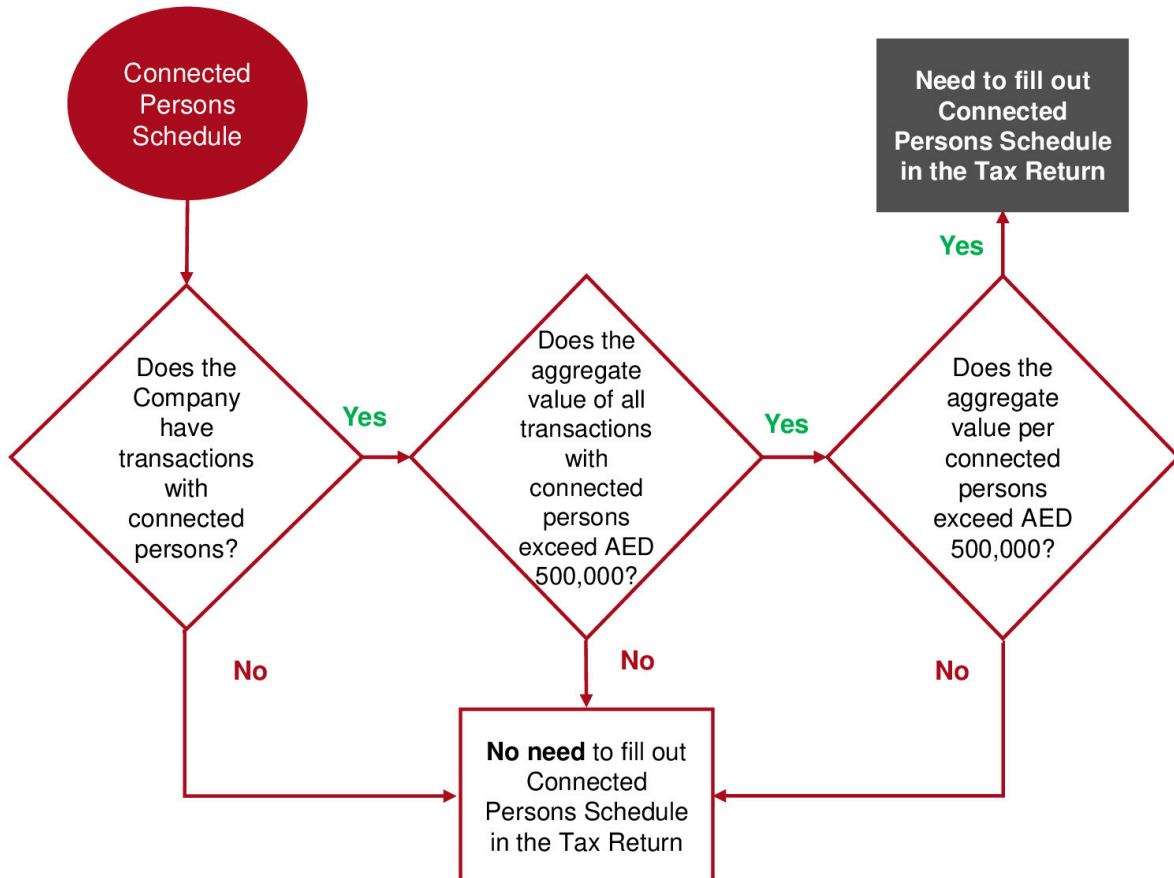


## b) Connected Persons Schedule

- **Primary Threshold:** The Connected Persons Schedule applies when the aggregate value of all transactions with Connected Persons exceeds **AED 0.5 million**.
- **Secondary Threshold:** Only those Connected Person transactions need to be disclosed, where individual payments or benefits per Connected Person must exceed **AED 0.5 million**.

Both primary and secondary thresholds must be met to trigger these disclosure requirements.

The thresholds mentioned above are illustrated in the flow chart below:



**2. Exclusion of Dividends:** The Guide clarifies that dividends are not to be reported in the Related Party Schedule, nor are they to be included in materiality threshold calculations.

**3. Separate Reporting of Gross Income and Expenditure:** The Guide also clarifies that the Gross income (revenue) and expenditures must be reported separately.

**4. FTA Approval for Downward TP Adjustment:** The Guide provides that any transfer pricing adjustment that reduces Taxable Income (downward adjustment) of the Taxable Person requires FTA approval. However, the exact procedure for the FTA application is awaited.



“

### Andersen's Take

- This guide eases the compliance requirements for small businesses. However, it's important to note that the **FTA still has the authority** to request documentation to verify the arm's length nature of transactions.
- Therefore, irrespective of materiality threshold for Transfer Pricing Compliances (such as TP Disclosure Form, Local file and Master file), **businesses in the UAE** must continue to ensure that transactions with related parties and connected persons comply with the arm's length principle in accordance with UAE Transfer Pricing Regulations.
- Additionally, when a downward TP adjustment requires FTA approval, if one party makes a voluntary upward adjustment, there is a risk of **double taxation** if the other transacting party does not receive approval for a corresponding downward TP adjustment.

”

*Our Team*

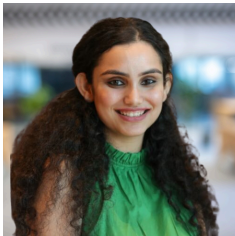
# Contact Us



**Anurag Chaturvedi**  
*Chief Executive Officer*  
anurag.chaturvedi@ae.andersen.com



**Krishnan Narayanan**  
*Abu Dhabi Partner*  
krishnan.narayanan@ae.andersen.com



**Kanika Duseja**  
*Partner, Leader M&A Tax*  
kanika.duseja@ae.andersen.com



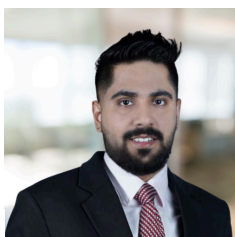
**Thomas Lassey**  
*Partner, Indirect Tax*  
thomas.lassey@ae.andersen.com



**Prateem Sengupta**  
*Director, Direct Tax Leader*  
prateem.sengupta@ae.andersen.com



**Sahil Sharma**  
*Director, Transfer Pricing*  
sahil.sharma@ae.andersen.com



**Gaurav Chugani**  
*Associate Director*  
gaurav.chugani@ae.andersen.com



**Gurleen Sethi**  
*Associate Director*  
gurleen.sethi@ae.andersen.com

**UAE Office Locations:** *Dubai:* 402 Arenco Tower, Dubai Media City | *Abu Dhabi:* 103 Sama Tower, Madinat Zayed.  
**Contact Us:** +971 4 243 5666 | info@ae.andersen.com

**DISCLAIMER:** This information cannot be considered as our recommendation and contains information in summary form. This is therefore intended for general guidance only. It is not intended to be a substitute for detailed research or the exercise of professional judgment. Neither Andersen in the UAE nor any member firm can accept any responsibility for loss occasioned by any person acting or refraining from action as a result of any material in this presentation. On any specific matter, reference should be made to the appropriate advisor.