

Corporate Tax Alert

Public Clarification on the Definition of
'Related Parties' in the context of Government Entity



Corporate Tax Alert: Public Clarification on the Definition of ‘Related Parties’ in the context of Government Entity

The Federal Tax Authority (FTA) has recently issued a [Public Clarification](#) on the definition of ‘Related Parties’ where there is common ownership and/or control through a government entity.

This clarification aims to provide a clear understanding as to what constitutes related parties, particularly in structures involving government ownership and control.

It clarifies that the common ownership and/or control by the UAE federal government or an Emirate-level local government alone does not automatically classify entities as Related Parties for transfer pricing purposes, as per Article 35 of the UAE Corporate Tax (CT) Law. It also provides illustrative examples to aid understanding.

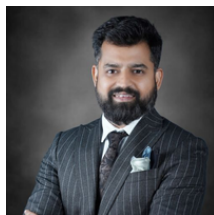
It also clarifies that entities within the same group structure (e.g., subsidiaries of a government-owned entity) will be considered Related Parties. By way of illustration, it also clarifies that entities under the same government ownership/control but under different group structures shall not be considered as Related Parties.

It is important to note that the public clarification is clarificatory in nature and states the position of the FTA. It does not amend any existing provisions of the UAE CT Law. Hence, the clarifications provided are applicable retrospectively from the date of implementation of the UAE CT Law.

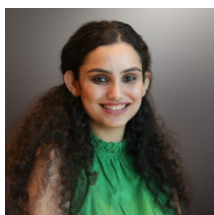
Andersen Takeaway and Way Forward

- The clarification provides clarity and compliance relief for numerous government-owned entities in the UAE. Given the substantial presence of these entities across various sectors and their intricate holding structures, this development is indeed welcome.
- In light of this clarification, government-owned entities should review their group structure and related party relationships, update their transfer pricing policy and documentation (as needed), and establish a system for identifying new related party relationships, especially those involving government ownership.

Andersen UAE Team



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



Kanika Duseja
Partner, Indirect Tax
kanika.duseja@ae.andersen.com
+971 55 586 7304



Krishnan Narayanan
Partner, Tax & Advisory, Abu Dhabi
krishnan.narayanan@ae.andersen.com
+971 52 363 5158



Prateem Sengupta
Director, Direct & International Tax
prateem.sengupta@ae.andersen.com
+971 50 787 6608

UAE Office Locations

📍 402 Arenco Tower, Dubai Media City, Dubai

103 Sama Tower, Electra Street, Madinat Zayed, Abu Dhabi

Contact Us

✉ info@ae.andersen.com

☎ +971 4 243 5666

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.