

Transfer Pricing Disclosure in UAE

What Businesses Need to Know

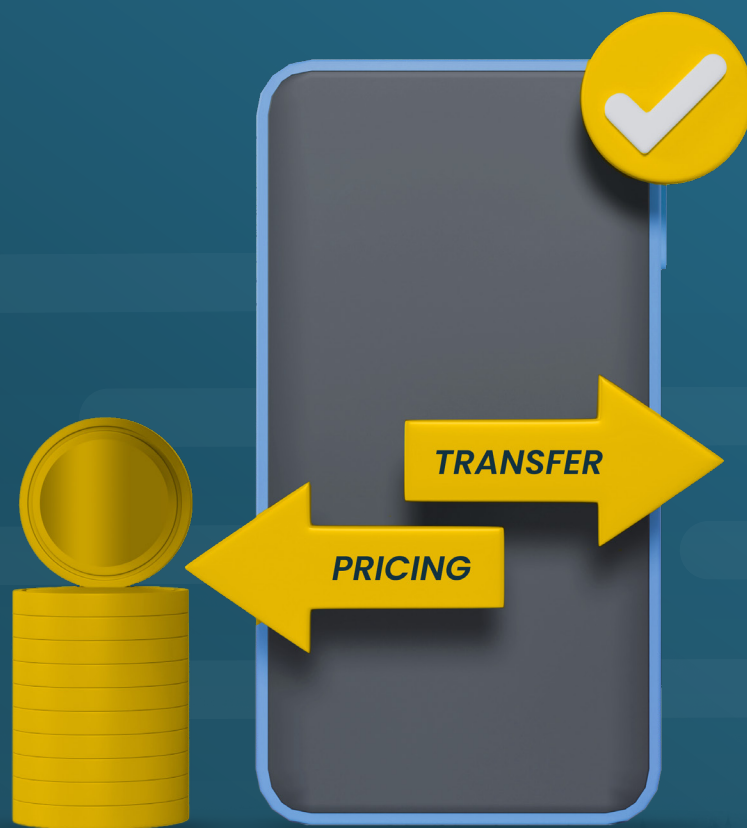


Table of Contents

Introduction	01
Related Party Transactions Reporting Schedule Requirements	03
Payments/ Benefits to Connected Persons Reporting Requirements	06
About Fame Advisory FZCO	09
Our Team	11

Introduction

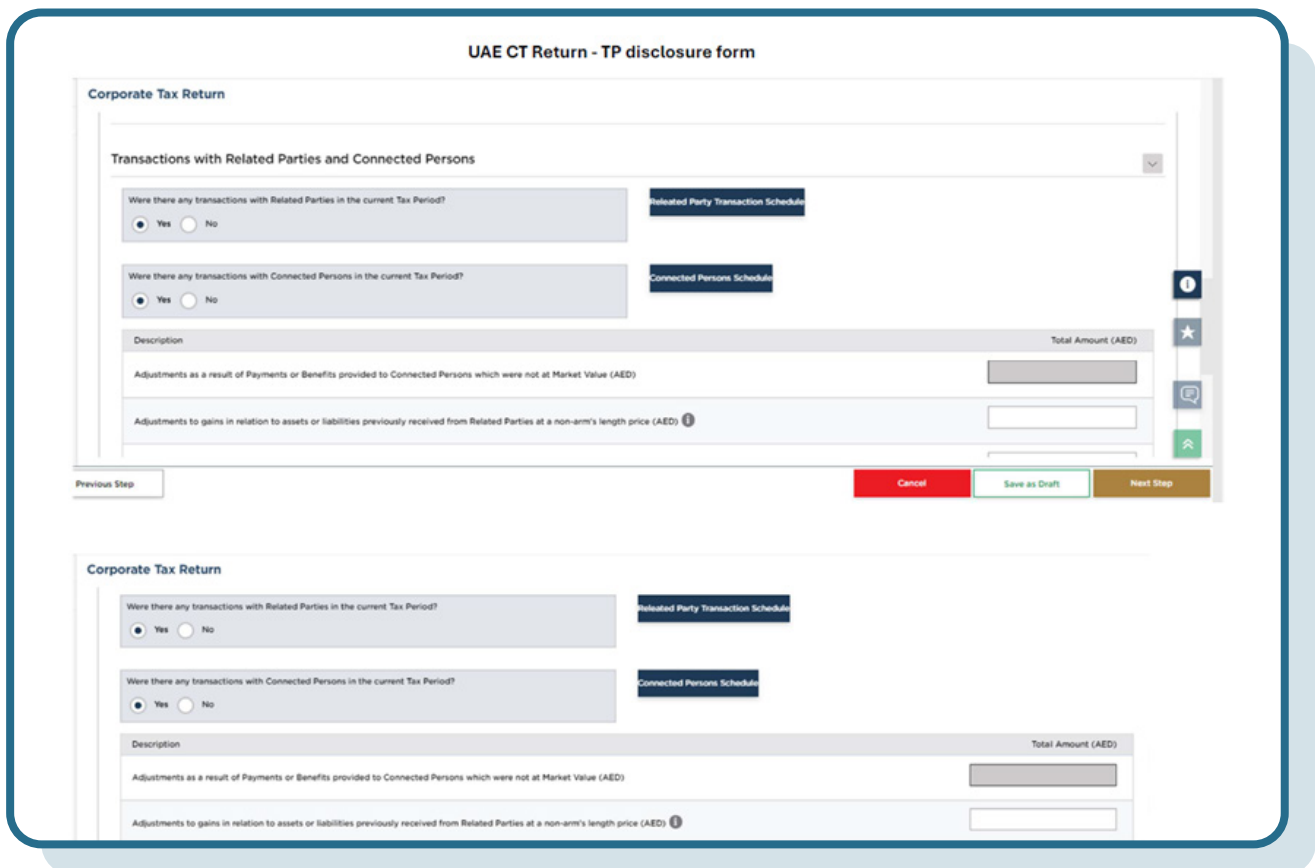


The Federal Tax Authority (FTA) has recently updated the Corporate Tax (CT) return form, particularly concerning the Transfer Pricing Disclosure Form (TP Disclosure Form). Now, taxable persons must disclose transactions with Related Parties and Connected Persons in the TP Disclosure Form.

With the introduction of Corporate Tax in the UAE, the TP Disclosure Form is a crucial element of CT Returns. It ensures transparency in related party transactions and plays a significant role in determining a Taxable Person’s tax liabilities.

It is worthwhile to note that it is an integral part of the CT Return process and these additional details are considered as part of the TP disclosure form. It is not a separate stand-alone form to be filled and filed but one of the segments/components of the CT return form.

In the TP Disclosure form, FTA seeks the following information to be provided by the Taxpayer:



The screenshot displays the 'UAE CT Return - TP disclosure form' interface. The form is titled 'Corporate Tax Return' and contains the following sections:

- Transactions with Related Parties and Connected Persons** (dropdown menu)
- Were there any transactions with Related Parties in the current Tax Period?** (Radio buttons: Yes, No) with a link to **Related Party Transaction Schedule**.
- Were there any transactions with Connected Persons in the current Tax Period?** (Radio buttons: Yes, No) with a link to **Connected Persons Schedule**.
- Description** and **Total Amount (AED)** table:

Description	Total Amount (AED)
Adjustments as a result of Payments or Benefits provided to Connected Persons which were not at Market Value (AED)	<input type="text"/>
Adjustments to gains in relation to assets or liabilities previously received from Related Parties at a non-arm's length price (AED) ⓘ	<input type="text"/>

Navigation buttons at the bottom include: **Previous Step**, **Cancel**, **Save as Draft**, and **Next Step**. A sidebar on the right contains icons for help, favorites, chat, and home.

Related Party Transactions Reporting Schedule Requirements

- Legal Full Name of the Related Party (RP)
- Transaction Type with RP
- Country of Tax Residence of the related party
- Corporate Tax TRN of RP
- Gross Value of Transaction with RP in AED
- TP method adopted (TNMM, CUP, CPM, RPM)
- Arm Length Value (shall be determined from the benchmarking conducted during the tax period)
- Tax Adjustment (Difference of Income/expense & Arm Length Value)

Related Party Schedule

Corporate Tax Return

Filing Period	Corporate Tax Return Period 01/06/2023 - 31/12/2023	Corporate Tax Return Due Date 31/12/2024	Corporate Tax Year End 31/12/2023
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Related Party Transaction Schedule

Gross Income Received from Related Parties Expenditure Paid to Related Parties Summary Table

Gross Income Received from Related Parties + Add New Item

Customize Columns		***					
Name of the Related Party	Transaction type	Tax Residence	Gross Income (AED)	Transfer Pricing method applied	Arm's Length Value (AED)	Tax adjustment (AED)	Action
Mr. A	Goods	India	1,000	The resale price method.	800	-200	***
Total (AED)						-200	

Corporate Tax Return

Filing Period	Corporate Tax Return Period 01/06/2023 - 31/12/2023	Corporate Tax Return Due Date 31/12/2024	Corporate Tax Year End 31/12/2023
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Related Party Transaction Schedule

Gross Income Received from Related Parties Expenditure Paid to Related Parties Summary Table

Expenditure Paid to Related Parties + Add New Item

Customize Columns		***					
Name of the Related Party	Transaction type	Tax Residence	Expenses (AED)	Transfer Pricing method applied	Arm's Length Value (AED)	Tax adjustment (AED)	Action
No data							
Total (AED)							

Gross Income Received from Related Parties ✕

<p>Name of the Related Party <input style="width: 95%;" type="text"/></p> <p>Tax Residence <input style="width: 95%;" type="text"/></p> <p>Gross Income (AED) <input style="width: 95%;" type="text"/></p> <p>Arm's Length Value (AED) <input style="width: 95%;" type="text"/></p>	<p>Transaction type i</p> <div style="border: 1px solid #ccc; padding: 5px; min-height: 150px;"> <ul style="list-style-type: none"> Goods Services Intellectual Property Interest Assets Liabilities Others </div> <p style="text-align: right; margin-top: 10px;">Add</p>
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Gross Income Received from Related Parties ✕

<p>Name of the Related Party <input style="width: 95%;" type="text"/></p> <p>Tax Residence <input style="width: 95%;" type="text"/></p> <p>Gross Income (AED) <input style="width: 95%;" type="text"/></p> <p>Arm's Length Value (AED) <input style="width: 95%;" type="text"/></p>	<p>Transaction type i</p> <div style="border: 1px solid #ccc; padding: 5px; min-height: 150px;"> <p>Corporate Tax TRN/TIN (where available) <input style="width: 95%;" type="text"/></p> <p>Transfer Pricing method applied i</p> <div style="border: 1px solid #ccc; padding: 5px; min-height: 100px;"> <ul style="list-style-type: none"> The comparable uncontrolled price method. The resale price method. The cost-plus method. The transactional net margin method. The transactional profit split method. </div> </div>
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Payments/ Benefits to Connected Persons Reporting Requirements

- Full Name of the Connected Person (CP)
- Corporate Tax TRN of CP
- Payment made or benefit provided to CP
- Description of payment or benefit provided to CP
- Actual value of payment or benefit to be provided in AED
- Market value of payment or benefit (shall be determined from the benchmarking conducted during the tax period)
- Tax Adjustment (Difference of Income/expense & Arm Length Value)

Connected Persons Schedule ✕

Name of the Connected Person <input style="width: 95%;" type="text"/>	Corporate Tax TRN/TIN (where available) <input style="width: 95%;" type="text"/>
Payment or benefit <input style="width: 95%;" type="text"/>	Description ? <input style="width: 95%;" type="text"/>
Value of the payment or benefit provided to the Connected Person (AED) <input style="width: 95%;" type="text"/>	Market Value of the service or benefit provided by the Connected Person (AED) <input style="width: 95%;" type="text"/>
Adjustment for transactions with Connected Persons (AED) <input style="width: 95%;" type="text"/>	

Add

Connected Persons Schedule ✕

Name of the Connected Person <input style="width: 95%;" type="text"/>	Corporate Tax TRN/TIN (where available) <input style="width: 95%;" type="text"/>
Payment or benefit <input style="width: 95%;" type="text"/>	Description ? <input style="width: 95%;" type="text"/>
<input style="width: 95%; border: none;" type="text"/> <div style="border: 1px solid #ccc; padding: 2px; font-size: 0.7em; margin-top: 2px;"> Payments Benefits </div>	Market Value of the service or benefit provided by the Connected Person (AED) <input style="width: 95%;" type="text"/>
Adjustment for transactions with Connected Persons (AED) <input style="width: 95%;" type="text"/>	

Add

This comprehensive disclosure form aims to ensure compliance with the newly introduced UAE corporate tax law, allowing the tax authorities to evaluate the arm's length nature of related party transactions effectively. Since the details required are many, we would urge Corporate not to take the TP compliance lightly. Unless one has carried out a Benchmarking exercise, one will not be able to complete and fill in the above details or will not have sufficient documentation to justify the market value or arm's length value for the transaction and this needs to be done for each of the related party / connected person transactions.

Note: Accurate and complete disclosure is essential to remain compliant and avoid penalties. TP form is an integrated part of the CT Return and is required to be submitted along with the CT Return. Therefore, failure to submit the TP form/ CT Return would lead to a penalty of:

- AED 500 per month for the first 12 months
- AED 1,000 per month from the 13th month onwards

About FAME Advisory FZCO

With three decades of market presence, FAME Advisory has remained the UAE's most trusted and leading tax advisory and management firm.

Along with that, FAME excels in various domains, such as corporate services, succession planning, and corporate structuring. Our primary aim is to align our solutions with the client's problems, educate them, and empower them to take informed decisions.



Vision

To be the region's first choice for tax compliance and advisory in various aspects of the business.



Mission

We at FAME Advisory aim to solve businesses' tax compliance issues and provide advisory services that help them achieve the milestones they dreamt of.

Our Team



Mr. Nirav Shah

Director at FAME Advisory

With over two decades of experience in corporate advisory, consultancy, and compliance, CA Nirav Shah is a qualified Chartered Accountant and a stalwart in the industry, being recognized as amongst the top corporate structuring, international tax, and compliance experts in the UAE, India, and other countries.

For more than 15 years, Mr. Nirav has had a distinguished journey consulting global clients on Corporate Structures and Governance and family asset holding structures and has served as a specialist in providing strategic inputs to organizations.



Udit Chokshi

Associate Director - Indirect Tax & Compliance

Udit Chokshi is a Taxpert, helping businesses all across the UAE in getting tax audit-ready, streamlining their VAT and accounting processes, and shield them against tax evasion. Being an active listener, Udit absorbs and understands the client's problem and situation and communicates the facts and solutions honestly.

As a customer service-oriented person, he believes in providing utmost dedication and availability to customers.



CA Juned Halai

Manager International & Corporate Tax

With enriched experience in Corporate Tax at FAME, CA Juned Halai, provides strategic tax advisory services to a diverse portfolio of domestic and international clients. Specializing in tax planning, he has a proven track record of optimizing tax liabilities and enhancing client profitability. Skilled in navigating complex regulatory frameworks, he offers expert tax guidance to multinational corporations and local businesses across the UAE and GCC region, ensuring compliance while maximizing tax efficiency. He is actively engaged with international clients to provide expert advice on various international tax issues.



Hemang Agravat

Associate Director – Corporate Services

As a Business Development Manager at FAME, Hemang has had a long professional career with a focus on growing the company's client base.

He holds a successful track record of nurturing clients & has been instrumental in building high-performing teams. He specializes in building programs that add value to the client relationships. Hemang brings in a wealth of experience bridging the gap between Sales & Advisory teams.



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