

Corporate tax

Transactions with Related Parties and
Connected Persons

Tax Loss - Relief and Transfer

Tax Group and Qualifying Tax Group

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Arm's length principle:

By applying one or combination of Transfer Pricing (TP) methods,

- Comparable Uncontrolled Price Method (CUP)
- Resale Price Method
- Cost-plus Method
- Transactional Net Margin Method
- Transactional Profit Split Method

MINISTERIAL DECISION NO. 97 OF 2023

A Taxable Person that meets **either of the following conditions** shall maintain both a **master file and a local file**

- a) Where the Taxable Person, for any time during the relevant Tax Period, is a Constituent Company of a Multinational Enterprises Group that has a total consolidated group Revenue of AED 3,150,000,000 (three billion one hundred and fifty million United Arab Emirates dirhams) or more in the relevant Tax Period.
- b) b) Where the Taxable Person's Revenue in the relevant Tax Period is AED 200,000,000 (two hundred million United Arab Emirates dirhams) or more.

Related parties and Control

- Two or more natural persons – related within 4th degree of kinship
- A Natural person and a Juridical person
 - Natural person or one/more Related parties of Natural person are shareholders in the Juridical person – directly or indirectly owns 50% or more in Juridical person
 - A Natural person alone or together with related parties – directly or indirectly controls the Juridical person
- Two or more Juridical Persons
 - One juridical person, alone or together with its RPs – directly or indirectly owns 50% or more / controls the other juridical person
 - Any Person, alone or together with its RPs – directly or indirectly owns 50% or more / controls such two or more juridical persons

- **Payments to Connected Persons:**

- Shall be deductible **only if the payment is on Market Value** and incurred for business purpose

- **Connected Persons**

A Person shall be considered a Connected Person if that Person is:

- An Owner
- A Director or Officer
- A Related party of any persons

- **Payments to Connected Persons does not apply to:**

- A Taxable Person whose shares are traded on a Recognized Stock Exchange
- A Taxable Person that is subject to the Regulatory oversight of a Competent Authority

Tax Loss Relief (Set off against subsequent year income)

- Losses before CT can not be claimed
- Up to 75% of the Taxable income of the subsequent tax period can be used for set off carried forward losses before offsetting the tax loss transferred from other taxable persons
- At least 50% ownership interest should be continued **OR** same/similar business is continued for claiming tax loss relief

Transfer of Tax Loss

Tax Loss shall be offset against the Taxable income of another A Taxable Person, if:

- At least 75% direct or indirect ownership by Taxable person **OR** 75% common ownership. The Ownership **MUST** exist for the entire tax period till the tax loss is setoff.
- **None of the persons** are Exempt or Freezone Qualifying Persons
- **Both follow** same financial year and accounting framework

- Two or more Resident Juridical persons – Apply for Tax Group – Single Taxable Person
 - Represented by the Parent
- 95% of Share capital, Voting rights, and profits & net assets in Subsidiary – either directly or indirectly through one or more subsidiaries
- **Neither Parent nor Subsidiary** is an Exempt or a Freezone Qualifying Person
- The Parent and Subsidiaries **follow** the same financial year and accounting framework
- The Parent and each Subsidiary are jointly and severally liable for CT payable
- Taxable Income based on Consolidated Financial Statements

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THANK YOU

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